

NATIONAL FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2005 AND 2004

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 31 December 2005 and 2004, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the years then ended, and the separate financial statements of National Finance Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Finance Public Company Limited and its subsidiary companies and of National Finance Public Company Limited as at 31 December 2005 and 2004 and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the financial statements referred to above, I draw attention to the plan for the financial business restructuring of the Thanachart Group, as described in Note 1 to the financial statements, which is approved by the Ministry of Finance and currently being implemented.

Ruth Chaowanagawi

Certified Public Accountant (Thailand) No. 3247

Ernst & Young Office Limited
Bangkok : 23 February 2006

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
ASSETS					
CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS	4	5,534,393,032	2,016,744,315	811,571,573	817,512,184
LOANS TO FINANCIAL INSTITUTIONS - Net	5	177,283,068	315,494,680	19,400,000	19,400,000
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	6	19,700,000,000	10,600,000,000	7,200,000,000	3,200,000,000
INVESTMENTS					
Current investments - Net	7	5,838,033,733	7,185,729,593	8,687,958	114,199,403
Long-term investments - Net	7	25,714,103,186	31,329,017,215	2,944,895,141	9,845,753,230
Investments in subsidiary and associated companies	8	1,651,305,657	1,759,442,726	21,780,437,475	13,998,779,777
Net investments		33,203,442,576	40,274,189,534	24,734,020,574	23,958,732,410
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		163,920,465	-	-	-
LOANS, RECEIVABLE AND ACCRUED					
INTEREST RECEIVABLE					
Finance business loans and receivable	9	160,366,136,079	127,960,620,125	83,114,934,098	106,714,645,408
Securities business receivable		2,355,890,901	1,830,633,652	-	-
Total loans and receivable		162,722,026,980	129,791,253,777	83,114,934,098	106,714,645,408
Accrued interest receivable		239,194,089	152,561,128	36,525,524	52,305,469
Total loans, receivable and accrued interest receivable		162,961,221,069	129,943,814,905	83,151,459,622	106,766,950,877
Less : Allowance for doubtful accounts	10	(6,914,239,097)	(7,562,098,292)	(3,244,646,946)	(3,588,825,036)
Less : Revaluation allowance for debt restructuring	11	(189,062,423)	(254,402,729)	(5,412)	(5,908)
Net loans, receivable and accrued interest receivable		155,857,919,549	122,127,313,884	79,906,807,264	103,178,119,933
PROPERTY FORECLOSED - Net	13	8,144,539,193	7,289,001,373	3,260,212,829	3,161,307,184
LAND, PREMISES AND EQUIPMENT - Net	14	1,304,242,072	665,877,098	585,279,793	407,835,880
INTANGIBLE ASSETS - LEASEHOLD RIGHT AND SOFTWARE		342,242,032	211,153,636	206,388,699	187,328,689
GOODWILL		3,406,691	4,645,488	-	-
AMOUNT BY WHICH VALUE OF INVESTMENTS IS					
LOWER THAN BOOK VALUE		(31,253,534)	(11,965,356)	-	-
ACCRUED INTEREST RECEIVABLE		200,566,309	201,413,688	19,564,868	68,172,696
VALUE ADDED TAX RECEIVABLE		2,324,184,801	486,918,330	-	440,058,065
OTHER ASSETS	15	1,148,114,287	862,734,653	192,508,344	290,584,120
TOTAL ASSETS		228,073,000,541	185,043,521,323	116,935,753,944	135,729,051,161

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS					
	16				
From public		160,137,304,930	133,194,658,440	11,634,000,000	90,963,086,689
From financial institutions		24,977,372,726	17,371,928,069	75,700,134,654	16,615,391,612
From foreign countries		135,111	86,953,322	-	86,818,212
Total borrowings and deposits		185,114,812,767	150,653,539,831	87,334,134,654	107,665,296,513
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	17	200,000,000	-	-	-
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		25,438,892	239,628,576	-	-
SECURITIES BUSINESS PAYABLE		1,057,862,946	341,975,489	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD	18	285,760,000	261,926,200	-	-
DEBENTURES	19	7,521,520,000	7,555,520,000	5,473,000,000	5,473,000,000
ACCRUED INTEREST PAYABLE		1,255,047,454	929,183,887	102,953,487	435,118,874
INSURANCE PREMIUM PAYABLE		595,554,266	368,593,121	112,331,618	362,594,870
LIABILITIES PAYABLE ON DEMAND		997,155,289	37,496,605	-	-
VALUE ADDED TAX PAYABLE		242,731,511	14,695,016	229,894,212	-
CORPORATE INCOME TAX PAYABLE		470,714,418	439,690,837	299,646,985	217,449,696
UNEARNED PREMIUM RESERVE		704,370,473	436,502,144	-	-
LIFE PREMIUM RESERVE		3,131,826,050	-	-	-
OTHER LIABILITIES	20	3,084,615,348	2,271,041,433	744,963,769	681,197,148
PROVISION FOR LOSS ON INVESTMENTS IN					
A SUBSIDIARY COMPANY	8	-	-	-	150,154,622
TOTAL LIABILITIES		204,687,409,414	163,549,793,139	94,296,924,725	114,984,811,723

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
SHAREHOLDERS' EQUITY					
Share capital	21				
Registered					
19,546 preference shares of Baht 10 each and					
2,333,134,457 ordinary shares of Baht 10 each					
(2004 : 19,576 preference shares of Baht 10 each and					
2,333,134,427 ordinary shares of Baht 10 each)		23,331,540,030	23,331,540,030	23,331,540,030	23,331,540,030
Issued and paid up					
19,546 preference shares of Baht 10 each					
(2004 : 19,576 preference shares of Baht 10 each)		195,460	195,760	195,460	195,760
1,333,134,457 ordinary shares of Baht 10 each					
(2004 : 1,333,134,427 ordinary shares of Baht 10 each)		13,331,344,570	13,331,344,270	13,331,344,570	13,331,344,270
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Surplus from revaluation of assets of an associated company		540,420,162	559,034,746	540,420,162	559,034,746
Revaluation surplus on investments	22	321,008,326	516,529,076	321,008,326	516,529,076
Revaluation deficit on investments	22	(1,151,186,364)	(1,087,818,408)	(1,151,186,364)	(1,087,818,408)
Retained earnings					
Appropriated - statutory reserve	23	523,975,925	368,770,961	523,975,925	368,770,961
Unappropriated		7,007,426,252	4,990,538,145	7,007,426,252	4,990,538,145
Equity attributable to Company's shareholders		22,638,829,219	20,744,239,438	22,638,829,219	20,744,239,438
Minority interest - equity attributable to minority shareholders of subsidiaries		746,761,908	749,488,746	-	-
TOTAL SHAREHOLDERS' EQUITY		23,385,591,127	21,493,728,184	22,638,829,219	20,744,239,438
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		228,073,000,541	185,043,521,323	116,935,753,944	135,729,051,161
		0	0	0	0
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
Avals to bills and guarantees of loans	36.1	249,200,000	698,171,729	10,000,000	10,000,000
Letter of credits		635,370,238	-	-	-
Other contingencies		52,531,581,282	15,488,223,734	21,724,366,747	6,862,666,747

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

DIRECTORS

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
INTEREST AND DIVIDEND INCOME					
Loans and deposits		2,897,525,363	2,483,941,984	900,756,926	756,025,439
Hire purchase and financial lease		7,028,429,412	5,266,990,253	6,309,982,220	5,244,520,754
Investments		1,008,736,560	1,359,808,403	236,477,481	475,895,495
Total interest and dividend income		10,934,691,335	9,110,740,640	7,447,216,627	6,476,441,688
EXPENSES ON BORROWINGS					
Interest and discounts		4,425,630,891	3,325,251,371	3,716,344,076	2,217,973,941
Fees and charges		984,535	1,051,671	-	-
Total expenses on borrowings		4,426,615,426	3,326,303,042	3,716,344,076	2,217,973,941
Net interest and dividend income		6,508,075,909	5,784,437,598	3,730,872,551	4,258,467,747
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	25	723,375,971	(1,414,824,418)	345,896,264	(987,706,118)
REVERSAL LOSS ON DEBT RESTRUCTURING					
(LOSS ON DEBT RESTRUCTURING)	26	(429,817,482)	(78,427,539)	-	1,771,906
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		6,801,634,398	4,291,185,641	4,076,768,815	3,272,533,535
NON-INTEREST INCOME					
Brokerage fees		523,584,027	692,274,262	-	-
Gain (loss) on investments	27	240,482,876	589,688,637	(41,327,235)	173,686,749
Share of profits from investments in subsidiary and associated companies accounted for under equity method - net		191,897,442	156,918,912	1,504,309,252	1,940,535,825
Fees and charges		377,957,786	412,843,949	27,628,196	19,613,883
Discounted income on insurance premium		517,980,740	386,156,273	262,488,147	382,059,256
Gains on debt settlement/property transferred in settlement of debts		468,527,631	1,187,963,222	49,486,884	4,531,828
Insurance premium / Life insurance premium income		1,770,339,941	684,096,525	-	-
Gains on property foreclosed	28	248,115,019	169,215,878	114,302,652	64,826,257
Other income		811,708,745	670,308,467	471,970,531	376,581,937
Total non-interest income		5,150,594,207	4,949,466,125	2,388,858,427	2,961,835,735

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
OPERATING EXPENSES					
Personnel expenses	29	1,924,210,917	1,476,757,780	429,017,792	529,298,517
Premises and equipment expenses		875,512,067	582,229,268	460,177,362	331,757,831
Taxes and duties		335,403,359	235,810,432	76,270,420	118,512,017
Directors' remuneration	30	30,940,575	29,181,922	17,854,578	16,688,924
Fund contributed to the Financial Institutions Development Fund		557,190,937	530,452,472	360,316,776	348,957,170
Commission and expenses charged on hire-purchase		1,218,904,124	836,470,940	530,924,564	836,470,940
Insurance / Life insurance expenses		1,381,228,258	483,801,133	-	-
Other expenses		1,520,425,578	855,961,037	941,763,323	603,840,544
Total operating expenses		7,843,815,815	5,030,664,984	2,816,324,815	2,785,525,943
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		4,108,412,790	4,209,986,782	3,649,302,427	3,448,843,327
CORPORATE INCOME TAX	31	(971,606,845)	(989,364,715)	(545,203,132)	(466,037,973)
EARNINGS BEFORE MINORITY INTEREST		3,136,805,945	3,220,622,067	3,104,099,295	2,982,805,354
MINORITY INTEREST IN NET EARNINGS IN					
SUBSIDIARY COMPANIES					
		(32,706,650)	(237,816,713)	-	-
NET EARNINGS FOR THE YEAR		3,104,099,295	2,982,805,354	3,104,099,295	2,982,805,354
EARNINGS PER SHARE					
	33				
Basic earnings per share		2.33	2.24	2.33	2.24
Diluted earnings per share		2.33	2.24	2.33	2.24

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net earnings	3,104,099,295	2,982,805,354	3,104,099,295	2,982,805,354
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	32,706,650	237,816,713	-	-
Share of gain on investment under equity method	(191,897,442)	(156,918,912)	(1,504,309,252)	(1,940,535,825)
Depreciation and amortisation	239,931,286	160,440,969	115,544,148	76,322,330
Bad debt and doubtful accounts and loss on debt restructuring	293,558,489	1,493,251,957	(345,896,264)	985,934,212
Increase in provision for impairment of property foreclosed	66,381,347	68,838,139	12,671,886	42,526,675
Increase in provision for diminution in value of equipment/other assets	280,299,702	117,289,855	278,003,392	111,816,087
Increase (decrease) in provision for impairment/revaluation of investments	68,504,159	(44,523,973)	26,906,565	34,991,518
Amortisation of deferred gain on disposal of property foreclosed	(153,457,159)	(109,600,026)	(6,660,925)	(58,682,371)
Amortisation of surplus/discounts on investments in debt securities and negotiable certificates of deposit	176,373,104	124,070,299	21,683,366	46,289,643
Amortisation of goodwill/amount by which value of investments is lower than book value	(9,937,260)	(2,100,373)	-	-
Increase in unearned premium reserve/life insurance premium reserve	536,880,550	116,715,943	-	-
Gain on debt settlement/property transferred in settlement of debt	(91,653,516)	(367,675,957)	(34,352,499)	-
Loss (gain) on disposal of equipment	(4,888,723)	(905,013)	(3,735,330)	272,722
Decrease (increase) in accrued interest and dividend receivable	(93,712,530)	275,717,466	64,387,773	163,165,869
Amortisation of deferred hire-purchase and deferred income	(7,450,094,174)	(5,298,356,189)	(6,309,982,220)	(5,244,481,088)
Decrease (increase) in accrued other income receivable	(89,736,665)	-	39,480,060	-
Increase (decrease) in accrued interest payable	325,863,567	(13,418,590)	(332,165,387)	(632,127)
Earnings (loss) from operating activities before changes in operating assets and liabilities	(2,960,779,320)	(416,552,338)	(4,874,325,392)	(2,800,207,001)

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Decrease (increase) in operating assets				
Loans to financial institutions	286,935,559	58,795,395	-	-
Securities purchased under resale agreements	(9,100,000,000)	(9,800,000,000)	(4,000,000,000)	(3,200,000,000)
Investment in trading securities	(106,781,836)	250,922,681	-	-
Trading transactions with securities companies	(163,920,465)	123,541,510	-	-
Loans and receivable	(28,493,479,971)	(19,516,138,143)	28,668,173,511	(21,410,072,619)
Property foreclosed	1,673,858,576	1,104,360,358	1,315,557,547	690,619,987
Other assets	(2,210,271,371)	6,446,287	220,617,689	232,068,992
Intangible assets	(111,675,385)	-	(11,431,575)	(28,852,103)
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	26,942,646,490	10,495,314,301	(79,329,086,689)	7,480,751,146
Borrowings and deposits from banks and financial institutions	7,577,257,236	9,145,196,728	59,084,743,042	11,608,906,436
Borrowings and deposits from foreign	(86,818,211)	(6,436,570)	(86,818,212)	(6,436,570)
Securities sold under repurchase agreements	200,000,000	(3,750,000,000)	-	(3,250,000,000)
Trading transactions with securities companies	(214,189,684)	14,444,895	-	-
Securities business payable	715,887,457	(917,733,486)	-	-
Liabilities under commercial papers sold	23,833,800	(150,000,000)	-	-
Liability payable on demand	959,658,684	(47,203,292)	-	-
Other liabilities	1,229,986,175	857,713,772	147,830,031	491,936,119
Net cash flows from (used in) operating activities	(3,837,852,266)	(12,547,327,902)	1,135,259,952	(10,191,285,613)
Cash flows from investing activities				
Decrease (increase) in long-term investments	9,163,457,289	14,564,510,044	6,495,408,781	11,029,265,388
Cash received from disposal of investments/capital reduction of subsidiary companies	117,831,517	-	-	-
Cash paid for purchase of investments in subsidiary companies - Net	(249,997,000)	-	(6,728,099,490)	(1,699,930)
Cash received from dividend payment of subsidiary and associated companies	127,259,694	111,136,707	285,601,098	1,017,551,603
Cash paid for purchase of land and equipment	(886,581,159)	(419,379,944)	(318,093,246)	(265,872,387)
Cash received from disposal of equipment	63,310,623	1,318,848	55,988,518	416,253
Net cash flows from (used in) investing activities	8,335,280,964	14,257,585,655	(209,194,339)	11,779,660,927

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Cash flows from financing activities				
Cash received from minority interest for share capital issuance of subsidiaries	3,467,810	-	-	-
Cash paid for debenture redemption	(34,000,000)	-	-	-
Dividend paid	(932,006,224)	(1,197,465,924)	(932,006,224)	(1,197,465,924)
Dividend paid to minority interest	(17,241,567)	(14,741,660)	-	-
Net cash flows from (used in) financing activities	(979,779,981)	(1,212,207,584)	(932,006,224)	(1,197,465,924)
Net increase in cash and cash equivalents	3,517,648,717	498,050,169	(5,940,611)	390,909,390
Cash and cash equivalents at beginning of the year	2,016,744,315	1,518,694,146	817,512,184	426,602,794
Cash and cash equivalents at ending of the year	<u>5,534,393,032</u>	<u>2,016,744,315</u>	<u>811,571,573</u>	<u>817,512,184</u>
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	4,071,579,901	3,337,439,795	4,048,509,463	2,218,606,068
Corporate income tax	956,922,142	823,830,985	462,998,733	252,186,791
Non-cash transactions				
Conversion of preference shares to ordinary shares	300	2,000	300	2,000
Property foreclosed transferred from loans and receivable, other receivable and investment in receivables purchased	2,621,154,251	1,386,402,512	1,427,526,316	558,697,110
Investment in promissory notes transferred from TAMC	-	189,605,700	-	-
Loans and receivable transferred from investment in receivables purchased	217,017,911	439,133,748	140,612,342	22,637,265
Investment in securities transferred from loans and receivable	19,701,445	185,204,851	-	-

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED								
	Issued and paid up		Share premium	Surplus from revaluation of assets	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 - dividend paid	-	-	-	-	-	-	(1,199,838,603)	-	(1,199,838,603)
Reversal of dividend on shares held by foreign shareholders (not right to receive dividend)	-	-	-	-	-	-	2,372,679	-	2,372,679
Increase in surplus from revaluation of assets	-	-	-	130,768,692	-	-	-	-	130,768,692
Increase in revaluation deficit on investments	-	-	-	-	(419,155,137)	-	-	-	(419,155,137)
Conversion of preference shares to ordinary shares	(2,000)	2,000	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	149,140,268	(149,140,268)	-	-
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(17,015,732)	(17,015,732)
Net earnings for the year 2004	-	-	-	-	-	-	2,982,805,354	237,816,713	3,220,622,067
Balance - as at 31 December 2004	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	749,488,746	21,493,728,184
Dividend paid (Note 21)	-	-	-	-	-	-	(933,207,802)	-	(933,207,802)
Reversal of dividend on shares held by shareholders (not right to receive dividend)	-	-	-	-	-	-	1,201,578	-	1,201,578
Decrease in surplus from revaluation of assets	-	-	-	(18,614,584)	-	-	-	-	(18,614,584)
Increase in revaluation deficit on investments	-	-	-	-	(258,888,706)	-	-	-	(258,888,706)
Conversion of preference shares to ordinary shares (Note 21)	(300)	300	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	155,204,964	(155,204,964)	-	-
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(35,433,488)	(35,433,488)
Net earnings for the year 2005	-	-	-	-	-	-	3,104,099,295	32,706,650	3,136,805,945
Balance - as at 31 December 2005	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	7,007,426,252	746,761,908	23,385,591,127

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	THE COMPANY ONLY								
	Issued and fully paid up			Surplus from revaluation of assets	Revaluation surplus (deficit) on investments	Retained earnings		Minority interest	Total
	Preference shares	Ordinary shares	Share premium			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	-	19,247,286,453
Appropriated earnings of 2003 - dividend paid	-	-	-	-	-	-	(1,199,838,603)	-	(1,199,838,603)
Reversal of dividend on shares held by foreign shareholders (no right to receive dividend)	-	-	-	-	-	-	2,372,679	-	2,372,679
Increase in surplus from revaluation of assets	-	-	-	130,768,692	-	-	-	-	130,768,692
Decrease in revaluation surplus on investments	-	-	-	-	(419,155,137)	-	-	-	(419,155,137)
Conversion of preference shares to ordinary shares	(2,000)	2,000	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	149,140,268	(149,140,268)	-	-
Net earnings for the year 2004	-	-	-	-	-	-	2,982,805,354	-	2,982,805,354
Balance - as at 31 December 2004	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	-	20,744,239,438
Dividend paid (Note 21)	-	-	-	-	-	-	(933,207,802)	-	(933,207,802)
Reversal of dividend on shares held by shareholders (no right to receive dividend)	-	-	-	-	-	-	1,201,578	-	1,201,578
Decrease in surplus from revaluation of assets	-	-	-	(18,614,584)	-	-	-	-	(18,614,584)
Increase in revaluation deficit on investments	-	-	-	-	(258,888,706)	-	-	-	(258,888,706)
Conversion of preference shares to ordinary shares (Note 21)	(300)	300	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	155,204,964	(155,204,964)	-	-
Net earnings for the year 2005	-	-	-	-	-	-	3,104,099,295	-	3,104,099,295
Balance - as at 31 December 2005	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	7,007,426,252	-	22,638,829,219

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO 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. However, as at 31 December 2005, the Company has ceased its branch's operations.

All subsidiary companies are registered as a company limited or public company limited under Thai laws and operates in Thailand. Their businesses are commercial bank business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business, fund management business and property management business, among others.

During the year 2004, the Annual General Meeting of Shareholders of the Company approved the financial business restructuring plan of the Thanachart Group, whereby the businesses of the Company and Thanachart Bank Public Company Limited are to form One-Presence, in accordance with the Financial-Sector Master Plan. The principal means of restructuring will be through the transfer of the finance business operations to Thanachart Bank, a subsidiary company, and the Company will return its finance business license to the Ministry of Finance within one year after the approval of the financial restructuring plan. The Company will maintain its status as the holding company and remain the parent company of the Thanachart Group (holding not less than 50% of the registered and paid-up share capital of each of the group companies).

On 22 April 2005, the Ministry of Finance approved the One-Presence restructuring plan proposed by the Thanachart Group, and the Company is currently implementing the plan. Transfer transactions already completed are as follow :-

- a) May 2005 : Hire-purchase business operations were transferred, with the Company maintaining existing hire-purchase agreements and receiving installments from customers until the agreements mature, while Thanachart Bank lends to new customers.
- b) July 2005 : The Company transferred all Baht 47,524 million of its deposits of individual customers in the form of promissory notes.
- c) October 2005 : The Company transferred rights in performing lending agreements or loan agreements, excluding hire-purchases receivable, welfare loans and consumer loans, at the amount of the principal and outstanding interest, totaling Baht 535 million.
- d) November 2005 : The Company transferred additional deposits of juristic customers in the form of promissory notes amounting to Baht 32,279 million to Thanachart Bank.
- e) November to December 2005 : Thanachart Bank called for payment of additional share capital and registered the change in its paid-up capital from Baht 8,102 million to Baht 14,584 million.

The Company is to transfer the remaining rights in loans and receivable to Thanachart Bank in the future.

On 30 January 2006, the Extraordinary Meeting of the Shareholders of the Company approved the change of the Company's name to "Thanachart Capital Public Company Limited", and the Company intends to change its name after the return of its finance business license.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements include the balance sheets as at 31 December 2005 and 2004 and the related statements of earnings for the years then ended of National Finance Public Company Limited (hereinafter referred to as "the Company") and the following subsidiary companies (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	
	2005	2004	2005	2004
<u>Subsidiary companies directly held by the Company</u>				
Thanachart Bank Plc.	99.36	98.89	-	-
N.F.S. Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	58.45	58.45	-	-
Thanachart Securities Plc. (Formerly known as “National Securities Plc.”)	100.00	100.00	-	-
Thanachart Insurance Co., Ltd. (Formerly known as “National Insurance Co., Ltd.”)	70.00	70.00	9.94	9.89
Pasara Co., Ltd.	100.00	100.00	-	-
Thanachart Fund Management Co., Ltd. (Formerly known as “National Asset Management Co., Ltd.”)	75.00	75.00	-	-
N.F.S. Capital Co., Ltd.	100.00	100.00	-	-
Thiravanit Co., Ltd.	99.90	99.90	-	-
Sinkahakarn Co., Ltd.	95.12	95.12	-	-
Bangkok Home Co., Ltd.	99.87	99.87	-	-
Thanachart Group Leasing Co., Ltd. (Formerly known as “National Group Leasing Co., Ltd.”)	100.00	100.00	-	-
Thanachart Management and Services Co., Ltd.	100.00	100.00	-	-
Thanachart Legal and Appraisal Co., Ltd.	100.00	100.00	-	-
Thanachart Property Fund 6 (Formerly known as “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 31 December 2005 included that company's balance sheet and the consolidated statement of earnings for the year then ended included the operating results of such company since 1 March 2005.

During November 2005, Thanachart Bank has issued the new ordinary shares of 648 million shares to offer to existing shareholders. The Company has exercised right to purchase such ordinary shares including the Company's portion and minority shareholders' portion which does not be exercised of Baht 10 each, totaling Baht 6,478 million. As a result, the shareholding structure in Thanachart Bank has changed from 98.89 percent holdings to 99.36 percent.

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

	(Unit : Million Baht)			
	Total assets		Total income	
	2005	2004	2005	2004
Thanachart Bank Plc.	108,622	55,922	3,643	2,398
N.F.S. Asset Management Co., Ltd.	11,914	14,231	968	1,575
Thanachart Life Assurance Co., Ltd.	3,180	-	882	-
Thanachart Securities Plc.	3,387	2,535	668	877
Max Asset Management Co., Ltd.	2,048	2,358	247	827

- a) The consolidated financial statements as at 31 December 2005 and 2004 did not include the financial statements of Glas Haus Building Co., Ltd., which the Company acquired through troubled debt restructuring and intends to hold as a temporary investment. As at the balance sheet date, such investment was valued at zero in the Company's accounts.

- b) Outstanding balances between the Company and its subsidiary companies, significant intercompany transactions, investments in subsidiary companies as recorded in the Company's and its subsidiary companies' books of accounts, and the shareholders' equity of the subsidiary companies have been eliminated in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards, which are effective under the Accounting Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand.

Significant accounting policies adopted by the Company and its subsidiary companies are summarised below :-

3.1 Revenue recognition

- a) Interest and discounts on loans

Interest on loans of the Company and its subsidiary companies is recognised as income on an accrual basis and is based on the amount of principal outstanding. Interest on hire purchases receivable is recognised based on the sum-of-the-year-digits method. Interest on financial lease agreement is recognised based on the effective rate method. The Company and its subsidiary companies cease accruing interest income for loans and receivable on which principal or interest payments have been defaulted for more than three months and the Company and its financial institution subsidiaries will also reverse interest income formerly recognised for such defaulted loans. Interest is then recognised as income on a cash basis.

The Company and its subsidiary companies recognise interest income on restructured loans on the same accrual basis used for loans discussed above with reference to interest rate stipulated in the agreements, with the exception of loans that are subject to monitoring for compliance with restructuring conditions which the Company and its subsidiary companies recognise as income on a cash basis until the debtors are able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiary companies recognise interest income on investments in purchased/transferred loans, for which loan repayment is received during the year based on multiplication of the effective yield rate of the portfolio, by the acquisition cost of the outstanding loans. Interest on investments in purchased/transferred loans which have been restructured and where repayment was received during the year is recognised under the effective interest rate method.

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

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

b) Interest and dividends on investments in securities

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

c) Brokerage fee income

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

d) Interest on loans for purchase of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities Exchange Commission (SEC) under Notification No. Kor. Thor. 33/2543 dated 25 August 2000 as amended by Notification No. Kor. Thor. 5/2544 dated 15 February 2001.

e) Gain (loss) on investments

Gain (loss) on investments is recognised as income/expenses at the transaction date.

f) Fees and service income

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

g) Insurance/life insurance premium income

- Insurance/life insurance premium income on insurance policies is recognised at the date the insurance policy comes into effect, after deducting premium ceded and cancelled.
- Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

3.2 Expense recognition

a) Interest expense

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

b) Commission and expenses charged on hire-purchase

Commission and expenses charged on hire-purchase business is recognised as expenses at the transaction date.

3.3 Unearned premium/life insurance premium reserve

Unearned premium reserve of a subsidiary company is set aside in compliance with the Notification of the Ministry of Commerce regarding the appropriation of unearned premium reserve as follows :-

- | | | |
|--|---|--|
| Fire, marine (hull), motors and miscellaneous
(except for traveling accident) | - | Monthly average basis (the one-twenty
fourth basis) |
| Marine and transportation (cargo) | - | Net premium written for the last ninety days |
| Traveling accident | - | Net premium written for the last thirty days |

Life insurance premium reserve represents the accumulated total reserve for liability up to the balance sheet date, for all life insurance policies in force. The reserve is calculated by the subsidiary company under the actuarial method prescribed by the Regulation on Life Insurance Policy Reserve as promulgated by the Ministry of Commerce.

- (a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.
- (b) Reserve for life insurance policies of 1 year or less is determined based on the full unearned premium reserve and the period of coverage.

3.4 Investments

Investments in securities held for trading are determined at fair value. Gains or losses arising from changes in the value of such securities are included in determining earnings.

Investments in available-for-sale securities, both held for short-term and long-term investments, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are included in determining earnings.

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

Premiums/Discounts on debt securities of the Company and its subsidiary companies are amortised by the effective rate method. The amortised amount is presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Market Association, adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

Investments in non-marketable equity securities which are classified as other investments are valued at cost.

Loss on impairment (if any) of the investments is included in determining earnings.

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

In the event of the transfer of investment portfolio, the Company and its subsidiary companies value such investments at their fair values prevailing at the transferred date. Difference between the carrying amount of the investments and their fair values at that date are recorded as gain (loss) in determining earnings, or surplus (deficit) from revaluation of investments, which is presented as a separate item in shareholders' equity, and to be amortised over the remaining period to maturity of the debt securities, as the case may be.

3.5 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Loss on impairment of investments is included in determining earnings.

Investments in receivables purchased which enter into trouble-debt restructuring are transferred to loans and receivable and valued at fair value. The fair value is based on the outstanding balance of investments in receivables purchased as at transferred date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is set up based on estimated fair value, determined from the value of the collateral.

3.6 Investments in subsidiary and associated companies

Investments in subsidiary and associated companies are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the earnings from the operations of each subsidiary and associated company, in proportion to the investment. The excess (discount) of the cost of the investment over (under) the net book value at the acquisition date is amortised over a period of 5 - 10 years.

Excess of loss of the subsidiary over the investments value is presented as liabilities under the caption “Provision for loss on investments in the subsidiary companies”. The Company does not recognise such loss in excess of an investment in a subsidiary received as a result of troubled debt restructuring which will be held temporarily, and to which the Company has no commitment and contingent liabilities.

If the Company and its subsidiary companies have no commitments or guarantees to its associated companies, loss is recognised only to the extent that they do not exceed the outstanding balance of investments.

3.7 Loans and receivable

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

3.8 Allowances for doubtful accounts

The Company and its subsidiary companies provide allowances for doubtful accounts in accordance with the notifications of the BOT (except for the classification of receivables, which is to be made by contract according to the BOT, but which the Company and its subsidiary companies have classified by customer, so as to comply with generally accepted accounting principles) or the SEC, as the case may be, and adjust these by the additional amount which is expected not to be collectible, based on the evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

Such provisions are made in accordance with the guideline laid down by the BOT in relation to the classification of loans (determined based on overdue period), provisioning rates consideration for each class of debtor, and the valuation of collateral to be deducted against the loan balance for determining provisions for doubtful debts and reclassification of restructured loans as normal debt.

Amounts written off as bad debts, or bad debt recovery are deducted or added from the allowance for doubtful accounts.

Allowance for doubtful accounts of other receivables are provided based on the estimated loss that may be incurred in the uncollected receivable which review of current status as at the balance sheet date.

3.9 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair values of the receivables after restructuring is based on the present value of expected future cash flows, determined using the minimum loan rate provided to major debtors prevailing at the restructuring date. The Company and its subsidiary companies record the differences between the fair value of receivables as of the restructuring date and their previous book value as “Revaluation allowance for debt restructuring”, as an expense in the statement of earnings. Such allowance is amortised over the remaining period of payment under the restructured agreements, or reviewed using the present value of expected future cash flows over the remaining period. The amortised amount is recognised as an adjustment against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiary companies record such assets at their fair value, based on the value appraised by internal appraisers or external independent appraisers, providing this does not exceed the amount of principal (including interest of which recognition was ceased until the restructuring date) legally claimable by the Company and its subsidiary companies from the debtor. Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income in the period, as the case may be. In case of the assets transferred with the conditions that the debtor must repurchases or have option to purchase at prices within period specified in the agreements, the Company and its subsidiary companies record such assets at the lower of their fair value or the book value.

Loss arising from debt restructuring through waiver of part of the principal or recorded accrued interest receivable is recognised in the statement of earnings when incurred.

3.10 Property foreclosed

Property foreclosed is stated at the lower of cost, or net realisable value with reference to the latest appraisal value less estimated selling expenses.

Gain on the disposal of property foreclosed is recognised in the earnings statement at the disposal date. In case the purchaser received the loans from the Company or its subsidiary companies, such gain will be recognised in proportion of the collection. Loss on disposal and impairment loss are recognised as expenses in the statement of earnings.

3.11 Land, premises and equipment and depreciation

- a) Land is stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment. Depreciation is calculated by reference to cost on a straight-line method over the following estimated useful lives (with the exception as listed below) :-

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

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

Land and premises of an associated company which is engaged in real estate business are presented at their appraisal value. Such accounting policy differs from the Company's policy because the nature of their business differ. The land and premises of an associated company are stated at their appraised value less accumulated depreciation. Depreciation is not provided for land. As at 31 December 2005, surplus from revaluation of assets of the associated company recognised under the equity method and presented as part of shareholders' equity amounts to Baht 540 million.

3.12 Intangible assets and amortisation

- a) Computer software is amortised as expenses on a straight-line method over estimated useful lives of 5 - 10 years.
- b) Leasehold rights on land and buildings are amortised as expenses on a straight-line method over the lease periods.

3.13 Financial lease

The Company and its subsidiary companies record vehicles under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease. The interest charge is recorded to period during the lease term on the remaining balance of the lease payable for each period.

3.14 Premium due and uncollected

Premium due and uncollected is carried at its net realisable value. Subsidiary companies provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the balance sheet date.

3.15 Sales of commercial paper

Commercial paper without an aval or acceptance, which is sold with recourse, is recorded as a liability under the caption of "Liabilities under commercial paper sold". Commercial paper sold at a discount with recourse, which is 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 for upon the receipt of claims advices from the insured/life insured. Loss reserve has been provided based on estimates made by independent appraiser or the relevant officers of the subsidiary company on a case by case basis. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

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

3.17 Foreign currencies

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

Gains and losses on the purchase, sale or transaction of foreign currencies are included in determining earnings.

3.18 Financial instruments

Financial instruments as presented in the balance sheet comprise cash and deposits with financial institutions, loans to financial institutions, securities purchased under resale agreements, investments, loans and receivable, borrowings and deposits, securities sold under repurchase agreements, trading transactions with securities companies, securities trading payables, liabilities under commercial papers sold, debentures and liabilities payable on demand. The accounting policy for each transaction is separately and individually disclosed.

3.19 Financial derivatives

The Company and its subsidiary company have entered into off balance sheet transactions involving derivative financial instruments, in order to manage foreign exchange and interest rate risk, and the subsidiary company executes financial derivative transactions to meet client needs.

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

Cross currency and interest rate swaps executed for hedging purposes are recorded as off-balance sheet items. Income/expense or gain/loss arising from changes in the fair value of contracts is recorded in line with the income/expense or gain/loss recognised on the underlying assets and liabilities, on an accrual basis.

3.20 Earnings per share

Earnings per share as determined in the statement of earnings is basic earnings per share which is calculated by dividing net earnings for the year by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares to be issued upon conversion of all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

3.21 Cash and cash equivalents

Cash and cash equivalents represent cash in hand and all types of deposits with banks, except negotiable certificates of deposits.

3.22 Use of accounting estimates

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

4. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Cash	801	217	-	1
Cash at banks - Baht	4,676	1,800	812	817
- Foreign currency	57	-	-	-
Total cash and deposits with financial institutions	<u>5,534</u>	<u>2,017</u>	<u>812</u>	<u>818</u>

5. LOANS TO FINANCIAL INSTITUTIONS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Call loans	87	89	-	-
Term loans	132	307	20	20
Total loans to financial institutions	219	396	20	20
Add : Accrued interest receivable	1	1	-	-
Less : Allowances for doubtful accounts	(43)	(82)	(1)	(1)
Loans to financial institutions - net	<u>177</u>	<u>315</u>	<u>19</u>	<u>19</u>

As at 31 December 2005, a subsidiary company had loans to defunct financial institutions amounting to approximately Baht 42 million for which interest recognition has been ceased and full allowance for doubtful accounts has been provided (2004 : Baht 81 million).

In addition, as at 31 December 2005 and 2004, loans to financial institutions of a subsidiary company amounting to approximately Baht 14 million used as collateral with the Insurance Registrar.

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Government bonds and Bank of Thailand bonds	1,000	-	-	-
Financial Institutions Development Fund bonds	18,700	10,600	7,200	3,200
Total securities purchased under resale agreements	19,700	10,600	7,200	3,200

7. INVESTMENTS

7.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated				The Company Only			
	2005		2004		2005		2004	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments :								
Trading securities								
Government and state enterprise securities	264	264	201	201	-	-	-	-
Domestic marketable equity securities	52	53	8	8	-	-	-	-
	316	317	209	209	-	-	-	-
Add : Allowance for change in value	1		-		-	-	-	-
	317		209		-	-	-	-
Available-for-sale securities								
Government and state enterprise securities	337	337	2,031	2,028	-	-	3	3
Private debt securities	203	204	15	15	-	-	-	-
Domestic marketable equity securities	10	12	58	81	7	9	58	81
	550	553	2,104	2,124	7	9	61	84
Add : Allowance for change in value	3		20		2		23	
	553		2,124		9		84	
Held-to-maturity debt securities - due within 1 year								
Government and state enterprise securities	4,948		4,853		-		30	
Private debt securities	20		-		-		-	
	4,968		4,853		-		30	
Total current investments - net	5,838		7,186		9		114	

(Unit : Million Baht)

	Consolidated				The Company Only			
	2005		2004		2005		2004	
	Cost/ Amortised		Cost/ 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	330	319	974	970	-	-	933	927
Private debt securities	522	509	695	690	-	-	-	-
Domestic marketable equity securities	5,394	5,326	6,748	7,040	1,357	1,390	766	870
	6,246	6,154	8,417	8,700	1,357	1,390	1,699	1,797
Add (less) : Allowance for change in value	(92)		283		33		98	
	6,154		8,700		1,390		1,797	
Held-to-maturity debt securities								
Government and state enterprise securities	15,647		18,765		1,004		7,563	
Private debt securities	400		55		-		1	
Foreign debt securities	579		388		-		-	
	16,626		19,208		1,004		7,564	
Less : Allowance for impairment	(344)		(322)		(119)		(93)	
	16,282		18,886		885		7,471	
Other investments								
Investments in receivables purchased	2,008		2,286		546		452	
Investments in property fund	1,259		1,371		-		-	
Domestic non-marketable equity securities	366		393		235		235	
	3,633		4,050		781		687	
Less : Allowance for impairment	(355)		(307)		(111)		(109)	
	3,278		3,743		670		578	
Total long-term investments - net	25,714		31,329		2,945		9,846	

As at 31 December 2005, the Company and its subsidiary companies have a revaluation surplus and deficit amounting to Baht 54 million and Baht 815 million, respectively, as a result of the recategorisation of debt securities, and these are presented in shareholders' equity (the Company Only : Baht 24 million and Baht 153 million, respectively) (2004 : outstanding revaluation surplus amounting to Baht 47 million and outstanding revaluation deficit amounting to Baht 887 million in the consolidated financial statements, and a revaluation surplus amounting to Baht 31 million and a revaluation deficit amounting to Baht 296 million in the Company's financial statements).

7.2 Classified by due date of debt securities

(Unit : Million Baht)

	Consolidated							
	2005				2004			
	Maturity				Maturity			
	Not over 1 year	Over 1-5 years	Over 5 years	Total	Not over 1 year	Over 1-5 years	Over 5 years	Total
Trading securities								
Government and state								
enterprise securities	215	49	-	264	201	-	-	201
Add : Allowance								
for change in value	-	-	-	-	-	-	-	-
Total	215	49	-	264	201	-	-	201
Available-for-sale securities								
Government and state								
enterprise securities	327	340	-	667	2,031	971	3	3,005
Private debt securities	203	522	-	725	15	695	-	710
Total	530	862	-	1,392	2,046	1,666	3	3,715
Add (less) : Allowance for								
change in value	1	(24)	-	(23)	(3)	(9)	-	(12)
Total	531	838	-	1,369	2,043	1,657	3	3,703
Held-to-maturity								
debt securities								
Government and state								
enterprise securities	4,948	4,309	11,338	20,595	4,853	4,585	14,180	23,618
Private debt securities	20	374	26	420	-	45	10	55
Foreign debt securities	-	579	-	579	-	388	-	388
Total	4,968	5,262	11,364	21,594	4,853	5,018	14,190	24,061
Less : Allowance for								
impairment	-	-	(344)	(344)	-	-	(322)	(322)
Total	4,968	5,262	11,020	21,250	4,853	5,018	13,868	23,739
Total debt securities	5,714	6,149	11,020	22,883	7,097	6,675	13,871	27,643

(Unit : Million Baht)

		The Company Only							
		2005				2004			
		Maturity				Maturity			
		Not over	Over	Over	Total	Not over	Over	Over	Total
		1 year	1-5 years	5 years		1 year	1-5 years	5 years	
Available-for-sale securities									
Government and state									
	enterprise securities	-	-	-	-	3	933	-	936
Less : Allowance for change									
	in value	-	-	-	-	-	(6)	-	(6)
Total		-	-	-	-	3	927	-	930
Held-to-maturity debt securities									
Government and state									
	enterprise securities	-	473	531	1,004	30	2,109	5,454	7,593
Private debt securities									
		-	-	-	-	-	-	1	1
Total		-	473	531	1,004	30	2,109	5,455	7,594
Less : Allowance for									
	impairment	-	-	(119)	(119)	-	-	(93)	(93)
Total		-	473	412	885	30	2,109	5,362	7,501
Total debt securities		-	473	412	885	33	3,036	5,362	8,431

7.3 As at 31 December 2005 and 2004, the Company and a subsidiary company have investments of Baht 578 million in government bonds under the conditions of the Ministry of Finance's Tier II capital support scheme. These debt instruments are 10 year government bonds which carrying interest at rates of 2.5 - 4.0 percent per annum (the Company Only : Baht 473 million).

7.4 As at 31 December 2005, long-term investments in held-to-maturity debt securities include Baht 2,411 million of non-transferable, 10 year promissory notes received in relation to the transfer of non-performing loans to Thai Asset Management Corporation ("TAMC") (the Company Only : Baht 531 million) (2004 : Baht 3,001 million in the consolidated financial statements and Baht 567 million in the Company's financial statements). However, the amounts paid in the form of promissory notes may still be increased or reduced after TAMC reviews the prices, appraises the collateral values, or adjusts the prices.

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

As at 31 December 2005, the Company and its subsidiary companies are still unable to estimate the exact amount of such losses. However, the Company and its subsidiary companies have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 344 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (the Company Only : Baht 119 million) (2004 : Baht 318 million in the consolidated financial statements and Baht 93 million in the Company's financial statements).

During the year 2005, the Company and its subsidiary companies have recognised interest on TAMC's promissory notes amounting to Baht 26 million and have received payment under promissory notes and interest amounting to Baht 620 million (the Company Only : Baht 5 million and Baht 42 million, respectively).

- 7.5** As at 31 December 2005, investments of subsidiaries in government and state enterprise bonds of approximately Baht 735 million have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2004 : Baht 6 million). Moreover, an investment in equity securities in an associated company of Baht 186 million (at cost) (at fair value of Baht 307 million) has been placed as security for liabilities sold under a repurchase agreement in accordance with sales agreement.

7.6 As at 31 December 2005, investments in other equity securities amounting to approximately Baht 34 million, at cost, were received as a result of debt restructuring. The Company and its subsidiary companies are prohibited from selling Baht 20 million of such investments for a period as specified in the agreements. For Baht 14 million of the remaining balance, the debtors have first right to purchase the investments (the Company Only : Baht 10 million which the Company is prohibited from selling for a period as specified in the agreements) (2004 : investments of Baht 66 million were prohibited from being sold for a period as specified in the agreements, and the debtors had first right to purchase the investments of Baht 4 million in the consolidated financial statements, and Baht 10 million in the Company's financial statements was prohibited from being sold for a period as specified in the agreements).

7.7 The following are investments in which the Company and its subsidiary companies hold not less than 10 percent of the equity of the investees, but which are not classified as investments in subsidiary and associated companies :-

Name	Nature of business	Consolidated			
		2005		2004	
		Net book value Million Baht	Percentage of holding %	Net book value Million Baht	Percentage of holding %
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	266	19.59	333	16.32
Siam Press Management Co., Ltd.	Publishing	-	-	-	15.00
Burapa Steel Industry Co., Ltd.	Production and distribution of steel bar	-	11.43	-	11.43
Siam V.M.C. Safety Glass Co., Ltd.	Production and distribution of safety glass	-	10.21	-	10.21
NEP Realty and Industry Plc.	Packaging (Jute sack)	62	15.04	111	19.18
<u>Public utilities and services</u>					
Maxwin Property Co., Ltd.	Service Apartment	-	10.00	-	10.00
<u>Property development and construction</u>					
HTR Corporation Limited	Office building and property development	20	19.10	20	19.10
Prosperity Industrial Estate Co., Ltd.	Property development	17	18.49	17	18.49
RNS Holding Co., Ltd.	Property development	-	19.50	-	19.50
Preecha Group Plc.	Property development	-	10.71	-	10.71

Name	Nature of business	Consolidated			
		2005		2004	
		Net book value Million Baht	Percentage of holding %	Net book value Million Baht	Percentage of holding %
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	577	26.67	648	26.67
Sub Thawee Property Fund ⁽¹⁾	Unit trusts - property fund	277	56.00	280	56.00
Thai Pattana Fund 1 ⁽¹⁾	Unit trusts - property fund	220	20.00	238	20.00
Nasset Poon Phol (Auto Redemption) Fund ⁽¹⁾	Unit trusts - debt securities	-	-	71	41.56
Thanasarn Open-Ended Fund ⁽¹⁾	Unit trusts - debt securities	903	80.88	1,653	89.56
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	405	99.28	225	99.05
Thanachart Tuntawee 3 ⁽¹⁾	Unit trusts - debt securities	491	99.88	1,495	99.99
Thanachart Tuntawee 4 ⁽¹⁾	Unit trusts - debt securities	818	97.33	1,948	99.48
Thirasombat Open-Ended Fund	Unit trusts - debt securities	-	-	63	18.52
N-SET Fund	Unit trusts - equity securities	109	14.54	99	10.79
Nasset Big Cap Long Term Equity Fund ⁽¹⁾	Unit trusts - equity securities	62	15.70	57	30.81
Nasset Long Term Equity Dividend Fund ⁽¹⁾	Unit trusts - equity securities	34	16.39	31	22.83
Thanachart Cash Management Mutual Fund ⁽¹⁾	Unit trusts - debt securities	152	24.29	-	-

(1) The Company and its subsidiary companies do not consider the investments in funds to be investments in associated or subsidiary companies as the Company and its subsidiary companies do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager and are under supervision of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the Company and its subsidiary companies account for its investment in these funds as long-term available for sales or other investments subject to the investment objective.

Name	Nature of business	The Company Only			
		2005		2004	
		Net book value Million Baht	Percentage of holding %	Net book value Million Baht	Percentage of holding %
Manufacturing and commercial industries					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	133	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	116	28.55	112	49.50
Nasset Poon Phol (Auto Redemption) Fund ⁽¹⁾	Unit trusts - debt securities	-	-	71	41.56
Nasset Big Cap Long Term Equity Fund ⁽¹⁾	Unit trusts - equity securities	57	14.27	51	28.01
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	28	13.66	26	19.03

(1) The Company does not consider the investments in funds to be investments in associated companies as the Company does not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager and are under supervision of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the Company accounts for its investment in these funds as long-term available-for-sales.

7.8 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bids from local financial institutions. The outstanding balances of loans receivable as at 31 December 2005 and 2004 can be summarised as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Investments in receivables	2,008	2,286	546	452
Less : Allowance for impairment	(239)	(190)	(20)	(18)
Investments in receivables - net	1,769	2,096	526	434

	2005				2004			
	Number 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	1,578	29,404	6,386	6.50-18.97	1,368	28,554	6,091	6.50-18.97
Outstanding investments in receivables as at the balance sheet date	1,069	12,398	2,008		928	12,250	2,286	
<u>The Company Only</u>								
Total accumulated investments in receivables	622	4,559	797	12.43-18.97	412	3,709	501	13.85-18.97
Outstanding investments in receivables as at the balance sheet date	543	4,068	546		365	3,436	452	

During the year 2005, the Company and its subsidiary companies have restructured loans with a total of 51 troubled receivables with book balances before restructuring totaling approximately Baht 216 million (the Company Only : 33 debtors with book balances before restructuring of Baht 141 million), by means of various types of restructuring with loss on debt restructuring of Baht 1 million, as summarised below :-

Pattern of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Fair value of assets to be transferred
		balance before restructuring	balance after restructuring		per agreements
		Million Baht	Million Baht		Million Baht
Consolidated					
Transfer of assets	3	8	8	Land and premises thereon	25
Modification of terms	36	68	67		
Transfer of assets and/or securities and/or modification of terms	12	140	140	Land and premises thereon	172
Total	51	216	215		
The Company Only					
Modification of terms	24	26	26		
Transfer of assets and/or securities and/or modification of terms	9	115	115	Land and premises thereon	149
Total	33	141	141		

The remaining period to maturity of the restructured debts of the Company and its subsidiary companies, counting from the balance sheet date are as follow :-

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	4	14	2	7
Due within 2005	40	179	29	134
Less than 5 years	5	22	2	-
5 - 10 years	2	-	-	-
Total	51	215	33	141

Investments in receivables which are restructured, are transferred to the loans and receivable account on the debt restructuring agreement executed day, in accordance with the BOT regulations. They are transferred at their book value, which is held to be fair value. Therefore, as at 31 December 2005, there were no restructured receivables outstanding in the balance of investments in receivables.

7.9 As at 31 December 2005 and 2004, investments in securities of the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), include investments in securities of companies with weak financial positions and poor operating results as summarised below :-

	Consolidated							
	Number of transactions		Cost		Fair value		Allowance for possible loss/impairment provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Debt instruments – debentures/								
<u>bills of exchange</u>								
1. Companies which have loan settlement problems or have defaulted the repayment on debts	-	1	-	9	-	5	-	4
Equity securities - common shares								
1. Listed companies vulnerable to delisting from the SET	3	6	-	6	-	2	-	4
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	4	-	-	-	-	-	-
3. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
4. Companies whose auditors' reports cited going concern issues	15	13	144	144	45	45	99	99
Investments in receivables								
1. Closed financial institutions	10	9	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	2	4	38	49	38	38	-	11
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	7	7	7	7	-	-
4. Companies which have loan settlement problems or have defaulted the repayment of debts	359	345	1,243	1,337	1,564	1,271	164	119
5. Companies whose auditors' reports cited going concern issues	5	2	6	12	5	12	1	-

The Company Only

	Number of transactions		Cost		Fair value		Allowance for possible loss/impairment provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Debts instruments - debentures/ bills of exchange								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	-	1	-	1	-	-	-	1
Equity securities - common shares								
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
Investments in receivables								
1. Closed financial institutions	7	7	-	-	-	-	-	-
2. Companies which have loan settlement problems or have defaulted the repayment of debts	154	127	288	289	285	285	3	4
3. Companies whose auditors' reports cited going concern issues	2	-	-	-	-	-	-	-

8. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

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

(Unit : Million Baht)											
Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income	
						Cost method		Equity method ⁽¹⁾		for the years ended	
						2005	2004	2005	2004	2005	2004
Subsidiary companies directly held by the Company											
Thanachart Bank Plc.	Bank business	14,584	8,102	99.36	98.89	16,181	9,703	15,180	8,355	200	200
N.F.S. Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	429	(150)	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	768	736	-	-
Thanachart Securities Plc.	Securities business	1,500	1,500	100.00	100.00	1,500	1,500	2,271	2,233	-	743
Thanachart Insurance Co., Ltd.	Non-life insurance	300	300	70.00	70.00	210	210	275	268	-	-
Pasara Co., Ltd.	Cease operation	30	30	100.00	100.00	181	181	141	136	-	-
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75.00	75.00	113	113	130	149	45	37
N.F.S. Capital Co., Ltd.	Cease operation	100	100	100.00	100.00	100	100	109	107	-	-
Thiravanit Co., Ltd.	Cease operation	6	6	99.90	99.90	34	34	11	17	-	-
Sinkahakarn Co., Ltd.	Cease operation	25	25	95.12	95.12	20	20	43	40	-	-
Bangkok Home Co., Ltd.	Cease operation	15	15	99.87	99.87	46	46	15	15	-	-
Thanachart Group Leasing Co., Ltd.	Leasing and hire purchase	360	360	100.00	100.00	360	360	439	431	-	-
Thanachart Management and Services Co., Ltd.	Services	6	6	100.00	100.00	8	8	6	14	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100.00	100.00	10	10	11	10	-	-
Thanachart Property Fund 6	Non-performing assets management	900	900	99.80	99.80	898	898	862	902	-	-
Thanachart SPV 01	Not yet operate	2	2	100.00	100.00	2	2	2	2	-	-
Thanachart Life Assurance Co., Ltd.	Life - insurance	500	-	100.00	-	500	-	628	-	-	-
Subsidiary companies directly held by the Company - exclude from consolidation											
Glas Haus Building Co., Ltd.	Office building rental	195	195	100.00	100.00	-	-	-	-	-	-
Less : Investment in an associated Company (MBK Plc.) held by subsidiary companies						(681)	(629)	(1,191)	(1,175)	-	-
						20,816	13,890	20,129	12,090	245	980

(1) Calculated including shares of profits of the subsidiary and associated companies in which the Company has indirect holdings.

(Unit : Million Baht)

Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended 31 December	
		2005	2004	2005	2004	Cost method		Equity method ⁽¹⁾		2005	2004
						2005	2004	2005	2004		
Associated companies directly and indirectly held by the Company											
Thanachart Life Assurance Co., Ltd.	Life-insurance	-	500	-	50.00	-	250	-	232	-	-
MBK Plc.	Property rental, hotel and services	2,000	2,000	19.23	18.28	992	940	1,650	1,526	127	111
Puen Pob Paet Co., Ltd.	Clinic	1	1	28.50	28.50	-	-	1	1	-	-
						992	1,190	1,651	1,759	127	111
						21,808	15,080	21,780	13,849	372	1,091
Add : Provision for loss on investment in subsidiary companies presented as liabilities						-	-	-	150		
Total						21,808	15,080	21,780	13,999		

(1) Calculated including shares of profits of the subsidiary and associated companies in which the Company has indirect holdings.

8.2 The consolidated financial statements as at 31 December 2005 and 2004 did not include the financial statements of Glas Haus Building Co., Ltd., as the Company intends to hold such subsidiary company as a temporary investment. The Company has no outstanding guarantees or commitments to give financial support to such company and the investment is therefore recorded at cost, with a full provision (of approximately Baht 0.2 million). As at 31 December 2005, based on financial statements prepared by management, such subsidiary company has total assets of approximately Baht 161 million, total liabilities of Baht 483 million and a capital deficit of Baht 322 million (2004 : total assets of Baht 167 million, total liabilities of Baht 500 million and a capital deficit of Baht 333 million).

8.3 The share of profit of an associated company recognised in the current year (MBK Plc.) is determined based on financial statements of that associated company prepared for a different period, as a result of limitations on the availability of information. Share of profit for the current year amounting to Baht 197 million (or at 6.3 percent of consolidated and the Company's net earnings) is determined based on the financial statements of such company for the year ended 30 September 2005, prepared by management of the Company and with reference to the financial statements of that associated company which are audited/reviewed by another auditors (2004 : share of profit of Baht 191 million or at 6.4 percent).

8.4 The consolidated balance sheet and statement of earnings for the year ended 31 December 2005 included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 3,180 million and income of Baht 882 million and net earnings of Baht 113 million of such subsidiary for the period as from 1 March 2005, the date that holding structure has been changed to be 100 percent. The auditor of the subsidiary company issued a report on its financial statements with regard to the effect to the financial statements of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. However, the Company's management believes that there is no material impact to the Company's financial statements as a whole.

8.5 Cash flow information of asset management companies which are subsidiary companies

Cash flow information of asset management companies which are subsidiary companies for the years ended 31 December 2005 and 2004 are as follows :-

(Unit : Million Baht)

	N.F.S. Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2005	2004	2005	2004
Cash flows from operating activities :				
Net earnings	574	283	73	498
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Gain on assets transferred from investments in receivables/loans and receivable	(33)	(200)	(25)	(168)
Loss on diminution in value of investments in receivables (reversal of loss)	1	(2)	(5)	(77)
Bad debts and doubtful accounts (reversal)	(699)	626	(4)	(17)
Loss on debt restructuring	259	-	-	-
Loss on diminution in value of property foreclosed	34	32	12	3
Gain on disposal of property foreclosed	(49)	(23)	(32)	(88)
Gain on disposal of investments	(28)	(75)	(5)	(12)
Increase (decrease) in corporate income tax payable	40	(36)	(126)	82
Others	(76)	12	(10)	1
Earnings (loss) from operating activities before changes in operating assets and liabilities	23	617	(122)	222
Decrease (increase) in operating assets				
Investments in receivables	15	8	14	-
Loans and receivable	1,087	1,966	64	279
Property foreclosed	241	331	28	125
Other assets	(5)	(23)	(7)	(4)
Increase (decrease) in operating liabilities				
Other liabilities	(17)	30	1	6
Net cash flows provided from (used in) operating activities	1,344	2,929	(22)	628
Cash flows from investing activities :				
Decrease (increase) in loans to financial institutions	1,865	10	248	(224)
Cash paid for purchase fixed asset	-	-	(1)	-
Cash received from sales (purchase) of investments	1,597	(908)	5	26
Net cash flows provided from (used in) investing activities	3,462	(898)	252	(198)
Cash flows from financing activities :				
Repayment of borrowings from banks and financial institutions	(4,824)	(2,000)	(367)	(123)
Repayment of borrowings from public	-	-	(73)	-
Net cash flows used in financing activities	(4,824)	(2,000)	(440)	(123)
Net increase (decrease) in cash and cash equivalents	(18)	31	(210)	307
Cash and cash equivalents at beginning of the year	112	81	316	9
Cash and cash equivalents at end of the year	94	112	106	316

9. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

9.1 Classified by loan types

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Finance business loans and receivable</u>				
Loans	34,255	35,526	2,263	2,849
Notes receivable	3,944	2,832	915	15,075
Hire-purchases receivable	121,251	88,874	79,937	88,699
Financial leases receivable	916	729	-	92
Total finance business loans and receivable	160,366	127,961	83,115	106,715
Add : Accrued interest receivable	238	144	37	52
Less : Allowance for doubtful accounts	(6,594)	(7,128)	(3,245)	(3,589)
Less : Revaluation allowance for debt restructuring	(189)	(254)	-	-
Finance business loans and receivable and accrued interest receivable – net	153,821	120,723	79,907	103,178
<u>Securities business receivable</u>				
Customer's accounts	867	598	-	-
Margin loans	1,167	795	-	-
Other receivables	322	437	-	-
Total securities business receivable	2,356	1,830	-	-
Add : Accrued interest receivable	1	8	-	-
Less : Allowance for doubtful accounts	(320)	(434)	-	-
Securities business receivable and accrued interest receivable – net	2,037	1,404	-	-
Loans, receivable and accrued interest receivable – net	155,858	122,127	79,907	103,178

During the year 2005, the Company and its subsidiary companies transferred 51 investments in purchased receivables, which had been restructured, totaling Baht 215 million (the Company Only : transferred 33 investments in purchased receivables amounting to Baht 141 million) and 1 investments in purchased receivable, which is negotiating to extend the repayment schedule, totaling of Baht 2 million to loans and receivable, in accordance with the BOT's guidelines.

In addition, during the year 2005, the Company transferred performing loans, excluding hire-purchase receivables, welfare loans and consumer loans, to Thanachart Bank at a transfer price of Baht 535 million, equal to the balance of principal and outstanding interest.

9.2 Classified by remaining period of contract

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Loans and receivable				
At call *	7,186	7,863	347	365
Not over 1 year	10,618	7,891	3,602	18,210
Over 1 year	145,659	114,893	79,203	88,192
Total loans, receivable and accrued interest receivable	163,463	130,647	83,152	106,767
Less : Intercompany profits from loans and receivable transferred	(502)	(704)	-	-
Total loans, receivable and accrued interest receivable	162,961	129,943	83,152	106,767

* Include expired contracts

9.3 Classified by currency and country

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Baht				
- Local	163,014	130,647	83,152	106,767
- Foreign	442	-	-	-
Dollar - Local	7	-	-	-
Total loans, receivable and accrued interest receivable	163,463	130,647	83,152	106,767
Less : Intercompany profits from loans and receivable transferred	(502)	(704)	-	-
Total loans, receivable and accrued interest receivable	162,961	129,943	83,152	106,767

9.4 Classified by type of business and loan classification

(Unit : Million Baht)

	Consolidated					Total
	2005					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	64	2	-	11	24	101
Manufacturing and commerce	5,476	54	275	264	1,013	7,082
Real estate and construction	2,070	330	661	315	1,737	5,113
Public utilities and services	8,225	59	1,448	61	488	10,281
Hire purchase business	287	-	-	-	-	287
Personal use						
Housing loans	9,950	407	139	112	512	11,120
Securities	2,421	-	12	-	310	2,743
Hire purchase	110,250	9,576	499	346	580	121,251
Others	2,734	185	76	44	212	3,251
Others	1,212	1	24	45	952	2,234
Total loans, receivable and accrued interest receivable	<u>142,689</u>	<u>10,614</u>	<u>3,134</u>	<u>1,198</u>	<u>5,828</u>	<u>163,463</u>
Less : Intercompany profits from loans and receivable transferred						(502)
Total loans, receivable and accrued interest receivable						<u>162,961</u>

(Unit : Million Baht)

	Consolidated					Total
	2004					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
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						(704)
Total loans, receivable and accrued interest receivable						<u>129,943</u>

(Unit : Million Baht)

The Company Only						
2005						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries – asset management and leasing companies	1,638	-	-	-	-	1,638
Agricultural and mining	4	-	-	-	-	4
Manufacturing and commerce	261	8	-	-	16	285
Real estate and construction	4	240	-	-	6	250
Public utilities and services	4	-	-	-	9	13
Personal use						
Housing loans	326	44	13	16	18	417
Securities	-	-	2	-	-	2
Hire purchase	70,022	8,571	434	340	570	79,937
Others	445	87	20	19	35	606
Total loans, receivable and accrued interest receivable	72,704	8,950	469	375	654	83,152

(Unit : Million Baht)

The Company Only						
2004						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiary - asset management and leasing companies	15,575	-	-	-	-	15,575
Agricultural and mining	-	6	-	-	-	6
Manufacturing and commerce	308	225	9	17	10	569
Real estate and construction	30	-	240	-	6	276
Public utilities and services	105	7	-	-	-	112
Personal use						
Housing loans	634	62	35	1	1	733
Hire purchase	81,318	6,332	499	246	304	88,699
Others	708	47	18	15	9	797
Total loans, receivable and accrued interest receivable	98,678	6,679	801	279	330	106,767

9.5 Non-performing loans

As at 31 December 2005 and 2004, the Company and its subsidiary companies engaging in financial businesses (bank and asset management) have non-performing loans and receivable, classified in accordance with the BOT's regulations (debtors classified as substandard, doubtful, doubtful of loss and loss) as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Non-performing loans and receivable (excluding accrued interest receivable)				
Finance business	1,498	1,409	1,498	1,409
Banking business	3,582	2,622	-	-
Asset management business	4,643	6,602	-	-

The above mentioned non-performing loans do not include receivables for which the Company and its subsidiary companies had already been restructured and meet the conditions for classification as normal debts or special mentioned debts.

Additionally, the Company and the subsidiary companies which are financial institutions (bank and securities business) have loans and receivable for which income recognition under an accrual basis has been discontinued, as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Finance business	1,944	1,349	1,944	1,349
Bank business	1,750	1,827	-	-
Securities business	319	435	-	-

For subsidiary companies engaging in asset management business, income from loans and receivable is recognised under a cash basis.

9.6 Unearned income

As at 31 December 2005 and 2004, unearned income are summarised as follows :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Unearned interest income	132	485	-	-
Unearned income from hire purchase/financial lease	15,254	10,724	8,414	10,635

9.7 Troubled Debt Restructuring

During the year 2005, the Company and its subsidiary companies which are financial institutions (bank, securities company and asset management companies) have entered into debt restructuring agreements with a total of 296 debtors, with total outstanding balances before restructuring amounting to approximately Baht 3,516 million, (of these 116 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 2,465 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements during the year) excluding debt restructuring agreements with debtors included under the investments in receivables account. In the course of such restructuring, losses amounting to Baht 385 million were incurred (losses amounting to Baht 198 million from hair-cuts granted at the restructuring date) (the Company Only : 4 debtors, with balances before debt restructuring of Baht 273 million without any loss on debt restructuring).

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring ⁽¹⁾	Outstanding loan balance after restructuring ⁽¹⁾	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
Consolidated					
Transfer of assets	11	124	94	Land and premises thereon	114
Transfer equity securities	1	113	9	Ordinary shares	9
Modification of terms	247	1,860	1,816		
Transfer of assets and/or equity securities and/or modification of terms	37	1,419	1,399	Ordinary shares, land and premises thereon	804
Total	<u>296</u>	<u>3,516</u>	<u>3,318</u>		
The Company Only					
Modification of terms	4	273	273		
Total	<u>4</u>	<u>273</u>	<u>273</u>		

(1) Outstanding balance includes both principal and interest receivable

The remaining period to maturity of the restructured debts of the Company and its subsidiary companies, counting from the balance sheet date are as follow :-

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	46	853	-	-
Due within 2005	168	1,435	-	-
Less than 5 years	45	637	2	244
5 - 10 years	29	330	1	12
10 - 15 years	5	57	1	17
More than 15 years	3	6	-	-
Total	296	3,318	4	273

Supplemental information for the current year relating to restructured receivables is as follows :-

	(Unit : Million Baht)	
	Consolidated	The Company Only
Interest income recognised in statements of earnings	678	18
Gain on debt repayment recognised in statements of earnings	333	16
Loss on debt restructurings recognised in statements of earnings	430	-
Gain on transfers of assets for debt repayment recognised in statements of earnings	82	34
Cash proceeds from collection of debts	2,535	59
Assets transferred from debtors	985	149

The Company and its subsidiary companies cannot estimate the contingent loss of loans and receivable who are in the process of restructuring.

Additionally, as at 31 December 2005, the subsidiary companies have outstanding balance of assets which are to be transferred under debt restructuring agreements totaling Baht 531 million.

As at 31 December 2005, the Company and its subsidiary companies have the following restructured receivables balance (principal and interest receivable), including the restructuring debtors who transferred from investments in receivables as follows :-

	Total number of outstanding receivables	Restructured receivables		
		Number of receivables	Outstanding loans balance	Outstanding loans
				balance, net of collateral
		Million Baht	Million Baht	
National Finance Plc.	318,153	12	325	32
Thanachart Bank Plc.	122,684	297	3,085	648
N.F.S. Asset Management Co., Ltd.	1,663	383	1,607	680
Max Asset Management Co., Ltd.	101	101	577	128
Thanachart Securities Plc.	1,622	1	1	1

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

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				2005	2004
				Million Baht	Million Baht
N.F.S. Asset Management Co., Ltd.	Promissory note	5 years, maturing August 2005	1 year fixed deposit rate plus 1% per annum	-	13,824
Max Asset Management Co., Ltd.	Long-term loan	5 years, maturing August 2010 (2004 : 5 years, maturing August 2005)	fixed at 11.51% per annum	708	1,075
National Leasing Co., Ltd.,	Promissory note	5 years (maturing August 2008)	1 year fixed deposit rate plus 1% per annum	900	634
Total				<u>1,608</u>	<u>15,533</u>

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

As at 31 December 2005 and 2004, the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), classified and made allowances against their loans and receivable in accordance with the Bank of Thailand's guidelines as summarised below :-

(Unit : Million Baht)

	Consolidated ⁽¹⁾									
	Debt balance/ book value		Debt balance after collateral		Minimum percentage required by BOT ⁽²⁾	Allowance for doubtful accounts				
	2005	2004	2005	2004		Minimum amount to be provided under BOT's guidelines		Amount provided in the accounts		
					2005	2004	2005	2004		
Loans, receivable and accrued interest receivable (including loans to financial institutions) ⁽³⁾										
Normal	137,636	109,208	116,844	87,801	1	1,168	878	2,579	2,521	
Special mention	10,290	7,022	9,645	6,402	2	193	128	193	128	
Substandard	1,553	1,141	576	585	20	115	117	115	117	
Doubtful	1,119	1,178	419	608	50	210	304	210	304	
Doubtful of loss	2,442	1,757	1,045	516	100	1,045	516	1,045	516	
Total	153,040	120,306	128,529	95,912		2,731	1,943	4,142	3,586	
Additional allowance for possible uncollectable debts	-	-						693	1,106	
	153,040	120,306						4,835	4,692	
Loans and receivable of N.F.S. Asset Management Co., Ltd., which transferred from Thanachart Group										
Normal	882	967	574	615	1	8	6	278	311	
Special mention	57	-	2	-	2	-	-	-	-	
Substandard	1,479	1,855	38	300	20	8	60	451	649	
Doubtful	67	141	2	22	50	1	11	1	22	
Doubtful of loss	2,720	3,947	711	1,136	100	711	1,136	764	1,212	
Total	5,205	6,910	1,327	2,073		728	1,213	1,494	2,194	
Additional allowance for possible uncollectable debts	-	-						33	33	
	5,205	6,910						1,527	2,227	
Total	158,245	127,216								
Revaluation allowance for debt restructuring	(189)	(254)								
Less : Intercompany gain	(502)	(704)								
Total	157,554	126,258								
Investments in receivables transferred to loans and receivable										
Normal	74	100	38	40	1	-	-	5	7	
Special mention	156	-	1	-	2	-	-	4	-	
Substandard	61	89	15	16	20	3	3	20	21	
Doubtful	9	19	3	5	50	2	3	3	10	
Doubtful of loss	344	568	111	122	100	111	122	159	157	
Total	644	776	168	183		116	128	191	195	
Total loans, receivable and accrued interest	158,198	127,034						6,553	7,114	

(1) Only the Company and those subsidiary companies overseen by the BOT.

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

(3) Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(Unit : Million Baht)

The Company Only									
					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	
	2005	2004	2005	2004		2005	2004	2005	2004
Loans, receivable and accrued interest (including loans to financial institutions) ⁽²⁾									
Normal	72,664	98,614	72,113	97,716	1 ⁽³⁾	705	822	2,115	2,465
Special mention	8,949	6,678	8,641	6,376	2	173	127	173	127
Substandard	467	801	454	536	20	91	107	91	107
Doubtful	375	279	359	278	50	179	139	179	139
Doubtful of loss	645	330	620	314	100	620	314	620	314
Total	83,100	106,702	82,187	105,220		1,768	1,509	3,178	3,152
Additional allowance for possible uncollectable debts									
	-	-						66	436
Total	83,100	106,702						3,244	3,588
Investments in receivables transferred to loans and receivable									
Normal	24	34	24	25	1	-	-	1	1
Substandard	2	-	-	-	20	-	-	-	-
Doubtful of loss	9	-	-	-	100	-	-	-	-
Total	35	34	24	25		-	-	1	1
Total loans, receivable and accrued interest									
	83,135	106,736						3,245	3,589

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

(2) Debt balance/book value of normal and special mention loans is excluding accrued interest receivable.

(3) Under the equity method, debt balance/book value is excluding loans to subsidiary companies.

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

The above classified loans and receivable (including loans to financial institutions) included the following debts with weak financial positions and operating results :-

	Consolidated							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	4	4	45	222	76	197	28	36
3. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	26	32	1,105	1,097	1,435	1,837	75	51
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	387	378	3,847	4,780	4,897	5,300	712	1,281
5. Companies whose auditors’ reports cited going concern issues	19	17	219	215	205	27	119	73
	The Company Only							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	240	15	310	23	-	-
2. Companies which have loan settlement problems or have defaulted of the repayment of debts	197	174	137	365	-	236	86	62
3. Companies whose auditors’ reports cited going concern issues	1	-	43	-	-	-	1	-

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

As at 31 December 2005 and 2004, a subsidiary company operating in the securities business classified its securities business receivable and accrued interest receivable and provided related allowance for doubtful accounts in accordance with the notification of the Office of the Securities and Exchange Commission (SEC) as follows :-

	(Unit : Million Baht)					
	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2005	2004	2005	2004	2005	2004
Doubtful	310	418	310	418	310	418
Substandard	10	25	-	-	-	-
Total	<u>320</u>	<u>443</u>	<u>310</u>	<u>418</u>	310	418
General reserve					10	16
Total allowance for doubtful accounts					<u>320</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 31 December 2005 and 2004, hire-purchase and financial lease receivable of three subsidiary companies engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts as follows :-

	(Unit : Million Baht)	
	2005	2004
Current or overdue less than 90 days	2,071	804
Overdue 91 – 365 days	36	1
Overdue more than 1 year	2	2
Debtors under legal actions	8	4
Total	<u>2,117</u>	<u>811</u>
Allowance for doubtful accounts	<u>42</u>	<u>14</u>

10. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

Consolidated							
For the year ended 31 December 2005							
	Normal	Special mention	Sub - standard	Doubtful Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,847	128	786	336	2,326	1,139	7,562
Add : Increase (decrease) during the year	33	71	(194)	(118)	(29)	(413)	(650)
Bad debt recovery	-	-	-	-	2	-	2
Balance – end of the year	2,880	199	592	218	2,299	726	6,914

(Unit : Million Baht)

Consolidated							
For the year ended 31 December 2004							
	Normal	Special mention	Sub - standard	Doubtful Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,271	89	64	878	1,383	1,423	6,108
Add : Increase (decrease) during the year	576	39	734	(509)	949	(260)	1,529
Bad debt recovery	-	-	-	-	3	-	3
Transferred from allowance for impairment of investments to loans	-	-	-	-	-	15	15
Less : Loss from hair-cut	-	-	-	-	-	(39)	(39)
Reversal from the disposals of loans and receivable	-	-	(12)	(14)	-	-	(26)
Transferred to revaluation allowance for debt restructuring	-	-	-	(19)	(9)	-	(28)
Balance – end of the year	2,847	128	786	336	2,326	1,139	7,562

(Unit : Million Baht)

The Company Only							
For the year ended 31 December 2005							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,466	127	107	139	314	436	3,589
Add : Increase (decrease) during the year	(350)	46	(16)	40	304	(370)	(346)
Bad debt recovery	-	-	-	-	2	-	2
Balance – end of the year	2,116	173	91	179	620	66	3,245

(Unit : Million Baht)

The Company Only							
For the year ended 31 December 2004							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	1,767	73	43	61	118	537	2,599
Add : Increase (decrease) during the year	699	54	64	78	194	(101)	988
Bad debt recovery	-	-	-	-	2	-	2
Balance – end of the year	2,466	127	107	139	314	436	3,589

11. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	Consolidated		The Company Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Balance - beginning of the year	254	295	-	2
Add : Increase (decrease) during the year	8	6	-	(2)
Allowance for revaluation adjustment for receivable transferred from allowances for doubtful accounts	-	28	-	-
Less : Amortised during the year	(73)	(75)	-	-
Balance – end of the year	189	254	-	-

12. CLASSIFICATION OF ASSETS

The quality of assets of the Company and its subsidiary companies engaging in financial institutions (bank business and asset management business) is classified in accordance with the announcements of the Bank of Thailand. These are as follows :-

(Unit : Million Baht)

	Consolidated									
	Loans, receivable and accrued interest receivable		Investments		Property foreclosed		Other assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Normal	138,592	110,275	-	-	-	-	50	48	138,642	110,323
Special mention	10,503	7,022	-	-	-	-	46	31	10,549	7,053
Substandard	3,093	3,085	-	-	-	-	4	4	3,097	3,089
Doubtful	1,195	1,338	-	-	-	-	5	4	1,200	1,342
Doubtful of loss	5,506	6,272	891	738	724	659	568	290	7,689	7,959
Total	158,889	127,992	891	738	724	659	673	377	161,177	129,766
Less: Revaluation allowance for debt restructuring	(189)	(254)								
Intercompany gain from loans and receivable transferred	(502)	(704)								
	158,198	127,034								

(Unit : Million Baht)

	The Company Only									
	Loans, receivable and accrued interest receivable		Investments		Property foreclosed		Other assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Normal	72,688	98,648	-	-	-	-	41	47	72,729	98,695
Special mention	8,949	6,678	-	-	-	-	43	31	8,992	6,709
Substandard	469	801	-	-	-	-	3	3	472	804
Doubtful	375	279	-	-	-	-	5	2	380	281
Doubtful of loss	654	330	274	229	356	344	538	261	1,822	1,164
Total	83,135	106,736	274	229	356	344	630	344	84,395	107,653

13. PROPERTY FORECLOSED

(Unit : Million Baht)

	For the year ended 31 December 2005							
	Consolidated			The Company Only				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred in settlement of debts								
Immovable assets	6,802	934	(676)	7,060	3,329	160	(276)	3,213
Movable assets	187	1,220	(1,155)	252	122	1,196	(1,090)	228
Assets foreclosed from purchase by bid on the open market								
Immovable assets	959	729	(130)	1,558	54	126	(5)	175
Total property foreclosed	7,948	2,883	(1,961)	8,870	3,505	1,482	(1,371)	3,616
Less : Allowance for impairment	(659)	(178)	112	(725)	(344)	(76)	64	(356)
Property foreclosed - net	7,289	2,705	(1,849)	8,145	3,161	1,406	(1,307)	3,260

As at 31 December 2005, the Company and the subsidiary companies have obligations with regard to property foreclosed received in settlement of debts. For Baht 7 million, the debtors have an option to buy back the properties at prices and within periods specified in the agreements. For a further Baht 423 million, the debtors have first right of purchase (the Company Only : Baht 120 million).

As at 31 December 2005, for a further approximately Baht 558 million (at cost) of the property foreclosed of the Company and its subsidiary companies (the Company Only : Baht 258 million), sales agreements have been made with customers, but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiary companies have not recognised any gain in these cases and these assets are still recorded as property foreclosed.

14. LAND, PREMISES AND EQUIPMENT

(Unit : Million Baht)

	Consolidated					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in progress	
<u>Cost :</u>						
31 December 2004	70	89	878	153	103	1,293
Balance brought forward of a subsidiary which changes from an associated	-	-	34	15	-	49
Additions	146	41	494	52	153	886
Transfers	-	25	154	-	(179)	-
Disposals	-	-	(100)	(33)	-	(133)
31 December 2005	216	155	1,460	187	77	2,095
<u>Accumulated depreciation :</u>						
31 December 2004	-	15	522	90	-	627
Balance brought forward of a subsidiary which changes from an associated	-	-	21	7	-	28
Disposals	-	-	(51)	(22)	-	(73)
Depreciation during the year	-	6	172	31	-	209
31 December 2005	-	21	664	106	-	791
<u>Net book value :</u>						
31 December 2004	70	74	356	63	103	666
31 December 2005	216	134	796	81	77	1,304
Depreciation charge included in the earnings statements for the years ended 31 December :-						
2004						138
2005						209

(Unit : Million Baht)

	The Company Only					
	Land	Buildings	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in Progress	Total
<u>Cost :</u>						
31 December 2004	70	90	350	69	101	680
Additions	-	11	161	12	134	318
Transfers	-	25	141	-	(166)	-
Disposals	-	-	(81)	(22)	-	(103)
31 December 2005	70	126	571	59	69	895
<u>Accumulated depreciation :</u>						
31 December 2004	-	16	212	44	-	272
Disposals	-	-	(35)	(15)	-	(50)
Depreciation during the year	-	5	71	12	-	88
31 December 2005	-	21	248	41	-	310
<u>Net book value :</u>						
31 December 2004	70	74	138	25	101	408
31 December 2005	70	105	323	18	69	585
Depreciation charge included in the earnings statements						
for the years ended 31 December :-						
2004						55
2005						88

As at 31 December 2005, the Company and its subsidiary companies have vehicles and office equipment, acquired under financial leases with net book values amounting to approximately Baht 65 million, and have office equipment and vehicles which have been fully depreciated but is still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 328 million (the Company Only : Baht 18 million and Baht 184 million, respectively).

15. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Premium receivable from direct insurance - net	385	252	-	-
Accrued income	179	108	39	79
Deferred expenses	21	41	5	18
Other receivable (VAT paid in advance for customers) - net	85	60	75	60
Withholding tax deducted at source	55	75	-	31
Other receivables	180	100	41	52
Receivable from sales of housing loans to Secondary Mortgage Corporation	13	24	9	18
Deposits	76	52	12	10
Others	154	151	12	23
Total other assets	1,148	863	193	291

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

During the years 1999 and 2000, the Company and a subsidiary company entered into agreements to sell housing loans with balances of approximately Baht 276 million and Baht 223 million (principal only), per the consolidated and the Company’s financial statements, respectively, to the Secondary Mortgage Corporation (“the Corporation”). The Corporation is to pay 80 percent of the loan value with the Corporation’s bonds. The remaining 20 percent is deferred under the Participating Obligations Agreement (“PO”). This deferred amount is the maximum amount for which the Company and its subsidiary are responsible if the Corporation suffers any loss as a result of the debts purchased. The obligations will decrease in proportion to the amount of payment made by the debtors to the Corporation. As at 31 December 2005, the outstanding balances of approximately Baht 13 million and Baht 9 million are recorded in the consolidated and the Company’s financial statements, respectively (2004 : Baht 24 million and Baht 18 million, respectively).

16. BORROWINGS AND DEPOSITS

16.1 Classified by source of borrowings and deposits

(Unit : Million Baht)

	Consolidated							
	2005				2004			
	Promissory				Promissory			
	Deposits	notes	Others	Total	Deposits	notes	Others	Total
From public	101,559	55,307	3,271	160,137	44,864	87,447	884	133,195
From financial institutions	474	767	23,737	24,978	237	1,295	15,840	17,372
From foreign countries	-	-	-	-	-	87	-	87
Total borrowings and deposits	102,033	56,074	27,008	185,115	45,101	88,829	16,724	150,654

(Unit : Million Baht)

	The Company Only					
	2005			2004		
	Promissory			Promissory		
	notes	Others	Total	notes	Others	Total
From public	10,964	670	11,634	90,293	670	90,963
From financial institutions	75,500	200	75,700	15,874	741	16,615
From foreign countries	-	-	-	87	-	87
Total borrowings and deposits	86,464	870	87,334	106,254	1,411	107,665

During the year 2005, the Company transferred deposits of individual customers totalling Baht 47,524 million and deposits of juristic persons and financial institutions totalling Baht 32,279 million, together with accrued interest as at the transferred date amounting to Baht 404 million, to Thanachart Bank which is a subsidiary company, in accordance with the plan for the financial business restructuring of Thanachart Group. As at 31 December 2005, the remaining deposits are deposits from institution clients in form of promissory notes and bills of exchange.

As at 31 December 2005, Baht 75,500 million of borrowings from financial institutions in the Company's financial statements are from a subsidiary company (Thanachart Bank). The interest rate charged is in accordance with money market rates, and not less than NBANK's 1 year fixed deposit rate plus a fixed percentage per annum. Principal is payable at call but within June 2006.

16.2 Classified by the remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
At call	12,797	10,000	75,500	17,303
Not over 1 year*	115,810	90,730	1,169	62,658
Over 1 year	56,508	49,924	10,665	27,704
Total borrowings and deposits	185,115	150,654	87,334	107,665

**Include matured contracts*

16.3 Classified by borrowing currency and location

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Baht				
- Local	185,111	150,567	87,334	107,578
- Foreign	-	87	-	87
Dollar				
- Local	4	-	-	-
	185,115	150,654	87,334	107,665

17. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at 31 December 2005, securities sold under repurchase agreements amounting to Baht 200 million are subject to interest at a rate of 4 percent per annum. The repurchasing date is in January 2006. Investment in a marketable security of an associated company has been pledged as collateral (as mentioned in Note 7.5).

18. LIABILITIES UNDER COMMERCIAL PAPER SOLD

As at 31 December 2005 and 2004, all liabilities under commercial paper sold are due within one year.

19. DEBENTURES

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Unsubordinated and unsecured debentures (due in 2010 with interest to be paid twice a year, at an average MLR less 3.45 percent per annum)	4,000	4,000	4,000	4,000
Unsubordinated and unsecured debentures (due in 2008 with interest to be paid twice a year, at a fixed rate of 2.95 percent per annum)	1,000	1,000	1,000	1,000
Subordinated debentures issued under the scheme to establish the Restricted Bank (due in 2008 with interest to be paid twice a year, at a fixed rate of 9 percent per annum)	1,944	1,978	-	-
Subordinated debentures issued under the scheme to increase Tier II capital (due in 2009 with interest to be paid once a year, at a rate equal to the coupon of Tier II government bonds plus 1 percent per annum, or 4.5-5.0 percent per annum)	309	309	258	258
Subordinated debentures issued under the scheme to increase Tier II capital (due in 2010 with interest to be paid once a year, at a rate equal to the coupon of Tier II government bonds plus 1 percent per annum, or 3.5-3.75 percent per annum)	269	269	215	215
Total	7,522	7,556	5,473	5,473

20. OTHER LIABILITIES

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Deferred gain on disposal of property foreclosed	327	355	9	16
Losses reserve and outstanding claims from insurance	336	239	-	-
Cash received from contracted sales on property foreclosed	180	189	10	102
Amounts withheld on reinsurance treaties	76	64	-	-
Unearned income from hire purchase	249	71	141	71
Accrued personnel expenses	201	177	50	77
Suspense account receivable	705	507	283	254
Payables for property foreclosed	260	84	58	-
Others	751	585	194	161
Total	3,085	2,271	745	681

21. SHARE CAPITAL

During the year 2005, preference shareholders converted 30 preference shares to the Company's ordinary shares. As at 31 December 2005, 19,546 preference shares, with each preference share convertible to 1 ordinary share, remain unconverted which the conversion rights are unconditional and do not expire.

On 28 April 2005, the Annual General Meeting of the Company's shareholders have approved the payment of the dividend of Baht 0.40 per share to the ordinary shareholders and preference shareholders, a total of Baht 533 million. In addition, on 27 October 2005, the Board of Directors of the Company also approved the interim dividend of Baht 0.30 per share to the ordinary shareholder and preference shareholders, a total of Baht 400 million. The payment of the interim dividend was approved by the Extraordinary Meeting of the Shareholder on 30 January 2006.

22. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Revaluation surplus on investments :-				
Available-for-sale investments				
Debt instruments	21	5	-	-
Equity instruments	244	411	80	148
Held-to-maturity debt securities	54	47	24	31
Surplus recognised for subsidiary and associated companies - under equity method	2	54	217	338
Total	321	517	321	517
Revaluation deficit on investments :-				
Available -for-sale investments				
Debt instruments	(30)	(17)	-	(6)
Equity instruments	(306)	(95)	(45)	(21)
Held-to-maturity debt securities	(815)	(887)	(153)	(296)
Deficit recognised for subsidiary and associated companies - under equity method	-	(89)	(953)	(765)
Total	(1,151)	(1,088)	(1,151)	(1,088)
Revaluation surplus (deficit) on investments	(830)	(571)	(830)	(571)

23. STATUTORY RESERVE

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

24. CAPITAL FUNDS

As at 31 December 2005 and 2004, the capital funds maintained by the Company in accordance with Section 4 of the Act on Undertaking of Finance Business, Finance and Securities Business and Credit Foncier Business B.E. 2522 are as follows :-

	(Unit : Million Baht)	
	The Company Only	
	2005	2004
<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	5,527	2,555
Total	21,293	18,172
Less : Investments in ordinary shares of Thanachart Bank Plc.	(9,149)	(8,355)
	12,144	9,817
<u>Tier II</u>		
Subordinated debentures	312	406
Reserve for loans classified as normal	1,235	1,442
Net revaluation surplus on equity securities - available-for-sales		
Total	16	58
Less : Investments in subordinated debentures of Thanachart Bank Plc.	1,563	1,906
(subsidiary company) which held by a former subsidiary company	(4)	(6)
	1,559	1,900
Total capital funds	13,703	11,717

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

The Ministry of Finance approved the Company's plan to increase its share capital to exchange with the shares of Thanachart Bank Plc., a subsidiary company, on the condition that the Company is able to include the above issued and paid up share capital and related premiums as its capital funds, provided the value of the Company's investment in the Bank under the equity method is excluded from these capital funds, until such time the Company returns its finance business license. However, the additional investment of Baht 6,478 million made in the year 2005 was granted a waiver of this condition by the Bank of Thailand and can be included in the Company's capital funds.

The Company's capital ratio, calculated based on the Bank of Thailand's regulation, is as follows :-

	The Company Only			
	2005		2004	
	Capital ratio of the Company	Minimum requirement per BOT	Capital ratio of the Company	Minimum requirement per BOT
	Total capital to risk assets (percent)	13.86	8.00	10.16
Total Tier I to risk assets (percent)	12.29	4.00	8.51	4.00

25. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the statements of earnings for the years 2005 and 2004 consist of :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Bad debts and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and receivable	(650)	1,529	(346)	988
Reversal on hair - cut loans	-	(39)	-	-
Amortisation of revaluation allowance for debt restructuring during the year	(73)	(75)	-	-
Total	(723)	1,415	(346)	988

26. LOSS (GAIN) FROM DEBT RESTRUCTURING

Loss (gain) from debt restructuring in the statements of earnings for the years 2005 and 2004 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Loss from hair-cut	422	72	-	-
Increase (decrease) in revaluation allowance for debt restructuring	8	6	-	(2)
Total loss (gain) from debt restructuring	430	78	-	(2)

27. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the year 2005 and 2004 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Unrealised gain on valuation adjustment	1	-	-	-
Reversal of provision for impairment of investments (allowance for impairment)	5	(1)	1	(1)
Increase in allowance for impairment of TAMC's promissory notes	(26)	(34)	(26)	(34)
Reversal of provision for impairment of investments in receivables (allowance for impairment)	(49)	79	(2)	-
Gain on debt settlement/assets transferred from investments in receivables	90	43	4	-
Realised gain (loss) on sales of investments				
Trading securities	58	9	-	-
Available-for-sale securities	280	306	108	118
Held-to-maturity securities	(124)	97	(126)	16
Other securities	5	91	-	75
Total	240	590	(41)	174

During the year 2005, the Company disposed of held-to-maturity debt securities with an amortised cost of Baht 6,542 million because the Company is in the process of returning its finance business license, and thus will not be required to hold bonds and debentures for the purpose of maintaining its liquid asset ratio. The losses on disposal totaled Baht 567 million. Baht 3,269 million of these securities were sold to group subsidiary companies with a loss of Baht 433 million, and this was eliminated from the consolidated financial statements and the Company's financial statements under the equity method. (2004 : disposed of held-to-maturity debt securities with an amortised cost of Baht 6,886 million in the consolidated financial statements and Baht 3,357 million in the Company's financial statements).

28. GAIN ON PROPERTY FORECLOSED

Gain on property foreclosed for the years 2005 and 2004 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Realised gain on disposal of property foreclosed	314	238	127	107
Allowance for impairment	(66)	(69)	(13)	(42)
Total	248	169	114	65

29. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2005	2004	2005	2004
Number of employees as at year end (persons)	5,529	3,732	629	1,475
Personnel expenses for the year (Million Baht)	1,924	1,477	429	529

30. DIRECTORS' REMUNERATION

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

In addition, on 28 April 2005, the Annual General Meeting of shareholders had approved the payment of director's remuneration amounting to approximately Baht 9 million to the Company's directors.

31. CORPORATE INCOME TAX

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

32. PROVIDENT FUND

The Company, certain of its subsidiaries and their employees have jointly registered provident funds scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the companies at the rate of 5 percent of the employee's salary. The fund will be paid to the employees upon termination in accordance with the rules of the funds. During the year 2005, Baht 47 million has been contributed to the funds by the Company and its subsidiaries (the Company Only : Baht 13 million).

33. RECONCILIATION OF DILUTED EARNINGS PER SHARE

Consolidated and the Company Only						
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	3,104,099	2,982,805	1,333,134	1,333,134	2.33	2.24
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	20	20	-	-
Diluted earnings per share						
Net earnings of ordinary shareholders assuming conversion of dilutive securities	<u>3,104,099</u>	<u>2,982,805</u>	<u>1,333,154</u>	<u>1,333,154</u>	<u>2.33</u>	<u>2.24</u>

34. RELATED PARTY TRANSACTIONS

During the years 2005 and 2004, the Company and its subsidiary companies had significant business transactions with its subsidiary, associated and related companies (related by way of common shareholders and/or common directors). Such transactions which have been concluded on the terms and basis as determined by the Company, its subsidiary companies and those companies, are summarised below :-

	Consolidated		The Company Only		(Unit : Million Baht)
	2005	2004	2005	2004	Pricing Policies (For the year 2005)
Subsidiary companies :-					
Sales of investments in debt securities (with loss on sales of Baht 114 million) (2004 : with gain on sales of Baht 26 million)	-	-	6,557	10,274	At market price
Purchase of investments in debt securities	-	-	-	457	
Cash paid for investment in subsidiaries	-	-	6,728	2	At par value
Transfer value of deposits in form of promissory notes	-	-	80,207	-	At the face value of promissory note
Transfer value of loans	-	-	535	-	At carrying value
Interest income from loans	-	-	468	544	At interest rates of 2 - 3.75 and 11.51 percent per annum
Rental and other service income	-	-	142	102	At the rate determined under the contract between related parties
Fees and other income	12	8	24	13	At the rate determined under the contract between related parties
Interest expenses	-	-	2,138	133	At interest rates of 1.5 - 5.25 percent per annum
Rental and other service expenses	22	10	209	101	At the rate determined under the contract between related parties
Insurance expenses	-	-	7	6	As insurance policy

					(Unit : Million Baht)
	Consolidated		The Company Only		Pricing Policies
	2005	2004	2005	2004	(For the year 2005)
Associated companies :-					
Interest income	1	1	-	-	At interest rates of 3 percent per annum
Other income	1	3	1	1	
Interest expenses	19	27	1	2	At interest rates of 0.50-3.75 and 11.51 percent per annum
Insurance expenses	-	2	-	1	
Other expenses	42	42	28	27	
Related companies:-					
Dividend income	30	42	10	19	As declared
Interest income	78	98	16	28	At interest rates of 0.25-7.52 percent per annum
Other income	115	118	3	12	
Interest expenses	29	38	8	17	At interest rates of 0.50-6.75 and 9.00 percent per annum
Project management expenses	51	48	25	25	At the rate determined under the contract between related parties
Other expenses	54	44	34	28	

During the year 2004, Thanachart Bank transferred additional non-performing loans amounting to Baht 124 million to N.F.S. Asset Management Co., Ltd.

The outstanding balances of the above transactions during the year 2005 and 2004 are below shown at the average month end balance :-

					(Unit : Million Baht)
	Consolidated		The Company Only		
	2005	2004	2005	2004	
<u>Subsidiary companies</u>					
Deposits with financial institutions	-	-	52	75	
Loans and receivable	-	-	11,586	15,432	
Borrowings and deposits	28	20	45,201	7,222	
<u>Associated companies</u>					
Investments in debt securities	24	19	-	-	
Loans and receivable	4	1	-	-	
Borrowings and deposits	187	294	12	60	

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Related companies</u>				
Deposits with financial institutions	326	359	87	82
Loans to financial institutions	75	36	20	20
Investments in debt and equity securities	1,219	1,071	294	614
Loans and receivable	2,041	2,457	280	283
Borrowings and deposits	782	2,162	448	1,809
Debentures	112	112	-	-

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

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Deposits with financial institutions</u>				
Subsidiary company :-				
Thanachart Bank Plc.	-	-	131	31
Related companies :-				
Siam Commercial Bank Plc.	208	558	74	123
Other related companies	6	38	-	15
	214	596	74	138
Total	214	596	205	169
<u>Loans to financial institutions</u>				
Related companies	75	34	20	20
<u>Investments in debt securities</u>				
Associated company :-				
MBK Plc.	24	17	-	-
Related companies	306	200	-	-
Total	330	217	-	-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Loans and receivable</u>				
Subsidiary companies :-				
N.F.S. Asset Management Co., Ltd.	-	-	-	13,824
(Repaid by loan from Thanachart Bank Plc., a company in Thanachart Group)				
Max Asset Management Co., Ltd.	-	-	708	1,075
National Leasing Co., Ltd.	-	-	900	634
	-	-	1,608	15,533
Associated company :-				
MBK Plc.	4	-	-	-
Related companies :-				
Krisda Mahanakorn Plc.	-	685	-	-
Other related companies	1,645	1,719	269	528
	1,645	2,404	269	528
Total	1,649	2,404	1,877	16,061
<u>Accrued interest receivable from investments, loans and loans to financial institutions</u>				
Subsidiary companies	-	-	29	41
Related companies	10	28	1	1
Total	10	28	30	42
<u>Other assets</u>				
Subsidiary companies	2	3	22	2
Associated companies	9	6	4	-
Related companies	44	49	12	21
Total	55	58	38	23

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Borrowings and deposits</u>				
Subsidiary companies :-				
Thanachart Bank Plc.	-	-	75,500	14,634
N.F.S. Asset Management Co., Ltd.	-	-	-	1,865
Max Asset Management Co., Ltd.	-	-	-	474
Thanachart Group Leasing Co., Ltd.	-	-	-	373
N.F.S. Capital Co., Ltd.	-	-	-	106
Other subsidiary companies	27	24	-	180
	<u>27</u>	<u>24</u>	<u>75,500</u>	<u>17,632</u>
Associated companies:-				
MBK Plc.	161	213	-	-
Other associated companies	-	81	-	-
	<u>161</u>	<u>294</u>	<u>-</u>	<u>-</u>
Related companies :-				
Thai Life Assurance Co., Ltd.	-	700	-	-
Other related companies	1,142	661	-	423
	<u>1,142</u>	<u>1,361</u>	<u>-</u>	<u>423</u>
Total	<u>1,330</u>	<u>1,679</u>	<u>75,500</u>	<u>18,055</u>
<u>Debentures</u>				
Related companies	<u>112</u>	<u>112</u>	<u>-</u>	<u>-</u>
<u>Accrued interest payable</u>				
Subsidiary companies	-	-	-	6
Associated companies	6	9	-	-
Related companies	10	11	-	2
Total	<u>16</u>	<u>20</u>	<u>-</u>	<u>8</u>
<u>Other liabilities</u>				
Subsidiary companies	-	-	66	36
Related companies	406	35	11	20
Total	<u>406</u>	<u>35</u>	<u>77</u>	<u>56</u>
<u>Guarantees of loans</u>				
Related companies	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

As at 31 December 2005, the Company and its subsidiary companies have investments amounting to approximately Baht 802 million (the Company Only : Baht 267 million) in companies to which they are related by means of members of their management being shareholders and/or directors of those companies.

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

(Unit : Million Baht)

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

35. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the finance business (including asset management business), bank business, securities business and other business segments as at 31 December 2005 and 2004 are summarized below :-

(Unit : Million Baht)

	For the year ended 31 December											
	Finance 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	4,621	2,996	1,830	1,058	122	98	190	48	39	91	6,802	4,291
Share of profits from investments accounted for under equity method	1,527	1,941	-	-	-	-	-	-	(1,335)	(1,784)	192	157
Non-interest income	1,469	2,612	905	252	855	1,083	2,039	874	(309)	(28)	4,959	4,793
Operating expenses	(3,024)	(2,944)	(2,373)	(759)	(790)	(701)	(2,030)	(828)	373	201	(7,844)	(5,031)
Corporate income tax	(826)	(849)	-	-	(30)	(124)	(116)	(16)	-	-	(972)	(989)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	-	-	(33)	(238)	(33)	(238)
Net earnings	3,767	3,756	362	551	157	356	83	78	(1,265)	(1,758)	3,104	2,983

(Unit : Million Baht)

As at 31 December												
	Finance business		Bank business		Securities business		Other business		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Investments - Net	31,312	31,909	17,415	19,173	1,194	1,174	4,728	1,496	(21,445)	(13,478)	33,204	40,274
Loans, receivable and accrued interest receivable - Net (including loans to financial institutions)	85,443	111,266	156,955	44,367	2,085	1,631	1,519	1,109	(89,967)	(35,930)	156,035	122,443
Land, premises and equipment - Net	600	421	494	118	166	123	56	28	-	-	1,316	690
Other assets	16,130	12,077	20,615	9,286	450	249	1,347	664	(1,024)	(639)	37,518	21,637
Total assets	133,485	155,673	195,479	72,944	3,895	3,177	7,650	3,297	(112,436)	(50,047)	228,073	185,044

36. COMMITMENTS AND CONTINGENT LIABILITIES

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

36.1

(Unit : Million Baht)						
	Consolidated					
	2005			2004		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	239	-	239	512	-	512
Guarantees of loans	10	-	10	186	-	186
Obligations under interest rate swap agreements	48,373	-	48,373	13,192	-	13,192
Letters of credit	-	635	635	-	-	-
Other commitments						
Obligations under forward exchange contracts						
Bought contracts	-	549	549	-	-	-
Sold contracts	-	625	625	-	-	-
Obligations amounting to USD 34 million under sales of cross currency and interest rate swap contracts (2004 : USD 32 million)	-	1,389	1,389	-	1,356	1,356
Committed (but not drawn) overdraft	628	-	628	281	-	281
Liability under unmatured import bills	-	4	4	-	-	-
Other guarantees	963	-	963	659	-	659
Total contingencies and commitments	50,213	3,202	53,415	14,830	1,356	16,186

(Unit : Million Baht)

	The Company Only					
	2005			2004		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Obligation under interest rate swap agreements	21,723	-	21,723	6,862	-	6,862
Other guarantees	1	-	1	1	-	1
Total contingencies and commitments	21,734	-	21,734	6,873	-	6,873

36.2 During the years 2001 to 2003, the Company and its subsidiary companies have entered into agreements to sell loans and receivables with transfer prices totaling of approximately Baht 3,417 million to the Thai Asset Management Corporation (“TAMC”). The Company and its subsidiary companies are still jointly entitled to/liable for a share of the gains or losses arising from TAMC’s management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiary companies and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiary companies at this stage. However, as at 31 December 2005, the Company and its subsidiary companies have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 344 million (the Company Only : Baht 119 million) (2004 : of Baht 318 million Baht 93 million, respectively). This is presented as a part of the allowance for impairment of investment in promissory notes.

36.3 The Company and a subsidiary company have entered into agreements to sell housing loans/ to transfer rights to claim the housing debts to the Secondary Mortgage Corporation, under which they are committed to compensate the Corporation for losses from uncollected debts up to a maximum of 20 percent of the sell price of the said receivables, or approximately Baht 13 million (the Company Only : Baht 9 million).

36.4 The Company and Thanachart Bank Plc., subsidiary company, are obliged to make contributions to the Financial Institutions Development Fund, at a rate of 0.2 percent of the total outstanding balance of the Company and its subsidiary company's deposits and accrued interest arising from borrowings, as of the last day of the previous six-month period before the contributions are to be made, every 30 June and 31 December of the year.

36.5 As at 31 December 2005, the Company and its subsidiary companies have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements which can be presented as follows :-

(Unit : Million Baht)

Year	Consolidated	The Company Only	
	Other companies	Other companies	Subsidiaries
2006	259	99	13
2007	157	64	7
2008 onward	225	160	11

In addition, the Company has an obligation to pay an administrative service fee to a subsidiary company at actual cost plus a margin according to period in agreement.

36.6 As at 31 December 2005, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges of approximately USD 625,000 per quarter. The agreement will expire on 30 September 2008.

37. LITIGATION

As at 31 December 2005, the Company and its subsidiary companies have contingent liabilities amounting to approximately Baht 836 million as a result of litigation (the Company Only : Baht 346 million). However, the Company and the subsidiary companies' management expect that no losses will result and therefore no liabilities are currently recorded.

38. BANK GUARANTEE

As at 31 December 2005, there were outstanding bank guarantees of approximately Baht 6 million (the Company Only : Baht 5 million) issued by banks on behalf of the Company and its subsidiaries to guarantee the use of electricity and the rental of land.

39. FINANCIAL INSTRUMENTS

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

As at 31 December 2005, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

39.1 Credit risk

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

The Company and its subsidiary companies manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customer's ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

39.2 Market risk

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

a) Interest rate risk

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

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

	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
(Unit : Million Baht)								
Financial assets								
Cash and deposits at financial institutions	50	140	5,344	5,534	1	-	811	812
Loans to financial institutions	-	157	62	219	-	-	20	20
Securities purchased under resale agreements	-	19,700	-	19,700	-	7,200	-	7,200
Investments	2,008	24,497	7,485	33,990	546	1,004	23,379	24,929
Trading transactions with securities companies – receivable	-	-	164	164	-	-	-	-
Loans and receivable (include intercompany gain on loan transferred)	22,634	137,748	2,911	163,293	1,465	80,477	1,173	83,115
Financial liabilities								
Borrowings and deposits	17,285	167,575	255	185,115	75,500	11,834	-	87,334
Securities sold under repurchase agreements	-	200	-	200	-	-	-	-
Trading transactions with securities companies - payable	-	-	25	25	-	-	-	-
Securities business payable	-	-	1,058	1,058	-	-	-	-
Liabilities under commercial papers sold	-	286	-	286	-	-	-	-
Debentures	-	7,522	-	7,522	-	5,473	-	5,473
Liabilities payable on demand	-	-	997	997	-	-	-	-

The outstanding balances of loans and receivable which have floating interest rates or fixed interest rates include loans and receivable on which interest recognition has been ceased, and are presented before deducting provisions.

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

(Unit : Million Baht)

Transactions	Consolidated						Weighted average interest rates Percentage
	At call	Repricing or maturity date				Total	
		0-3 months	3-12 months	1 – 5 years	Over 5 years		
<u>Financial assets</u>							
Cash and deposits at financial institutions	-	60	80	-	-	140	1.96-2.00
Loans to financial institutions	45	24	18	70	-	157	2.96-4.68
Securities purchased under resale agreements	-	19,700	-	-	-	19,700	3.90-4.00
Investments	-	8,066	1,240	6,238	8,953	24,497	2.73-3.91
Loans and receivable (include intercompany gain on loan transferred)	609	3,813	11,794	113,665	7,867	137,748	5.35-6.84
<u>Financial liabilities</u>							
Borrowings and deposits	555	72,740	58,265	36,015	-	167,575	3.02-3.19
Securities sold under repurchase agreements	-	200	-	-	-	200	4.00
Liabilities under commercial papers sold	-	50	236	-	-	286	3.50
Debentures	-	1,000	1,000	5,522	-	7,522	4.22

(Unit : Million Baht)

Transactions	The Company Only						Weighted average interest rates Percentage
	Repricing or maturity date						
	At call	0-3 months	3-12 months	1 - 5 years	Over 5 years	Total	

Financial assets

Securities purchased under

resale agreements	-	7,200	-	-	-	7,200	3.90
Investments	-	531	-	473	-	1,004	2.05
Loans and receivable	331	270	3,468	74,955	1,453	80,477	6.84

Financial liabilities

Borrowings and deposits	-	1,149	9,085	1,600	-	11,834	3.02
Debentures	-	1,000	-	4,473	-	5,473	2.77

In addition, the Company and its subsidiary companies have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiary companies for the year ended 31 December 2005, and the average rate of interest and dividend income, can be summarised as follow :-

(Unit : Million Baht)

	Consolidated			The Company Only		
	Average balance	Interest and dividend	Average rate	Average balance	Interest and dividend	Average rate
Interest earnings financial assets						
Cash and deposits at financial institutions	696	2	0.31	-	-	-
Securities purchased under resale agreements	18,601	531	2.86	8,746	261	2.98
Investments	36,491	1,009	2.76	7,449	236	3.17
Loans and receivable (include loans to financial institutions)	137,581	9,392	6.83	103,227	6,950	6.73
Interest bearing financial liabilities						
Borrowings and deposits	166,489	4,101	2.46	108,783	3,573	3.34
Securities sold under repurchase agreements	200	1	3.04	-	-	-
Securities business payable - customer account	453	5	1.21	-	-	-
Liabilities under commercial papers sold	373	12	3.10	-	-	-
Debentures	7,542	307	4.07	5,473	143	2.61

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rate will result in changes in the values of financial instruments or fluctuations in revenues or in the values of financial assets or financial liabilities.

Because the subsidiary company has transactions in foreign currency, it is exposed to foreign exchange risk. The subsidiary company has a policy to hedge its foreign currency risk by means of managing net foreign currency under the risk management approved by the board of directors of the subsidiary company with strictly comply with Bank of Thailand regulation.

As at 31 December 2005 and 2004, the Company and its subsidiary companies have foreign currency as follow :-

	(Unit : Million Baht)					
	Consolidated			The Company Only		
	Outstanding balances of financial instruments			Outstanding balances of financial instruments		
	US dollar	Euro	Others	US dollar	Euro	Others
Financial assets						
Cash and deposits at financial institutions	36	8	17	-	-	-
Investments	1,389	-	-	-	-	-
Loans and receivable	7	-	-	-	-	-
	<u>1,432</u>	<u>8</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Borrowings and deposits	4	-	-	-	-	-
Foreign currency in balance sheet -Net	<u>1,428</u>	<u>8</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet foreign currency - Net (forward exchange contracts/cross currency and interest rate swap contracts)	<u>1,613</u>	<u>934</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>

A subsidiary company has entered into forward exchange contracts to fully hedge the exposure to foreign exchange risk on its foreign investments.

c) Equity position risk

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

39.3 Liquidity risk

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

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

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

(Unit : Million Baht)

Transactions	Consolidated					The Company Only				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Cash and deposits at financial institutions	5,394	140	-	-	5,534	812	-	-	-	812
Securities purchased under resale agreements	-	19,700	-	-	19,700	-	7,200	-	-	7,200
Investments	2,021	5,754	18,817	7,398	33,990	546	-	1,004	23,379	24,929
Trading transactions with securities companies - receivable	-	164	-	-	164	-	-	-	-	-
Loans to financial institutions and loans and receivable, including intercompany gain on loan transferred ⁽ⁱ⁾	12,177	10,100	141,235	-	163,512	1,509	3,489	78,137	-	83,135
Financial liabilities										
Borrowings and deposits	12,797	115,810	56,508	-	185,115	75,500	1,169	10,665	-	87,334
Securities sold under repurchase agreements	-	200	-	-	200	-	-	-	-	-
Trading transactions with securities companies - payable	-	25	-	-	25	-	-	-	-	-
Securities business payable	-	1,058	-	-	1,058	-	-	-	-	-
Liabilities under commercial papers sold	-	286	-	-	286	-	-	-	-	-
Debentures	-	-	7,522	-	7,522	-	-	5,473	-	5,473
Liabilities payable on demand	997	-	-	-	997	-	-	-	-	-
Off-balance sheet items :-										
Avals to bills and guarantee of loans	10	216	23	-	249	10	-	-	-	10
Letter of credit	-	635	-	-	635	-	-	-	-	-

Other commitments	88	4,074	48,075	294	52,531	1	1,738	19,985	-	21,724
-------------------	----	-------	--------	-----	--------	---	-------	--------	---	--------

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

39.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiary companies have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets, including cash and deposits with financial institutions, securities purchased under resale agreements, loans to financial institutions, loans and receivable and investments in receivables are considered to approximate their respective carrying values since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as certain investments, have their fair values determined based on the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including borrowings and deposits, trading transactions with securities companies, securities business payable, liabilities under commercial paper sold, debentures and liabilities payable on demand, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2005, there are no material differences between the book value of the financial instruments and their fair values, except that the fair value of investments in held-to-maturity debt securities is Baht 686 million less than the net book value of such investments.

The fair value of off-balance sheet items cannot be approximated, and so the Company and its subsidiary companies do not disclose such values.

39.5 Financial derivatives

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

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

As at 31 December 2005, financial derivatives, which the Company and its subsidiary company had engaged, can be classified as follow by period to maturity :

(Unit : Million Baht)

	Consolidated			The Company Only		
	Less than			Less than		
	1 year	Over 1 year	Total	1 year	Over 1 year	Total
Forward and spot contracts						
- Bought	549	-	549	-	-	-
- Sold	625	-	625	-	-	-
Cross currency swap contracts						
- Sold	-	1,389	1,389	-	-	-
Interest rate swap contracts						
- Fixed interest rate payment	299	14,007	14,306	299	7,507	7,806
- Floating interest rate payment	570	9,310	9,880	570	2,485	3,055
- Fixed interest rate receipt	570	12,960	13,530	570	5,685	6,255
- Floating interest rate receipt	299	10,358	10,657	299	4,308	4,607

40. PRESENTATION

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of finance, finance and securities and credit foncier companies dated 10 May 2001.

Certain amounts in the financial statements as at 31 December 2004 and for the year then ended have been reclassified to conform to the current year's classifications, with no effect on previously reported net earnings and shareholders' equity.

41. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised by the Board of Directors on 23 February 2006.