

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS “BANK OF ASIA PUBLIC COMPANY LIMITED”)
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2005

Report of Independent Auditor

To The Board of Directors and Shareholders of

United Overseas Bank (Thai) Public Company Limited

(Formerly known as “Bank of Asia Public Company Limited”)

I have audited the accompanying consolidated balance sheet of United Overseas Bank (Thai) Public Company Limited and its subsidiaries as at 31 December 2005, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of United Overseas Bank (Thai) Public Company Limited for the same period. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of United Overseas Bank (Thai) Public Company Limited for year ended 31 December 2004, as presented herein for comparative purpose, formed an integral part of the financial statements which were audited and reported on by another auditor who, under his report dated 15 February 2005, expressed an unqualified audit opinion on those financial statements.

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

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

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok : 16 February 2006

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

(FORMERLY KNOWN AS “BANK OF ASIA PUBLIC COMPANY LIMITED”)

BALANCE SHEETS

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
ASSETS					
Cash	5	4,934,239,398	3,703,172,631	4,934,193,582	3,703,079,708
Interbank and money market items	6				
Domestic items					
Interest bearing		1,066,487,146	566,655,392	1,001,761,124	401,159,232
Non-interest bearing		2,076,137,223	1,349,782,433	2,073,485,947	1,349,352,339
Foreign items					
Interest bearing		7,863,013,094	12,063,318,702	7,863,013,094	12,063,318,702
Non-interest bearing		1,212,872,606	409,266,576	1,212,872,606	409,266,576
Total interbank and money market items - net		12,218,510,069	14,389,023,103	12,151,132,771	14,223,096,849
Securities purchased under resale agreements	7	1,000,000,000	8,400,000,000	1,000,000,000	8,400,000,000
Investments	8				
Current investments - net		2,579,837,528	1,872,836,937	2,557,923,682	1,872,836,937
Long-term investments - net		6,940,496,745	11,945,536,687	6,921,667,449	11,921,240,626
Investments in subsidiaries and associated companies - net	8.7	126,369,327	138,433,834	8,409,804,679	746,756,647
Total investments - net		9,646,703,600	13,956,807,458	17,889,395,810	14,540,834,210
Loans and accrued interest receivables	9				
Loans		159,600,738,264	118,516,940,249	158,917,635,008	117,636,821,197
Accrued interest receivables		1,000,605,703	1,053,824,935	1,005,874,595	1,056,851,606
Total loans and accrued interest receivables		160,601,343,967	119,570,765,184	159,923,509,603	118,693,672,803
Less : Allowance for doubtful accounts	10	(10,692,591,488)	(13,787,440,335)	(10,558,754,427)	(13,657,581,242)
Less : Revaluation allowance for debt restructuring	11	(228,967,328)	(228,182,391)	(228,967,328)	(228,182,391)
Loans and accrued interest receivables - net		149,679,785,151	105,555,142,458	149,135,787,848	104,807,909,170
Properties foreclosed - net	12	13,012,144,572	13,012,248,522	13,012,144,569	13,011,110,997
Customers' liabilities under acceptances		426,266,427	378,754,564	426,266,427	378,754,564
Premises and equipment - net	13	3,977,663,550	2,937,872,283	3,679,876,955	2,551,010,051
Intangible assets - net	14	729,197,828	561,062,771	723,229,322	554,881,097
Other assets - net		1,067,055,800	968,218,899	979,240,851	912,404,503
TOTAL ASSETS		196,691,566,395	163,862,302,689	203,931,268,135	163,083,081,149

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits	16				
Deposits in Baht		151,239,952,644	136,783,535,973	151,266,760,929	136,827,353,183
Deposits in foreign currencies		1,336,086,301	1,250,008,512	1,336,086,301	1,250,008,512
Total deposits		152,576,038,945	138,033,544,485	152,602,847,230	138,077,361,695
Interbank and money market items					
Domestic items	17				
Interest bearing		6,310,984,534	2,069,434,883	13,913,673,816	1,975,694,138
Non-interest bearing		400,825,048	364,132,344	403,355,229	364,132,344
Foreign items					
Interest bearing		1,817,521,596	4,176,410	1,817,521,596	4,176,410
Non-interest bearing		978,242,225	416,968,671	978,242,225	416,968,671
Total interbank and money market items		9,507,573,403	2,854,712,308	17,112,792,866	2,760,971,563
Liabilities payable on demand		2,210,349,658	1,816,145,264	2,210,349,658	1,816,145,264
Securities sold under repurchase agreements	18	100,000,000	200,000,000	100,000,000	200,000,000
Borrowings	19				
Short-term borrowings		3,103,210,000	500,500,000	2,873,210,000	-
Long-term borrowings		2,213,081,320	2,011,819,675	2,213,081,320	2,011,819,675
Total borrowings		5,316,291,320	2,512,319,675	5,086,291,320	2,011,819,675
Bank's liabilities under acceptances		426,266,427	378,754,564	426,266,427	378,754,564
Interest payable		328,004,410	408,801,685	328,124,382	408,092,926
Accrued expenses		1,420,797,053	980,349,316	1,351,785,296	916,444,880
Other liabilities	20	1,398,333,837	1,442,661,510	1,311,035,654	1,278,476,700
TOTAL LIABILITIES		173,283,655,053	148,627,288,807	180,529,492,833	147,848,067,267

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
SHAREHOLDERS' EQUITY					
Share capital	2				
Registered share capital					
8,217,062,166 ordinary shares at par value of Baht 10 each					
(2004 : 5,382,844,520 ordinary shares at par value					
of Baht 10 each)		82,170,621,660	53,828,445,200	82,170,621,660	53,828,445,200
Issued and fully paid-up share capital					
8,217,062,166 ordinary shares at par value of Baht 10 each					
(2004 : 5,095,446,713 ordinary shares at par value					
of Baht 10 each)		82,170,621,660	50,954,467,130	82,170,621,660	50,954,467,130
Discount on share capital		(25,661,349,235)	(11,145,837,378)	(25,661,349,235)	(11,145,837,378)
Revaluation surplus on fixed assets		740,810,478	745,416,749	740,810,478	745,416,749
Revaluation surplus on investments	8.3	132,139,592	466,633,784	132,139,592	466,633,784
Unrealised losses on cash flow hedging instruments		-	(6,737,609)	-	(6,737,609)
Retained earnings (Deficits)					
Appropriated					
Statutory reserve	21	367,591,201	367,591,201	367,591,201	367,591,201
Other reserve	22	72,000,000	72,000,000	72,000,000	72,000,000
Unappropriated (deficits)		(34,420,038,394)	(26,218,519,995)	(34,420,038,394)	(26,218,519,995)
Equity attributable to the Bank's shareholders		23,401,775,302	15,235,013,882	23,401,775,302	15,235,013,882
Minority interests		6,136,040	-	-	-
TOTAL SHAREHOLDERS' EQUITY		23,407,911,342	15,235,013,882	23,401,775,302	15,235,013,882
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		196,691,566,395	163,862,302,689	203,931,268,135	163,083,081,149
OFF-BALANCE SHEET ITEMS					
- CONTINGENCIES AND COMMITMENTS	25.1				
Avals to bills and guarantees of loans		1,187,264,446	871,116,858	1,187,264,446	871,116,858
Liabilities under unmatured import bills		1,420,576,526	1,362,973,173	1,420,576,526	1,362,973,173
Letters of credit		3,217,963,461	3,226,503,381	3,217,963,461	3,226,503,381
Other contingencies and commitments		123,133,474,617	67,538,818,576	123,133,474,617	67,538,818,576

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

(Kim Choong Wong)

President & Chief Executive Officer

(Lee Tse Tiong)

Director & Senior Executive Vice President

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
Interest and dividend income					
Loans		5,228,483,511	4,748,874,157	5,265,385,702	4,743,221,510
Interbank and money market items		500,902,379	247,943,586	498,499,798	246,525,107
Hire purchase and financial lease		191,564,891	169,102,537	-	-
Investments		298,481,972	727,069,033	298,041,222	722,635,283
Total interest and dividend income		6,219,432,753	5,892,989,313	6,061,926,722	5,712,381,900
Interest expenses					
Deposits		1,298,584,045	1,421,791,401	1,298,613,556	1,421,843,069
Interbank and money market items		83,452,523	125,209,307	87,656,634	116,628,175
Shor-term borrowings		46,398,521	12,397,723	32,223,930	-
Long-term borrowings		130,934,749	202,768,735	130,934,749	202,768,735
Total interest expenses		1,559,369,838	1,762,167,166	1,549,428,869	1,741,239,979
Net interest and dividend income		4,660,062,915	4,130,822,147	4,512,497,853	3,971,141,921
Reversal of bad debts and doubtful accounts (bad debts and doubtful accounts)		386,812,656	(1,198,091,548)	390,946,545	(1,153,387,867)
Net earnings interest and dividend after bad debts and doubtful accounts		5,046,875,571	2,932,730,599	4,903,444,398	2,817,754,054
Non-interest income					
Gains on investments	24	207,221,683	357,546,636	207,221,683	357,546,636
Loss on impairment of securities		(1,741,207,353)	(128,202,992)	(1,741,207,353)	(113,202,992)
Share of profit (loss) from investments accounted for under equity method		(8,035,160)	8,048,932	107,992,338	90,008,552
Fees and service income					
Acceptances, avals and guarantees		15,480,193	14,982,468	15,480,193	14,982,468
Others		1,607,802,316	1,571,970,374	1,455,726,022	1,446,344,074
Gains on exchange		438,101,949	333,865,446	438,101,949	333,865,446
Gains on disposal of properties foreclosed		168,062,664	85,981,442	161,822,572	84,453,289
Rental income		243,719,834	252,494,641	90,637,531	80,505,695
Other income		109,882,726	244,869,207	54,887,469	185,641,572
Total non-interest income		1,041,028,852	2,741,556,154	790,662,404	2,480,144,740

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

STATEMENTS OF EARNINGS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
Non-interest expenses					
Personnel expenses		1,665,355,743	1,733,291,778	1,556,274,786	1,627,260,451
Premises and equipment expenses		1,113,477,970	1,051,042,049	937,920,715	885,203,657
Taxes and duties		252,122,549	249,830,773	250,163,824	247,120,204
Fees and service expenses		378,093,689	388,611,210	363,577,069	362,697,965
Directors' remuneration	29	6,960,000	5,350,000	6,795,000	5,110,000
Payments to the Financial Institutions Development Fund		535,196,549	573,138,112	535,196,549	573,138,112
Losses on impairment of properties foreclosed		312,216,655	184,989,681	312,146,657	184,062,295
Reversal of loss on diminution assets		(254,515,809)	(2,005,542)	(257,582,489)	(2,289,099)
Integration expenses		384,358,111	-	384,358,111	-
Other expenses		721,063,780	707,556,274	651,735,787	654,807,393
Total non-interest expenses		5,114,329,237	4,891,804,335	4,740,586,009	4,537,110,978
Earnings before income tax and minority interests		973,575,186	782,482,418	953,520,793	760,787,816
Income tax	30	20,168,527	21,694,602	-	-
Earnings before minority interests		953,406,659	760,787,816	953,520,793	760,787,816
Losses in subsidiaries in respect of minority shareholders		114,134	-	-	-
Net earnings for the years		953,520,793	760,787,816	953,520,793	760,787,816
Basic earnings per share					
Net earnings	31	0.17	0.15	0.17	0.15

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

		CONSOLIDATED								
		Issued and paid-up	Discount on share	Revaluation	Revaluation	Unrealised	Retained earnings (Deficits)		Minority	Total
	Note	share capital	capital	surplus on	surplus (deficit)	losses on cash flow	Appropriated	Unappropriated	interests	
				fixed assets	on investments	hedging instruments				
Beginning balance as of 1 January 2004		50,954,467,130	(11,145,837,378)	749,676,160	667,255,913	(86,553,929)	439,591,201	(26,981,304,891)	-	14,597,294,206
Amortisation of revaluation surplus on fixed assets		-	-	(4,259,411)	-	-	-	1,997,080	-	(2,262,331)
Revaluation deficits on investments		-	-	-	(200,622,129)	-	-	-	-	(200,622,129)
Unrealised gains on cash flow hedging instruments		-	-	-	-	79,816,320	-	-	-	79,816,320
Gains (losses) not yet recognised in the statements of earnings		50,954,467,130	(11,145,837,378)	745,416,749	466,633,784	(6,737,609)	439,591,201	(26,979,307,811)	-	14,474,226,066
Net earnings for the period		-	-	-	-	-	-	760,787,816	-	760,787,816
Ending balance as of 31 December 2004		50,954,467,130	(11,145,837,378)	745,416,749	466,633,784	(6,737,609)	439,591,201	(26,218,519,995)	-	15,235,013,882
Amortisation of revaluation surplus on fixed assets		-	-	(4,606,271)	-	-	-	4,172,750	-	(433,521)
Revaluation deficits on investments		-	-	-	(334,494,192)	-	-	-	-	(334,494,192)
Reversal of unrealised losses on cash flow hedging instruments		-	-	-	-	6,737,609	-	-	-	6,737,609
Gains (losses) not yet recognised in the statements of earnings		50,954,467,130	(11,145,837,378)	740,810,478	132,139,592	-	439,591,201	(26,214,347,245)	-	14,906,823,778
Net earnings for the year		-	-	-	-	-	-	953,520,793	(114,134)	953,406,659
Increased in share capital	2	31,216,154,530	(14,515,511,857)	-	-	-	-	-	-	16,700,642,673
Merger adjustment	2	-	-	-	-	-	-	(9,159,211,942)	-	(9,159,211,942)
Minority interests		-	-	-	-	-	-	-	6,250,174	6,250,174
Ending balance as of 31 December 2005		82,170,621,660	(25,661,349,235)	740,810,478	132,139,592	-	439,591,201	(34,420,038,394)	6,136,040	23,407,911,342

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

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

(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

THE BANK ONLY								
Note	Issued and paid-up share capital	Discount on share capital	Revaluation	Revaluation	Unrealised	Retained earnings (Deficits)		Total
			surplus on fixed assets	surplus (deficit) on investments	losses on cash flow hedging instruments	Appropriated	Unappropriated	
Beginning balance as of 1 January 2004	50,954,467,130	(11,145,837,378)	749,676,160	667,255,913	(86,553,929)	439,591,201	(26,981,304,891)	14,597,294,206
Amortisation of revaluation surplus on fixed assets	-	-	(4,259,411)	-	-	-	1,997,080	(2,262,331)
Revaluation deficits on investments	-	-	-	(200,622,129)	-	-	-	(200,622,129)
Unrealised gains on cash flow hedging instruments	-	-	-	-	79,816,320	-	-	79,816,320
Gains (losses) not yet recognised in the statements of earnings	50,954,467,130	(11,145,837,378)	745,416,749	466,633,784	(6,737,609)	439,591,201	(26,979,307,811)	14,474,226,066
Net earnings for the year	-	-	-	-	-	-	760,787,816	760,787,816
Ending balance as of 31 December 2004	50,954,467,130	(11,145,837,378)	745,416,749	466,633,784	(6,737,609)	439,591,201	(26,218,519,995)	15,235,013,882
Amortisation of revaluation surplus on fixed assets	-	-	(4,606,271)	-	-	-	4,172,750	(433,521)
Revaluation deficits on investments	-	-	-	(334,494,192)	-	-	-	(334,494,192)
Reversal of unrealised losses on cash flow hedging instruments	-	-	-	-	6,737,609	-	-	6,737,609
Gains (losses) not yet recognised in the statements of earnings	50,954,467,130	(11,145,837,378)	740,810,478	132,139,592	-	439,591,201	(26,214,347,245)	31,607,466,451
Net earnings for the year	-	-	-	-	-	-	953,520,793	953,520,793
Increased in share capital	2	31,216,154,530	(14,515,511,857)	-	-	-	-	16,700,642,673
Merger adjustment	2	-	-	-	-	-	(9,159,211,942)	(9,159,211,942)
Ending balance as of 31 December 2005	<u>82,170,621,660</u>	<u>(25,661,349,235)</u>	<u>740,810,478</u>	<u>132,139,592</u>	<u>-</u>	<u>439,591,201</u>	<u>(34,420,038,394)</u>	<u>23,401,775,302</u>

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings for the years	953,520,793	760,787,816	953,520,793	760,787,816
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Loss in subsidiaries in respect of minority shareholders	114,134	-	-	-
Share of losses (profits) of subsidiaries and associated companies accounted for under equity method	8,035,160	(8,048,932)	(107,992,338)	(90,008,552)
Depreciation	446,635,254	519,203,224	265,647,891	328,178,179
Amortisation and losses on assets written off	133,392,860	49,798,255	86,548,908	48,708,100
Amortisation of goodwill	1,654,767	1,654,767	-	-
Unrealised (gain) losses on revaluation of investments	(7,792,962)	2,736,774	(7,792,962)	2,736,774
Losses on impairment of investments	1,741,207,353	128,202,992	1,741,207,353	113,202,992
Bad debt and doubtful accounts-loans and accrued interest receivables (reversal)	(148,902,980)	1,354,782,547	(153,256,535)	1,310,078,866
Losses on impairment of assets	(248,676,811)	(2,289,099)	(251,743,492)	(2,289,099)
Interest income recognised by amortisation of revaluation allowance from debt restructuring	(5,953,427)	(51,741,064)	(5,953,427)	(51,741,064)
Gains on reversal of other liabilities	-	(135,000,000)	-	(135,000,000)
Losses on impairment of properties foreclosed	312,146,655	184,989,681	312,146,657	184,062,295
Gains on disposal of investments	(177,063,634)	(243,938,702)	(177,063,634)	(243,938,702)
Gains on liquidation	-	(97,881,725)	-	(97,881,725)
Gains on disposal of premises and equipment	(6,961,935)	(36,648,371)	(6,961,935)	(15,039,054)
Gains on translation adjustments	(4,068,171)	(17,184,317)	(4,068,171)	(17,184,317)
Amortisation of premium on long-term investments - net	49,808,284	71,484,147	49,808,284	71,484,147
Decrease in interest and dividend income receivables	45,251,361	134,021,069	43,009,139	126,146,985
Increase in accrued other income	(39,458,429)	(15,099,049)	(1,962,693)	(14,072,067)
Decrease in accrued interest expenses	(232,767,184)	(120,414,988)	(231,938,453)	(121,678,190)
Increase (decrease) in accrued other expenses	179,169,555	(40,381,690)	174,062,234	(54,589,549)
Net cash from operating activities before changes in operating assets and liabilities	2,999,290,643	2,439,033,335	2,677,217,619	2,101,963,835

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

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

(FORMERLY KNOWN AS "BANK OF ASIA PUBLIC COMPANY LIMITED")

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
(Increase) decrease in operating assets				
Interbank and money market items	4,539,458,875	(7,733,067,695)	4,440,909,920	(7,646,734,299)
Securities purchased under resale agreements	7,400,000,000	(500,000,000)	7,400,000,000	(500,000,000)
Investment in securities for trading	889,931,577	(1,138,840,203)	889,931,577	(1,138,840,203)
Loans	(4,105,967,786)	1,216,929,324	(4,292,000,377)	1,121,327,787
Properties foreclosed	913,111,997	1,159,166,426	909,272,746	1,182,851,751
Other assets	201,039,027	88,643,170	201,471,500	12,574,266
Increase (decrease) in operating liabilities				
Deposits	(17,119,112,357)	(3,935,453,284)	(17,136,121,283)	(3,961,580,472)
Interbank and money market items	2,601,200,652	(766,380,643)	2,770,946,877	(465,738,166)
Liabilities payable on demand	108,802,020	420,849,164	108,802,020	420,849,164
Securities sold under repurchase agreements	(100,000,000)	200,000,000	(100,000,000)	200,000,000
Short-term borrowings	1,650,827,641	-	1,921,327,641	-
Other liabilities	(550,994,094)	(388,719,989)	(474,107,465)	(377,789,830)
Net cash used in operating activities	(572,411,805)	(8,937,840,395)	(682,349,225)	(9,051,116,167)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	9,282,227,184	38,921,325,215	9,277,176,082	38,905,930,455
Cash paid for investments in subsidiary (Note 2)	(16,700,642,673)	-	(16,700,642,673)	-
Cash paid for investments	(7,526,651,417)	(26,177,794,416)	(7,541,046,199)	(26,168,625,519)
Cash received from merger	599,085,005	-	599,085,005	-
Dividends received	2,644,462	28,389,079	2,644,462	28,389,079
Proceeds from sales of premises and equipment	10,350,957	82,085,310	11,429,364	23,096,787
Purchases of premises and equipment	(560,821,624)	(526,313,374)	(432,469,620)	(279,284,148)
Net cash provided by (used in) investing activities	(14,893,808,106)	12,327,691,814	(14,783,823,579)	12,509,506,654
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in long-term borrowings	(3,355,996)	(2,834,800,646)	(3,355,996)	(2,903,300,646)
Cash received from share capital	16,700,642,674	-	16,700,642,674	-
Net cash provided by (used in) financing activities	16,697,286,678	(2,834,800,646)	16,697,286,678	(2,903,300,646)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,231,066,767	555,050,773	1,231,113,874	555,089,841
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	3,703,172,631	3,148,121,858	3,703,079,708	3,147,989,867
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4,934,239,398	3,703,172,631	4,934,193,582	3,703,079,708
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION				
Cash paid during the years for				
Interest expenses	1,640,167,056	1,888,456,682	1,629,397,356	1,868,792,696
Income tax	34,678,390	62,318,108	11,886,188	43,041,784
Non-cash item				
Properties foreclosed received in settlement of debts from borrowers	852,225,433	407,839,665	841,242,228	407,839,665
Net assets transferred from UOBR	6,930,128,977	-	6,930,128,977	-

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

*UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY KNOWN AS “BANK OF ASIA PUBLIC COMPANY LIMITED”)*

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2005

1. GENERAL INFORMATION

United Overseas Bank (Thai) Public Company Limited (“the Bank”) is a public limited company registered in Thailand with its head office located at 191 South Sathon Road, Sathon, Bangkok. The Bank’s main business is banking. As at 31 December 2005, the Bank conducts its business through a network of 154 branches covering all parts of Thailand and 1 overseas branch (2004: 127 domestic branches and 1 overseas branch). Its major shareholder is United Overseas Bank Limited. As at 31 December 2005 and 2004, the Bank and its subsidiaries had a total staff of 3,783 persons and 2,775 persons, respectively (The Bank only : 3,655 persons and 2,649 persons, respectively).

2. MERGER

The Bank and UOB Radanasin Bank Public Company Limited (“UOBR”) together with their respective major shareholder United Overseas Bank Limited, submitted their Merger Plan under the One Presence Policy ("Merger Plan") to the Ministry of Finance through the Bank of Thailand (“BOT”) on 26 November 2004, seeking approval under Section 38 quarter of the Commercial Banking Act (“CBA”). The Merger Plan was approved by the Bank’s Board of Directors. Subsequently, the Bank submitted a revised Merger Plan to the Bank of Thailand, which on 18 July 2005 sent a letter informing the Bank that the Ministry of Finance had no objection to the proposed business combination between the Bank and UOBR.

Accordingly, on 26 July 2005, the Bank and UOBR together proposed a Merger Project, and submitted applications for various related waivers to the Ministry of Finance through the BoT. On 5 September 2005, the Minister of Finance formally approved the Merger Project and The Minister’s Decision was published in the Government Gazette on 7 September 2005.

To accord with the merger regulations stipulated in section 38 quarter of the Commercial Banking Act B.E. 2505, the Bank had to hold a meeting of shareholders within 21 days of the merger being announce in the Government Gazette. Consequently, on 28 September 2005, an Extraordinary General Meeting of the Bank's shareholders approved the combination of the businesses of the Bank and UOBR in accordance with the Merger Project approved by the Ministry of Finance. Under the Merger Plan the Bank was to be the surviving bank and to acquire 1.28 billion shares of United Overseas Bank Limited at a price of Baht 13 per share, or a totaling of Baht 16.7 billion, and to acquire all assets and assume all liabilities and commitments of UOBR at their net book value as at the last working day prior to the business transfer date entering into a business transfer agreement which provides no recourse for the transfer of assets and liabilities back to UOBR. Subsequently, UOBR was to delisted and eventually be liquidated, and the name of Bank of Asia Public Company Limited would be changed to United Overseas Bank (Thai) Public Company Limited.

In addition, the Extraordinary General Meeting of the Bank's shareholders approved a reduction of the Bank's registered capital from Baht 53,828 million to Baht 50,954 million by cancelling the registered shares which have not yet been issued, and approved an increase in the Bank's registered capital from Baht 50,954 million to Baht 82,170 million, through the issuance of 3,122 million new ordinary shares with a par value of Baht 10 each for offer to the existing shareholders in proportion to their shareholdings, in a ratio of 1 existing share : 0.6126 new shares, at Baht 5.35 per share. The Bank registered the change in its share capital with Ministry of Commerce on 14 October 2005.

The reconciliation of share capital is as follows :-

	(Unit : Shares)	
	2005	2004
Registered share capital		
Beginning balance	5,382,844,520	5,382,844,520
Reduction in a price of registered share capital	(287,397,807)	-
Increase in registered share capital	<u>3,121,615,453</u>	-
Ending balance	<u><u>8,217,062,166</u></u>	<u><u>5,382,844,520</u></u>
Issued and fully paid-up share capital		
Beginning balance	5,095,446,713	5,095,446,713
Increase in registered share capital	<u>3,121,615,453</u>	-
Ending balance	<u><u>8,217,062,166</u></u>	<u><u>5,095,446,713</u></u>

On 18 November 2005, the Bank registered increased in its paid-up capital from Baht 50,954 million to Baht 82,170 million, comprising shares with a par value of Baht 10 each, with the Ministry of Commerce. At the offer price of Baht 5.35 per share, total cash received from this capital increase was Baht 16,701 million.

On 24 November 2005, the Bank completed the purchase of 1,284 million shares of UOBR from United Overseas Bank Limited at a total cost of Baht 16,700 million. As a result, UOBR has become a 99.996% owned subsidiary of the Bank. The net book value of UOBR at the purchase date was Baht 7,541 million and the purchase price therefore exceeds the net book value of the subsidiary by Baht 9,159 million. Since the Bank and UOBR are both subsidiaries of United Overseas Bank Limited, this merger is regarded as a business combination of entities under common control, with the transferred assets and liabilities being recorded at their net book value per accounts and the excess of purchase price over net book value recorded in shareholders' equity, direct to the retained deficit account.

On 25 November 2005, the Bank entered into the Business Transfer Agreement with UOBR, which subsequently transferred all of its business, including all assets, rights, obligations and encumbrances, to the Bank. Following the merger, on 28 November 2005 the Bank registered the changed of its name to United Overseas Bank (Thai) Public Company Limited with the Ministry of Commerce.

The Bank has issued a promissory note due at call and bearing interest at a fixed rate of 0.01 percent per annum, payable on maturity, in order to pay for the transfer of the business of UOBR. As at 31 December 2005, the promissory note was presented in the balance sheet under the caption "Interbank and Money Market Items (Liabilities)".

On 29 July 2004, the Bank also submitted a plan to liquidate its Bangkok International Banking Facility ("BIBF") to the Bank of Thailand. The BoT subsequently notified the Bank, on 18 May 2005, that the Ministry of Finance had granted permission for the combination of the BIBF operation with the Bank's commercial banking operations and to return its BIBF License in due course after the Ministry of Finance completes the process of dealing with related tax matters. The process is now on-going.

Details of the assets, liabilities and off-balance sheet items which were transferred from UOBR as at the transfer date are as follows :

(Unit : Million Baht)

Assets	
Cash	599
Interbank and money market items-net	2,394
Investment-net	477
Loans and accrued interest receivable-net	40,344
Properties foreclosed-net	366
Premises and equipment-net	1,054
Intangible assets-net	123
Other assets-net	93
Total assets	<u>45,450</u>
Liabilities	
Deposits	31,651
Interbank and money market items	4,051
Liabilities payable on demand	285
Borrowings	1,156
Accrued interest payables	152
Accrued expenses	261
Unrealised loss on derivatives contracts-net	283
Other liabilities	82
Total liabilities	<u>37,921</u>
Net book value	<u>7,529</u>
<u>Off-balance sheet items-contingencies</u>	
Aval to bills and guarantees of loans	474
Liabilities under unmatured import bills	230
Letters of credit	1,252
Other contingencies	55,005

To provide additional information on the Bank's financial position and the results of its operation for comparison purposes, the pro forma condensed balance sheets and statements of earnings have been prepared and presented as though the merger between the Bank and UOBR had been made on 1 January 2004, as follows :

Condensed Balance Sheets (Pro forma)

(Unit : Million Baht)

	Consolidated		The Bank only	
	As at 31 December		As at 31 December	
	2005	2004	2005	2004
Assets				
Cash	4,934	4,550	4,934	4,550
Interbank and money items-net	12,219	18,839	12,151	18,673
Securities purchased under resale agreements	1,000	10,200	1,000	10,200
Investments-net	9,647	16,895	17,889	17,480
Loans and accrued interest receivable-net	149,680	147,179	149,136	146,432
Properties foreclosed-net	13,012	13,098	13,012	13,097
Customers' liabilities under acceptances	426	379	426	379
Premises and equipment-net	3,978	3,758	3,680	3,371
Intangible assets-net	729	806	723	799
Other assets-net	1,067	1,163	980	1,107
Total assets	196,692	216,867	203,931	216,088
Liabilities				
Deposits	152,576	170,135	152,603	170,179
Interbank and money market items	9,508	8,078	17,113	7,984
Liabilities payable on demand	2,210	2,269	2,210	2,269
Securities sold under repurchased agreements	100	200	100	200
Borrowings	5,316	10,019	5,086	9,518
Bank's liabilities under acceptances	426	379	426	379
Interest payable	328	487	328	487
Accrued expenses	1,421	1,146	1,352	1,082
Other liabilities	1,399	1,652	1,311	1,488
Total liabilities	173,284	194,365	180,529	193,586
Shareholders' equity	23,408	22,502	23,402	22,502
Total liabilities and shareholders' equity	196,692	216,867	203,931	216,088

Condensed Statements of Earnings (Pro forma)

(Unit : Million Baht)

	Consolidated		The Bank only	
	For the years ended 31		For the years ended 31	
	December		December	
	2005	2004	2005	2004
Interest and dividend income	8,557	8,292	8,399	8,112
Interest expenses	(2,081)	(2,317)	(2,071)	(2,296)
Bad debt and doubtful accounts	(15)	(1,629)	(11)	(1,585)
Non-interest income	1,318	3,257	1,068	2,995
Non-interest expenses	(6,521)	(6,659)	(6,147)	(6,304)
Income tax	(20)	(22)	-	-
Net earnings for the years	<u>1,238</u>	<u>922</u>	<u>1,238</u>	<u>922</u>
Pro forma earnings per share (Baht)	<u>0.15</u>	<u>0.11</u>	<u>0.15</u>	<u>0.11</u>
No. of issued shares as at 31 December 2005 (million share)	<u>8,217</u>	<u>8,217</u>	<u>8,217</u>	<u>8,217</u>

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CONSOLIDATION

3.1 Basis of the preparation of the financial statements

These financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and also have been presented in compliance with the requirement of the Notification of the Bank of Thailand (“the BOT”) dated 10 May 2001 relating to the format of the balance sheet and statement of earnings of commercial banks. They have also been presented in accordance with the regulations of the Stock Exchange of Thailand and the Notifications of the Office of the Securities and Exchange Commission with regard to the preparation and submission of financial statements and reports on financial position and operating results of listed companies.

3.2 Basis of consolidation

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

	Business Type	Country of registration	Percentage of holdings		Percentage of total assets including in consolidated totals		Percentage of income including in consolidated totals for the years ended	
			As at 31 December		As at 31 December		31 December	
			2005	2004	2005	2004	2005	2004
Subsidiaries								
UOB Leasing (Thai) Co., Ltd. (Formerly known as “B.O.A. Leasing Co., Ltd.”)	Leasing	Thailand	99.99	99.99	0.47	0.77	6.47	5.72
UOB Asset Management (Thai) Co., Ltd. (Formerly known as “BoA Asset Management Co., Ltd.”)	Fund Management	Thailand	99.99	99.99	0.11	0.11	3.40	2.49
UOB Radanasin Bank Public Company Limited	Bank	Thailand	99.99	-	0.01	-	-	-
UBF Future Co., Ltd.	Future Index Brokerage	Thailand	74.99	-	0.01	-	-	-

Subsidiaries are entities in which the Bank has control over financial and operating policies of those entities. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. Significant accounting policies of subsidiaries are also consistent with the policies adopted by the Bank. The effects to the consolidated financial statements of all transactions between the Bank and its subsidiaries are eliminated in the consolidated financial statements, including investment in subsidiaries and share capital of subsidiaries. Minority interest is disclosed separately in shareholders' equity.

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

The consolidated financial statements do not include the financial position and/or results of operations of companies in which the Bank holds more than 50% of the issued and paid up share capital as a result of debt restructuring since the Bank has intention to hold these shares temporarily and to take no control over those companies.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Revenue recognition

(a) Interest and discount on loans

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

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

(b) Revenue recognition of subsidiaries

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

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

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

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

4.2 Expenses recognition

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

4.3 Cash and cash equivalents

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

4.4 Investments

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

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

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

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

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

Investments in subsidiaries and associated companies are recorded using the equity method. Goodwill is amortised by the straight-line method over a period of 10 years. In the event that the Bank's equity interest in a subsidiary or associated company represents a share of the net liabilities of that company, the resulting amount is recorded under the heading "other liabilities" in the balance sheet.

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

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

Interest income in respect of coupon payments on debt securities is recognised on an accrual basis.

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

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

Fair values of securities are calculated on the following bases:

For Government securities and state enterprises securities, fair values are calculated by using the Bank of Thailand formula, based on the risk free yield curve of the Bank of Thailand.

For listed equity securities, fair value is the last bid price quoted in The Stock Exchange of Thailand on the last business day of the year.

For unit trust, fair value is the Net Assets Value (NAV) as at the end of the year.

For private enterprises debt securities, the last closing prices of the Thai Bond Market Association are used as fair values. In the absence of such prices, fair values are determined by applying the aforementioned Bank of Thailand's yield curve adjusted for risk in accordance with the criteria established by the Bank of Thailand.

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

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

Securities sold under repurchase agreements presented in the balance sheet are stated at amounts received from the sale of those securities.

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

4.6 Loans

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

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

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

4.7 Allowance for doubtful accounts

(a) For loans of banking business

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

The Bank has policy to classify its loans and advances at a customer level rather than by facility in recognition of the common credit risk attached to all facilities associated with a particular borrower. The Bank then determines an appropriate allowance for doubtful accounts for each customer based on this classification in accordance with the Bank's own conservative provisioning methodology.

Bad debts are written off as approved by the FRR committee as delegated by the Executive Committee and are deducted from the allowance for doubtful accounts. In case of recovery being made from bad debts, the recovery amount is added to the allowance for doubtful accounts.

(b) For subsidiaries' receivables

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

4.8 Debt restructuring

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

Loans which have been restructured through a modification of terms (“modified loans”) are stated at the present value of estimated future receivable cash flows using discount rates equivalent to the market interest rates applicable at the time of the restructuring.

The difference between the fair value of the loan as at the restructuring date and the previous book value is accounted for as revaluation allowance for debt restructuring and amortised to the statement of earnings as interest income based on the amount received over the remaining period.

4.9 Foreign exchange

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date using reference exchange rates established by the Bank of Thailand.

Outstanding forward foreign exchange contracts are marked to market by comparing contract rates to forward rates established by the Bank for contracts with similar maturity. At the balance sheet date, the unrealised gains or losses on outstanding forward foreign exchange contracts, calculated as described above, are included within other assets or other liabilities in the balance sheet.

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

4.10 Derivatives

Forward foreign exchange contracts and options are marked to market using the market rates as at the balance sheet date. Cross currency interest rate swaps, interest rate swaps and forward rate agreement, the net present value method is used.

Derivative contracts are recorded as off-balance sheet transactions and the changes in fair value are recorded in the statements of earnings.

4.11 Properties foreclosed

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

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

4.12 Premises and equipment

Land is stated at cost or revaluation. Premises is stated at cost or revaluation less accumulated depreciation. Equipment is stated at cost less accumulated depreciation. Premises and equipment acquired as a result of merger are stated at their book value on the transfer date which is regarded as the new acquisition cost, less accumulated depreciation and allowance for impairment (if any)

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, as follows:

Premises	50 years
Equipment	5 years

No depreciation is determined for land and assets under construction and installation.

Land and buildings were appraised by an independent appraiser. The last revaluation was performed in 2001. The increase resulting from the appraisal was recorded in the accounts as unrealised increment on the appraisal of land and buildings and shown as part of shareholders' equity. Amortisation of the increment on the appraisal of buildings is transferred direct to retained earnings (deficit).

4.13 Intangible assets

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

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

4.14 Provident funds and severance payment scheme

The Bank established the provident funds under the Provident Fund Act B.E. 2530 by joining “The Registered UOB Multiple Security Provident Fund” and “The Registered UOB Fixed Income Provident Fund” on 29 December 2000 and “The Registered UOB Treasury Provident Fund” on 28 November 2005.

According to the Fund's regulations, every employee, after the probation period, is entitled to apply for membership. The employees contribute to the fund at the rate of 2% or 5% of basic salary and the Bank contributes to the fund at the rate of 5% of basic salary. The employees are entitled to the benefits upon termination of employment status except when the terminated employee has violated the rules of the Bank. Contributions to this fund made by both the Bank and the employees commenced in January 2001.

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

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

The Bank has a gratuities scheme which pays out every 5 years to employees with at least 5 years' continuous service, the benefit being based on monthly salary plus interest in case employees don't contribute with the Provident Fund. The Bank also has a severance payment scheme for employees who had officially joined the Bank before with at least 15 years' service, (Only Bank of Asia's employees who joined the Bank before 16 May 2005), the benefit being based on the last month's salary and the service years of the employee. Payment to the employees will be made on the retirement date. The provisions for both schemes are recorded as expenses over the period of employment.

4.15 Contributions to the Financial Institutions Development Fund

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

4.16 Basic earnings per share

Basic earnings per share are calculated by dividing net earnings for the year by the weighted average number of ordinary shares held by outside parties in issue during the year.

4.17 Offsetting

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

4.18 Use of accounting estimates

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

5. CASH

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at	As at
	31 December 2005	31 December 2004
Cash	4,171	3,225
Cheques in transit	763	478
Total	4,934	3,703

6. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2005			As at 31 December 2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	2,023	-	2,023	1,348	-	1,348
Commercial banks	65	11	76	36	444	480
Other banks	1	-	1	1	-	1
Finance companies, finance and securities companies, securities companies and credit foncier companies	18	428	446	-	91	91
Other financial institutions	-	598	598	-	-	-
Total domestic items	2,107	1,037	3,144	1,385	535	1,920
Add : Accrued interest receivables	-	3	3	-	-	-
Less : Allowance for doubtful accounts	-	(4)	(4)	-	(4)	(4)
Domestic items - net	2,107	1,036	3,143	1,385	531	1,916
Foreign items						
US Dollar	474	7,863	8,337	115	12,010	12,125
Yen	114	-	114	79	-	79
EURO	141	-	141	85	54	139
Pound sterling	106	-	106	43	-	43
Other currencies	378	-	378	87	-	87
Total foreign items	1,213	7,863	9,076	409	12,064	12,473
Domestic and foreign items - net	3,320	8,899	12,219	1,794	12,595	14,389

(Unit : Million Baht)

THE BANK ONLY						
As at 31 December 2005			As at 31 December 2004			
On demand	Term	Total	On demand	Term	Total	
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	2,023	-	2,023	1,348	-	1,348
Commercial banks	54	1	55	4	401	405
Other banks	1	-	1	1	-	1
Financial companies, finance and securities companies, securities companies and credit foncier companies						
	-	400	-	-	-	-
Other financial institutions	-	598	-	-	-	-
Total domestic items	2,078	999	3,077	1,353	401	1,754
Add : Accrued interest receivables	-	2	2	-	-	-
Less : Allowance for doubtful accounts						
	-	(4)	(4)	-	(4)	(4)
Domestic items - net	2,078	997	3,075	1,353	397	1,750
Foreign items						
US Dollar	474	7,863	8,337	115	12,010	12,125
Yen	114	-	114	79	-	79
EURO	141	-	141	85	54	139
Pound sterling	106	-	106	43	-	43
Other currencies	378	-	378	87	-	87
Total foreign items	1,213	7,863	9,076	409	12,064	12,473
Domestic and foreign items-net	3,291	8,860	12,151	1,762	12,461	14,223

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY		
As at 31 December		
	2005	2004
Government and Bank of Thailand bonds	200	3,900
Financial Institutions Development Fund bonds	800	4,500
Total	1,000	8,400

8. INVESTMENTS

8.1 Classified by types of investment

(Unit : Million Baht)

	CONSOLIDATED			
	As at 31 December 2005		As at 31 December 2004	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Fair value
Current investments				
Securities for trading				
Government and state enterprises securities	625	631	1,514	1,513
Add (less) : Allowance for revaluation	6	-	(1)	-
Total	631	631	1,513	1,513
Available-for-sale securities				
Government and state enterprises securities	1,458	1,452	256	256
Private enterprises debt securities	496	497	102	104
Total	1,954	1,949	358	360
Add (less) : Allowance for revaluation	(5)	-	2	-
Total	1,949	1,949	360	360
Total current investments - net	2,580		1,873	
Long - term investments				
Available-for-sale securities				
Government and state enterprises securities	2,177	2,099	2,409	2,419
Private enterprises debt securities	376	300	1,291	1,169
Marketable domestic equity securities	460	448	527	763
Unit trusts	1,265	1,124	1,919	1,782
Total	4,278	3,971	6,146	6,133
Add (less) : Allowance for revaluation	(3)	-	323	-
Less : Allowance for impairment of securities	(304)	-	(336)	-
Total	3,971	3,971	6,133	6,133

(Unit : Million Baht)

CONSOLIDATED

	As at 31 December 2005		As at 31 December 2004	
	Cost/ amortised		Cost/ amortised	
	cost	Fair value	cost	Fair value
Held-to-maturity debt instruments				
Thai Asset Management Corporation promissory notes	4,507		5,742	
Less : Allowance for impairment of securities	(1,770)		-	
Total	2,737		5,742	
General investment				
Non-marketable domestic equity securities	358		201	
Non-marketable foreign equity securities	15		10	
Total	373		211	
Less : Allowance for impairment of securities	(141)		(141)	
Total	232		70	
Total long - term investments - net	6,940		11,945	

(Unit : Million Baht)

THE BANK ONLY

	As at 31 December 2005		As at 31 December 2004	
	Cost/ amortised		Cost/ amortised	
	cost	Fair value	cost	Fair value
Current investments				
Securities for trading				
Government and state enterprises securities	625	631	1,514	1,513
Add (less) : Allowance for revaluation	6	-	(1)	-
Total	631	631	1,513	1,513
Available-for-sale securities				
Government and state enterprises securities	1,436	1,430	256	256
Private enterprises debt securities	496	497	102	104
Total	1,932	1,927	358	360
Add (less) : Allowance for revaluation	(5)	-	2	-
Total	1,927	1,927	360	360

Total current investments - net

2,558

1,873

(Unit : Million Baht)

	THE BANK ONLY			
	As at 31 December 2005		As at 31 December 2004	
	Cost/ amortised		Cost/ amortised	
	cost	Fair value	cost	Fair value
Long - term investments				
Available-for-sale securities				
Government and state enterprises securities	2,177	2,099	2,409	2,419
Private enterprises debt securities	366	291	1,276	1,154
Marketable domestic equity securities	460	448	527	763
Unit trusts	1,252	1,116	1,905	1,774
Total	4,255	3,954	6,117	6,110
Add : Allowance for revaluation	3	-	329	-
Less : Allowance for impairment of securities	(304)	-	(336)	-
Total	3,954	3,954	6,110	6,110
Held-to-maturity debt instruments				
Thai Asset Management Corporation				
promissory notes	4,507		5,742	
Less : Allowance for impairment of securities	(1,770)		-	
Total	2,737		5,742	
General investment				
Non-marketable domestic equity securities	342		185	
Non-marketable foreign equity securities	15		10	
Total	357		195	
Less : Allowance for impairment of securities	(126)		(126)	
Total	231		69	
Total long - term investments - net	6,922		11,921	

Since the Bank used the accounting policy in recording sales and purchases of investments in debt securities on settlement date, therefore as at 31 December 2005, the Bank has commitments to purchase debt securities of Baht 2,328 million (2004 : Baht 347 million) and commitments to sell debt securities of Baht 1,473 million (2004 : Baht 30 million), which have not been recorded in the book of accounts.

The Bank has commitments in relation to an investment agreement to purchase investment units denominated in US Dollar currency. As at 31 December 2005, the Bank was committed to pay Baht 30 million, (2004 : Baht 30 million) converted using, the exchange rate ruling on the balance sheet date, for such investment.

As at 31 December 2005, the Bank also has a commitment in relation to sale agreement of available-for-sale marketable equity securities, received as a result of debt restructuring, amounting to Baht 20 million (2004 : Baht 22 million). Such agreement requires the Bank to deliver the securities in 2006.

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

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

(Unit : Million Baht)

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

(Unit : Million Baht)

CONSOLIDATED				
As at 31 December 2004				
remaining within				
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	256	2,327	82	2,665
Private enterprises debt securities	164	1,229	-	1,393
Unit trusts	5	1,455	-	1,460
Total	425	5,011	82	5,518
Add : Allowance for revaluation	2	143	-	145
Less : Allowance for impairment of securities	(67)	(52)	-	(119)
Total	360	5,102	82	5,544
Held-to-maturity debt instruments				
Thai Asset Management Corporation promissory notes	-	-	5,742	5,742
Total	-	-	5,742	5,742

(Unit : Million Baht)

THE BANK ONLY				
As at 31 December 2005				
remaining within				
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	1,436	2,086	91	3,613
Private enterprises debt securities	553	309	-	862
Unit trusts	5	829	-	834
Total	1,994	3,224	91	5,309
Add (less) : Allowance for revaluation	(6)	54	(6)	42
Less : Allowance for impairment of securities	(63)	(11)	-	(74)
Total	1,925	3,267	85	5,277
Held-to-maturity debt instruments				
Thai Asset Management Corporation promissory notes	-	-	4,507	4,507
Less : Allowance for impairment of securities	-	-	(1,770)	(1,770)
Total	-	-	2,737	2,737

(Unit : Million Baht)

THE BANK ONLY				
As at 31 December 2004				
remaining within				
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	256	2,327	82	2,665
Private enterprises debt securities	164	1,214	-	1,378
Unit trusts	5	1,455	-	1,460
Total	425	4,996	82	5,503
Add : Allowance for revaluation	2	143	-	145
Less : Allowance for impairment of securities	(67)	(52)	-	(119)
Total	360	5,087	82	5,529
Held-to-maturity debt instruments				
Thai Asset Management Corporation				
promissory notes	-	-	5,742	5,742
Total	-	-	5,742	5,742

As at 31 December 2005, the Bank has an investment in private sector debenture, which are in default, amounting to Baht 57 million (2004 : Baht 57 million) classified as available-for-sale securities in long-term investments and has already fully been provided allowance for impairment.

8.3 Revaluation surplus on investments

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY		
	As at 31 December 2005	As at 31 December 2004
Revaluation surplus on investments: -		
Debt securities	136	168
Equity securities	39	270
Total	175	438
Revaluation deficit on investments: -		
Debt securities	(93)	(23)
Equity securities	(88)	(86)
Total	(181)	(109)
Revaluation surplus in respect of available-for-sale securities		
transferred from held-to-maturity portfolio	138	138
Total	132	467

8.4 Investments in companies with problems in respect of financial position and results of operations

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY					
	As at 31 December 2005			As at 31 December 2004		
	Cost/ amortised cost	Fair value	Allowance for revaluation/ impairment of securities	Cost/ amortised cost	Fair value	Allowance for revaluation/ impairment of securities
Financial institutions						
controlled by or ordered of BOT to decrease or increase capital						
Debt instruments	33	-	33	34	-	34
Companies which have certain problems in repayment or defaulted repayment						
Common stock	61	-	61	61	-	61
Debt instruments	24	-	24	28	-	28
Investment in unlisted companies with financial position and operations that are the same as companies which are under SET delisting criteria						
Common stock	39	-	39	39	-	39
	<u>157</u>	<u>-</u>	<u>157</u>	<u>162</u>	<u>-</u>	<u>162</u>

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

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

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

CONSOLIDATED

As at 31 December 2004

Company name	Business	Type of securities	Paid-up share capital (Million Baht)	% of investment	Carrying value* (Million Baht)	Dividend for the year (Million Baht)
Related companies						
1. Wing Fat Co., Ltd.	Leather manufacturer	Common stock	70	14.29	-	-
2. Asia Dhanavadh Warehouse Co., Ltd.	Warehouse services	Common stock	30	13.33	4	-
3. Piyalai Holdings Co., Ltd.	Real estate	Common stock	600	10.00	-	-
4. JAT Leasing Co., Ltd.	Hire-purchase	Common stock	90	10.00	-	-
5. Advance CCC Services Co., Ltd.	Services	Common stock	2	10.00	-	-
Investments from trouble debt restructuring						
1. N.Y. Sugar Co., Ltd.	Sugar manufacturer	Common stock	900	30.00	-	-
2. Distar Electric Corporation Public Co., Ltd.	Electrical part manufacturer	Common stock	230	12.70	61	-

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

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

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

THE BANK ONLY						
As at 31 December 2004						
Company name	Business	Type of securities	Paid-up share capital (Million Baht)	% of investment	Carrying value* (Million Baht)	Dividend for the year (Million Baht)
Related companies						
1. Wing Fat Co., Ltd.	Leather manufacturer	Common stock	70	14.29	-	-
2. Asia Dhanavadh Warehouse Co., Ltd.	Warehouse services	Common stock	30	13.33	4	-
3. Piyalai Holdings Co., Ltd.	Real estate	Common stock	600	10.00	-	-
4. Advance CCC Services Co., Ltd.	Services	Common stock	2	10.00	-	-
Investments from trouble debt restructuring						
1. N.Y. Sugar Co., Ltd.	Sugar manufacturer	Common stock	900	30.00	-	-
2. Distar Electric Corporation Public Co., Ltd.	Electrical part manufacturer	Common stock	230	12.70	61	-

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

Advance CCC Services Co., Ltd. registered for liquidation on 30 November 2004 and was liquidated on 25 January 2005.

As at 31 December 2005 and 2004, the Bank has 30% shareholding in N.Y. Sugar Co., Ltd. as a result of debt restructuring. The Bank intends to hold such investment on a temporary basis and does not have significant involvement in management of this company. Therefore, the Bank does not treat such company as its associated company and has not accounted for it using the equity accounting method.

8.6 Investments in unit trusts in which the Bank and its subsidiaries hold more than 10% of the paid-up capital, excluding investments in subsidiaries and associated companies, classified by type of fund, are as follows :

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at	As at
	31 December 2005	31 December 2004
Investment in equity fund	154	149
Investment in fixed income fund	100	466
Investment in flexible fund	861	927

8.7 Investments in subsidiaries and associated companies

Company's name	Nature of business	Paid-up share capital		Percentage of Holding		Investment value				Dividend received	
		As at 31	As at 31	As at 31	As at 31	Cost method		Equity method		For the year ended	
		December	December	December	December	December	December	December	December	31 December	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
		Million	Million	%	%	Million	Million	Million	Million	Million	Million
		Baht	Baht			Baht	Baht	Baht	Baht	Baht	Baht
<u>Consolidated</u>											
Associated company											
AXA Insurance Public Co., Ltd.	Non-life insurance	353	353	22.06	22.06	121	121	126	138	3	28
Investments in associated company – net						<u>121</u>	<u>121</u>	<u>126</u>	<u>138</u>	<u>3</u>	<u>28</u>
<u>The Bank Only</u>											
Subsidiaries											
UOB Leasing (Thai) Co., Ltd.	Leasing	320	320	99.99	99.99	320	320	556	476	-	-
UOB Asset Management (Thai) Co., Ltd.	Fund management	100	100	99.99	99.99	136	136	168	133	-	-
UOB Radanasin Bank Plc.	Bank	12,847	-	99.99	-	16,700	-	7,542	-	-	-
UBF Future Co., Ltd.	Futures index brokerage	25	-	74.99	-	19	-	18	-	-	-
Associated company											
AXA Insurance Public Co., Ltd.	Non-life insurance	353	353	22.06	22.06	121	121	126	138	3	28
Investments in subsidiaries and associated companies - net						<u>17,296</u>	<u>577</u>	<u>8,410</u>	<u>747</u>	<u>3</u>	<u>28</u>

9. LOANS AND ACCRUED INTEREST RECEIVABLE

9.1 Classified by loan type

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2005	2004	2005	2004
Overdrafts	16,463	15,724	16,463	15,724
Loans	91,367	63,229	91,278	63,127
Trade bills	48,171	35,513	50,452	37,983
Hire-purchase receivables	231	272	-	-
Financial lease receivables	2,228	2,319	-	-
Others	1,141	1,460	725	803
Total	159,601	118,517	158,918	117,637
Add : accrued interest receivables	1,001	1,054	1,006	1,057
Less : allowance for doubtful accounts	(10,693)	(13,788)	(10,559)	(13,658)
Less : revaluation allowance for debt restructuring	(229)	(228)	(229)	(228)
Total	149,680	105,555	149,136	104,808

9.2 Classified by the remaining periods of contracts

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31	As at 31	As at 31	As at 31
	December 2005	December 2004	December 2005	December 2004
Not over 1 year*	99,764	68,231	100,075	67,856
Over 1 year	59,837	50,286	58,843	49,781
Total	159,601	118,517	158,918	117,637
Add : accrued interest receivables	1,001	1,054	1,006	1,057
Total loans and accrued interest receivables	160,602	119,571	159,924	118,694

*Including contracts without maturity date and expired contracts

9.3 Classified by currencies and residential status of debtors

(Unit : Million Baht)

CONSOLIDATED						
	As at 31 December 2005			As at 31 December 2004		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	152,916	-	152,916	114,798	-	114,798
US Dollar	6,377	-	6,377	3,321	-	3,321
Other currencies	308	-	308	398	-	398
Total	159,601	-	159,601	118,517	-	118,517
Add: accrued interest						
receivables	1,001	-	1,001	1,054	-	1,054
Total loans and accrued						
 interest receivables	160,602	-	160,602	119,571	-	119,571

(Unit : Million Baht)

THE BANK ONLY						
	As at 31 December 2005			As at 31 December 2004		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	152,233	-	152,233	113,918	-	113,918
US Dollar	6,377	-	6,377	3,321	-	3,321
Other currencies	308	-	308	398	-	398
Total	158,918	-	158,918	117,637	-	117,637
Add: accrued interest						
receivables	1,006	-	1,006	1,057	-	1,057
Total loans and accrued						
 interest receivables	159,924	-	159,924	118,694	-	118,694

9.4 Classified by types of business and classified loans

(Unit : Million Baht)

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

(Unit : Million Baht)

THE BANK ONLY						
As at 31 December 2004						
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	1,038	177	11	44	778	2,048
Manufacturing and commerce	40,687	535	1,087	374	11,367	54,050
Real estate and construction	4,130	28	25	15	2,888	7,086
Public utilities and services	10,403	1,635	117	89	967	13,211
Housing loans	21,093	158	34	47	321	21,653
Others	18,639	151	118	19	662	19,589
Total	95,990	2,684	1,392	588	16,983	117,637
Add: accrued interest receivables	317	50	6	24	660	1,057
Total loans and accrued interest receivables	96,307	2,734	1,398	612	17,643	118,694

As at 31 December 2005 and 2004, loan and accrued interest receivable of a subsidiary, amounting to Baht 2,965 million and Baht 3,352 million, respectively, are classified as personal loan (other business) related to finance lease and hire-purchase receivable, which mostly are overdue less than 1 month.

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

(Unit : Million Baht)

THE BANK ONLY						
As at 31 December 2005						
	Loans and accrued interest receivables	Other claims	Total	Outstanding balance	%	Provision
				(after deduction of collateral value)	set by the Bank of Thailand	
Pass	137,299	13	137,312	47,902	1	479
Special mention	5,342	1	5,343	2,802	2	56
Substandard	1,558	1	1,559	968	20	194
Doubtful	1,059	3	1,062	319	50	160
Doubtful of loss	14,666	88	14,754	7,389	100	7,389
Additional provision over and above the minimum requirement of the BOT	-	-	-	-		2,281
Total	159,924	106	160,030	59,380		10,559

(Unit : Million Baht)

THE BANK ONLY						
As at 31 December 2004						
	Loans and accrued interest receivables	Other claims	Total	Outstanding balance	%	Provision
				(after deduction of collateral value)	set by the Bank of Thailand	
Pass	96,307	11	96,318	38,177	1	382
Special mention	2,734	1	2,735	1,865	2	37
Substandard	1,398	1	1,399	943	20	189
Doubtful	612	2	614	237	50	119
Doubtful of loss	17,643	99	17,742	9,099	100	9,099
Additional provision over and above the minimum requirement of the BOT	-	-	-	-		3,832
Total	118,694	114	118,808	50,321		13,658

As at 31 December 2005 and 2004, Provision of loans is included provision of other claims amounting to Baht 90 million and Baht 100 million, respectively.

As at 31 December 2005 and 2004, a subsidiaries has the allowance for doubtful accounts amounting to Baht 134 million and Baht 130 million, respectively.

In June 2003, the Bank was subjected to a qualitative review of its loan portfolio by the Bank of Thailand (“BOT”). If this review approach continue to be applied to the selected borrowers identified by the BOT for their position as at 31 December 2005 and 2004, part of the provision included in “Additional provision in excess of the minimum requirement of the BOT”, amounted to Baht 1,239 million and Baht 1,652 million, respectively, would have been additionally treated as provision within the minimum requirement of the BOT. Should the reclassification had been performed as at 31 December 2005 and 2004, the total of “Additional provision in excess of the minimum requirement of the BOT” would then be reduced to Baht 1,042 million and Baht 2,180 million, respectively. However, there is no formal notification from BOT ordering the Bank to provide such additional provision in accordance with the above mentioned approach.

As at 31 December 2005 and 2004, the amount of deferred interest attributable to bills purchased at a discount, hire purchase contracts and financial lease receivables, which have been set off against amount recorded as receivables in the balance sheets of the Bank and a subsidiary, are Baht 236 million and Baht 258 million, respectively and for the Bank only are Baht 13 million and Baht 16 million, respectively.

9.6 Non-performing loans

As at 31 December 2005 and 2004, the Bank had the following non-performing loans, according to the criteria set up by the BOT :-

	(Unit : Million Baht)	
	THE BANK ONLY	
	As at 31 December 2005	As at 31 December 2004
Non-performing loans (principal only)	16,781	18,962
Percentage of total loans*	10.49	16.06

* Including interbank and money market loans.

Non-performing loans as at 31 December 2005 and 2004, according to the BOT's criteria, as mentioned above were presented in accordance with the notification of the BOT dated 16 January 2003, defining the non-performing loans to be the debts classified as substandard, doubtful and doubtful of loss and excluded outstanding loans for which debt restructuring agreements have been made and conditions to upgrade to 'pass' class or 'special mention' class in accordance with the BOT's criteria have already been fulfilled.

As at 31 December 2005 and 2004, a subsidiary had the non-performing loans amounting to Baht 157 million and Baht 167 million, respectively, which represented 5.30% and 4.99% of total loans, respectively. The non-performing loans are classified by revenue recognition of a subsidiary as described in Note 4.1.

9.7 Debtors with weak financial status and operating performance problems

The Bank had loans and accrued interest receivable due from companies which have certain problems in their financial position and results of operations against which an allowance for doubtful accounts has been made as follows:

(Unit : Million Baht)

	THE BANK ONLY			
	As at 31 December 2005			
	Number of companies	Outstanding balance	Collateral	Allowance for doubtful accounts
Listed companies which are under SET delisting criteria	2	118	40	79
Companies which have a problem in repayment of debts or defaulted repayment	254	10,682	5,304	6,201

(Unit : Million Baht)

THE BANK ONLY				
As at 31 December 2004				
Number of companies	Outstanding balance	Collateral	Allowance for doubtful accounts	
Listed companies which are under SET delisting criteria	1	3	-	3
Companies which have a problem in repayment of debts or defaulted repayment	341	15,374	7,246	8,175

The Bank does not have an adequate information in its possession to disclose loans and accrued interest receivable due from the companies which have going concern problems identified by their auditors, and the non-listed companies for which the financial position and results of operations are the same as the companies which are under delisting criteria of the Stock Exchange of Thailand (SET) as of 31 December 2005 and 2004.

9.8 Troubled debt restructuring

During the years ended 31 December 2005 and 2004, the Bank entered into troubled debt restructuring agreements with debtors. The number of debtors and their debt balances (including recorded accrued interest receivables) before restructuring can be summarised below :-

(Unit : Million Baht)

THE BANK ONLY		
For the years ended 31 December		
	2005	2004
Debt balances before restructuring	6,306	9,576
Total number of customers	4,341	1,198

Detail of the restructured debtors for the year ended 31 December 2005 referred to above only loss on restructuring, can be classified by method of troubled debt restructuring as follows :-

(Unit : Million Baht)

Type of restructuring	Number of customers subject to restructuring	Debt balances before restructuring	Type of assets/ equity acquired	Fair value of assets/ equity acquired	Debt balances as at the end of year
Transfer of assets or debt for equity conversion	15	901	Cash	521	-
Modification of terms	6	2,314	Cash	105	2,131
			Land	74	
Transfer of assets and modification of terms	2	403	Cash	11	
			Land	73	29
Total	23	3,618		784	2,160

During the year, the Bank recorded losses on restructuring in relation to certain particular customers as utilisation of allowance for doubtful accounts rather than as a charge in the statements of earnings for the year, amounting of Baht 674 million since the Bank had already fully provided allowance for those loans.

The Bank received the repayment of principal and interest for the year ended 31 December 2005, amounting to Baht 125 million (only 8 customers), and has commitment of additional funds to debtors amounting to Baht 1,088 million.

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

	Number of debtors	THE BANK ONLY	
		Debt Balances (Million Baht)	
		Before restructuring	After restructuring
Term of repayment according to the restructuring agreements			
Not more than 5 years	3,922	5,003	3,174
5 – 10 years	175	939	246
10 – 15 years	125	150	155
More than 15 years	119	214	241
Total	<u>4,341</u>	<u>6,306</u>	<u>3,816</u>

As at 31 December 2005 and 2004, the troubled debtors for which the Bank completed the restructuring can be summarised as follows :-

	(Unit : Million Baht)	
	THE BANK ONLY	
	Number of debtors	Debt balances after restructuring
Balance of restructured debts up to 31 December 2005	8,456	7,903
Balance of restructured debts up to 31 December 2004	4,286	7,841

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

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

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

On 20 May 2004, the TAMC issued a letter to the Bank informing that it was reviewing whether to reduce, by Baht 1,660 million, the value of machinery and inventory which had been pledged as collateral relating to a major debtor. The receivable relating to this debtor was one of the assets transferred to the TAMC in October 2001. The letter argues that, as the pledged machinery and inventory was never moved to the location of the pledgee, the pledge agreement had been made with no intention of actual obligation and, as such, was invalid.

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

For the years ended 31 December 2005 and 2004, the Bank did not have any additional non-performing loans transferred to the TAMC, however there are adjustments made to the promissory note issued as a result of changes in collateral valuation amounting to Baht 21 million and Baht 38 million, respectively. In addition, during the year ended 31 December 2005, the Bank received a payment from TAMC for a principal and interest amounting to Baht 1,214 million and Baht 61 million, respectively (2004 : principal of Baht 619 million and interest of Baht 209 million, respectively).

Overall, the Bank had transferred non-performing loans to the TAMC, with a gross book value (before deduction of allowance for doubtful accounts) as of their transfer dates totaling Baht 10,582 million, with the total transfer price based on the lower of collateral value or net book value of loans and accrued interest receivable totaling of Baht 6,399 million. As at 31 December 2005 and 2004, the outstanding of TAMC's promissory note was Baht 4,507 million and Baht 5,742 million, respectively as described in Note 8.1.

10. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

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

(Unit : Million Baht)

THE BANK ONLY							
As at 31 December 2004							
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Additional provision	Total
Beginning balance	403	12	88	579	10,276	3,724	15,082
Doubtful accounts (reversal)	(21)	25	101	(460)	1,557	108	1,310
Reversal of accrued interest of overdrafts	-	-	-	-	(42)	-	(42)
Reversal due to debt restructuring	-	-	-	-	(1,100)	-	(1,100)
Reversal due to loan to interbank and money market loans	-	-	-	-	(4)	-	(4)
Reversal due to allowance for revaluation of other assets	-	-	-	-	(60)	-	(60)
Bad debts written off	-	-	-	-	(1,481)	-	(1,481)
Additional loss from loan transfer to TAMC	-	-	-	-	(38)	-	(38)
Others	-	-	-	-	(9)	-	(9)
Ending balance	382	37	189	119	9,099	3,832	13,658

As at 31 December 2005 and 2004, the allowance for doubtful accounts of a subsidiaries is as follow :-

(Unit : Million Baht)

	As at 31 December 2005	As at 31 December 2004
Beginning balance	130	79
Doubtful accounts	19	45
Bad debt recovery	(12)	-
Others	(3)	6
Ending balance	134	130

11. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY		
	As at 31 December 2005	As at 31 December 2004
Beginning balance	228	280
Increase (from merger)	7	-
Amortisation	(6)	(52)
Ending balance	229	228

12. PROPERTIES FORECLOSED

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

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

As at 31 December 2005 and 2004, the details of properties foreclosed are as follows :-

(Unit : Million Baht)

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

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

(Unit : Million Baht)

CONSOLIDATED					
As at 31 December 2004					
Type of properties foreclosed	Beginning balance	Addition	Disposal	Ending balance	Obligations with regard to buy back options or first refusal rights
Immovable	14,244	1,323	(2,278)	13,289	1,712
Movable	10	6	(6)	10	-
Total	14,254	1,329	(2,284)	13,299	1,712
Others	52	32	(7)	77	10
Total properties foreclosed	14,306	1,361	(2,291)	13,376	1,722
Less : Allowance for impairment	(360)	(185)	181	(364)	(26)
Total properties foreclosed - net	13,946	1,176	(2,110)	13,012	1,696

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2005

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

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

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2004

Type of properties foreclosed	Beginning			Ending	
	balance	Addition	Disposal	balance	Obligations with regard to buy back options or first refusal rights
Immovable	14,273	1,294	(2,278)	13,289	1,712
Movable	-	-	-	-	-
Total	14,273	1,294	(2,278)	13,289	1,712
Others	52	32	(7)	77	10
Total properties foreclosed	14,325	1,326	(2,285)	13,366	1,722
Less : Allowance for impairment	(352)	(184)	181	(355)	(26)
Total properties foreclosed - net	13,973	1,142	(2,104)	13,011	1,696

13. PREMISES AND EQUIPMENT

(Unit : Million Baht)

	CONSOLIDATED				
	Land	Premises	Equipment	Assets under construction and installation	Total
<u>Cost</u>					
31 December 2004	514	1,235	2,872	59	4,680
Transferred from merger	894	655	769	-	2,318
Acquisition	-	-	202	358	560
Transfer in (out)	-	(654)	614	-	(40)
Disposal and write-off	-	(68)	(446)	-	(514)
31 December 2005	<u>1,408</u>	<u>1,168</u>	<u>4,011</u>	<u>417</u>	<u>7,004</u>
<u>Increase from revaluation</u>					
31 December 2004	694	72	-	-	766
Write-off	(1)	-	-	-	(1)
31 December 2005	<u>693</u>	<u>72</u>	<u>-</u>	<u>-</u>	<u>765</u>
<u>Accumulated depreciation</u>					
31 December 2004	-	(675)	(1,603)	-	(2,278)
Transferred from merger	-	(268)	(621)	-	(889)
Depreciation charged for the year	-	(54)	(393)	-	(447)
Transfer in (out)	-	238	(205)	-	33
Disposal and write-off	-	16	383	-	399
31 December 2005	<u>-</u>	<u>(743)</u>	<u>(2,439)</u>	<u>-</u>	<u>(3,182)</u>
<u>Impairment loss</u>					
31 December 2004	(63)	(162)	(5)	-	(230)
Transferred from merger	(304)	(71)	-	-	(375)
Increase	-	-	(11)	-	(11)
Decrease	2	4	-	-	6
31 December 2005	<u>(365)</u>	<u>(229)</u>	<u>(16)</u>	<u>-</u>	<u>(610)</u>
<u>Net book value</u>					
31 December 2004	<u>1,145</u>	<u>470</u>	<u>1,264</u>	<u>59</u>	<u>2,938</u>
31 December 2005	<u>1,736</u>	<u>268</u>	<u>1,556</u>	<u>417</u>	<u>3,977</u>
Depreciation charge included in the statement of earnings for the years ended :-					
31 December 2004					<u>519</u>
31 December 2005					<u>447</u>

As at 31 December 2005, certain premises and equipment items of the Bank and its subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 1,363 million (2004 : Baht 754 million).

(Unit : Million Baht)

THE BANK ONLY

	Land	Premises	Equipment	Assets under construction and installation	Total
<u>Cost</u>					
31 December 2004	514	1,235	1,902	59	3,710
Transferred from merger	894	655	769	-	2,318
Acquisition	-	-	74	358	432
Transfer in (out)	-	(654)	603	-	(51)
Disposal and write-off	-	(68)	(221)	-	(289)
31 December 2005	1,408	1,168	3,127	417	6,120
<u>Increase from revaluation</u>					
31 December 2004	694	72	-	-	766
Write-off	(1)	-	-	-	(1)
31 December 2005	693	72	-	-	765
<u>Accumulated depreciation</u>					
31 December 2004	-	(675)	(1,025)	-	(1,700)
Transferred from merger	-	(268)	(621)	-	(889)
Depreciation charged for the year	-	(54)	(212)	-	(266)
Transfer in (out)	-	238	(205)	-	33
Disposal and write-off	-	16	206	-	222
31 December 2005	-	(743)	(1,857)	-	(2,600)
<u>Impairment loss</u>					
31 December 2004	(63)	(162)	-	-	(225)
Transferred from merger	(304)	(71)	-	-	(375)
Increase	-	-	(11)	-	(11)
Decrease	2	4	-	-	6
31 December 2005	(365)	(229)	(11)	-	(605)
<u>Net book value</u>					
31 December 2004	1,145	470	877	59	2,551
31 December 2005	1,736	268	1,259	417	3,680
Depreciation charge included in the statement of earnings for the years ended :-					
31 December 2004					328
31 December 2005					266

As at 31 December 2005, certain premises and equipment items of the Bank have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 1,315 million (2004: Baht 712 million).

14. INTANGIBLE ASSETS

As at 31 December 2005 and 2004, the intangible assets are as follows :-

(Unit : Million Baht)

	CONSOLIDATED			
	Leasehold rights	Application software	Others	Total
<u>Cost</u>				
31 December 2004	338	640	8	986
Increase/transfer in (out)	10	342	(1)	351
31 December 2005	348	982	7	1,337
<u>Accumulated amortisation</u>				
31 December 2004	(184)	(241)	-	(425)
Transfer in (out)	22	(84)	-	(62)
Amortisation for the year	(16)	(105)	-	(121)
31 December 2005	(178)	(430)	-	(608)
<u>Net book value</u>				
31 December 2004	154	399	8	561
31 December 2005	170	552	7	729
Remaining useful lives (years)	2 - 26	1 - 5	3	
<u>Amortisation for the years ended</u>				
31 December 2004				105
31 December 2005				121

(Unit : Million Baht)

	THE BANK ONLY			
	Leasehold rights	Application software	Others	Total
<u>Cost</u>				
31 December 2004	338	640	2	980
Increase/transfer in	9	342	-	351
31 December 2005	347	982	2	1,331
<u>Accumulated amortisation</u>				
31 December 2004	(184)	(241)	-	(425)
Transfer in (out)	22	(84)	-	(62)
Amortisation for the year	(16)	(105)	-	(121)
31 December 2005	(178)	(430)	-	(608)
<u>Net book value</u>				
31 December 2004	154	399	2	555
31 December 2005	169	552	2	723
Remaining useful lives (years)	2 - 26	1 - 5	3	
<u>Amortisation for the years ended</u>				
31 December 2004				104
31 December 2005				121

15. CLASSIFIED ASSETS

(Unit : Million Baht)

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

(Unit : Million Baht)

Classifications	THE BANK ONLY				Total
	As at 31 December 2004				
	Investments	Loans*	Properties foreclosed	Other assets	
Pass	-	96,394	-	11	96,405
Special mention	-	2,685	-	1	2,686
Substandard	-	1,392	-	40	1,432
Doubtful	-	587	-	26	613
Doubtful of loss	508	16,983	325	854	18,670
Total	508	118,041	325	932	119,806

* Including interbank and money market loans and excluding accrued interest receivable of non-performing loan, which is grouped under other assets.

16. DEPOSITS

16.1 Classified by types of deposits

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2005	2004	2005	2004
Current accounts	5,696	4,381	5,696	4,385
Savings accounts	85,442	72,377	85,448	72,416
Fixed deposits				
- Less than 6 months	31,518	33,704	31,539	33,704
- 6 months to less than 1 year	10,490	3,270	10,490	3,270
- Over 1 year	19,430	24,302	19,430	24,302
Total	152,576	138,034	152,603	138,077

16.2 Classified by the remaining period of contracts

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2005	2004	2005	2004
Not over 1 year	147,848	131,000	147,875	131,043
Over 1 year	4,728	7,034	4,728	7,034
Total	152,576	138,034	152,603	138,077

16.3 Classified by currencies and residential status of depositors

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2005			As at 31 December 2004		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	148,454	2,786	151,240	134,140	2,644	136,784
US Dollar	793	205	998	651	223	874
Others	104	234	338	99	277	376
Total	149,351	3,225	152,576	134,890	3,144	138,034

(Unit : Million Baht)

	THE BANK ONLY					
	As at 31 December 2005			As at 31 December 2004		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	148,481	2,786	151,267	134,183	2,644	136,827
US Dollar	793	205	998	651	223	874
Others	104	234	338	99	277	376
Total	149,378	3,225	152,603	134,933	3,144	138,077

17. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2005			As at 31 December 2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	-	1,028	1,028	509	180	689
Commercial banks	1,302	488	1,790	674	98	772
Other banks	6	-	6	43	-	43
Finance companies, finance and securities companies, securities companies and credit foncier companies	2,237	247	2,484	767	-	767
Other financial institutions	995	409	1,404	62	101	163
Total domestic items	4,540	2,172	6,712	2,055	379	2,434
Foreign items						
US Dollar	46	-	46	25	-	25
Yen	-	1,815	1,815	-	-	-
Other currencies	935	-	935	396	-	396
Total foreign items	981	1,815	2,796	421	-	421
Total domestic and foreign items	5,521	3,987	9,508	2,476	379	2,855

(Unit : Million Baht)

THE BANK ONLY

	As at 31 December 2005			As at 31 December 2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	-	1,028	1,028	509	180	689
Commercial banks	8,907	488	9,395	680	98	778
Other banks	6	-	6	43	-	43
Finance companies, finance and securities companies, securities companies and credit foncier companies	2,237	247	2,484	767	-	767
Other financial institutions	995	409	1,404	62	1	63
Total domestic items	<u>12,145</u>	<u>2,172</u>	<u>14,317</u>	<u>2,061</u>	<u>279</u>	<u>2,340</u>
Foreign items						
US Dollar	46	-	46	25	-	25
Yen	-	1,815	1,815	-	-	-
Other currencies	935	-	935	396	-	396
Total foreign items	<u>981</u>	<u>1,815</u>	<u>2,796</u>	<u>421</u>	<u>-</u>	<u>421</u>
Total domestic and foreign items	<u>13,126</u>	<u>3,987</u>	<u>17,113</u>	<u>2,482</u>	<u>279</u>	<u>2,761</u>

18. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

	As at	As at
	31 December 2005	31 December 2004
Government Saving Bank Bonds	<u>100</u>	<u>200</u>

19. BORROWINGS

As at 31 December 2005 and 2004, borrowings comprising only domestic borrowings in Baht currency are classified by type of securities, maturity and interest rate as follows :-

(Unit : Million Baht)

CONSOLIDATED			
As at 31 December 2005			
Types	Maturity	Interest rate per annum	Amount
Short — term borrowings			
Bills of exchange	25 Jan. 2006 — 26 Oct. 2006	3.00 — 3.88%	2,873
Bills of exchange	11 Jan. 2006 — 11 Apr. 2006	3.00 — 3.30%	230
Total short-term borrowings			3,103
Long — term borrowings			
Bills of exchange	3 Aug. 2007	4.50%	100
Bills of exchange - net	26 Oct. 2007	-	105
Subordinated debentures	15 Aug. 2008	6.50%	2,000
Term loan agreement	31 Oct. 2007	-	3
Term loan agreement	31 Mar. 2009	-	5
Total long — term borrowings			2,213
Total borrowings			5,316

(Unit : Million Baht)

CONSOLIDATED			
As at 31 December 2004			
Types	Maturity	Interest rate per annum	Amount
Short — term borrowings			
Bills of exchange	10 Jan. 2005 - 21 Jun. 2005	2.50 - 3.05%	500
Total short — term borrowings			500
Long — term borrowings			
Subordinated debentures	15 Aug. 2008	6.50%	2,000
Term loan agreement	31 Oct. 2007	-	5
Term loan agreement	31 Mar. 2009	-	7
Total long — term borrowings			2,012
Total borrowings			2,512

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2005

Types	Maturity	Interest rate per annum	Amount
Short — term borrowings			
Bills of exchange	25 Jan. 2006 — 26 Oct. 2006	3.00 — 3.88%	2,873
Total short — term borrowings			2,873
Long — term borrowings			
Bills of exchange	3 Aug. 2007	4.50%	100
Bills of exchange - net	26 Oct. 2007	-	105
Subordinated debentures	15 Aug. 2008	6.50%	2,000
Term loan agreement	31 Oct. 2007	-	3
Term loan agreement	31 Mar. 2009	-	5
Total long — term borrowings			2,213
Total borrowings			5,086

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2004

Types	Maturity	Interest rate per annum	Amount
Long — term borrowings			
Subordinated debentures	15 Aug. 2008	6.50%	2,000
Term loan agreement	31 Oct. 2007	-	5
Term loan agreement	31 Mar. 2009	-	7
Total borrowings			2,012

Subordinated debentures sold to local specific investors

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

20. OTHER LIABILITIES

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December 2005	As at 31 December 2004	As at 31 December 2005	As at 31 December 2004
Deposits	125	170	98	137
Accrued unrealised loss on derivative contracts	106	-	106	-
Bills Collection - branch	152	211	152	211
Accounts payable - others	343	178	327	178
Rental income received in advance	21	117	-	-
Others	651	767	628	752
Total	1,398	1,443	1,311	1,278

21. STATUTORY RESERVE

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

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

22. OTHER RESERVE

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

23. CAPITAL FUND

(Unit : Million Baht)

	THE BANK ONLY		
	As at 31 December 2005	As at 31 December 2004	
Tier 1 capital			
Paid-up share capital and discount on share capital	56,509	39,809	
Statutory reserve	368	368	
Other reserve	72	72	
Deficit	(26,219)	(27,119)	
Less : Merger adjustment	(9,159)	-	
	<u>21,571</u>	<u>13,130</u>	
Tier 2 capital			
Unrealised increment on land appraisal (70%)	485	486	
Unrealised increment on buildings appraisal (50%)	24	26	
Provision for pass loans and receivables	1,940	1,401	
Revaluation surplus on investment in available-for-sale equity securities (45%)	(45)	83	
Subordinated debentures	800	1,200	
	<u>3,204</u>	<u>3,196</u>	
Total capital fund	<u><u>24,775</u></u>	<u><u>16,326</u></u>	
Tier 1 capital ratio	%	13.90	11.71
Total capital ratio	%	15.96	14.56
Minimum tier 1 capital ratio requirement	%	4.25	4.25
Minimum total capital ratio requirement	%	8.50	8.50

24. GAINS ON INVESTMENTS

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December 2005	As at 31 December 2004
Gains on disposal of investments	199	360
Gain (Loss) on revaluation of investments	8	(2)
Net gains on investment	207	358

25. COMMITMENTS AND CONTINGENCIES LIABILITIES

25.1 Commitments

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY		
	As at 31 December 2005		
	Baht currency	Foreign currencies	Total
Aval to bills	506	-	506
Guarantees of loans	35	646	681
Other guarantees	12,637	559	13,196
Letters of credit	118	3,100	3,218
Foreign exchange contracts			
Bought	-	24,505	24,505
Sold	-	29,703	29,703
Forward rate agreements			
Sold	-	821	821
Interest rate swap contracts	26,879	3,057	29,936
Cross currency interest rate swap contracts			
Bought	-	2,716	2,716
Sold	-	1,643	1,643
Foreign Exchange Options			
Bought	-	287	287
Sold	-	205	205
Equity Options			
Bought	115	-	115
Sold	115	-	115
Undrawn overdraft amount	19,892	-	19,892
Liability under unmatured import bills	53	1,368	1,421
Total	60,350	68,610	128,960

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

As at 31 December 2004

	Baht currency	Foreign currencies	Total
Aval to bills	754	-	754
Guarantees of loans	5	112	117
Other guarantees	10,129	682	10,811
Letters of credit	82	3,145	3,227
Foreign exchange contracts			
Bought	-	10,965	10,965
Sold	-	23,446	23,446
Interest rate swap contracts	5,000	-	5,000
Undrawn overdraft amount	17,316	-	17,316
Liability under unmatured import bills	36	1,327	1,363
Total	33,322	39,677	72,999

25.2 Commitments under long-term lease agreements

As at 31 December 2005 and 2004, the Bank and its subsidiaries had land/building lease agreements for branch offices and vehicles lease agreements, for which the lease terms range from 3 – 30 years and are renewable. The Bank and its subsidiaries also had committed to pay future rental payments. Those are summarised as follows :-

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2005	2004	2005	2004
Land and building rental commitments	263	162	232	154
Car rental commitments	17	2	107	142
Total	280	164	339	296

25.3 Other commitments

The Bank has the contractual commitments in respect of purchasing and servicing of information technology systems as well as other services including those related to the Merger Plan (as described in Note 2). Outstanding balance of these major contractual commitments as at 31 December 2005 and 2004, were approximately Baht 223 million and Baht 135 million, respectively.

As at 31 December 2005 and 2004, the Bank also has commitments in relation to various “to-sale and to-purchase” agreements of its properties foreclosed, net book value of which were Baht 249 million and Baht 899 million, respectively. The estimated gains from those agreements are Baht 47 million and Baht 42 million, respectively, which the Bank recognises sale transactions and gain arising there from on the transfer dates.

In addition, the Bank has commitments in respect of the loss sharing under the Non-performing Loan Transfer Agreement made with TAMC as discussed in Note 9.9.

26. ASSETS PLEDGED AS COLLATERAL

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December 2005	As at 31 December 2004
Government bonds		
Pledged as collateral for securities sold under repurchase agreement	969	521
Pledged as collateral for Government departments	1,408	1,195

27. LITIGATION

In the ordinary course of business, the Bank is a defendant in a number of lawsuits against it. These include cases of labor and wrongful acts brought against the Bank, totaling Baht 1,015 million and Baht 695 million as at 31 December 2005 and 2004, respectively. The Bank's management believes that the liability (if any) resulting from the lawsuits will not have a material impact to the Bank's financial position or results of operations.

28. RELATED PARTY TRANSACTIONS

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

In addition, the Bank also has loans to its executive officers from Senior Vice President level upwards and their close family members with the outstanding balance as at 31 December 2005 and 2004 of Baht 36 million and 30 million, respectively and the average balance for the year then ended of Baht 25 million and 45 million, respectively.

On 27 July 2004 ABN AMRO Bank, the former major shareholder of the Bank, completed the sale of all its shares in the Bank, representing 80.77% of the issued shares of the Bank, to United Overseas Bank Limited ("UOB"). Accordingly, UOB has become a current major shareholder of the Bank since then.

On 9 August 2004, UOB made a tender offer for the remaining shares from minor shareholders at a price of Baht 5.35 per share. Completion of this transaction occurred on 8 October 2004, as a result of which UOB purchased an additional 780 million shares, representing 15.31% of total shares, for a total sum of Baht 4,175 million. Accordingly, UOB increased its shareholding in the Bank from 80.77% to 96.09%.

Subsequently to the tender offer as mentioned in a previous paragraph, UOB had continued purchasing shares of the Bank. Accordingly, as at 31 December 2005 UOB's stake in the Bank was approximately 98.52%.

Significant transactions, outstanding balances, income and expenses incurred with related parties, apart from those disclosed in the other notes, consisted of the following :-

(Unit : Million Baht)

	CONSOLIDATED							
	For the year ended 31 December							
	2005				2004			
Associated company	Related Companies	Group of major shareholder (UOB)	Total	Associated company	Group of major shareholder (UOB)	Former major shareholder (ABN AMRO)	Total	
Interest income	-	99	22	121	-	2	1	3
Gain on exchange	-	-	183	183	-	-	-	-
Commission and service income	20	-	-	20	20	-	-	20
Interest expenses	-	3	-	3	-	-	132	132
Other expenses	-	-	1	1	-	-	-	-
Insurance expenses	4	-	11	15	15	10	-	25
Commission and service expenses	-	11	19	30	-	-	45	45
Premises and equipment expenses	-	-	7	7	-	-	9	9

(Unit : Million Baht)

	THE BANK ONLY									
	For the year ended 31 December									
	2005					2004				
Subsidiaries	Associate company	Related Companies	Group of major shareholder (UOB)	Total	Subsidiaries	Associate company	Group of major shareholder (UOB)	Former major shareholder (ABN AMRO)	Total	
Interest income	74	-	99	22	195	56	-	2	1	59
Gain on exchange	-	-	-	183	183	-	-	-	-	-
Commission and service income	78	20	-	-	98	86	20	-	-	106
Interest expenses	-	-	3	-	3	-	-	-	132	132
Rental expenses	37	-	-	-	37	41	-	-	-	41
Other expenses	-	-	-	1	1	-	-	-	-	-
Insurance expenses	-	4	-	11	15	-	15	10	-	25
Commission and service expenses	8	-	11	19	38	-	-	-	45	45
Premises and equipment expenses	-	-	-	7	7	-	-	-	9	9

The outstanding balances of significant related party transactions as at 31 December 2005 and 2004, are as follows :-

(Unit : Million Baht)

	CONSOLIDATED													
	As at 31 December 2005							As at 31 December 2004						
	Average loans outstanding	Outstanding loans	Interbank and money market items (assets)	Commitment /off-balance sheet	Deposits	Interbank and money market items (liabilities)	Other liabilities	Average loans outstanding	Outstanding loans	Interbank and money market items (assets)	Commitment /off-balance sheet	Deposits	Interbank and money market items (liabilities)	Pricing policy of loans
Associated company														
AXA Insurance Plc.	-	-	-	-	33	-	-	-	-	-	-	29	-	N/A
Related companies														
Wing Fat Co., Ltd.	367	367	-	1	-	-	-	367	367	-	1	-	-	NPL
Asia Dhanavadh Warehouse Co., Ltd.	-	-	-	-	7	-	-	-	-	-	-	19	-	N/A
Piyalai Holdings Co., Ltd.	574	574	-	-	-	-	-	574	574	-	-	-	-	NPL
JAT Leasing Co., Ltd.	2	1	-	-	-	-	-	7	10	-	-	-	-	MLR reference rate
N.Y. Sugar Co., Ltd.	1,790	1,776	-	2	19	-	-	2,005	1,853	-	2	10	-	MLR — 2% or 12-month fixed deposit rate + 2.75%
First Andaman Co., Ltd.	186	186	-	-	-	-	-	186	186	-	-	-	-	NPL
Loxley Plc.	30	59	-	52	6	-	-	-	-	-	-	-	-	4.5 — 6.23% p.a.
TNT Logistics (Thailand) Co., Ltd.	-	-	-	-	137	-	-	-	-	-	-	-	-	N/A
The Muangthai Life Assurance Co., Ltd.	-	-	-	-	-	4	-	-	-	-	-	-	-	N/A
Siam City Securities Co., Ltd.	-	-	-	-	-	203	-	-	-	-	-	-	-	N/A
Underwaterworld Pattaya Co., Ltd.	-	-	-	-	158	-	-	-	-	-	-	-	-	N/A
Haw Par Tiger Balm (Thailand) Limited	-	-	-	-	14	-	-	-	-	-	-	-	-	N/A
United B MEC (Thai) Co., Ltd.	-	-	-	1	3	-	-	-	-	-	-	-	-	N/A
Major shareholder														
United Overseas Bank Limited	-	-	1,507	9,994	-	1,841	317	-	-	280	525	-	-	Money market reference rate
United Overseas Bank Group of Companies	-	-	22	11	-	19	-	200	200	-	-	-	4	Money Market reference rate

(Unit : Million Baht)

THE BANK ONLY

	As at 31 December 2005							As at 31 December 2004						
	Average	Outstanding	Interbank	Commitment	Deposits	Interbank	Other	Average	Outstanding	Interbank	Commitment	Interbank	Pricing	
	loans		and money	/off-balance		and money		loans		and money	/off-balance	and money		market items
outstanding	loans	(assets)	sheet	(liabilities)	liabilities	outstanding	loans	(assets)	sheet	Deposits	(liabilities)	of loans		
Subsidiary companies														
UOB Leasing (Thai) Co., Ltd.	2,314	2,282	-	5	2	-	-	2,313	2,470	-	43	44	-	3.0 – 5.2% p.a.
UOB Asset Management (Thai) Co., Ltd	-	-	-	-	-	73	-	-	-	-	-	-	-	N/A
UBF Future Co., Ltd.	-	-	-	-	25	-	-	-	-	-	-	-	-	N/A
UOB Radanasin Bank Plc.	221	-	-	-	-	7,532	-	-	-	-	-	-	-	Money Market reference rate
Associated company														
AXA Insurance Plc.	-	-	-	-	33	-	-	-	-	-	-	29	-	N/A
Related companies														
Wing Fat Co., Ltd.	367	367	-	1	-	-	-	367	367	-	1	-	-	NPL
Asia Dhanavadh Warehouse Co., Ltd.	-	-	-	-	7	-	-	-	-	-	-	19	-	N/A
Piyalai Holdings Co., Ltd.	574	574	-	-	-	-	-	574	574	-	-	-	-	NPL
N.Y. Sugar Co., Ltd.	1,790	1,776	-	2	19	-	-	2,005	1,853	-	2	10	-	MLR – 2% or 12-month fixed deposit rate + 2.75%
First Andaman Co., Ltd.	186	186	-	-	-	-	-	186	186	-	-	-	-	NPL
Loxley Plc.	30	59	-	52	6	-	-	-	-	-	-	-	-	4.5 – 6.23% p.a.
TNT Logistics (Thailand) Co., Ltd.	-	-	-	-	137	-	-	-	-	-	-	-	-	N/A
The Muangthai Life Assurance Co., Ltd.	-	-	-	-	-	4	-	-	-	-	-	-	-	N/A
Siam City Securities Co., Ltd.	-	-	-	-	-	203	-	-	-	-	-	-	-	N/A
Underwaterworld Pattaya Co. Ltd.	-	-	-	-	158	-	-	-	-	-	-	-	-	N/A
Haw Par Tiger Balm (Thailand) Limited	-	-	-	-	14	-	-	-	-	-	-	-	-	N/A
United B MEC (Thai) Co., Ltd.	-	-	-	1	3	-	-	-	-	-	-	-	-	N/A
Major shareholder														
United Overseas Bank Limited	-	-	1,507	9,994	-	1,841	317	-	-	280	525	-	-	Money Market reference rate
United Overseas Bank Group of Companies.	-	-	22	11	-	19	-	200	200	-	-	-	4	Money Market reference rate

29. BENEFITS OF DIRECTORS AND MANAGEMENT

As at 31 December 2005 and 2004, the Bank and its subsidiaries had not paid other benefits except for normal staff benefits to their directors and management.

30. CORPORATE INCOME TAX

After adjusting earnings for accounting purposes for non-tax deductible expenses and tax-exempt revenues in the tax computation, there is no income tax payable for the year ended 31 December 2005 and 2004 of the Bank since the tax loss brought forward from previous year exceeds the net earnings for the year.

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

31. BASIC EARNINGS PER SHARE

The Bank had the basic earnings per share as follows :

	CONSOLIDATED AND THE BANK ONLY	
	For the years ended 31 December	
	2005	2004
Net earnings (Million Baht)	954	761
Weighted average number of ordinary shares (shares)	5,617,141,350	5,095,446,713
Basic earnings per share (Baht)	0.17	0.15

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

Financial position as at 31 December 2005 and 2004, classified by type of business are as follows :

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2005					
	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Total assets	211,473	3,214	247	214,934	(18,242)	196,692
Interbank and money market items - net						
(assets)	19,683	13	155	19,851	(7,632)	12,219
Investments - net	17,889	18	23	17,930	(8,283)	9,647
Loans and accrued interest receivable - net	149,136	2,832	-	151,968	(2,288)	149,680
Deposits	152,603	-	-	152,603	(27)	152,576
Interbank and money market items						
(liabilities)	17,113	2,282	-	19,395	(9,887)	9,508
Borrowings	5,086	230	-	5,316	-	5,316
Total contingencies - off - balance sheet	128,960	-	-	128,960	-	128,960

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2004					
	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Total assets	163,083	3,773	181	167,037	(3,175)	163,862
Interbank and money market items - net						
(assets)	14,223	74	142	14,439	(50)	14,389
Investments - net	14,541	23	1	14,565	(608)	13,957
Loans and accrued interest receivable - net	104,808	3,222	-	108,030	(2,475)	105,555
Deposits	138,077	-	-	138,077	(43)	138,034
Interbank and money market items						
(liabilities)	2,761	2,570	-	5,331	(2,476)	2,855
Borrowings	2,012	500	-	2,512	-	2,512
Total contingencies - off - balance sheet	72,999	-	-	72,999	-	72,999

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2005

	Domestic	Overseas	Total
Total assets	203,928	3	203,931
Interbank and money market items - net (assets)	12,151	-	12,151
Investments - net	17,889	-	17,889
Loans and accrued interest receivable - net	149,136	-	149,136
Deposits	152,603	-	152,603
Interbank and money market items (liabilities)	17,113	-	17,113
Borrowings	5,086	-	5,086
Total contingencies - off - balance sheet	128,960	-	128,960

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2004

	Domestic	Overseas	Total
Total assets	163,080	3	163,083
Interbank and money market items - net (assets)	14,223	-	14,223
Investments - net	14,541	-	14,541
Loans and accrued interest receivable - net	104,808	-	104,808
Deposits	138,077	-	138,077
Interbank and money market items (liabilities)	2,761	-	2,761
Borrowings	2,012	-	2,012
Total contingencies - off - balance sheet	72,999	-	72,999

Results of operations for the years ended 31 December 2005 and 2004 classified by type of business :

(Unit : Million Baht)

CONSOLIDATED						
For the year ended 31 December 2005						
	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Interest and dividend income	6,062	229	3	6,294	(75)	6,219
Interest expenses	(1,549)	(85)	-	(1,634)	75	(1,559)
Net interest and dividend income	4,513	144	3	4,660	-	4,660
Non-interest income	791	240	243	1,274	(233)	1,041
Non-interest expenses	(4,349)	(304)	(190)	(4,843)	116	(4,727)
Earnings (loss) before income tax	955	80	56	1,091	(117)	974

(Unit : Million Baht)

CONSOLIDATED						
For the year ended 31 December 2004						
	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Interest and dividend income	5,712	235	2	5,949	(56)	5,893
Interest expenses	(1,741)	(77)	-	(1,818)	56	(1,762)
Net interest and dividend income	3,971	158	2	4,131	-	4,131
Non-interest income	2,480	259	213	2,952	(210)	2,742
Non-interest expenses	(5,690)	(359)	(167)	(6,216)	126	(6,090)
Earnings (loss) before income tax	761	58	48	867	(84)	783

(Unit : Million Baht)

THE BANK ONLY

For the year ended 31 December 2005

	Domestic	Overseas	Total
Interest and dividend income	6,062	-	6,062
Interest expenses	(1,549)	-	(1,549)
Net interest and dividend income	4,513	-	4,513
Non-interest income	791	-	791
Non-interest expenses	(4,346)	(3)	(4,349)
Earnings (loss) before income tax	958	(3)	955

(Unit : Million Baht)

THE BANK ONLY

For year ended 31 December 2004

	Domestic	Overseas	Total
Interest and dividend income	5,712	-	5,712
Interest expenses	(1,737)	(4)	(1,741)
Net interest and dividend income	3,975	(4)	3,971
Non-interest income	2,478	2	2,480
Non-interest expenses	(5,687)	(3)	(5,690)
Earnings (loss) before income tax	766	(5)	761

33. DISCLOSURE OF FINANCIAL INSTRUMENTS

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

The Bank enters into derivative contracts as part of its risk management strategy primarily to manage the market risk arising from the Bank's underlying assets and liabilities and to offset risk created by its customers. The utilisation of derivative contracts for these purposes is governed by the Board's approved guidelines and parameters set by the Assets and Liabilities Committee.

Accounting Policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial assets and financial liabilities, are disclosed in Note 4.

Credit Risk

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

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

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

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

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December 2005	As at 31 December 2004
Foreign exchange contracts	566	388
Forward rate agreements	4	-
Interest rate swap contracts	247	50
Cross currency interest rate swap contracts	151	-
Options	21	-
Avals to bills	506	754
Guarantees of loans	681	75
Performance guarantees	6,117	4,938
Bid guarantees	369	338
Liability under unmatured import bills	284	273
Import letters of credit	644	645
Others	55	97
Total	9,645	7,558

Interest Rate Risk

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

The Bank and its subsidiaries' exposure to interest rate risk showing the remaining period to the earlier of contractual repricing dates or maturity dates, and average rate of return, where applicable, for classes of financial assets and financial liabilities subject to interest rate risk is set out below:

Remaining periods to earlier of repricing dates or contractual maturity dates.

(Unit : Million Baht)

	CONSOLIDATED							Average rate of return per annum (%)
	As at 31 December 2005							
	Floating rate/ Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Non-accrual loans	Total	
Financial assets								
Cash	-	-	-	-	4,934	-	4,934	-
Interbank and money market items — net	8,279	624	-	-	3,316	-	12,219	1.86
Securities purchased under resale agreement	1,000	-	-	-	-	-	1,000	3.95
Investments — net	2,809	2,007	3,643	210	978	-	9,647	1.23
Loans	109,180	23,503	2,600	532	3,326	20,460	159,601	4.45
Financial liabilities								
Deposits	124,956	17,196	4,728	-	5,696	-	152,576	0.97
Interbank and money market items	8,058	68	-	-	1,381	-	9,507	0.96
Liabilities payable on demand	-	-	-	-	2,210	-	2,210	-
Securities sold under repurchase agreements	100	-	-	-	-	-	100	4.09
Short-term borrowings	-	3,103	-	-	-	-	3,103	3.81
Long-term borrowings	-	-	2,100	-	113	-	2,213	6.50
Off-balance sheet financial instruments								
Interest rate contracts *								
- floating rate payer	9,253	5,875	-	-	-	-	15,128	3.75
- fixed rate payer	2,477	4,362	13,208	-	-	-	20,047	4.07
- floating rate payee	15,489	4,479	-	-	-	-	19,968	4.03
- fixed rate payee	1,940	3,961	9,281	-	-	-	15,182	3.62

* Including forward rate agreements, interest rate swap contracts and cross currency interest rate swap contracts.

Remaining periods to earlier of repricing dates or contractual maturity dates.

(Unit : Million Baht)

CONSOLIDATED
As at 31 December 2004

	Floating rate/							Average rate
	Within 3			More than	Non-interest	Non-accrual	Total	of return per
	months	3-12 months	1-5 years	5 years	bearing	loans		annum (%)
Financial assets								
Cash	-	-	-	-	3,703	-	3,703	-
Interbank and money market items — net	12,572	58	-	-	1,759	-	14,389	2.01
Securities purchased under resale agreement	8,400	-	-	-	-	-	8,400	1.96
Investments — net	663	1,068	3,426	5,876	2,924	-	13,957	1.45
Loans	76,031	13,502	2,680	-	1,633	24,671	118,517	3.63
Financial liabilities								
Deposits	110,491	14,752	8,398	-	4,393	-	138,034	1.03
Interbank and money market items	1,954	120	-	-	781	-	2,855	0.38
Liabilities payable on demand	-	-	-	-	1,816	-	1,816	-
Securities sold under repurchase agreements	200	-	-	-	-	-	200	2.07
Short-term borrowings	189	311	-	-	-	-	500	2.58
Long-term borrowings	-	-	2,000	-	12	-	2,012	6.46
Off-balance sheet financial instruments								
Interest rate swap contracts								
- fixed rate payer	-	-	5,000	-	-	-	5,000	3.44
- floating rate payee	4,000	1,000	-	-	-	-	5,000	1.99

Remaining periods to earlier of repricing dates or contractual maturity dates.

(Unit : Million Baht)

THE BANK ONLY								
As at 31 December 2005								
	Floating rate/ Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Non-accrual loans	Total	Average rate of return per annum (%)
Financial assets								
Cash	-	-	-	-	4,934	-	4,934	-
Interbank and money market items — net	8,254	611	-	-	3,286	-	12,151	2.09
Securities purchased under resale agreement	1,000	-	-	-	-	-	1,000	3.95
Investments — net	2,809	1,985	3,643	210	9,242	-	17,889	1.23
Loans	109,008	24,142	1,606	532	3,326	20,304	158,918	4.35
Financial liabilities								
Deposits	124,982	17,197	4,728	-	5,696	-	152,603	0.97
Interbank and money market items	15,664	68	-	-	1,381	-	17,113	0.89
Liabilities payable on demand	-	-	-	-	2,210	-	2,210	-
Securities sold under repurchase agreements	100	-	-	-	-	-	100	4.09
Short-term borrowings	-	2,873	-	-	-	-	2,873	3.87
Long-term borrowings	-	-	2,100	-	113	-	2,213	6.50
Off-balance sheet financial instruments								
Interest rate contracts *								
- floating rate payer	9,253	5,875	-	-	-	-	15,128	3.75
- fixed rate payer	2,477	4,362	13,208	-	-	-	20,047	4.07
- floating rate payee	15,489	4,479	-	-	-	-	19,968	4.03
- fixed rate payee	1,940	3,961	9,281	-	-	-	15,182	3.62

* Including forward rate agreements, interest rate swap contracts and cross currency interest rate swap contracts.

Remaining periods to earlier of repricing dates or contractual maturity dates.

(Unit : Million Baht)

THE BANK ONLY								
As at 31 December 2004								
	Floating rate/ Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Non-accrual loans	Total	Average rate of return per annum (%)
Financial assets								
Cash	-	-	-	-	3,703	-	3,703	-
Interbank and money market items — net	12,411	53	-	-	1,759	-	14,223	2.02
Securities purchased under resale agreement	8,400	-	-	-	-	-	8,400	1.96
Investments — net	663	1,068	3,426	5,876	3,508	-	14,541	1.44
Loans	75,918	13,240	2,321	-	1,633	24,525	117,637	3.51
Financial liabilities								
Deposits	110,534	14,752	8,398	-	4,393	-	138,077	1.03
Interbank and money market items	1,960	20	-	-	781	-	2,761	0.30
Liabilities payable on demand	-	-	-	-	1,816	-	1,816	-
Securities sold under repurchase agreements	200	-	-	-	-	-	200	2.07
Long-term borrowings	-	-	2,000	-	12	-	2,012	6.46
Off-balance sheet financial instruments								
Interest rate swap contracts								
- fixed rate payer	-	-	5,000	-	-	-	5,000	3.44
- floating rate payee	4,000	1,000	-	-	-	-	5,000	1.99

Liquidity Risk

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

A maturity analysis of financial assets, financial liabilities and off-balance sheet items is as follows:

(Unit : Million Baht)

CONSOLIDATED							
As at 31 December 2005							
	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No Maturity	Total
Financial assets							
Cash	-	-	-	-	-	4,934	4,934
Interbank and money market items — net	3,315	8,280	624	-	-	-	12,219
Securities purchased under resale agreements	-	1,000	-	-	-	-	1,000
Investments — net	-	72	1,707	2,980	2,948	1,940	9,647
Loans	45,335	38,102	16,327	18,948	40,889	-	159,601
Financial liabilities							
Deposits	91,117	39,534	17,197	4,728	-	-	152,576
Interbank and money market items	7,254	1,556	397	300	-	-	9,507
Liabilities payable on demand	2,210	-	-	-	-	-	2,210
Securities sold under repurchase agreements	-	100	-	-	-	-	100
Short-term borrowings	-	755	2,348	-	-	-	3,103
Long-term borrowings	-	-	-	2,213	-	-	2,213
Off-balance sheet financial instruments							
Avals to bills	-	395	110	1	-	-	506
Guarantee of loans	-	8	318	257	-	98	681
Other guarantees	1,118	1,862	4,274	545	111	5,286	13,196
Letters of credit	117	2,631	398	-	-	72	3,218
Foreign exchange contracts	-	34,162	18,280	1,766	-	-	54,208
Forward rate agreements	-	-	821	-	-	-	821
Interest rate swap contracts	-	3,763	5,736	20,437	-	-	29,936
Cross currency interest rate swap contracts	-	324	1,886	2,149	-	-	4,359
Foreign Exchange Options	-	-	492	-	-	-	492
Equity Options	-	-	-	230	-	-	230
Undrawn overdraft amount	19,892	-	-	-	-	-	19,892
Liabilities under unmatured import bills	-	918	503	-	-	-	1,421

(Unit : Million Baht)

CONSOLIDATED

As at 31 December 2004

	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No maturity	Total
Financial assets							
Cash	3,703	-	-	-	-	-	3,703
Interbank and money market items - net	1,791	12,539	59	-	-	-	14,389
Securities purchased under resale agreements	-	8,400	-	-	-	-	8,400
Investments - net	-	663	1,068	3,426	5,876	2,924	13,957
Loans	29,453	29,182	9,742	17,728	32,412	-	118,517
Financial liabilities							
Deposits	76,762	38,122	16,116	7,034	-	-	138,034
Interbank and money market items	2,143	588	124	-	-	-	2,855
Liabilities payable on demand	1,816	-	-	-	-	-	1,816
Securities sold under repurchase agreements	-	200	-	-	-	-	200
Short-term borrowings	154	35	311	-	-	-	500
Long-term borrowings	-	-	-	2,012	-	-	2,012
Off-balance sheet financial instruments							
Avals to bills	-	584	106	64	-	-	754
Guarantee of loans	5	-	41	1	70	-	117
Other guarantees	863	1,591	3,768	518	3,948	123	10,811
Letters of credit	149	2,632	316	-	130	-	3,227
Foreign exchange contracts	-	26,868	7,543	-	-	-	34,411
Interest rate swap contracts	-	-	-	5,000	-	-	5,000
Undrawn overdraft amount	17,316	-	-	-	-	-	17,316
Liabilities under unmatured import bills	-	987	376	-	-	-	1,363

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2005

	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	4,934	4,934
Interbank and money market items — net	3,286	8,254	611	-	-	-	12,151
Securities purchased under resale agreements	-	1,000	-	-	-	-	1,000
Investments — net	-	72	1,685	2,980	2,948	10,204	17,889
Loans	45,360	37,749	16,966	17,954	40,889	-	158,918
Financial liabilities							
Deposits	91,144	39,534	17,197	4,728	-	-	152,603
Interbank and money market items	14,940	1,805	68	300	-	-	17,113
Liabilities payable on demand	2,210	-	-	-	-	-	2,210
Securities sold under repurchase agreements	-	100	-	-	-	-	100
Short-term borrowings	-	570	2,303	-	-	-	2,873
Long-term borrowings	-	-	-	2,213	-	-	2,213
Off-balance sheet financial instruments							
Avals to bills	-	395	110	1	-	-	506
Guarantee of loans	-	8	318	257	-	98	681
Other guarantees	1,118	1,862	4,274	545	111	5,286	13,196
Letters of credit	117	2,631	398	-	-	72	3,218
Foreign exchange contracts	-	34,162	18,280	1,766	-	-	54,208
Forward rate agreements	-	-	821	-	-	-	821
Interest rate swap contracts	-	3,763	5,736	20,437	-	-	29,936
Cross currency interest rate swap contracts	-	324	1,886	2,149	-	-	4,359
Foreign Exchange Options	-	-	492	-	-	-	492
Equity Options	-	-	-	230	-	-	230
Undrawn overdraft amount	19,892	-	-	-	-	-	19,892
Liabilities under unmatured import bills	-	918	503	-	-	-	1,421

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2004

	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No maturity	Total
Financial assets							
Cash	3,703	-	-	-	-	-	3,703
Interbank and money market items - net	1,760	12,410	53	-	-	-	14,223
Securities purchased under resale agreements	-	8,400	-	-	-	-	8,400
Investments - net	-	663	1,068	3,426	5,876	3,508	14,541
Loans	29,577	28,799	9,480	17,369	32,412	-	117,637
Financial liabilities							
Deposits	76,805	38,122	16,116	7,034	-	-	138,077
Interbank and money market items	2,149	588	24	-	-	-	2,761
Liabilities payable on demand	1,816	-	-	-	-	-	1,816
Securities sold under repurchase agreements	-	200	-	-	-	-	200
Long-term borrowings	-	-	-	2,012	-	-	2,012
Off-balance sheet financial instruments							
Avals to bills	-	584	106	64	-	-	754
Guarantee of loans	5	-	41	1	70	-	117
Other guarantees	863	1,591	3,768	518	3,948	123	10,811
Letters of credit	149	2,632	316	-	130	-	3,227
Foreign exchange contracts	-	26,868	7,543	-	-	-	34,411
Interest rate swap contracts	-	-	-	5,000	-	-	5,000
Undrawn overdraft amount	17,316	-	-	-	-	-	17,316
Liabilities under unmatured import bills	-	987	376	-	-	-	1,363

Estimated Fair Value of Financial Instruments

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

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

(Unit : Million Baht)

As at 31 December 2005

	CONSOLIDATED		THE BANK ONLY	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	4,934	4,934	4,934	4,934
Interbank and money market items - net	12,219	12,219	12,151	12,151
Securities purchased under resale agreements	1,000	1,000	1,000	1,000
Investments - net	9,647	9,647	17,889	17,889
Loans and accrued interest receivable - net	149,680	149,680	149,136	149,136
Financial liabilities				
Deposits	152,576	152,576	152,603	152,603
Interbank and money market items	9,508	9,508	17,113	17,113
Liabilities payable on demand	2,210	2,210	2,210	2,210
Securities sold under repurchase agreements	100	100	100	100
Short-term borrowings	3,103	3,103	2,873	2,873
Long-term borrowings	2,213	2,216	2,213	2,216

(Unit : Million Baht)

As at 31 December 2004

	CONSOLIDATED		THE BANK ONLY	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	3,703	3,703	3,703	3,703
Interbank and money market items - net	14,389	14,389	14,223	14,223
Securities purchased under resale agreements	8,400	8,400	8,400	8,400
Investments - net	13,957	13,957	14,541	14,541
Loans and accrued interest receivable - net	105,555	105,555	104,808	104,808
Financial liabilities				
Deposits	138,034	138,034	138,077	138,077
Interbank and money market items	2,855	2,855	2,761	2,761
Liabilities payable on demand	1,816	1,816	1,816	1,816
Securities sold under repurchase agreement	200	200	200	200
Short-term borrowings	500	500	-	-
Long-term borrowings	2,012	2,234	2,012	2,234

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

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

As at 31 December 2005

	Notional value	Fair value *
Foreign exchange contracts	54,208	37
Forward rate agreements	821	2
Interest rate swap contracts	29,936	(66)
Cross currency interest rate swap contracts	4,359	(78)
Foreign exchange options	492	(1)
Equity options	230	-

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

As at 31 December 2004

	Notional value	Fair value *
Foreign exchange contracts	34,411	217
Interest rate swap contracts	5,000	(7)

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

Methods and assumptions in estimating market value or fair value of financial instruments

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

Cash and interbank and money market items

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

Securities purchased under resale agreements

The carrying amount of securities purchased under resale agreements estimates fair value.

Investments

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

Loans

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

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

Accrued interest receivable

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

Deposit liabilities

The fair value of deposits which is payable on demand by the depositor, is equal to the carrying value of such deposits. The fair value of floating-rate, certificates of deposit (CDs) and fixed rate deposits repricing within 3 months approximate their carrying value at the reporting date. Fair value for other fixed rate deposits is estimated using a discounted cash flow calculation that applies the currently average deposit rates of the four major commercial banks to a schedule of aggregate expected monthly maturities on time deposits.

Interbank and money market items (liabilities)

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

Securities sold under repurchase agreements

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

Borrowings

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

Fair value of off-balance sheet financial instruments

Commitments to avals, guarantee, and letters of credit

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

- (i) very few of the commitments extending beyond 1 year would commit the Bank to a predetermined rate of interest;
- (ii) the fees attaching to these commitments are the same as those currently charged to enter into similar arrangements; and
- (iii) the quantum of fees collected under these arrangements, upon which fair value would be determined, is not material.

Other off-balance sheet financial instruments

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

34. RECLASSIFICATION OF ACCOUNTS

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of commercial banks dated 10 May 2001.

Certain amounts in the financial statements, as presented herein for comparative purposes, have been reclassified to conform to the current year classification, with no effect on net earnings or shareholders' equity previously reported by another auditor.

35. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 16 February 2006.