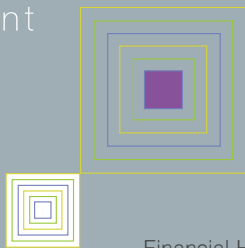
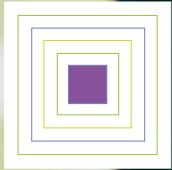


Annual Report 2005
ACL BANK Public Company Limited

Content



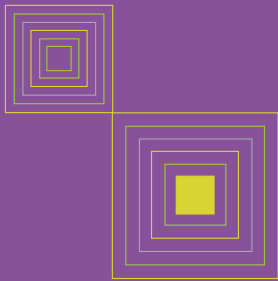
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...ACL BANK

YOUR
BANK





Choose ACL BANK for business Agility

Your success depends on making
the right choices at the right time.

Agility





Financial Highlights

	(Unit : Baht)		
Consolidated	2005	2004	2003
Interest and dividend income	1,566,335,767	1,119,043,212	1,268,386,113
Interest expenses	(493,377,947)	(222,612,355)	(364,419,002)
Net interest and dividend income	1,072,957,820	896,430,857	903,967,111
Reversal of bad debt and doubtful accounts and loss on debt restructuring	409,909,976	925,001,889	200,739,744
Net interest and dividends income after bad debt and doubtful accounts and loss on debt restructuring	1,482,867,796	1,821,432,746	1,104,706,855
Non-interest income (loss)	605,305,157	(1,104,528)	281,661,148
Non-interest expenses	(919,783,074)	(690,305,110)	(506,311,886)
Earnings before income tax and minority interests	1,168,389,879	1,130,023,108	880,056,117
Corporate income tax	(10,313,413)	-	-
Earnings before minority interests	1,158,076,466	1,130,023,108	880,056,117
Minority interests in net loss in subsidiary companies	3,056,277	-	-
Net earnings for the year	1,161,132,743	1,130,023,108	880,056,117

Consolidated	2005	2004	2003
Profitabilities Ratio			
Gross Profit	68.50%	80.11%	71.27%
Net Profit	53.47%	101.08%	56.78%
Return on Equity	11.03%	12.12%	10.59%
Interest Rate on Lending	7.42%	5.83%	5.38%
Interest Rate on Borrowing	2.89%	1.82%	2.45%
Interest Margin Rate	4.53%	4.01%	2.93%
Return on Investment	5.02%	2.15%	3.39%
Efficient Ratio			
Return on Assets	4.16%	5.20%	3.75%
Assets Turnover (time)	0.08	0.05	0.07
Financial Ratio			
Lending to Deposit (time)	1.14	1.52	1.65
Debt to Equity (time)	2.09	1.15	1.53
Lending to Borrowing (time)	1.14	1.52	1.65
Dividend Payment	-	-	-
Other ratio			
Capital Adequacy Ratio	44.22%	74.21%	68.64%
Net Capital Rule	682.94%	5,513.42%	6,024.70%



Message from the Chairman

2005 marks another milestone for ACL, as it successfully transformed from a Finance Company to a Universal Bank. As ACL BANK Public Company Limited, we became fully operative on December 23, 2005. This truly was a great achievement for all of our shareholders, customers, employees and executives.

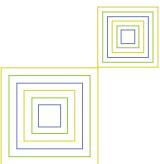
With over 35 years of experience gained in the financial industry as a Super Finance Company, Asia Credit Public Company Limited was already engaged in a business very similar to that of a commercial bank. With our upgrade to a full bank, ACL will now be able to boost its potential for providing a broader scope of financial services as well as to increase its opportunities for growth in other areas. Our objective is to be able to develop our services and product range to match financial innovations in the marketplace and respond to our customers' growing needs.

In 2005, the Bank recorded another year of success in its operations, as evident increase in our asset size from 21,274 billion baht as of end-2004 to 34,912 billion baht as of the end of 2005. Net profits also grew to 1,130 billion baht. In addition, we have been able to satisfactorily cope with our troubled loan portfolio, which recorded a sharp drop in NPLs from 29% in 2004 to 17% in 2005 as a percentage of the total portfolio. These impressive figures are testimony to the Bank's operational capability and preparedness for further business development.

I have a great pleasure to report this success to all shareholders. Having been granted the banking license, this not only proves the success of the Bank, but it also signals the beginning of a move forward. The management team in ACL BANK, all of our staff members and I are well aware of our responsibilities. We are all committed to work hard and to overcome any difficulties to ensure that our bank is strong and stable. We intend to chart a path of steady growth, with performance to be benchmarked against other commercial banks in return for the trust and confidence that our shareholders have continuously placed in our bank.

I take this opportunity to convey my sincere gratitude to all of our shareholders.

Chanchai Leetavorn
Chairman



Report of the Audit Committee in 2005

To the Shareholders of ACL BANK Public Company Limited

The Audit Committee was appointed by the Board of Directors of the Bank to perform duties and discharge responsibilities under the charter for the Audit Committee. In the year 2005, the Audit Committee proceeded as follows:

1. Held 7 meetings in order to discharge its functions as assigned by the Board of Directors;
2. Reviewed the Audit Committee Charter and improved the Internal Audit Charter;
3. Reviewed quarterly and annual financial reports of the Bank and its subsidiaries to ensure correctness, reliability and adequacy of information disclosed, reflecting good corporate governance;
4. Considered and proposed the appointment and audit fee of Ernst & Young Office Limited as the Company's external auditor for the year 2005;
5. Considered and approved the internal audit plan for the year 2005;
6. Considered and approved the results of internal audit and provided advices for enhancing effectiveness of the internal audit function and audit work;
7. Considered and improved internal controls assessment guidelines;
8. Reviewed the Bank and subsidiaries practices relating to connected transactions to ensure compliance with the regulations of the Stock Exchange of Thailand;
9. Reviewed the valuation report of Bualuang Finance Company Limited in the acquisition process;
10. Continuously ensured that the Bank improved its internal controls system to enhance efficiency, effectiveness and compliance with regulatory requirements.

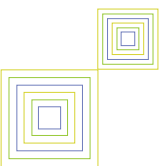
The Audit Committee believes that the aforementioned practice is a part of driving ACL BANK Public Company Limited to a sound management with the good corporate governance principle, transparent and checkable operation, maintaining benefit to all concerned parties, and having an appropriate internal controls system.

Dr. Kosol Petchsuwan
Chairman of the Audit Committee



The Bank's Directors





The Bank's Directors



Mr. Chanchai Leetavorn • Age 78 years

Position Chairman • Authorised Director
 Education Bachelor of Science in Banking and Finance, University of Illinois, U.S.A.
 Work experience 1984 - Present, Chairman, ACL BANK Public Company Limited • Present, Director, Minibea Aviation Co., Ltd. • Present, Director, BIHC Holding Co., Ltd. • Present, Director, BIHC Trading Co., Ltd. • Present, Director, The East Asiatic (Thailand) Plc. • Present, Chairman, Bangkok UFJ Ltd. • Present, Director, Siam Piwat Co., Ltd. • 1982, Secretary General, Office of the Board of Investment • 1979, Deputy Minister, Ministry of Finance • 1977, Permanent Secretary, Ministry of Finance
 Shareholding (%) Ordinary shares 0.06%

Dr. Chamchai Musignisarkorn • Age 62 years

Position Vice Chairman • Chairman of the Executive Committee • Authorised Director
 Education Doctor of Agricultural Economics, Kyoto University, Japan • Director Accreditation Program (DAP) Certificate, Thai Institute of Directors Association
 Work experience Dec. 2005 - Present, Vice Chairman/Chairman of the Executive Committee, ACL BANK Public Company Limited • Oct. 2005 - Present, Chairman of the Audit Committee, PTT Exploration and Production Plc. • Jun. 2004 - Oct. 2005, Member of the Audit Committee, PTT Exploration and Production Plc. • Apr. 2004 - Present, Director, PTT Exploration and Production Plc. • Nov. 2000 - Sep. 2003, Director-General, Government Savings Bank • 2000, Inspector-General, Ministry of Finance • 1999 - 2000, Financial Counsellor, Ministry of Finance • 1997 - 1999, Deputy Director-General, Fiscal Policy Office, Ministry of Finance
 Shareholding (%) -



Mr. Joti Bhokavanij • Age 64 years

Position	Vice Chairman • Vice Chairman of the Executive Committee • Chief Executive Officer • Authorised Director
Education	ACCA, The Association of Chartered Certified Accountants, England • Director Accreditation Program (DAP) Certificate/Chairman 2000 (RCM) Certificate, Thai Institute of Directors Association
Work experience	Jan. 2004 - Present, Chief Executive Officer, ACL BANK Public Company Limited • Jun. 2003 - Present, Director/Vice Chairman, ACL BANK Public Company Limited • Dec. 2005 - Present, Vice Chairman of the Executive Committee, ACL BANK Public Company Limited • Oct. 2004 - Dec. 2005, Chairman of the Executive Committee, Asia Credit Public Company Limited • Dec. 2002 - Oct. 2004, Advisor to the Executive Committee, Asia Credit Public Company Limited • May 2005 - Present, Director, Leasing Sinn Asia Co., Ltd. • Feb. 2005 - Present, Chairman, ACL Securities Co., Ltd. • Oct. 2004 - Feb. 2005, Director, ACL Securities Co., Ltd. • 1998 - Present, Director, KF Foods Co., Ltd. • Present, Director, Bangkok Inter Teletech Co., Ltd. • 1999 - Present, Director, TRUE Corporation Plc. • 1999 - Present, Director, Kingfisher Holdings Ltd. • 2000 - 2001, Executive Chairman, TISCO Finance Plc.
Shareholding (%)	Ordinary shares 0.06%

Mr. Thongchai Ananthothai • Age 44 years

Position	Director • Member of the Executive Committee • President • Authorised Director
Education	M.B.A., University of Notre Dame, U.S.A. • Directors Certification Program (DCP) Certificate, Thai Institute of Directors Association
Work experience	Sep. 2002 - Present, Director/President, ACL BANK Public Company Limited • Sep. 2002 - Present, Member of the Executive Committee, ACL BANK Public Company Limited • May 2005 - Present, Director, Leasing Sinn Asia Co., Ltd. • Oct. 2002 - Present, Director, ACL Securities Co., Ltd. • Sep. 1998 - Aug. 2002, President, BSL Leasing Co., Ltd.
Shareholding (%)	Ordinary shares 0.06%

Ms. Pannee Sathavarodom • Age 58 years

Position	Director • Member of the Corporate Governance Committee
Education	Master of Arts in Economics, Thammasart University • College Degree, National Defence • Director Accreditation Program (DAP) Certificate/Finance for Non-finance Director (FN) Certificate, Thai Institute of Directors Association
Work experience	Dec. 2004 - Present, Director, ACL BANK Public Company Limited • Feb. 2006 - Present, Member of the Corporate Governance Committee, ACL BANK Public Company Limited • 2002 - Present, Director-General, Public Debt Management Office, Ministry of Finance • 2001, Deputy Director-General, Fiscal Policy Office, and Director-General, Public Debt Management Office, Ministry of Finance • 2000, Deputy Director-General, Fiscal Policy Office, Ministry of Finance
Shareholding (%)	-



Mr. Kritsda Udyanin • Age 46 years

Position	Director
Education	Master of Arts in Economics, Thammasart University • M.Sc. (Fiscal Studies) The University of Bath, U.K. • Director Accreditation Program (DAP) Certificate, Thai Institute of Directors Association
Work experience	Jul. 2004 - Present, Director, ACL BANK Public Company Limited • Oct. 2005 - Present, Deputy Director-General, Fiscal Policy Office, Ministry of Finance • Oct. 2003 - Oct. 2005, Director, Bureau of Financial System, Savings and Investment Policy, Fiscal Policy Office, Ministry of Finance • 2000 - 2003, Director, Monetary Policy and Financial Institution Division, Fiscal Policy Office, Ministry of Finance • Jun. 2005 - Present, Director, Asia Pacific Potash Corporation Ltd.
Shareholding (%)	-

Mr. Vudhiphol Suriyabhivadh • Age 62 years

Position	Director • Member of the Corporate Governance Committee • Member of the Executive Committee • Authorised Director
Education	Bachelor of Commerce in Accountancy, The University of New South Wales, Australia • Bachelor of Laws, Sukhothaimathamthirat Open University • Directors Certification Program (DCP) Certificate/Audit Committee Program (ACP) Certificate, Thai Institute of Directors Association
Work experience	Nov. 2004 - Present, Director/Member of the Executive Committee, ACL BANK Public Company Limited • Dec. 2004 - Present, Member of the Corporate Governance Committee, ACL BANK Public Company Limited • Feb. 2005 - Present, Director, ACL Securities Co., Ltd. • 2003 - Present, Independent Director, Laguna Resorts and Hotels Plc. • 1999 - Present, Chairman of the Audit Committee/Independent Director, Bangkok Ranch Plc. • 1999 - Present, Chairman/Chairman of the Audit Committee/Independent Director, Thai Agri Foods Plc. • 1999 - 2004, Independent Director/Member of the Audit Committee, TISCO Finance Plc. • 1998 - Present, Independent Director/Member of the Audit Committee, L.P.N. Development Plc. • 1997 - Present, Independent Director, The East Asiatic (Thailand) Plc. • 1996 - Present, Independent Director/Member of the Audit Committee, Thai Wah Food Products Plc. • 1989 - Present, Director, Listed Companies Association
Shareholding (%)	Spouse: Ordinary shares 1.01%

Mr. Vim Tayaputch • Age 62 years

Position	Director • Member of the Executive Committee
Education	M.BAE. (Biological & Agricultural Engineering), North Carolina State University, U.S.A.
Work experience	Dec. 2005 - Present, Director/Member of the Executive Committee, ACL BANK Public Company Limited • 1997 - Present, Director, Alcan Packaging Strong Thai Pack • 1990 - Present, Executive Director, Alcan Packaging Strongpack • Sep. 2004 - Dec. 2004, Senior Executive Vice President, Thai Military Bank Plc. • 1973 - Aug. 2004, Senior Executive Vice President, The Industrial Finance Corporation of Thailand
Shareholding (%)	-



Dr. Kosol Petchsuwan • Age 66 years

Position	Director • Chairman of the Audit Committee
Education	Ph.D. in Engineering, Automatic Control Systems, Imperial College of Science & Technology, University of London, U.K. • Director Accreditation Program (DAP) Certificate/Directors Certification Program (DCP) Certificate/Chairman 2000 (RCM) Certificate/Finance for Non-finance (FN) Certificate/Audit Committee Program (ACP) Certificate, Thai Institute of Directors Association
Work experience	Dec. 2004 - Present, Chairman of Audit Committee, ACL BANK Public Company Limited • Nov. 2004 - Present, Director/Member of Audit Committee, ACL BANK Public Company Limited • 2001 - Present, Director, Mahidol Wittayanusorn School • 1992 - Present, Member of Audit Committee, TRUE Corporation Plc. • 2001 - 2002, Chairman, The Aeronautical Radio of Thailand • 1998 - 2000, Member of the Audit Committee, PTT Exploration and Production Plc. • 1994 - 2001, General Manager, Thai Ausnor Co., Ltd. • 1967 - 1994, Rector, King Mongkut's Institute of Technology, Ladkrabang
Shareholding (%)	-

Mr. Plengsakdi Prakaspesat • Age 63 years

Position	Director • Member of the Audit Committee
Education	Commerce, Ross College (Dublin), Ireland • College Degree, National Defence • Director Accreditation Program (DAP) Certificate, Thai Institute of Directors Association
Work experience	2000 - Present, Member of the Audit Committee, ACL BANK Public Company Limited • 1978 - Present, Independent Director, ACL BANK Public Company Limited • 1974 - Present, Senior Advisor, Thai Central Chemical Plc. • 2000 - Present, Advisor, Jardine Lloyd Thompson Ltd. • 1997 - Present Advisor, Jardine Insurance Brokers (Thailand) Ltd. • 1984 - Present, Honourary Chairman, Asia Pacific Potash Corporation Ltd. • 1978 - Present, Member of the Audit Committee, Bangkok Insurance Plc. • 1987 - Present, Director, Aspac Co., Ltd. • May 2005 - Present, Advisor, MC Industrial Chemical Co., Ltd. • Apr. 2001 - Present, Advisor, United Flour Mill Plc.
Shareholding (%)	Ordinary shares 0.00015%

Mr. Charnchai Charuvast • Age 59 years

Position	Director • Member of the Audit Committee • Chairman of the Corporate Governance Committee
Education	M.Sc. Electrical Engineering, Purdue University, U.S.A. • Directors Certification Program (DCP) Certificate, Thai Institute of Directors Association
Work experience	Mar. 2005 - Present, Chairman of the Corporate Governance Committee, ACL BANK Public Company Limited • Dec. 2004 - Present, Director/Member of the Audit Committee, ACL BANK Public Company Limited • 2002 - Present, Member, National Corporate Governance Committee • 2001 - Present, Chairman, Siam Paragon Development Co., Ltd. • 1999 - Present, President & CEO, Thai Institute of Directors Association • 1996 - Present, Executive Director, Siam Piwat Co., Ltd. • Present, Chairman, Aviva Décor Ltd. • Present, Director, Aviva Audio Ltd.
Shareholding (%)	-



Management Committee

**Mr. Joti Bhokavanij**

Position Chief Executive Officer

Mr. Thongchai Ananthothai

Position President

Ms. Tarissa Tanjasiri • Age 54 years

Position Senior Executive Vice President, Corporate Banking Division and Banking Operations Division
 Education Bachelor of Science (Major Accounting), University of Louisville, KY, U.S.A. • Directors Certification Program (DCP) Certificate, Thai Institute of Directors Association

Work experience Mar. 2005 - Present, Senior Executive Vice President, Corporate Banking Division and Banking Operations Division, ACL BANK Public Company Limited • Jan. 2005 - Mar. 2005, Executive Vice President, Banking Project, Asia Credit Public Company Limited • Sep. 2004 - Jan. 2005, Executive Vice President, Office of the Chief Executive Officer, Asia Credit Public Company Limited • Oct. 2004 - Jul. 2005, Director, Asia Credit Securities Co., Ltd. • Mar. 2003 - Aug. 2004, Executive Vice President, Bank of Asia Plc. • Jul. 1998 - Mar. 2003, General Manager, Citibank, N.A.

Shareholding (%) Ordinary shares 0.11%

Mr. Hock Chye, Yeo • Age 58 years

Position Executive Vice President, Risk Management Division

Education Bachelor of Arts (English), University of Singapore

Work experience Jun. 2005 - Present, Executive Vice President, Risk Management Division, ACL BANK Public Company Limited • Jan. 2005 - Jun. 2005, Executive Vice President, Banking Project, Asia Credit Public Company Limited • 1973 - 2002, Head of Credit Singapore, Standard Chartered Bank

Shareholding (%) -



Ms. Ratchanee Mesommonta • Age 58 years

Position Executive Vice President, Technology Division
 Education Bachelor of Arts in Accountancy, Chulalongkorn University
 Work experience Mar. 2005 - Present, Executive Vice President, Technology Division, ACL BANK Public Company Limited
 • Jul. 1969 - Feb. 2005, Senior Vice President, Bangkok Bank Plc.
 Shareholding (%) -

Ms. Potchanart Seebungkerd • Age 49 years

Position Executive Vice President, Organisation Development Division
 Education Master of Science in Human Resources Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
 Work experience Jan. 2005 - Present, Executive Vice President, Organisation Development Division, ACL BANK Public Company Limited • Oct. 2000 - Jul. 2004, Senior Vice President, Head of HR&OD, TISCO Finance Plc.
 • Jan. 1998 - Sept. 2000, Head of HR, Boots Retail (Thailand) Ltd.
 Shareholding (%) Ordinary shares 0.02%

Ms. Sumana Pornnutvutikul • Age 49 years

Position Executive Vice President, Recovery Division
 Education M.B.A. (Finance), University of Rochester, New York, U.S.A.
 Work experience Jan. 2005 - Present, Executive Vice President, Recovery Division, ACL BANK Public Company Limited
 • 1997 - 2004, Managing Director, East - West Consulting and Education Co., Ltd.
 Shareholding (%) -

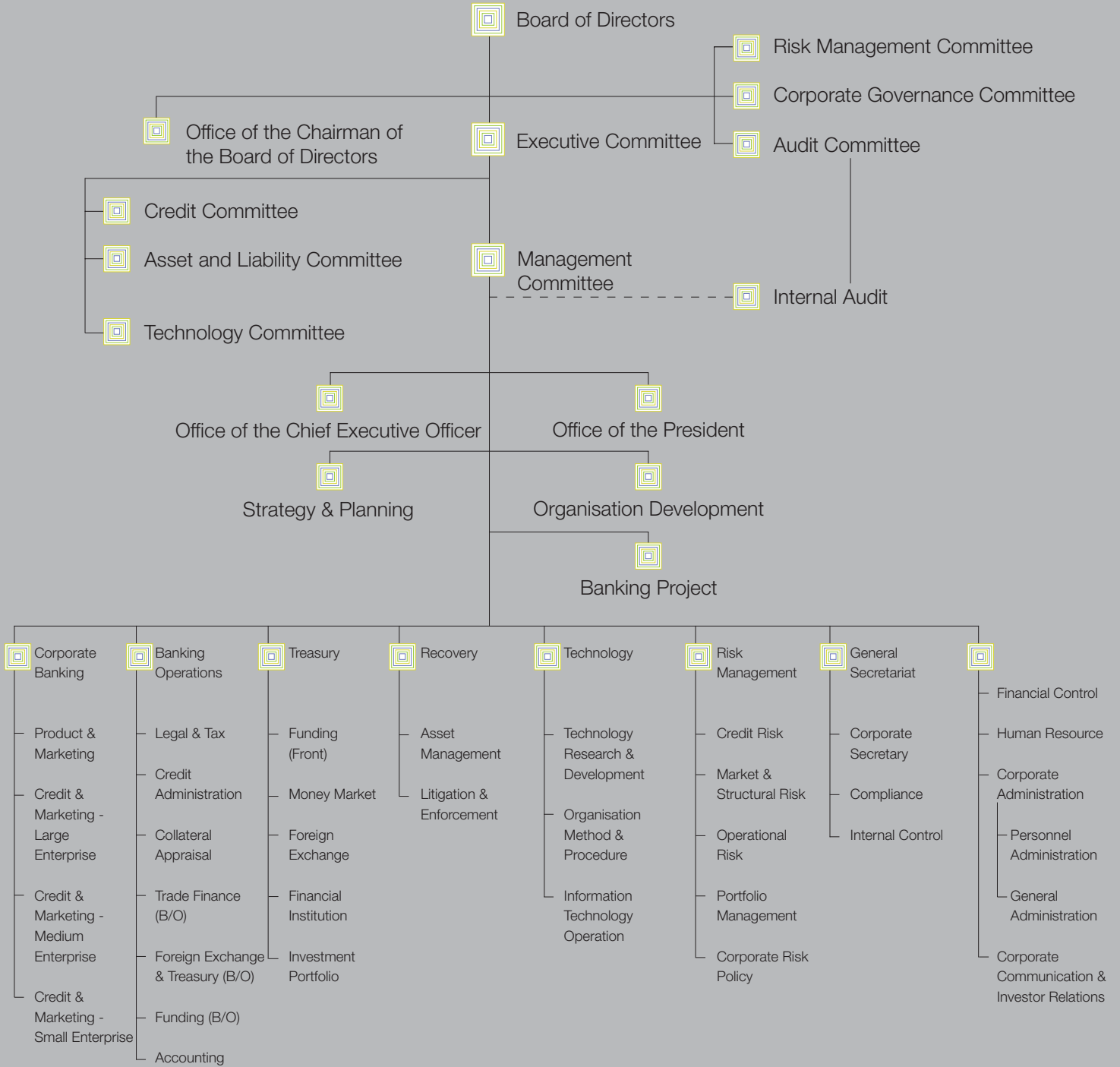
Mr. Apichart Kasemkulsiri • Age 39 years

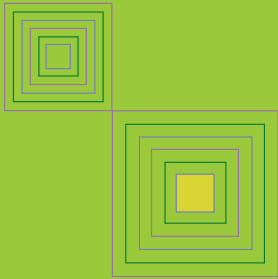
Position Executive Vice President, Treasury Division
 Education Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
 Work experience May 2005 - Present, Executive Vice President, Treasury Division, ACL BANK Public Company Limited
 • Dec. 2005 - Present, Director, ACL Securities Co., Ltd. • Nov. 2005 - Present, Director, Leasing Sinn Asia Co., Ltd. • Sep. 2002 - May 2005, Chief Financial Officer, Smart I-Mobile Plc. • Jan. 2001 - Sep. 2002, Treasury Manager, The Bank of Nova Scotia, Bangkok Branch
 Shareholding (%) -

Management

NO	NAME	POSITION	DEPARTMENT
1	Ms. Suree Wipatakanok	Executive Vice President	Credit & Marketing - Medium Enterprise Department
2	Mr. Tejanan Tejasen	Executive Vice President	Credit & Marketing - Large Enterprise Department
3	Mr. Vivat Kittiphongkosol	Senior Vice President	Credit & Marketing - Small Enterprise Department
4	Ms. Orapin Sreesangkom	Senior Vice President	General Secretariat Division
5	Ms. Yimhuang Khaw	Senior Vice President	Banking Operations Division
6	Mr. Chaiwat Tanchewawong	Senior Vice President	Corporate Banking Division
7	Ms. Kanchana Vongratanakulthon	Senior Vice President	Asset Management Department
8	Ms. Tipapan Tangnoi	Senior Vice President	Personnel Administration Department
9	Mr. Sorasak Thanabordee	Senior Vice President	Litigation & Enforcement Department
10	Ms. Patsamon Sanghiran	First Vice President	Corporate Communication & Investor Relations Department
11	Ms. Jungjai Loharangsikul	First Vice President	Credit Administration Department
12	Mr. Chaveng Mahapornprajuck	First Vice President	Trade Finance (Back Office) Department
13	Ms. Araya Watanakun	First Vice President	Compliance Department
14	Ms. Ruttiya Vatjanasatit	First Vice President	Internal Audit Department
15	Ms. Kulnida Cheausuwan	First Vice President	Money Market Department
16	Mr. Ugrit Leewanun	First Vice President	Human Resource Department
17	Ms. Saowanee Soonthornswad	First Vice President	Funding (Back Office) Department
18	Ms. Chonlanee Riebroicharoen	First Vice President	Accounting Department
19	Ms. Sasiwadee Somboonthum	First Vice President	Organisation Method & Procedure Department
20	Ms. Chanida Lamlertsuk	First Vice President	Information Technology Operation Department
21	Ms. Narumol Preamsilp	Vice President	Corporate Secretary
22	Mr. Khanate Sakulyong	Vice President	Collateral Appraisal Department
23	Ms. Sukarnda Ongjindapipat	Vice President	Financial Control Department
24	Mr. Suraphol Thipvilai	Vice President	Credit Risk Department
25	Ms. Chuenchit Trakarnratti	Vice President	Internal Control Department
26	Ms. Orachat Rakphongphairoj	Vice President	Funding (Front Office) Department
27	Mr. Seksan Chunserreechai	Deputy Vice President	Portfolio Management Department
28	Mr. Parames Tonnamning	Deputy Vice President	General Administration Department
29	Mr. Wijit Sriwijitchok	Assistant Vice President	Foreign Exchange & Treasury (Back Office) Department

Organisation Chart





Steadfast goals, Clear objectives

Our forte is our ability to respond to our customers' needs.
We have your business at heart.



Business
at heart



Background and Significant Development

ACL BANK Public Company Limited was formerly named Asia Credit Public Company Limited. It was initially registered as Sinn Asia Phanich Company Limited on August 26, 1969 and later changed the name to Asia Credit Public Company Limited. The Company was granted approval by the MOF to undertake finance and securities businesses on October 26, 1973.

In 1978, the MOF approved listing of the Company's ordinary shares on the Stock Exchange of Thailand (SET).

On April 15, 1993, the Company changed its status to a public company and had its name changed to Asia Credit Public Company Limited.

In 1998, the Company altered the shareholding structure with an increase of holding by Societe Generale (Paris) (SG) and Bangkok Bank Public Company Limited (BBL). With major holding of 51.02% by SG, the Company subsequently changed its name to reflect the new status to "SG Asia Credit Public Company Limited."

In 1999, the Company was the first finance company granted a license from the MOF to operate a new business, i.e. taking savings and fixed deposit with passbook and opening branch offices. In the same year, the Company increased its capital and obtained the MOF's approval for participation in the tier 1 capital support scheme, making the MOF become its major shareholder with 32.17% holding.

In 2000, the Company split its finance and securities businesses. SG Asia Credit Securities Limited (later renamed Asia Credit Securities Co., Ltd.) was established with 99.99% shareholding by the Company, and started its operation on January 17, 2000. SG Asia Credit Public Company Limited changed its name to Asia Credit Public Company Limited on May 9, 2000.

By the middle of 2004, with an intention to apply for establishing a branch of foreign commercial bank in Thailand under the "One Presence" of the Financial Sector Master Plan, SG reduced its entire shareholding in the Company in October 2004. As a result, there were only two major shareholders, i.e. the MOF with 30.61% holding and BBL with 27.49% holding.

In 2005, ACL BANK received from the BOT the Small but Cool award to recognise that even as a small financial institution, the Bank is able to provide complete and accurate information and services under stress conditions and well within required timeframes. The BOT has recognised the Bank for the ability to provide quality information, speedy delivery, transparency, and for fulfillment of the corporate responsibility.

The Transformation to Commercial Bank in line with the Financial Sector Master Plan

On January 6, 2004, the MOF approved the Financial Sector Master Plan to be adopted by the MOF and the BOT. According to the Plan, the finance company requesting an establishment of a commercial bank is required to merge with at least one other finance company, and submit its application to establish a commercial bank to the MOF through the BOT.

On December 26, 2004, the MOF gave approval of the merger plan between Asia Credit Public Company Limited and Bualuang Finance Company Limited for establishment of a commercial bank. Asia Credit Public Company Limited established and started the operation under the name of ACL BANK Public Company Limited from December 23, 2005 onwards.

Business Goal

As a new commercial bank which started the operation on December 23, 2005, the Bank has attempted to make an advance in organisation development and boost its competitive edge to reach the goal of a modernised and high technology bank. Size is one of its strengths. With an appropriate size, the Bank is more nimble, meaning that its operations and developments in various aspects are adjustable according to rapidly changing situations. On the credit side, the Bank plans to expand credit facilities to target customers, mainly the potential SMEs. The Bank is familiar with and has experiences in this particular group of customers. Meantime, with confidence in its good potential and service ability, the Bank will emphasise on providing the "Premium Service" to differentiate its services from other large and market leader commercial banks. It will place an importance on high quality risk management system to ensure that loans are granted under well-conceived procedures to prevent any damages in the future, and also on how to manage revenues and expenses efficiently. At present, the Bank is in the process of developing main computer technology and new information technology, which will become another strength of the Bank and help to promote its products and services to become more outstanding and facilitate introduction of new financial innovations to customers.

Future Plan

With the license to operate as a commercial bank granted on December 23, 2006, the Bank has potential to provide fully integrated financial services to customers. The business goal of the Bank for the year 2006 is to emphasise on boosting its loan assets and deposits by expanding customer base. The Bank will roll out more branches and build its network to increase service channels for customers. The Bank will also emphasise on the development and improvement of the products and services in line with requirements of the target customers, aiming at mutual growth of both customers and the Bank. In response to the more severe competition in the financial business sector, the Bank has created a continuous development program to ensure the quality of its staff and to improve the working system so as to expedite and facilitate the operation. Modern technology is also applied to help boost the Bank's competitiveness in the banking industry.



Description of Business

Overall Business Operation of the Bank and its Subsidiary Companies

Almost throughout 2005, the Bank still operated the business in the name of Asia Credit Public Company Limited. The main businesses were taking of deposits through issuance of promissory notes and lending to the public until the commercial bank license was granted by the MOF. The business operation under the name of ACL BANK Public Company Limited commenced on December 23, 2005. The principal policy is to operate as a universal bank, being able to provide all and new financial services to satisfy customers' needs. The Bank has experienced and professional staff who understand customers' businesses very well and are ready and willing to provide speedy, firm, friendly and quality services for customers' satisfaction. At present, the Bank renders fully integrated financial services through its subsidiary and associated companies, with the securities business operated by ACL Securities Company Limited and the leasing business by Leasing Sinn Asia Company Limited, to enhance management flexibility and relatively boost its competitive edge and strength in the financial sector. The Bank as a parent company jointly defines strategies and business targets, provides support and closely monitors those companies to achieve their mutual targets.

1. The Bank owns 86.52% of shares in ACL Securities Company Limited (ACLS). As a SET member, ACLS is licensed to operate five businesses, i.e. securities brokerage, securities dealing, investment advisory service, securities underwriting and derivative.
2. The Bank owns 99.99% of shares in Leasing Sinn Asia Company Limited (LACL). With a registered capital of 300 million baht, LACL operates a hire-purchase business and leasing business for automobiles, machines and factoring and provides Floor Plan loans to auto-dealers. LACL started its operation in July 2005.



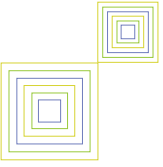
Income Structure

The Bank and its subsidiaries' income structure during the past three years is as follows:

Income structure	2005		2004		2003	
	Million baht	%	Million baht	%	Million baht	%
INTEREST AND DIVIDEND INCOME						
Loans	1,064.8	63.4	831.6	92.9	997.0	83.6
Interbank and money market items	205.9	12.3	18.4	2.1	12.0	1.0
Hire purchase and financial lease income	13.9	0.8	-	-	-	-
Investments in securities	281.7	16.8	269.0	30.0	259.3	21.7
Total interest and dividend income	1,566.3	93.3	1,119.0	125.0	1,268.3	106.4
INTEREST EXPENSES						
Deposits	(478.2)	(28.5)	(211.0)	(23.6)	(308.4)	(25.9)
Interbank and money market items	(13.7)	(0.8)	(11.0)	(1.2)	(54.6)	(4.6)
Fees and charges	(1.5)	(0.1)	(0.6)	(0.1)	(1.4)	(0.1)
Total interest expenses	(493.4)	(29.4)	(222.6)	(24.9)	(364.4)	(30.6)
Net interest and dividend income	1,072.9	63.9	896.4	100.1	903.9	75.8
NON-INTEREST INCOME						
Brokerage fees	54.6	3.3	-	-	10.6	0.9
Gain (Loss) on investments	212.7	12.7	(51.8)	(5.8)	92.6	7.8
Fees and services income						
Acceptances, aval and guarantees	0.5	-	0.2	-	0.2	-
Others	29.7	1.8	24.4	2.7	36.7	3.1
Gain (Loss) on exchange	0.5	-	0.8	0.1	(1.1)	(0.1)
Gain (Loss) on disposal of assets	77.4	4.6	7.5	0.8	(1.4)	(0.1)
Gain (Loss) on transferred loans	117.2	7.0	(48.7)	(5.4)	-	-
Dividend from liquidation	54.2	3.2	62.1	6.9	143.6	12.0
Other income	58.5	3.5	4.4	0.5	7.2	0.6
Total non-interest income	605.3	36.1	(1.1)	(0.1)	288.4	24.2
NET INCOME	1,678.2	100.0	895.3	100.0	1,192.3	100.0

Investment in Companies at 10% or More of Paid-Up Capital

No.	Company	Address	Type of business	Paid-up capital (Baht)	% share holding
1	Leasing Sinn Asia Co.,Ltd.	503/27 K.S.L. Tower, 16th Floor, Sri-ayudhaya Road, Phayathai, Ratchathewi, Bangkok 10400 Tel. 0 2626 8100 Fax. 0 2626 8191-2	Leasing	300,000,000.00	99.99
2	BLF Co., Ltd. (Former name Bualuang Finance Co., Ltd.)	175 Sathorn City Tower, 13/1rd Floor, Room No. 1302, South Sathorn Road, Sathorn, Bangkok 10120 Tel. 0 2663 9671 Fax. 0 2663 9675	Finances	700,000,000.00	99.98
3	ACL Securities Co.,Ltd.	999/9 The Offices at Central World, 18th Floor, Rama I Road, Patumwan, Bangkok 10330 Tel. 0 2658 9000 Fax. 0 2658 9292	Securities	1,000,000,000.00	86.52
4	Sinsubnakhorn Plc.	601/33 Moo 10 , Petchakasem Road, Bangkae, Bangkok 10160 Tel. 0 2805 3019-20 Fax. -	Real Estate	430,000,000.00	20.88
5	BBL Asset Management Co.,Ltd.	175 Sathorn City Tower, 26th Floor, Room No. 2601, South Sathorn Road, Sathorn, Bangkok 10120 Tel. 0 2679 6400 Fax. 0 2679 5995-6	Mutual Fund Management	100,000,000.00	12.50
6	R.M. Property Co.,Ltd.	152/60 Moo1 Bangkae, Bangpai, Bangkok 10160 Tel. 0 2804 1981 Fax. 0 2804 1990	Real Estate	550,000,000.00	10.00
7	Bangkok UFJ Ltd.	179/117-119 Bangkok City Tower, 28th Floor, South Sathorn Road, Sathorn, Bangkok 10120 Tel. 0 2684 0973 Fax. 0 2287 3374	Lending and Investment	200,000,000.00	10.00
8	Bangkok SMBC Consulting Co.,Ltd.	138 Boonmitr Bldg., 7th Floor, Unit B6, Silom Road, Bangrak, Bangkok 10500 Tel. 0 2237 6295-8 Fax. 0 2237 6299	Investment Consulting	5,000,000.00	10.00
9	Rhodia (Thailand) Ltd.	3195/6 Vibultani 1 Bldg., 1st Floor, Rama 4 Road, Klongtoey, Bangkok 10110 Tel. 0 2661 3322 Fax. 0 2661 3316	Chemical Products Trading	100,000.00	10.00



Banking Business

January 1 - December 22, 2005

Before transforming to a bank, ACL BANK operated as a finance company as licensed from the MOF, by accepting deposits through issuance of promissory notes and offering loans to the public. It also obtained licenses to operate additional businesses, i.e. foreign exchange, trade finance and acceptance of savings and fixed deposits with passbooks. In addition, within its group, the securities services are provided by ACLS and leasing services by LACL.

From December 23, 2005 onwards

The Bank commenced its status as ACL BANK Public Company Limited after the commercial bank license and license to operate foreign exchange and trade finance business were granted by the MOF. The services provided by the Bank continue from its operation as a finance company. The service provision covers various groups of customers, i.e. corporate customers, SMEs, retail customers and other financial institutions. The main services of the Bank are as follows:

(a) Deposits

The Bank offers savings facilities to all customers either individuals, juristic entities, financial institutions or organisations. Types of deposit of the Banks are as follows:

- (1) Savings with passbooks both in Thai baht and foreign currencies: Customers can deposit or withdraw their deposits at any time.
- (2) Deposit receipts: There are two types of deposit receipts, call deposit receipt (CDR) and fixed deposit receipt (FDR).

(b) Lending

The Bank offers diversified lending facilities in order to address all customers' requirements as follows:

- Requirement of working capital to support short-term liquidity or sale activities
 - Overdraft
 - Promissory note
 - Short-term lending with tenor within 1 year
- Requirement of investment with tenor over one year to support business expansion such as new machinery and property acquisition, new product launch and re-organisation



- Medium-term lending with tenor 1-5 years
- Long-term lending with tenor over 5 years
- Project financing
- Syndicated loan
- Trade finance facilities to support export and import activities
 - Letter of credit
 - Packing credit
 - Bills for collection
 - Foreign exchange services (buy & sell foreign currencies) and hedging
- Aval and guarantee
 - Aval acceptance on promissory notes or bills of exchange
 - Bid bond
 - Performance bond
 - Advance payment bond
 - Retention guarantee
 - Maintenance guarantee
 - Shipping guarantee

Lending Policy

The Bank sets strategies, guidelines, targets and goals focusing on marketing while conserving credit quality awareness. Strategies are continuously revised within working groups where goals are constantly reviewed. The Bank's lending policy has been formulated based on all banking regulations and industry trend. Other strict policies and procedures are applied in case of businesses which may need special attention.

Target market is the small and medium enterprises (SMEs), both existing customers and new customer bases, which show good potentials and high growth. Approval process includes a study on their cash flow and payment ability. Credit approval especially for small enterprises is streamlined to be faster and more convenient. These actions affirm the Bank's determination to expand good quality assets, while not compromising with possibility of bad loans.

Lending Business Groups

The Bank divides its businesses by size into three groups, large enterprises, medium enterprises and small enterprises. The business operation follows the Bank's strategies and targets and is managed under supervision of Corporate Banking Division through the changing environment. The Bank pays close attention to customers' needs in proposing banking products and services, bearing in mind the customers' best benefit. Meanwhile, the Bank continually develops supporting systems in order to enhance the back office capacity to be in accordance with the Financial Sector Master plan.

- **Large enterprises**

Large enterprises are corporate customers with annual sales turnover of higher than 1.5 billion baht. Services include funding arrangements that cover all banking products, i.e. working capital financing, fixed assets investment, project finance, trade finance and foreign exchange. Other financial services such as leasing, hire-purchase and securities business are also offered through the Bank's subsidiaries.

- **Medium enterprises**

Medium enterprises are corporate customers with annual sales turnover ranging from 200 million baht - 1.5 billion baht. Relationship Manager presents banking products that best fit financial requirements of target customers such as working capital line, trade finance facilities and funding management. The Bank has formed two teams of Relationship Managers, i.e. Business Development Executive and Account Manager, to fully meet customers' consulting and servicing demand.

- **Small enterprises**

The Bank provides services to small-sized customers ranging from one-man companies, family businesses to entrepreneurs with annual sales of 50 million baht up to 200 million baht. This group of customers normally has basic needs for credit and deposit, mostly for their business expansion and working capital financing. The Bank has assigned particular specialists to service this group.

(c) Trade finance

The Bank offers a wide range of international trade finance services to customers. Our extensive global correspondent banking network can ensure that all trade transactions are handled professionally and efficiently.

Types of trade finance are as follows:

(1) Trade services for import

- Import letters of credit
- Shipping guarantees
- Import bills for collection
- Trust receipts (T/R)

(2) Trade service for export

- Export letters of credit advising
- Export bills for collection
- Export bills negotiation/purchase
- Packing credit

(3) Inward & outward remittances: For international funds transfers, the Bank provides a fast and efficient service for all inward and outward remittances.

Market and Competition

For over 35 years, the Bank has been operating as a local finance company whose activities have covered a wide range of credit extension, inclusive but not limited to commercial loan, industrial loan, trade finance, project finance and syndicated loan. The Bank is also keen on providing deposit service and financial advisory service.

In 2005, it was one of the three financial institutions licensed to operate universal banking business from the MOF under the Financial Sector Master Plan. The others are TISCO Finance Public Company Limited (TISCO) and Kiatnakin Finance Public Company Limited (KK). With the emergence of the three new banks in the industry, there are now 14 Thai commercial banks to provide full financial services to customers.

As for the capital fund ratio, ACL BANK has maintained the capital adequacy ratio at 44%, dramatically surpassing an 8.5% required by the BOT. With solid capital fund structure, the Bank is capable of expanding business continuously and firmly and sustaining its competitive advantage in the foreseeable future.

Business Situation and Competition in 2005

Loans outstanding in commercial bank business at year-end 2005 were 4,611,548 million baht, an increase of 5.87% year on year. Meanwhile, total outstanding of deposits in the system at year-end was 5,586,362 million baht, up by 5.28% year on year. However, these figures of loans and deposits as of December 31, 2005 included the figures of the new-entry banks: TISCO, KK, and ACL BANK that were enrolled in the system in July, October and December, respectively. Therefore, comparison of the year-on-year figures presents the over up-trend.

However, Thai commercial banks gained more profits in 2005 due mainly to their extraordinary items and the benefit of low funding costs. This sweet cake, particularly low funding costs, is now shrinking due to the economic impact (higher interest rates to alleviate inflation pressure). Furthermore, there are new banks (resulting from BOT's Financial Sector Master Plan) to share the market. Hence, various Thai banks have prepared themselves to cope with tougher competition in the industry by, i.e. offering higher yield customer segments, boosting productivity and brand recognition, investing in new core banking systems, branch rationalisation, and re-engineering back-office systems for more efficiency and streamlined working procedures.

Due to stiffer competition, many banks have turned to emphasise on SMEs market, which has more room for expansion. To cope with the intense competition in lending market and avoid risks from too much dependence on interest income, most banks turn their strategies to focus on non-interest income, particularly fee based income.

Business and Competition Outlooks for Thai Financial Sector in 2006

The economy is expected to improve next year as a result of investments in mega-projects and sharper loan growth. Given the GDP rises to 5%, loan growth will be around 1.5-2 times, which will be about 7.5-10% for the entire industry. In 2006, investments in the private sector are expected to grow above 10%. Commercial banks will target segments that are related to the mega-projects, i.e. export, energy and petrochemical, especially electricity-generating companies, which expect to increase electricity output in the next few years.

Still, commercial banks will remain vulnerable to many risk factors such as fluctuations in oil prices, increasing inflation and interest rates, unstable political situation, etc. This may impact confidence in private sector investments and public consumption. It also implies that credit risk may increase over the year. This will affect loan expansion of commercial banks. Commercial banks, while competing for loan expansion, will also need to establish a more prudent risk management system.

In commercial banking business, competition is expected to be more severe due to the entrance of new commercial banks as well as non-banks. Lower interest margins are expected as the deposit interest rates are likely to rise faster than the lending rates due to higher competition.

The challenge for Thai banks is to improve profitability, which is all about revenues such as interest and fee-based income, cost control and maintenance of asset quality.

Main concern is placed on human resources. Instead of developing competent and qualified human resources, commercial banks tend to use “Head Hunter” approach to acquire experienced and qualified people from other banks. This is a long-term problem, which may weaken the financial system. The more the Head Hunter approach is used, the higher will be the operating costs and this will backfire on the business and the whole system.

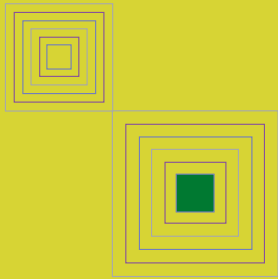
However, the Thai banking industry in the future will focus more on the SMEs market. A wide range of Thai banks will moreover launch new products and channels to enhance their fee-based income, as well as branch rationalisation in order to increase sale channels to boost profit from prospective customers. In addition, IT and efficient core banking system will be the keys to create competitive advantage for banks to minimise costs and add business values.

Sources of Funds

The funding sources of the Bank are public deposits in form of passbooks and deposit receipts, short-term borrowing from financial institutions in Thai baht and other major foreign currencies and promissory notes. Among these, public deposits are the major source of funds of the Bank.

As of December 31, 2005, the Bank had outstanding deposits and borrowings in the total amount of 22,839.06 million baht, of which 21,920.64 million baht came from public deposits and 918.42 million baht was from financial institutions in Thailand and overseas.

In 2006, the Bank will continue to concentrate on public deposits from both individual and corporate customers in form of passbooks and deposit receipts as its major source of funding. The Bank has a policy to maintain the existing customers’ deposit base and concurrently expand new customers’ deposit base by introducing new deposit products to meet investors’ preference and achieving low cost of funding. Expansion of deposit base will prepare the Bank for the upcoming limited deposit insurance by Deposit Insurance Agency, a replacement deposit insurance agency of the Financial Institution Development Fund (FIDF). In addition, new deposits will be raised in proportion to funding requirements in order to reduce liquidity and interest rate risks.

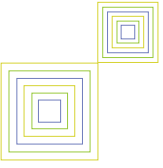


Freedom ... from your Problems

You have our full attention. We listen to your problems to provide you with optimum solutions. Your business is our priority.



Freedom



Risk Factors

The Thai economy encountered a number of challenging factors in 2005, which caused economic growth to slow down to an estimated 4.7% from 6.2% recorded in 2004. The negative factors included rising oil prices, southern unrest and impact of bird flu. In addition, competition in the banking industry has become more intense. Against these risks, ACL BANK has pursued improvements in internal risk management to mitigate the associated risks and to cope with the increasing competition. Below are highlighted some of the key risk factors, which impacted the Bank's operation.

1. Loan concentration

The Bank continued to diversify the loan portfolio to mitigate risks from portfolio concentration. Lending to the higher risk real estate sector, despite representing the largest portion, was reduced from 22% of total loans outstanding in 2004 to 18% in 2005, due partly to loan diversification to other economic sectors. These real estate loans mainly came from bad loans during the economic crisis erupting in 1997 and are now under recovery stage. There was no significant concentration in other industry sectors. The second largest industry concentration was in finance/leasing, representing 13% of total loans outstanding, followed by wholesale/retail at 12%. The Bank has a credit policy to restrict concentration in any single industry to stay at no more than 20% of the total portfolio, with lower concentration levels for industries with higher risk.

2. NPL problem and adequacy of loan loss provisions

The Bank's loan portfolio grew by a substantial 46% from 16.788 billion baht in 2004 to 24.507 billion baht in 2005. Despite the strong loan growth, the Bank managed to reduce the NPLs from 5.037 billion baht in 2004 to 4.305 billion baht in 2005 or a decline from 30% of the total loan portfolio in 2004 to 18% in 2005. Against this positive development, the Bank still faced risk from re-entry NPLs which constituted 24% or 1.036 billion baht of total NPLs in 2005. Nevertheless, the risk from NPLs was mitigated by a strong provisioning cushion set aside by the Bank. As of December 31, 2005, loan loss provision was set aside in excess of the BOT's requirement by 118%. In addition, the Bank has adopted a prudent credit risk monitoring policy with credit reviews being conducted on existing performing loans on an annual basis so that prompt action can be taken to prevent deterioration in the loan portfolio.

3. Foreign exchange risk

ACL BANK does not engage in any derivative trading except granting foreign currency loans to corporate customers and trade finance business that are related to the import and export business. The Bank hedges all transactions against foreign currency risk. These transactions are marked to market on a daily basis.

4. Interest rate risk

The interest rate risk in the Bank's balance sheet arises from the mismatch of maturity between the structure of the Bank and its subsidiary's assets and its liabilities. The Bank evaluates the impact from the changes of interest rates on its net interest income.

As of December 31, 2005, the Bank had higher fixed rate assets for the period of up to 12 months than the fixed rate liabilities of the same period. The mismatch of maturity between fixed rate assets and fixed rate liabilities in each time band creates risk if interest rates change. However, the mismatch of maturity at each time band is not significant. The Bank has adopted the market risk policy to properly manage the impact from the interest rate risk and to obtain the highest returns at an acceptable risk level. However, to cap the risk, the Assets and Liabilities Committee (ALCO) has set control limit for the impact from interest rate change in each time band and accumulated impact up to 1 year. The Bank's Market Risk Function has the duty to closely monitor and control the risk.

5. Risk for equity holders

In 2005, the Bank reported 1.16 billion baht of net profit, almost unchanged from 1.13 billion baht in 2004. With the profitable operation, retained losses continued to reduce from 8.3 billion baht in 2004 to 7.1 billion baht in 2005, resulting in an increase in shareholders' equity from 9.88 billion baht in 2004 to 11.04 billion baht in 2005. However, as a result of the existing retained losses, dividend payment to shareholders may not be expected in the near term.

6. Risk of management

As of December 31, 2005, two major shareholders of the Bank were the MOF (30.61%) and BBL (19.26%).

The Bank has been managed in accordance with the rules and regulations of the authorities and the policies laid out by its shareholders and the Board of Directors, which comprises eleven members (including three members of the Audit Committee).

Credit decision processes involve Individual Credit Authority (three authorised persons), the Credit Committee, the Executive Committee and the Board of Directors in accordance with the credit limit authorisation.

7. Operational risk

Definition of operational risk management

Operational risk is the risk of loss, whether financial or non-financial, direct or indirect that arises from inadequate or failed internal processes, people and systems or from external events. Operational risk management needs to be backward looking, but more importantly, it also needs to be forward looking.

Operational risk management principles:

1. Any risk, which is unacceptable must be either reduced, transferred or terminated.
2. Operational risk management must be integrated into the organisation at all levels. It is not an one-off exercise but an entire process that encompasses the way in which the Bank operates with constant identification and analysis of the risks as well as monitoring, reporting and controlling of the risks.
3. Decisions to reduce, transfer or terminate the risks must be made at the appropriate level within the organisation in order that they are properly assessed and after assessment, appropriate action is taken.
4. Operational risk management is an activity that needs to be undertaken by everyone in the organisation without exception.

Operational risk management policy

In June 2005, the Board of Directors approved the operational risk management policy in order to establish clear operational risk procedures, which cover risk identification, risk assessment, risk control, risk monitoring and review. Furthermore, the Bank has formally established the Operational Risk Department to be responsible for establishing and improving the operational risk management framework and to communicate to all staff members to ensure that they understand and are aware of their responsibilities in operational risk management.

Operational risk management framework

In October 2005, the Executive Committee approved the operational risk management framework, which focuses on operational risk management procedures. Clear procedures for the operational risk management process have been defined to ensure that they provide an appropriate measure of operational risk across all business units throughout the Bank.

1. Risk identification

Operational risk within each business unit is identified by the use of key control standards, key risk indicators and key operational risks.

2. Risk assessment

Risk appetite is determined to consider the willingness of the Bank to accept risk related to its activities or objectives. The methodology and strategic approach for determining the risk appetite is to articulate it using quantitative and qualitative bases. Risk Appetite Table is thereby produced, including three key elements, Impact Table, Probability Table and Risk Appetite Table.

3. Determination of control measures

The rating score derived from the Impact and Probability Matrix is placed on the Risk Appetite Table and referred to the appropriate decision-maker for appropriate control measures to be considered. This comprises investigation of specific strategies and tools that may help to reduce, mitigate or eliminate the risk. The analysis must take into account the overall costs and benefits, providing alternative choices if possible.

4. Implementation of control measures

Once the risk control decision has been made and the control measure has been decided, the specific controls must be implemented as soon as possible.

5. Monitoring and review

Once controls are in place, staff at all levels must ensure that the controls are maintained over time and re-evaluated on a quarterly basis to ensure their effectiveness.

Operational risk reporting

In each quarter, reports will be submitted to the Risk Management Committee on significant events or incidents of which the root causes are assessed and appropriate actions are recommended.

8. Strategic risk

Defining strategic risk management

Strategic risk is the risk that arises from the non-alignment between the strategic or business plan and the internal and external environment, hence affecting revenue, capital funds and sustainability of a business organisation and disrupting the organisation from achieving its goals.

Strategic risk management policy

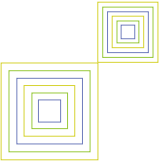
Strategic risk management policy is laid down to ensure that the Bank can adequately identify, assess, measure and control strategic risk. In addition, the policy is to improve the operational and financial performance of the Bank by actively managing the risks associated with the relative probabilities that the business will deviate from its goals or objectives.

Senior Management involves in strategic risk management by contributing their perspectives on the business's various sources of risk and continuously monitoring changes in the business environment internally and externally.

In June 2005, the Board of Directors approved the strategic risk management policy as guidance to develop the strategic risk management process and procedures for managing strategic risk within respective levels of risk limits.

Strategic risk monitoring and control

Business plans are monitored by assessing the actual performance in comparison with the goals. The monitoring process is performed on a quarterly basis using standard reports. Risk Management Division prepares a strategic risk report on a quarterly basis to be submitted for the Risk Management Committee's consideration.



Human Resource and Organisation Development

Human Resource Management

The Bank still adheres to the “to create happy working environment” and “to be the most productive organisation” objectives as its direction among others.

Happy working environment is defined as the employees having clear roles and responsibilities, being rewarded fairly, well equipped with all facilities, knowledge and skills needed for the jobs, having superior coordination among peers and teams, and having opportunity for career advancement. The quality of good organisation leaders is one of the key factors to create a happy working environment. All mentioned factors were taken into the HR system redesign in 2005 to be ready for implementation in 2006.

The rewarding system has been redesigned by customising employees’ benefits to serve needs of employees differently at each level. The tailor-made Broad Banding System was adopted to enable ACL BANK to have flexibility in managing employees’ pay and to attract and retain high performers.

The Bank encourages employees to acquire multi-skills by self-learning, on-the-job-training and working on a project based approach and rewards employees against visible competencies and continuous learning. The shortage skills are filled in by learning from the project consultants and from recruiting incumbents from outside.

Key strategy of ACL human resource management is to develop all line managers to master human capital management as it is the best way to increase productivity. The quality of line managers is focused on right attitude and necessary skills required such as performance management, project management, rewarding, recognition, feedback, coaching skills, etc.

Human Resource Development

The principle of human resource development is to be in line with the Bank’s direction and strategy focusing on both business requirements and employees’ individual career advancement.

In 2005, the Bank reassessed the capability of all employees to identify competency gap across the organisation in order to perform as a universal bank. The process began with “Job Verification and Evaluation,” and each job holder was assessed accordingly. The new “Core Competencies” to successfully compete in the banking industry have also been taken into consideration in designing the framework of employees’ development programs.

Learning environment is continuously in progress. The Bank has established a mobile library where learning materials are supplied by the Bank for employees to learn and develop at their own time and place.

Through job assignment, coaching, learning and development programs, the Bank was able to fill most of the job vacancies at department head level with its existing staff.

Organisation Development

Moving from a super finance company to a universal bank is an exciting and challenging mission for ACL BANK. The Management believes that “organisation renewal” is mandatory to be at the frontier. In 2004, the Management went through the conceptualisation in building the organisation capability in all areas including people, process, technology and work environment. 2005 was the year of planning and designing the best-fit systems for the Bank to be ready for its business positioning.

The Management has established the strategy and execution plans to ensure that the green field advantage of ACL BANK is properly exploited. Best-in-class business consultants and technology expert advisors are employed as needed to bridge all the gaps and help transform the Bank into a preeminent technology Thai bank with superior customer care. Core competencies of the employees are redefined to be in line with the directions and strategies.

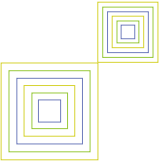
To ensure the organisation effectiveness and key activities are properly executed in the right direction, Program Management Office (PMO) was established under the Management's Project Steering Committee to oversee, manage and deliver key milestones as identified in the grand strategy. The key milestones, namely the establishment of Service Oriented Architecture (SOA), Branch Network, Process Reengineering, Customer Care and People Capability, etc., are managed in a project-based manner where Project Owners/Sponsors and Project Managers are specified with clear Project Charters.

Despite the merger with Bualuang Finance, the Management was able to instill corporate culture smoothly by integrating the vision, mission, corporate values, employee competencies, tactics, actions and projects through the use of Performance Management System and Scorecard to achieve simultaneous cascading of the strategy and alignment throughout the organisation.

In 2005, ACL BANK redefined its brand positioning to reflect its strategy, character and personality and to capture the targeted customers. Brand platform has been integrated in all systems and activities organisation-wide.







Research and Technology Development

2005 was an exciting year for technology as ACL BANK began its plan to introduce new technology to support the developments.

As a newcomer in banking industry, the Bank does not have the same “legacy” issues as its competitors. The Bank can take advantage from the latest technology capabilities such as secure Internet-based communications and Service Oriented Architecture. These new technologies will enable the Bank to develop new services quickly for the customers, deploy technology at low cost, and enable superior cost of service.

As a Technology-led Bank, ACL BANK places importance on the ability of its technology to help provide better customer service. This is called a “Customer Care” platform. This technology will be applied at all levels in the organisation throughout 2006:

1. Providing relationship managers with tools and customer information that help deliver a better customer experience at point of sale;
2. Creating community branches that have a wide set of transactions and information services;
3. Re-engineering loan processing workflows to shorten loan approval process for customers;
4. Providing internal workflow, information and communication systems that electronically capture all information to enable the Bank to process customer transactions efficiently, manage risks and answer customer queries in the shortest possible time.

In 2005, the Bank developed its technology strategy and execution plan. It chose technology partners to help deliver the new banking technology platform. A new “multi-channel” approach was designed to support the distribution channels (relationship managers, branches, Internet banking, and call center). These will ensure consistently high quality of “Customer Care.” It also re-designed all internal banking processes to optimise the use of new technology and create more efficient ways of working.

ACL BANK will begin rolling out the new banking technology in February 2006 and continue to add more capability throughout 2006 to support the business growth.

Subsidiaries

Asia Credit Securities Company Limited

Registration No.	0105542091678
Office Location	999/9 The Offices at Central World, 18 th Floor, Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0 2658 9000 Fax. 0 2658 9292
Type of Business	Securities
Registered Capital	1,000 million baht
Paid-in Capital	1,000 million baht
Par Value	10 baht
Shareholding by ACL BANK	86.52%

Background Asia Credit Securities Company Limited (ACLS) (formerly “SG Asia Credit Securities Limited”) was established on November 26, 1999. After separation from SG Asia Credit Public Company Limited, ACLS operated the securities business under the name “SG Asia Credit Securities Limited.” It started the operation on January 17, 2000 and later changed the name to Asia Credit Securities Company Limited.

Business Outlook ACLS was authorised by the MOF to conduct the following categories of securities business:

- Securities brokerage
- Securities trading
- Investment advisory
- Securities underwriting
- Futures trading

Furthermore, ACLS has been authorised by the SEC to conduct the financial advisory services including the representation for companies wishing to raise funds through Initial Public Offering (IPO), merger and acquisition and securities underwriting and distribution.

Leasing Sinn Asia Company Limited

Registration No.	0105548069674
Office Location	503/27 K.S.L. Tower, 16 th floor, Sri-ayudhaya Road, Phayathai, Ratchathewi, Bangkok 10400 Tel. 0 2626 8100 Fax. 0 2626 8191-2
Type of Business	Hire-purchase and leasing
Registered Capital	300 million baht
Paid-in Capital	300 million baht
Par Value	10 baht
Shareholding by ACL BANK	99.99%

Background Leasing Sinn Asia Company Limited (LACL) was established on May 27, 2005 and started its operation on July 1, 2005. This enables ACL BANK to provide the full financial services to customers.

Business Outlook LACL engages in hire-purchase and lease financing business, both for automobiles and machinery. LACL's services include:

- Hire-purchase
- Leasing
- Floor plan financial
- Other services, i.e. renewal of car insurance policy and annual vehicle tax payment for both hire-purchase and leasing customers and non-customers in order to boost income and create opportunities of expanding customer base and service provision in the future.

Management Discussion and Analysis

In the year 2005, the Bank and its subsidiaries had a net profit of 1,161 million Baht, increased by 31 million Baht when compared to a net profit of 1,130 million Baht in the year 2004. The increase were mainly due to the increase in interest income and non interest income, while a net reversal of bad debt and doubtful account was decreased when compared to last year. This result in shareholders' equity as at end December 2005 registered at 11,175 million Baht at book value of 6.94 Baht per share increasing from last year of 6.21 Baht per share.

Total of net interest and dividend income and non interest income of 1,678 million Baht was increased from last year by 783 million Baht mainly resulting from an increase in net interest and dividend income of 177 million Baht due to lending expansion and interest received from loan restructuring. An increase in non interest income of 606 million Baht was mainly due to gain from investment and from sale of problem assets of 213 million Baht and 195 million Baht respectively.

Non interest expense stood at 920 million Baht, 230 million Baht increased from last year mainly due to expenditures spending for becoming a commercial bank which 84% was increased in personnel expenses.

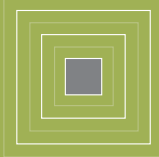
Net of bad debt and doubtful accounts including loss on debt restructuring was registered at a net reversal of 410 million Baht, compared to a net reversal of 925 million Baht in the previous year.

In April 2005, the bank had acquired shares of Bualuang Finance Company Limited 99.97% at value of 1,399 million Baht for being upgraded its status to a commercial bank under the application approved by Ministry of Finance through the Bank of Thailand. In May 2005, the bank had invested in Leasing Sinn Asia Company Limited a total of 100 million Baht, acquiring 99.99% of shares and becoming a subsidiary company. Moreover, in July 2005, the bank increased its share capital in Asia Credit Securities Company Limited a total of 365 million Baht, acquiring 86.52% of shares.

As at end December 2005, the bank and its subsidiaries had a total assets of 34,544 million Baht, increased from the year 2004 by 13,267 million Baht or 62%. During the year, the bank and its subsidiaries had a loan expansion, which the most increment was from SMEs group. This resulted in an increase in net loans and accrued interest receivables of 20,142 million Baht. Non performing loans (NPLs) was stood at 17% of total loans, however, after deduct loan loss reserve, this ratio would be stood at 6%. Moreover, an increase was also from interbank and money market items of 1,585 million Baht. As at end December 2005, the bank and its subsidiaries had tier 1 and tier 2 capital fund a total of 10,584 million Baht and BIS ratio at 44.2%.

Auditor's Fee

The auditor fee for the year 2005 was proposed at 2,300,000 baht (increased from 2004 audit fee of 1,880,000 baht) for the examination of the Bank's 2005 financial statements.



Financial Statements

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)

Report of Independent Auditor

**To The Board of Directors and Shareholders of
ACL Bank Public Company Limited
(Formerly known as “Asia Credit Public Company Limited”)**

I have audited the accompanying consolidated balance sheets of ACL Bank Public Company Limited and its subsidiaries as at 31 December 2005 and 2004, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the years then ended; and the separate financial statements of ACL Bank Public Company Limited for the same years. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of BLF Company Limited (formerly known as “Bualuang Finance Company Limited”), a subsidiary company, which are included in the financial statements for the year ended 31 December 2005, as described in Note 2 to the financial statement.

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

In my opinion, based on my audits and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the financial position of ACL Bank Public Company Limited and its subsidiaries and of ACL Bank Public Company Limited as at 31 December 2005 and 2004, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516
Ernst & Young Office Limited
Bangkok: 17 February 2006

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
As at 31 December 2005 and 2004

Balance Sheets

(Unit : Baht)

	Notes	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
ASSETS					
CASH		234,638	37,628	164,638	27,629
INTERBANK AND MONEY MARKET ITEMS	4				
Domestic items					
Interest bearing		83,136,550	202,184,706	1,549,955	184,706
Non-interest bearing		232,865,706	66,215,000	206,439,281	65,465,358
Foreign items					
Interest bearing		1,267,623,978	-	1,267,623,978	-
Non-interest bearing		1,531,180	1,898,067	1,531,180	1,898,067
Total interbank and money market items		1,585,157,414	270,297,773	1,477,144,394	67,548,131
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	5	536,000,000	-	536,000,000	-
INVESTMENTS	6				
Current investments - net		689,572,442	694,771,358	689,572,442	694,771,358
Long-term investments - net		8,852,990,140	8,631,419,685	8,845,170,140	8,623,599,685
Investments in subsidiary companies - net		-	-	2,009,866,053	228,327,160
Total investments - net		9,542,562,582	9,326,191,043	11,544,608,635	9,546,698,203
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		82,320,017	-	-	-
LOANS AND ACCRUED INTEREST RECEIVABLES	7				
Loans		24,881,056,102	16,278,651,600	24,114,074,309	16,271,933,999
Accrued interest receivables		393,138,929	516,012,931	393,137,841	516,012,931
Total loans and accrued interest receivables		25,274,195,031	16,794,664,531	24,507,212,150	16,787,946,930
Less : Allowance for doubtful accounts	8	(4,563,987,932)	(5,771,943,055)	(4,558,493,174)	(5,765,225,454)
Allowance for revaluation of debt restructuring	8	(568,271,394)	(975,494,964)	(568,271,394)	(975,494,964)
Total loans and accrued interest receivables - net		20,141,935,705	10,047,226,512	19,380,447,582	10,047,226,512
PROPERTY FORECLOSED - NET	9	1,183,203,052	1,075,625,431	1,182,103,052	1,074,525,431
EQUIPMENT - NET	10	218,499,483	85,118,753	80,754,006	75,036,682
INTANGIBLE ASSETS - NET	11	310,898,681	275,398,104	301,084,292	275,102,714
ACCRUED INTEREST RECEIVABLES AND ACCRUED					
DIVIDEND INCOME - NET		49,703,687	46,010,139	49,703,687	46,010,139
OTHER RECEIVABLES - NET		334,009,544	100,131,256	334,007,368	100,131,256
GOODWILL - NET	2	450,863,404	-	-	-
OTHER ASSETS - NET	12	108,464,974	51,414,486	24,535,403	41,534,872
TOTAL ASSETS		34,543,853,181	21,277,451,125	34,910,553,057	21,273,841,569

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

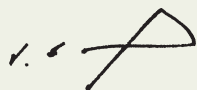
ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
As at 31 December 2005 and 2004

Balance Sheets (Continued)

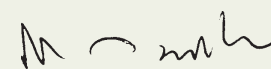
(Unit : Baht)

	Notes	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS	14				
Deposits in Baht		21,920,226,916	10,743,404,284	21,513,393,317	10,743,404,284
Deposits in foreign currencies		417,216	-	417,216	-
Total deposits		21,920,644,132	10,743,404,284	21,513,810,533	10,743,404,284
INTERBANK AND MONEY MARKET ITEMS	15				
Domestic - Interest bearing		918,424,425	390,000,000	1,804,159,685	390,000,000
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	16	-	95,000,000	-	95,000,000
SECURITIES BUSINESS PAYABLE		73,280,295	-	-	-
ACCRUED INTEREST PAYABLES		86,013,858	42,819,411	86,461,142	42,819,411
ACCOUNT PAYABLE - SHARE SUBSCRIPTIONS	6	-	-	199,799,953	-
OTHER LIABILITIES	17	370,209,868	128,254,485	262,858,941	124,644,999
TOTAL LIABILITIES		23,368,572,578	11,399,478,180	23,867,090,254	11,395,868,694
SHAREHOLDERS' EQUITY					
Share capital	18				
Registered					
860,499,072 preferred shares non-cumulative dividend of Baht 10 each (2004 : 1,504,264,712 preferred shares non-cumulative dividend of Baht 10 each)		8,604,990,720	15,042,647,120	8,604,990,720	15,042,647,120
745,450,455 ordinary shares of Baht 10 each (2004 : 101,684,815 ordinary shares of Baht 10 each)		7,454,504,550	1,016,848,150	7,454,504,550	1,016,848,150
Issued and fully paid					
844,332,758 preferred shares non-cumulative dividend of Baht 10 each (2004 : 1,077,736,873 preferred shares non-cumulative dividend of Baht 10 each)		8,443,327,580	10,777,368,730	8,443,327,580	10,777,368,730
746,120,187 ordinary shares of Baht 10 each (2004 : 512,716,072 ordinary shares of Baht 10 each)		7,461,201,870	5,127,160,720	7,461,201,870	5,127,160,720
Premium on preferred shares		1,266,499,153	1,616,605,326	1,266,499,153	1,616,605,326
Premium on ordinary shares		1,016,109,557	666,003,384	1,016,109,557	666,003,384
Revaluation deficit on investments	19	(5,217,169)	(9,574,354)	(5,217,169)	(9,574,354)
Deficit		(7,138,458,188)	(8,299,590,931)	(7,138,458,188)	(8,299,590,931)
EQUITY ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS		11,043,462,803	9,877,972,875	11,043,462,803	9,877,972,875
MINORITY INTERESTS - Equity attributable to minority shareholders of subsidiary companies		131,817,800	70	-	-
TOTAL SHAREHOLDERS' EQUITY		11,175,280,603	9,877,972,945	11,043,462,803	9,877,972,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		34,543,853,181	21,277,451,125	34,910,553,057	21,273,841,569
OFF - BALANCE SHEET ITEMS - CONTINGENCIES	30.1				
Avals to bill and guarantees		90,052,619	9,259,196	498,052,619	9,259,196
Letters of credit		165,882,417	109,111,788	165,882,417	109,111,788
Other contingencies		1,837,466,325	168,155,160	1,837,466,325	168,155,160

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



Joti Bhokavanij
Chief Executive Officer



Thongchai Ananthothai
President

Statements of Earnings

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

(Unit : Baht)

Notes	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
INTEREST AND DIVIDEND INCOME				
Loans	1,064,752,323	831,603,101	977,194,126	831,603,101
Interbank and money market items	205,934,952	18,369,141	201,123,166	15,675,223
Hire purchase and financial lease income	13,929,762	56,105	16,316	56,105
Investments	281,718,730	269,014,865	277,963,692	268,232,865
Total interest and dividend income	1,566,335,767	1,119,043,212	1,456,297,300	1,115,567,294
INTEREST EXPENSE				
Deposits	478,196,422	211,016,195	440,705,725	211,016,195
Interbank and money market items	13,705,624	10,987,787	25,864,859	10,987,787
Fees and charges	1,475,901	608,373	711,756	297,953
Total interest expense	493,377,947	222,612,355	467,282,340	222,301,935
Net interest and dividend income	1,072,957,820	896,430,857	989,014,960	893,265,359
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS				
	445,330,863	666,175,306	452,344,881	666,175,306
REVERSAL OF LOSS ON DEBT RESTRUCTURING				
(LOSS ON DEBT RESTRUCTURING)	(35,420,887)	258,826,583	(35,420,887)	258,826,583
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,482,867,796	1,821,432,746	1,405,938,954	1,818,267,248
NON-INTEREST INCOME				
Brokerage fees	54,566,906	-	-	-
Gain (loss) on investments	22	212,705,853	(51,757,297)	140,287,757
Share of loss from investments on equity		-	-	(83,582,397)
Fees and services income				
Acceptances, aval and guarantees		489,311	147,338	550,037
Others		29,691,307	24,423,677	11,737,890
Gain on exchange		544,039	795,411	544,039
Gain on disposal of assets		77,401,163	7,539,646	81,115,865
Gain (loss) on transferred loans		117,170,000	(48,656,920)	117,170,000
Dividend from liquidation	23	54,232,232	62,048,097	54,232,232
Other income		58,504,346	4,355,520	36,084,571
Total non-interest income (loss)		605,305,157	(1,104,528)	358,139,994
Total net income		2,088,172,953	1,820,328,218	1,764,078,948

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

Statements of Earnings (Continued)

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

(Unit : Baht)

	Notes	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
NON-INTEREST EXPENSE					
Personnel expenses		483,591,573	291,231,351	334,385,570	251,580,852
Premises and equipment expenses		133,254,504	88,614,406	65,780,809	64,383,340
Taxes and duties		53,547,990	34,845,372	48,180,257	34,728,063
Fees and service expenses		43,994,036	4,383,702	23,947,155	4,383,702
Directors' remuneration	24	7,029,688	3,187,500	6,325,855	3,187,500
Contributions to the Financial Institutions Development Fund		56,411,290	55,158,828	47,149,750	55,158,828
Allowance for diminution in value of other assets		51,683,623	186,983,199	51,683,623	186,983,199
Goodwill amortisation		32,204,612	-	-	-
Other expenses		58,065,758	25,900,752	25,493,186	21,438,766
Total non-interest expense		919,783,074	690,305,110	602,946,205	621,844,250
EARNINGS BEFORE INCOME TAX AND MINORITY INTERESTS		1,168,389,879	1,130,023,108	1,161,132,743	1,130,023,108
CORPORATE INCOME TAX	25	(10,313,413)	-	-	-
EARNINGS BEFORE MINORITY INTERESTS		1,158,076,466	1,130,023,108	1,161,132,743	1,130,023,108
MINORITY INTERESTS IN NET LOSS IN SUBSIDIARY COMPANIES		3,056,277	-	-	-
NET EARNINGS FOR THE YEAR		1,161,132,743	1,130,023,108	1,161,132,743	1,130,023,108
EARNINGS PER SHARE					
26					
Basic earnings per share					
Net earnings		1.82	4.77	1.82	4.77
Diluted earnings per share					
Net earnings		0.78	0.86	0.78	0.86

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


Joti Bhokavanij
Chief Executive Officer


Thongchai Ananthothai
President

Statements of Changes in Shareholders' Equity

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

(Unit : Baht)

CONSOLIDATED

	Issued and paid-up share capital		Premium on		Revaluation surplus (deficit)		Minority interests	Total
	Preferred shares	Ordinary shares	Preferred shares	Ordinary shares	on investments	Deficit		
Balance as at 31 December 2003	15,046,675,820	857,853,630	2,257,001,390	25,607,320	14,067,420	(9,429,614,039)	70	8,771,591,611
Conversion of preferred shares to ordinary shares	(4,269,307,090)	4,269,307,090	(640,396,064)	640,396,064	-	-	-	-
Revaluation deficit on investments	-	-	-	-	(23,641,774)	-	-	(23,641,774)
Net earnings for the year	-	-	-	-	-	1,130,023,108	-	1,130,023,108
Balance as at 31 December 2004	10,777,368,730	5,127,160,720	1,616,605,326	666,003,384	(9,574,354)	(8,299,590,931)	70	9,877,972,945
Conversion of preferred shares to ordinary shares	(2,334,041,150)	2,334,041,150	(350,106,173)	350,106,173	-	-	-	-
Revaluation surplus on investments	-	-	-	-	4,357,185	-	-	4,357,185
Net earnings for the year	-	-	-	-	-	1,161,132,743	-	1,161,132,743
Minority interests of subsidiary companies	-	-	-	-	-	-	131,817,730	131,817,730
Balance as at 31 December 2005	8,443,327,580	7,461,201,870	1,266,499,153	1,016,109,557	(5,217,169)	(7,138,458,188)	131,817,800	11,175,280,603

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

Statements of Changes in Shareholders' Equity (Continued)

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

(Unit : Baht)

	THE BANK ONLY						
	Issued and paid-up share capital		Premium on		Revaluation surplus (deficit)		Total
	Preferred shares	Ordinary shares	Preferred shares	Ordinary shares	on investments	Deficit	
Balance as at 31 December 2003	15,046,675,820	857,853,630	2,257,001,390	25,607,320	14,067,420	(9,429,614,039)	8,771,591,541
Conversion of preferred shares to ordinary shares	(4,269,307,090)	4,269,307,090	(640,396,064)	640,396,064	-	-	-
Revaluation deficit on investments	-	-	-	-	(23,641,774)	-	(23,641,774)
Net earnings for the year	-	-	-	-	-	1,130,023,108	1,130,023,108
Balance as at 31 December 2004	10,777,368,730	5,127,160,720	1,616,605,326	666,003,384	(9,574,354)	(8,299,590,931)	9,877,972,875
Conversion of preferred shares to ordinary shares	(2,334,041,150)	2,334,041,150	(350,106,173)	350,106,173	-	-	-
Revaluation surplus on investments	-	-	-	-	4,357,185	-	4,357,185
Net earnings for the year	-	-	-	-	-	1,161,132,743	1,161,132,743
Balance as at 31 December 2005	8,443,327,580	7,461,201,870	1,266,499,153	1,016,109,557	(5,217,169)	(7,138,458,188)	11,043,462,803

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

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

Statements of Cash Flows

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net earnings for the year	1,161,132,743	1,130,023,108	1,161,132,743	1,130,023,108
Adjustments to reconcile net earnings to net cash provided by (paid for) operating activities :-				
Minority interests in net loss in subsidiary companies	(3,056,277)	-	-	-
Share of loss from investments on equity	-	-	83,582,397	48,973,075
Amortisation of goodwill	32,204,612	-	-	-
Depreciation and amortisation	43,189,641	34,531,609	17,214,908	21,374,084
Written-off of fixed assets and intangible assets	3,185,831	-	-	-
(Gain) loss from disposal of fixed assets	3,283,330	(1,182,121)	(431,372)	(1,190,458)
(Gain) loss on investments	(212,705,853)	51,757,297	(140,287,757)	52,650,677
(Gain) loss on transferred loans	(117,170,000)	48,656,920	(117,170,000)	48,656,920
Reversal of bad debt and doubtful accounts	(445,330,863)	(666,175,306)	(452,344,881)	(666,175,306)
Loss on debt restructuring (reversal of loss on debt restructuring)	35,420,887	(258,826,583)	35,420,887	(258,826,583)
Interest income from amortisation of allowance for revaluation of debt restructuring	(86,495,050)	(159,182,313)	(86,495,050)	(159,182,313)
Interest income from transferring account receivable				
- Legal Execution Department	(49,063,156)	(42,340,387)	(49,063,156)	(42,340,387)
Expense decrease from transferring account receivable				
- Legal Execution Department	(3,611,532)	(2,754,996)	(3,611,532)	(2,754,996)
Gain from disposal of property foreclosed	(80,684,493)	(6,357,525)	(80,684,493)	(6,357,525)
Allowance for diminution in value of other assets	51,683,623	186,983,199	51,683,623	186,983,199
Decrease in accrued interest and dividend receivables	127,519,622	298,962,661	119,181,542	298,962,661
Increase (decrease) in accrued interest payables	34,176,925	(19,881,063)	33,842,069	(19,881,063)
Increase in other accrued expenses	55,162,220	36,957,664	39,508,610	36,661,289
Earnings from operating activities before changes in operating assets and liabilities	548,842,210	631,172,164	611,478,538	667,576,382
Decrease (increase) in operating assets				
Interbank and money market items	(1,314,859,641)	51,016,751	(1,409,596,263)	15,462,616
Securities purchased under resale agreements	(246,000,000)	924,000,000	(536,000,000)	924,000,000
Current investments	286,149,754	(342,151,196)	213,785,714	(343,044,577)
Trading transactions with securities companies	(82,320,017)	-	-	-
Loans	(5,787,274,444)	525,001,673	(4,951,050,967)	525,001,673
Property foreclosed	363,487,312	57,644,195	346,467,780	57,644,195
Other assets	(216,654,837)	65,970,367	(143,411,950)	65,313,823

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

Statements of Cash Flows (Continued)

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
Increase (decrease) in operating liabilities				
Deposits	7,478,514,897	(1,750,788,689)	10,770,406,249	(1,750,788,689)
Interbank and money market items	479,924,425	(275,000,000)	(2,441,137,808)	(275,000,000)
Securities sold under repurchase agreements	(95,000,000)	95,000,000	(95,000,000)	95,000,000
Securities business payables	73,280,295	-	-	-
Other liabilities	132,227,594	(134,139,499)	83,329,394	(133,560,321)
Net cash flows from (used in) operating activities	1,620,317,548	(152,274,234)	2,449,270,687	(152,394,898)
Cash flows from investing activities				
Cash paid for purchase of investments in subsidiary companies	(1,331,745,383)	-	(1,865,104,882)	-
Cash paid for acquisition of subsidiary's business	-	-	(525,523,916)	-
(Increase) decrease in long-term investments	(193,962,157)	178,607,729	(194,205,902)	178,607,729
Dividend received from investment in subsidiary company	-	-	199,784,710	-
Cash received from disposal of fixed assets	2,738,236	1,813,422	442,412	1,537,706
Cash paid for purchasing of fixed assets	(185,243,400)	(28,172,918)	(26,649,678)	(27,765,537)
Cash paid for purchasing of intangible assets	(46,599,709)	-	(37,876,422)	-
Net cash flows from (used in) investing activities	(1,754,812,413)	152,248,233	(2,449,133,678)	152,379,898
Cash flows from financing activities				
Dividend paid to minority interests of subsidiary company	(115,290)	-	-	-
Cash received from increase in share capital of a subsidiary of minority interests	134,807,165	-	-	-
Net cash flows from financing activities	134,691,875	-	-	-
Net increase (decrease) in cash and cash equivalents	197,010	(26,001)	137,009	(15,000)
Cash and cash equivalents at beginning of the year	37,628	63,629	27,629	42,629
Cash and cash equivalents at end of the year	234,638	37,628	164,638	27,629
Supplemental cash flows information :-				
Cash paid (received) during the year for :-				
Interest	460,610,163	241,885,045	422,928,852	241,885,045
Corporate income tax	23,280,432	(24,415,215)	3,123,278	(24,922,978)
Non-cash transaction :-				
Investment reversal from transferring of debt to Thai Asset Management Corporation	-	(50,000,000)	-	(50,000,000)
Transfer of assets from settlement of debts	257,731,189	472,545,625	257,731,189	472,545,625

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

Notes to Financial Statements

ACL BANK Public Company Limited and its subsidiary companies
(Formerly known as "Asia Credit Public Company Limited" and its subsidiary companies)
For the years ended 31 December 2005 and 2004

1. GENERAL INFORMATION

1.1 The Bank and its subsidiary companies' information

ACL Bank Public Company Limited (hereinafter referred to as "the Bank") has been licensed, issued on 21 December 2005, by the Ministry of Finance to operate full banking services in Thailand. Its office is located at 622, Sukhumvit Road, Kwaeng Klongton, Khet Klongtoey, Bangkok. The Bank has one branch in Songkla province.

On 22 September 2005, Bangkok Bank Public Company Limited, a major shareholder, sold 126,000,000 ordinary shares in ACL Bank Public Company Limited, or 7.92 percent of the Bank's total paid-up share capital. As a result, Bangkok Bank Public Company Limited's shareholding in the Bank has fallen from 27.49 percent to 19.57 percent, and the Bank is thus no longer an associated company of Bangkok Bank Public Company Limited.

As of 31 December 2005, its two major shareholders are the Ministry of Finance and Bangkok Bank Public Company Limited, with percentage shareholding of 30.61 percent and 19.26 percent, respectively.

On 24 December 2004, a meeting of the Bank's Board of Directors' passed a resolution approving plans to increase the capital of Asia Credit Securities Company Limited, a 99.99% held subsidiary of the Bank, from Baht 500 million to Baht 1,000 million by issuing 50 million new ordinary shares with a par value of Baht 10 each. The plan called for the shares were to be allocated to the existing shareholders in a ratio of 1 new share per each existing share, and the Bank was to exercise its right as an existing shareholder to the extent of subscribing to 30 million shares, resulting in a reduction in the Bank's holding in Asia Credit Securities Company Limited to 80% of all issued shares. The remaining 20 million shares, representing 20% of registered capital after the capital increase, were to be allocated to a group of investors which would take on a management role and form business associations with the subsidiary company, at the same price as that offered to the existing shareholders. Such price has been approved by the Bank of Thailand. The purpose of this was to support the plans to expand the business of Asia Credit Securities Company Limited.

Subsequently, on 6 January 2005, Asia Credit Securities Company Limited, the subsidiary company, submitted a request to reactivate its securities brokerage activities to the Stock Exchange of Thailand. It had previously requested permission to suspend this business from the Board of Governors of the Stock Exchange of Thailand in 2003. The Stock Exchange of Thailand decided that the subsidiary company was ready to recommence its securities brokerage activities and the subsidiary company recommenced such activities on 24 January 2005.

In July 2005, Asia Credit Securities Company Limited, a subsidiary company, increased its share capital from Baht 500 million to Baht 1,000 million through the issuance of 50 million additional ordinary shares with par value of Baht 10 each. The Bank purchased 36,519,049 shares at a price of Baht 10 each, a total of Baht 365.2 million, resulting in a reduction in the Bank's holding in that subsidiary company to 86.52% of its registered share capital. The subsidiary company registered the increase in its share capital with the Ministry of Commerce on 28 July 2005.

On 22 March 2005, a meeting of the Bank's Board of Directors' passed a resolution approving the establishment of Leasing Sinn Asia Company Limited, a new company, to conduct hire purchase, financial lease, factoring and floor plan business, with a registered share capital of Baht 300 million, comprising 30 million shares with a par value of 10 each. The Bank holds 99.99% or 29,999,993 shares.

The establishment of Leasing Sinn Asia Company Limited was registered with the Ministry of Commerce on 27 May 2005 and initial subscriptions were called at Baht 3.34 per share, with the Bank paying a total of Baht 100,199,977 on 9 June 2005. Subsequently, the remaining Baht 6.66 per share, or a total of Baht 199,799,953, was called up. As at 31 December 2005, the Bank had not paid up this amount, and recorded it as "Account payable-share subscriptions" in the balance sheet. However, the Bank paid up the remainder of the shares on 4 January 2006.

1.2 Upgrade status to commercial bank

On 6 January 2004, the Ministry of Finance announced the Finance Sector Master Plan. Among other things, the plan called for all existing finance companies and credit foncier companies which meet qualification stipulated by the Ministry of Finance to upgrade their status to commercial or retail banks, depending on their capital funds and capability. The Ministry of Finance subsequently issued

an announcement stipulating terms, methods and conditions under which an application for a commercial bank license can be made, and finance and credit foncier companies were required to submit applications to upgrade to commercial banks to the Bank of Thailand within six months from 1 February 2004.

On 16 July 2004, a meeting of the Board of Directors passed a resolution approving the submission of an application to establish a commercial bank to the Bank of Thailand, with Asia Credit Public Company Limited planning to merge with Bualuang Finance Company Limited, in line with the Ministry of Finance regulation regarding the qualification of applicants which merge with another finance company. Asia Credit Public Company Limited submitted an application to upgrade its status to a commercial bank to the Ministry of Finance through the Bank of Thailand and the Finance Minister subsequently granted approval to proceed with the establishment of such a commercial bank, under the Ministry of Finance letter No. Gor Khor 1004/Lor.959 issued on 24 December 2004.

On 25 February 2005, the Board of Directors' meeting passed a resolution approving the acquisition of all assets and liabilities of Bualuang Finance Company Limited (a subsidiary company) at their book value as at the date of acquisition. On 5 September 2005, Asia Credit Public Company Limited acquired assets and liabilities of Bualuang Finance Company Limited at their respective book values of Baht 4,828.47 million and Baht 3,880.21 million. These book values were determined based on financial statements prepared by the management of the subsidiary company and audited by another auditor. The net value of the assets and liabilities which Asia Credit Public Company Limited had to pay for their acquisition was Baht 948.26 million.

On 1 April 2005, the Annual General Meeting of the Shareholders No. 12 passed a resolution approving a merger of business with Bualuang Finance Company Limited through the acquisition of all 70 million shares of Bualuang Finance Company Limited from Bangkok Bank Public Company Limited and its other shareholders at a price of Baht 20 per share, a total of Baht 1,400 million. Since the end of April 2005, Asia Credit Public Company Limited has acquired a total of 69,985,600 ordinary shares and preferred shares of Bualuang Finance Company Limited, 99.98% of the issued and paid-up capital of that company, a total of Baht 1,399.7 million.

Asia Credit Public Company Limited was informed by the letter from the Bank of Thailand dated 22 December 2005 that the Ministry of Finance issued the Commercial Banking business license dated 21 December 2005 for Asia Credit Public Company Limited to operate banking business in the name of "ACL Bank Public Company Limited" ("The Bank"). The Bank can operate commercial banking business and foreign exchange business and have to comply with the conditions under the letter from the Bank of Thailand and the attached conditions of license. The significant conditions are related to the return of finance business licenses of Asia Credit Public Company Limited and Bualuang Finance Company Limited (a subsidiary) to the Ministry of Finance and the minimum requirement of total Tier 1 capital of Baht 5,000 million, as of the commenced date of banking operations. In addition, the Ministry of Finance granted a waiver allowing Bangkok Bank Public Company Limited to hold over 5% but no more than 20% of all issued shares of ACL Bank Public Company Limited, with Bangkok Bank Public Company Limited to reduce its holding through the sale of not less than 10% of the Bank's shares within 2006 and all remaining shares within 2007.

The Bank and Bualuang Finance Company Limited (a subsidiary) returned their finance business licenses to the Ministry of Finance, effective on 23 December 2005.

The Bank registered the change of its name from "Asia Credit Public Company Limited" to "ACL Bank Public Company Limited" with the Ministry of Commerce on 23 December 2005, and commenced its banking operations on 23 December 2005.

Bualuang Finance Company Limited registered the change of its name to "BLF Company Limited" with the Ministry of Commerce on 26 December 2005, and then registered its dissolution on 28 December 2005.

1.3 The Emergency Decree establishing Thai Asset Management Corporation

In June 2001 the Government issued an Emergency Decree establishing the Thai Asset Management Corporation (TAMC). Under this Emergency Decree financial institutions may choose whether to join the scheme and transfer those of their non-performing assets which meet the stipulated conditions to TAMC, within the specified timeframe. The assets are to be transferred at a price stipulated by the Board of TAMC and any future profits and liabilities for loss from the non-performing assets are to be shared. Details of non-performing loans which the Bank has transferred to TAMC at the price stipulated by the Board of TAMC since the year 2001 are as follow: -

Year	(Unit : Million Baht)	
	Book values of the transferred non-performing loans after writing off allowance for doubtful accounts (reversal)	Gain (loss) from the transfer of non-performing loans
2001	2,190.1	342.5
2002	222.8	(111.3)
2003	4.9	0.9
2004	(50.0)	(22.9)

The Bank is jointly responsible, together with TAMC, for future profits and losses arising from TAMC's management of the non-performing assets.

- If there are profits, the first portion not exceeding 20 percent of the transfer price shall be equally shared between the Bank and TAMC. The second portion shall be fully given to the Bank ; provided that, when added to the portion in the first portion, the sum shall not exceed the difference between the book value and the transfer price. Any remaining profit after the second portion shall be for TAMC.
- If there are losses, the first portion not exceeding 20 percent of the transfer price shall be borne solely by the Bank. The second portion remaining after the first portion that does not exceed 20 percent of transfer price shall be equally borne between the Bank and TAMC. Any remaining loss after the second portion shall be borne by TAMC.

As at the balance sheet date, the amount of such profit or loss cannot be estimated, and therefore no liability has been provided for in the accounts.

1.4 Approval of financial statements

These financial statements were authorised for issue by the Board of Directors of the Bank on 17 February 2006.

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements include the balance sheets as at 31 December 2005 and 2004 and the statements of earnings for the years then ended of ACL Bank Public Company Limited (hereinafter referred to as "the Bank") and its subsidiary companies which operate their businesses in Thailand (hereinafter referred to as "the subsidiaries") as follows :-

Company's name	Type of company	(Unit : Percentage)					
		Percentage of shares held by the Bank as at 31 December		Percentage of total assets of subsidiaries included in consolidated balance sheets as at 31 December		Percentage of total revenues of subsidiaries included in consolidated statements of earnings for the year ended 31 December	
		2005	2004	2005	2004	2005	2004
Asia Credit Securities							
Company Limited	Securities business	86.52	99.99	0.66	0.02	0.78	0.34
BLF Company Limited (formerly known as "Bualuang Finance Company Limited")							
Company Limited	Finance business	99.98	-	-	-	5.68	-
Leasing Sinn Asia							
Company Limited	Hire purchase business	99.99	-	4.04	-	0.57	-

a) Since the end of April 2005, the Bank has acquired a total of 69,985,600 ordinary shares and preferred shares of BLF Company Limited (formerly known as “Bualuang Finance Company Limited”), 99.98% of the issued and paid-up capital of that company, at a price of Baht 20 per share or a total of Baht 1,399.7 million. The cost of this investment was Baht 483 million higher than the attributable net assets value of the subsidiary as of the acquisition date, and such excess was recorded as “Goodwill” in the consolidated balance sheets, to be amortised within 10 years.

The net assets value of BLF Company Limited, at the acquisition date consisted of the following :-

(Unit : Baht)

Assets	
Cash and deposits at financial institutions	67,966,617
Securities purchased under resale agreements	290,000,000
Investments - net	70,265,300
Loans, receivables and accrued interest receivables - net	4,150,339,046
Property foreclosed - net	132,649,251
Equipment - net	7,329,698
Intangible assets - net	3,093,755
Other assets - net	5,747,910
Total assets	4,727,391,577
Liabilities	
Borrowings and deposits	3,747,224,950
Other liabilities	63,583,092
Total liabilities	3,810,808,042
Net asset value	916,583,535
Minority interest of subsidiary company	59,284
Excess of cost of investment over net asset value	483,069,181
Purchase price	1,399,712,000
Less: Cash and deposits at financial institutions of the acquired subsidiary	(67,966,617)
Net cash paid for acquisition of subsidiary	1,331,745,383

The operating results of BLF Company Limited are included in the consolidated financial statements since the date of acquisition by the Bank.

Total assets of BLF Company Limited, as at 28 December 2005 (dissolution date), amounting to Baht 160,362 and total revenue for the period as from 1 May 2005 (the date of acquisition by the Bank) to 28 December 2005 amounting to Baht 88,962,369 are included in the consolidated financial statements.

The balance sheet as at 28 December 2005 and the statement of earnings for the period as from 1 January 2005 to 28 December 2005 of BLF Company Limited were prepared by the management of the subsidiary and audited by its auditor.

b) In May 2005, the Bank incorporated a subsidiary company, Leasing Sinn Asia Company Limited, with a registered share capital of Baht 300 million or 30 million shares with a par value of 10 each. The Bank holds 99.99% of this capital, or 29,999,993 shares.

c) In July 2005, Asia Credit Securities Company Limited, a subsidiary company, increased its share capital from Baht 500 million to Baht 1,000 million through the issuance of 50 million additional ordinary shares with par value of Baht 10 each. The Bank purchased 36,519,049 shares at a price of Baht 10 each, a total of Baht 365.2 million, resulting in a reduction in the Bank's holding in that subsidiary company to 86.52% of its registered share capital.

d) The outstanding balances and transactions between the Bank and its subsidiary companies, the Bank's investments in the subsidiary companies and the shareholders' equity of the subsidiaries have been eliminated from the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, with reference to the principles stipulated the Bank of Thailand and the Office of the Securities and Exchange Commission.

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

3.1 Revenue recognition

(a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis over the term of the loans based on the amount of principal outstanding. For loans on which principal or interest payments have been defaulted for more than three months past the due date, the recognition of interest income is ceased. The recorded accrued interest will be reversed from the Bank's accounts and interest will be recognised as income on a cash basis.

The Bank recognises interest income on restructured loans on the same accrual basis used for loans discussed above with reference to interest rate stipulated in the agreements (excluding the interest rate charged on suspended interest of which payment is deferred to the future), with the exception of loans that are subject to monitoring for compliance with restructuring conditions which the Bank recognises as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

Interest on margin loan transactions is recognised over the term of the loans based on the amount of principal outstanding. No accrual has been made for certain loans which are not qualified for recognition of interest under an accrual basis in accordance with Notification of the Office of the Securities and Exchange Commission.

Interest or discounts which are already included in the face value of notes receivable or loans are deferred and taken up as income evenly over the term of the notes or loans.

(b) Hire purchase income

Hire purchase income is recognised on an accrual basis according to the sum of the year's digits method except for that which is more than four periods overdue, which is recognised when received.

Hire purchase income of the subsidiary operating hire purchase business is recognised using the effective interest rate method, over the period of the contracts. The subsidiary stops recognising income when receivables are overdue by 6 or more installments, although for some contracts it will stop recognizing income when 4 or more installments are overdue, dependent on consideration made on a contract-by-contract basis.

Based on the difference accounting policy, no material impact on the consolidated financial statements.

(c) Financial leases income

The interest income from financial leases to be recognised in each period is determined in proportion to the remaining principal.

Financial lease income of the subsidiary operating hire purchase business is recognised using the effective interest rate method, over the period of the contracts. The subsidiary stops recognising income when receivables are overdue by 6 or more installments, although for some contracts it will stop recognizing income when 4 or more installments are overdue, dependent on consideration made on a contract-by-contract basis.

Based on the difference accounting policy, no material impact on the consolidated financial statements.

(d) Income from rental of assets

Rental of assets transactions are accounted for under the operating lease method, which recognised as income on an accrual basis. Advance paid by the lessee when the contract is made is realised as income in proportion to the length of the contract, when the lessee has the option to purchase the said assets at a mutually agreed price when the contract is terminated.

(e) Interest and dividends on investments

Interest on investments is recognised as income on an accrual basis. Dividends on securities are recognised as income when the dividends are declared.

(f) Commissions and brokerages

Brokerage income from securities trading is recognised on the transaction date.

(g) Gains (losses) on investments

Gains (losses) on investments are recognised as income/expenses on the transaction dates.

(h) Fees and service charges

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

3.2 Interest expense

Interest expense is charged to earnings on an accrual basis. In cases where interest charges have been included in the face value of notes, the interest is deferred and charged to earnings evenly over the lives of the notes.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and traveler's cheques in transit.

3.4 Recognition and amortisation of customer deposits

Cash received from customers of cash balance accounts and credit balance accounts are recorded as assets and liabilities of the subsidiary operating in securities business for the internal control purposes. As at the balance sheet date, the subsidiary excludes these amounts from both the assets and liabilities and presents only the assets which belong to the subsidiary.

3.5 Securities purchased under resale agreements/securities sold under repurchase agreements

Securities purchased under resale agreements/securities sold under repurchase agreements are recorded at cost and as assets and liabilities as appropriate. Interest income from securities purchased under resale agreements and interest expense from securities sold under repurchase agreements are recognised on an accrual basis over the respective periods of the agreements.

3.6 Investments

Investments in trading securities are determined at fair value. Gains or losses arising from changes in the value of these securities are included in the determination of earnings.

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

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

The premium / discount on debt securities is amortised using the effective rate method. The amortised amount is presented as an adjustment to interest income.

Investments in non-marketable equity securities, which the Bank and its subsidiaries hold as other investments, are valued at cost.

The fair values of government bonds are calculated by using the Bank of Thailand's formula, based on the risk-free yield curve of the bank. For state enterprise bonds, which secured and unsecured by the Ministry of Finance, and private debt instruments, the calculation are based on the aforementioned yield curve, adjusted by an appropriate risk premium.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of unit trusts is based on their net asset value.

Loss on impairment (if any) of investments in available-for-sale securities, debt securities due within one year, debt securities expected to be held to maturity, and non-marketable equity securities, is included in determining earnings.

Investments in the subsidiary companies are accounted for by the equity method in the separate financial statements of the Bank. Under this method investment are initially recorded at cost, with the excess of the cost of the investment over the net book value at the acquisition date are amortised over a period of 10 years. In each period after the purchase, investments are adjusted for the share of earnings from the operations of the subsidiaries, these amounts are in proportion to the investments.

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

In the event of the Bank and its subsidiaries reclassifying investment portfolio, the investments are valued at their fair value prevailing on the reclassification date. Differences between the carrying amount of the investment and their fair value on that date are recorded as gains (losses) in statements of earnings or revaluation surplus (deficit) of investments, presented as a separate item in shareholders' equity, and amortised over the remaining period to maturity of the debt security, as the case may be.

3.7 Loans

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

3.8 Allowance for doubtful accounts

The Bank provides an allowance for doubtful accounts based on the guidelines laid down in the Bank of Thailand's Notifications and adjusted to reflect the additional amount which the Bank expects not to be collectible. Judgment on the adequacy of the allowance for doubtful accounts is based on the results of an evaluation of the current status of the debtors and the stipulated by the Bank of Thailand, which lay down guidelines for the classification of loans, percentage of provision to be set up for each classification, and the valuation of the collateral to be used in determining the provision for doubtful debt, as well as the criteria for the reclassification of restructured loans.

For the subsidiary operating in securities business, the classification of debtors and allowance for doubtful accounts are based on the guidelines laid down in the Notification of the Office of the Securities and Exchange Commission and other relevant factors.

An allowance for doubtful accounts for the hire-purchase and financial lease receivables of the subsidiaries operating in hire-purchase business is based on a percentage of the outstanding balance, net of unearned interest income. At the balance sheet date, the adequacy of the allowance for doubtful accounts is reviewed taking into consideration the past collection experience and assesses the current status of receivables.

3.9 Troubled debt restructuring

The Bank records troubled debt restructuring transaction in accordance with the Bank of Thailand's regulations and Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring" as pronounced by the Institute of Certified Accountants and Auditors of Thailand.

If payment of debt is received through the transfer of property, financial instruments, or if equity in the debtor is received as a result of a debt to equity swap, the Bank records the assets received at their fair value less estimated selling expenses (if any) which is not to exceed the balance of principal and accrued interest receivable. Losses arising from differences between the book value of the debt and the value of the transferred assets are recorded in the statement of earnings, taking into account existing provisions for doubtful debt.

If debt restructuring includes a waiver in debt repayment conditions, the Bank records the loss arising from the revaluation of the fair value of the debtor after restructuring, determined on the basis of the present value of expected future cash flows to be received under the new conditions, using the interest rate for prime customer in discounting. Any amount by which the newly determined fair value of the debtor is lower than the previous book value, including interest receivable, is recorded as "Allowance for revaluation of debt restructuring" and as an expense in the statement of earnings as of the restructuring year. Such allowance is amortised to recognise as income in the statement of earnings over the remaining period of payment under the restructured agreements or reviewed using the present value of expected future cash flows over the remaining period.

Losses from troubled debt restructuring arising from reduction of principal and interest are expensed in the statement of earnings.

3.10 Properties foreclosed

Properties foreclosed are stated at the lower of cost at the acquisition date or net realisable value with reference to the latest appraisal value. Cost of properties foreclosed, at the acquisition date, is stated at its fair value minus estimated selling expenses which is not to exceed the balance of principal and accrued interest receivable.

Gains or losses on disposal of property foreclosed are recorded as income or expenses in the statement of earnings when the disposal is made. Impairment loss is recognised in the statement of earnings.

3.11 Equipment and depreciation

Equipment is stated at cost less accumulated depreciation.

Depreciation of equipment is calculated by reference to their costs on a straight-line basis (except for the depreciation of vehicles of the subsidiary operating in hire purchase business which are calculated by reference to their cost less residual value on the sum-of-the-year-digit method) over the following estimated useful lives: -

Building improvement	3-5	years
Furniture, fixtures and office equipment	5-10	years
Vehicles	5	years

Based on the difference accounting policy, no material impact on the consolidated financial statements.

3.12 Intangible assets

a) Software is stated at cost less accumulated amortisation. Amortisation is calculated by reference to its cost on a straight-line basis over estimated useful lives of 5 years.

b) Building leasehold is amortised to expense over the lease period of 30 years.

3.13 Financial lease

The Bank and its subsidiaries record some vehicles under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease or present value of minimum lease payment whichever is lower. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. The interest charge is recorded to period during the lease terms on the remaining balance of the lease payable for each period.

3.14 Deferred income tax assets/liabilities

Accounting policy regarding deferred tax asset/liabilities complies with International Accounting Standards No. 12 "Income taxes".

The subsidiary operating in hire purchase business provides for deferred income tax resulting from temporary differences arising between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes as at the balance sheet date, and temporary differences in reporting income and expenses for financial reporting compared to income tax reporting. Accordingly, the income tax applicable to income which is not currently recognized, or to expenses which is not currently deductible for income tax purposes is set up as "Deferred income taxes" in the balance sheets. This will be allocated to future periods when the income is realized, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

However, the subsidiary will recognize tax benefits as assets in its books of account if it is highly probable that the subsidiary will generate sufficient profits from its future operations to utilise this benefits.

Based on the difference accounting policy, no material impact on the consolidated financial statements.

3.15 Foreign currencies

Foreign currency transactions during the year were recorded at the rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding on the balance sheet date are to be translated into Baht at the rates ruling on the balance sheet date.

Exchange gains and losses are included in determining earnings.

Premiums or discounts on forward foreign exchange contracts are amortised as expenses or income over the term of contract and included in determining earnings.

3.16 Sales of commercial paper

The Bank records sales of commercial paper as follows

a) Commercial paper with an aval or acceptance by a bank or another finance company and which was sold at a discount and without recourse is credited to the debtor's account at the face value of the commercial paper purchased. For commercial paper sold at a discount with aval or acceptance of the type described above, and sold with recourse, the outstanding balance from the sale is disclosed as part of "Contingent liabilities".

b) Commercial paper without an aval or acceptance and sold without recourse, is credited to the debtor accounts. If such commercial paper is sold with recourse, the transaction is recorded as a liability, under the caption of "Liabilities from commercial paper sold".

3.17 Provident fund

The Bank, its subsidiary companies and their employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. The fund is contributed to by the Bank, its subsidiary companies and their employees at a rate of 3 percent of the employees' basic salary and will be paid to the employees upon termination in accordance with the rules of the fund.

3.18 Financial instruments

The Bank's policy on derivatives includes using foreign currency forward purchases/sale contracts to meet its customers' needs or hedge against exchange rate risk.

Financial instruments presented in the balance sheet consist of cash, interbank and money market items, securities purchased under resale agreements, investments, trading transaction with security companies, loans, deposits, securities sold under repurchase agreements and securities business payables. The accounting policy used for each accounting transaction has been separately shown under the related caption.

3.19 Basic earnings per share

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

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

3.20 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring. Making such estimates and assumptions may affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

4. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Baht)

	Consolidated					
	2005			2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand	133,323,218	-	133,323,218	59,617,005	-	59,617,005
Commercial banks	182,679,038	-	182,679,038	208,782,701	-	208,782,701
Total domestic items	316,002,256	-	316,002,256	268,399,706	-	268,399,706
Foreign items						
USD currency	55,748	1,264,576,090	1,264,631,838	269,548	-	269,548
Yen currency	126,906	-	126,906	136,692	-	136,692
EURO currency	31,783	-	31,783	23,660	-	23,660
British Pound currency	1,283,566	-	1,283,566	1,398,118	-	1,398,118
Other currencies	33,177	-	33,177	70,049	-	70,049
Total	1,531,180	1,264,576,090	1,266,107,270	1,898,067	-	1,898,067
Add: Accrued interest receivables	-	3,047,888	3,047,888	-	-	-
Total foreign items	1,531,180	1,267,623,978	1,269,155,158	1,898,067	-	1,898,067
Total domestic and foreign items	317,533,436	1,267,623,978	1,585,157,414	270,297,773	-	270,297,773

(Unit : Baht)

	The Bank Only					
	2005			2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand	133,166,347	-	133,166,347	59,617,005	-	59,617,005
Commercial banks	74,822,889	-	74,822,889	6,033,059	-	6,033,059
Total domestic items	207,989,236	-	207,989,236	65,650,064	-	65,650,064
Foreign items						
USD currency	55,748	1,264,576,090	1,264,631,838	269,548	-	269,548
Yen currency	126,906	-	126,906	136,692	-	136,692
EURO currency	31,783	-	31,783	23,660	-	23,660
British Pound currency	1,283,566	-	1,283,566	1,398,118	-	1,398,118
Other currencies	33,177	-	33,177	70,049	-	70,049
Total	1,531,180	1,264,576,090	1,266,107,270	1,898,067	-	1,898,067
Add: Accrued interest receivables	-	3,047,888	3,047,888	-	-	-
Total foreign items	1,531,180	1,267,623,978	1,269,155,158	1,898,067	-	1,898,067
Total domestic and foreign items	209,520,416	1,267,623,978	1,477,144,394	67,548,131	-	67,548,131

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Baht)

	Consolidated		The Bank Only	
	2005	2004	2005	2004
Government and Bank of Thailand bonds	536,000,000	-	536,000,000	-

6. INVESTMENTS

(Unit : Baht)

	Consolidated			
	2005		2004	
	Cost / Cost after amortised	Fair Value	Cost / Cost after amortised	Fair Value
Current investments				
Available-for-sale securities				
Government and state enterprises securities	118,309,576	118,224,374	-	-
Private debt securities	20,004,808	20,003,200	-	-
Total	138,314,384	138,227,574	-	-
Less : Allowance for revaluation of securities	(86,810)	-	-	-
Total available-for-sale securities	138,227,574	138,227,574	-	-
Held-to-maturity debt securities - due within one year				
Government and state enterprises securities	413,164,238	413,164,238	397,473,281	397,473,281
Other debt securities	138,180,630	138,180,630	297,298,077	297,298,077
Total held-to-maturity debt securities				
- due within one year	551,344,868	551,344,868	694,771,358	694,771,358
Total current investments - net	689,572,442	689,572,442	694,771,358	694,771,358
Long-term investments				
Available-for-sale securities				
Government and state enterprises securities	113,207,357	113,816,931	-	-
Private debt securities	82,740,345	-	133,138,045	-
Local marketable equity securities	91,230,338	85,490,405	85,964,621	76,390,267
Total	287,178,040	199,307,336	219,102,666	76,390,267
Less : Allowance for revaluation of securities	(5,130,359)	-	(9,574,354)	-
Less : Allowance for loss on impairment	(82,740,345)	-	(133,138,045)	-
Total available-for-sale securities	199,307,336	199,307,336	76,390,267	76,390,267
Held-to-maturity debt securities				
Government and state enterprises securities	7,595,031,772		7,878,031,772	
Private debt securities	780,823,910		348,793,318	
Other debt securities	-		133,273,468	
Total held-to-maturity debt securities	8,375,855,682		8,360,098,558	
Other investments				
Local non-marketable equity securities	875,815,409		884,569,705	
Less : Allowance for loss on impairment	(597,988,287)		(689,638,845)	
Total other investments	277,827,122		194,930,860	
Total long-term investments - net	8,852,990,140		8,631,419,685	

(Unit : Baht)

	The Bank Only			
	2005		2004	
	Cost / Cost after amortised	Fair Value	Cost / Cost after amortised	Fair Value
Current investments				
Available-for-sale securities				
Government and state enterprises securities	118,309,576	118,224,374	-	-
Private debt securities	20,004,808	20,003,200	-	-
Total	138,314,384	138,227,574	-	-
Less : Allowance for revaluation of securities	(86,810)	-	-	-
Total available-for-sale securities	138,227,574	138,227,574	-	-
Held-to-maturity debt securities - due within one year				
Government and state enterprises securities	413,164,238	413,164,238	397,473,281	397,473,281
Other debt securities	138,180,630	138,180,630	297,298,077	297,298,077
Total held-to-maturity debt securities				
- due within one year	551,344,868	551,344,868	694,771,358	694,771,358
Total current investments - net	689,572,442	689,572,442	694,771,358	694,771,358
Long-term investments				
Available-for-sale securities				
Government and state enterprises securities	113,207,357	113,816,931	-	-
Private debt securities	82,740,345	-	133,138,045	-
Local marketable equity securities	91,230,338	85,490,405	85,964,621	76,390,267
Total	287,178,040	199,307,336	219,102,666	76,390,267
Less : Allowance for revaluation of securities	(5,130,359)	-	(9,574,354)	-
Less : Allowance for loss on impairment	(82,740,345)	-	(133,138,045)	-
Total available-for-sale securities	199,307,336	199,307,336	76,390,267	76,390,267
Held-to-maturity debt securities				
Government and state enterprises securities	7,595,031,772		7,878,031,772	
Private debt securities	780,823,910		348,793,318	
Other debt securities	-		133,273,468	
Total held-to-maturity debt securities	8,375,855,682		8,360,098,558	
Other investments				
Local non-marketable equity securities	867,995,409		876,749,705	
Less : Allowance for loss on impairment	(597,988,287)		(689,638,845)	
Total other investments	270,007,122		187,110,860	
Total long-term investments - net	8,845,170,140		8,623,599,685	

6.1 As at 31 December 2005, held-to-maturity debt securities included government bonds Baht 5,600 million (2004: Baht 5,600 million) of ten-year, negotiable government bonds bearing interest at a rate of 3.5 percent per annum and redeemable before maturity. The Bank has invested in these government bonds in accordance with the conditions laid down by the Ministry of Finance under the Tier 1 capital support scheme. However, on 2 September 2005 the Bank placed Baht 8 million of such government bonds as collateral with the court.

6.2 As at 31 December 2005 and 2004, the Bank's debt securities can be classified by their remaining period to maturity as follows :-
(Unit : Baht)

	Consolidated and The Bank Only			
	2005			
	Period to maturity			
	1 year	Over 1 year - 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	118,309,576	113,207,357	-	231,516,933
Private debt securities	20,004,808	22,693,300	60,047,045	102,745,153
Add (less) : Allowance for revaluation of securities	(86,810)	609,574	-	522,764
Less : Allowance for loss on impairment	-	(22,693,300)	(60,047,045)	(82,740,345)
Total available-for-sale securities	138,227,574	113,816,931	-	252,044,505
Held-to-maturity debt securities				
Government and state enterprises securities	413,164,238	5,600,000,000	1,995,031,772	8,008,196,010
Private debt securities	229,623,910	551,200,000	-	780,823,910
Other debt securities	138,180,630	-	-	138,180,630
Total held-to-maturity debt securities	780,968,778	6,151,200,000	1,995,031,772	8,927,200,550
Total debt securities	919,196,352	6,265,016,931	1,995,031,772	9,179,245,055

(Unit : Baht)

	Consolidated and The Bank Only			
	2004			
	Period to maturity			
	1 year	Over 1 year - 5 years	Over 5 years	Total
Available-for-sale securities				
Private debt securities	62,551,745	22,693,300	47,893,000	133,138,045
Less : Allowance for loss on impairment	(62,551,745)	(22,693,300)	(47,893,000)	(133,138,045)
Total available-for-sale securities	-	-	-	-
Held-to-maturity debt securities				
Government and state enterprises securities	397,473,281	-	7,878,031,772	8,275,505,053
Private debt securities	-	348,793,318	-	348,793,318
Other debt securities	297,298,077	133,273,468	-	430,571,545
Total held-to-maturity debt securities	694,771,358	482,066,786	7,878,031,772	9,054,869,916
Total debt securities	694,771,358	482,066,786	7,878,031,772	9,054,869,916

6.3 As at 31 December 2005 and 2004, the Bank has investments in the following companies which have problems with their financial position and operating results: -

(Unit : Baht)

	Consolidated and The Bank Only					
	2005			2004		
	Cost	Fair value	Allowance for diminution in value	Cost	Fair value	Allowance for diminution in value
Listed companies under rehabilitation	740	160	(580)	-	-	-
Companies having problems with debt repayment or in default	721,353,659	42,529,345	(678,824,314)	858,751,714	61,734,226	(797,017,488)
	<u>721,354,399</u>	<u>42,529,505</u>	<u>(678,824,894)</u>	<u>858,751,714</u>	<u>61,734,226</u>	<u>(797,017,488)</u>

6.4 The Bank's investments in its subsidiaries as at 31 December 2005 and 2004 are as below :-

Company's name	Type of company	Type of invested in securities	Paid-up capital	Percentage of holding %	2005		Dividend income received for the year ended 31 December 2005	
					Cost method	Equity method		
					Subsidiary companies			
Asia Credit Securities Company Limited	Securities business	Ordinary shares	1,000,000,000	86.52	865,192,835	537,424,217	-	
BLF Company Limited (formerly known as "Bualuang Finance Company Limited")	Finance business	Ordinary shares, preferred shares	700,000,000	99.98	1,399,712,000	1,199,540,489	199,784,710	
Leasing Sinn Asia Company Limited	Hire purchase business	Ordinary shares	300,000,000	99.99	299,999,930	272,901,347	-	
Total investments in subsidiary companies						<u>2,564,904,765</u>	<u>2,009,866,053</u>	<u>199,784,710</u>

(Unit : Baht)

Company's name	Type of company	Type of invested in securities	Paid-up capital	Percentage of holding %	2004		Dividend income received for the year ended 31 December 2004	
					Cost method	Equity method		
					Subsidiary company			
Asia Credit Securities Company Limited	Securities business	Ordinary shares	500,000,000	99.99	499,999,930	228,327,160	-	
Total investment in subsidiary company						<u>499,999,930</u>	<u>228,327,160</u>	<u>-</u>

Since the end of April 2005, the Bank has acquired a total of 69,985,600 ordinary shares and preferred shares of BLF Company Limited (formerly known as “Bualuang Finance Company Limited”), 99.98% of the issued and paid-up capital of that company, resulting in that company becoming a subsidiary company.

The share of profit of BLF Company Limited for the period as from 1 May 2005 (the date of acquisition by the Bank) to 28 December 2005 (dissolution date), totaling Baht 31.82 million, as included in the Bank's investment accounts, was determined based on financial statements for the period as from 1 January 2005 to 28 December 2005 prepared by its management and audited by other auditor.

In May 2005, the Bank incorporated a subsidiary company, Leasing Sinn Asia Company Limited, with a registered share capital of Baht 300 million or 30 million shares with a par value of 10 each. The Bank holds 99.99% of this capital, or 29,999,993 shares. Initial subscriptions were called at Baht 3.34 per share, with the Bank paying a total of Baht 100,199,977 on 9 June 2005. On 22 November 2005, the remaining of subscriptions was called at Baht 6.66 per share or a total of Baht 199,799,953. As at 31 December 2005, the Bank had not paid up this amount, and recorded it as “Account payable-share subscriptions” in the balance sheet. However, the Bank paid up the remainder of the shares on 4 January 2006.

In July 2005, Asia Credit Securities Company Limited, a subsidiary company, increased its share capital from Baht 500 million to Baht 1,000 million through the issuance of 50 million additional ordinary shares with par value of Baht 10 each. The Bank purchased 36,519,049 shares at a price of Baht 10 each, a total of Baht 365.2 million, resulting in a reduction in the Bank's holding in that subsidiary company to 86.52% of the registered share capital.

6.5 As at 31 December 2005 and 2004, the Bank and its subsidiaries have investments in related companies are as follow :-

(Unit : Baht)

Consolidated and The Bank Only						
Company's name	Type of company	Type of invested in securities	Nature of relationship	2005		
				Paid-up capital	Percentage of holding %	Cost
Related companies						
BBL Asset Management Company Limited	Asset management	Ordinary shares	Related through Bank's shareholder	100,000,000	12.50	12,500,000
Thai Petrochemical Industrial Public Company Limited	Industrial	Ordinary shares	Related through Bank's shareholder	19,500,000,000	0.04	23,935,289
Bangkok UFJ Company Limited	Lending and holding company	Ordinary shares	Related through Bank's management	200,000,000	10.00	20,389,570
Petchburi Terminal Company Limited	Rent of oil storage tank and harbor	Ordinary shares	Related through Bank's shareholder	3,310,957,600	3.95	17,633,914
The Special Steel Industry Public Company Limited	Industrial	Ordinary shares	Related through Bank's shareholder	4,220,000,000	0.28	4,708,200
EMC Public Company Limited	Construction	Ordinary shares, warrants	Related through Bank's shareholder	429,612,900	0.25	5,084,071
Total investments in related companies						84,251,044
Less : Allowance for loss on impairment						(40,089,060)
Less : Allowance for revaluation of securities						(3,006,535)
Investments in related companies - net						<u>41,155,449</u>

6.8 Since the year 2001, the Bank transferred its non-performing loans to the Thai Asset Management Corporation (TAMC) as described in Note 1.3 to the financial statements. TAMC will verify transfer price within 180 days from transfer date. If TAMC agrees on the correctness, TAMC will then issue a preliminarily confirming letter to the Bank within 7 days. After the Bank confirms this transfer price, TAMC will issue a non-negotiable promissory note stipulating details of transferred assets value, issuance date (same as transfer date), and maturity date which is 10 years after issuance date. This promissory note will be avaled by Financial Institution Development Fund (FIDF) and may be redeemed by TAMC prior to its maturity.

TAMC shall calculate interest from banks' average quarterly deposit rates at year end, and will pay interest on an annual basis by issuing a one year non-negotiable promissory note which is avaled by FIDF. TAMC reserves the right to extend the period of promissory note as deemed appropriate.

Since the year 2002, the Bank received promissory notes from TAMC for Baht 2,599.03 million of the amount, with such promissory notes maturing on 31 October 2011, 30 November 2011, 29 March 2012, 12 April 2012, 31 October 2012, 31 March 2013 and 30 September 2013, and the Bank recorded such promissory notes as an investment in a debt security to be held to maturity. Up to date, TAMC made payment and redeemed promissory notes to settle a total of Baht 604 million. Following such redemption, the balance of promissory notes as at 31 December 2005 is Baht 1,995.03 million.

In year 2005, the Bank has recognised interest as income from promissory notes from TAMC totaling of Baht 19.87 million (2004: Baht 22.14 million).

6.9 As at 31 December 2005, there are restriction on the holding and sale of marketable equity securities totaling Baht 28.89 million, which can not be sold for a certain period as a condition of a troubled debt restructuring agreement. The Bank recategorised such equity securities from available-for-sale securities to other investments since non liquid for trading purposes.

7. LOANS AND ACCRUED INTEREST RECEIVABLES

7.1 Classified by types of loans

	Consolidated		The Company Only	
	2005	2004	2005	2004
(Unit : Baht)				
Loans and receivables :				
Loans	13,978,670,602	10,303,557,936	13,978,670,602	10,303,557,936
Notes receivable	9,936,849,881	5,737,584,731	9,936,849,881	5,737,584,731
Hire-purchase and financial lease receivables - net	502,604,987	-	36,580,568	-
Total loans and receivables	24,418,125,470	16,041,142,667	23,952,101,051	16,041,142,667
Add : Accrued interest receivables	382,265,112	498,942,518	382,265,112	498,942,518
Less : Allowance for doubtful accounts	(4,455,742,877)	(5,596,954,255)	(4,455,577,693)	(5,596,954,255)
Allowance for revaluation of debt restructuring	(502,947,988)	(905,286,018)	(502,947,988)	(905,286,018)
Net loans, receivables and accrued interest receivables	19,841,699,717	10,037,844,912	19,375,840,482	10,037,844,912
Securities business receivables :				
Customer's accounts	53,607,827	-	-	-
Loans for buying securities	409,322,805	237,508,933	161,973,258	230,791,332
Total securities business receivables	462,930,632	237,508,933	161,973,258	230,791,332
Add : Accrued interest receivables	10,873,817	17,070,413	10,872,729	17,070,413
Less : Allowance for doubtful accounts	(108,245,055)	(174,988,800)	(102,915,481)	(168,271,199)
Allowance for revaluation of debt restructuring	(65,323,406)	(70,208,946)	(65,323,406)	(70,208,946)

(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Net securities business receivables and accrued interest receivables	300,235,988	9,381,600	4,607,100	9,381,600
Net loans, receivables and accrued interest receivables	20,141,935,705	10,047,226,512	19,380,447,582	10,047,226,512

7.2 Classified by the remaining period of the contract

(Unit : Baht)

	Consolidated		The Bank Only	
	2005	2004	2005	2004
At call (included contracts which are due)	5,310,137,008	5,590,611,680	5,009,179,634	5,583,894,079
Not over 1 year	10,296,154,428	4,681,788,112	10,296,154,428	4,681,788,112
Over 1 year	9,274,764,666	6,006,251,808	8,808,740,247	6,006,251,808
Total loans	24,881,056,102	16,278,651,600	24,114,074,309	16,271,933,999
Add : Accrued interest receivables	393,138,929	516,012,931	393,137,841	516,012,931
Total loans and accrued interest receivables	25,274,195,031	16,794,664,531	24,507,212,150	16,787,946,930

7.3 Classified by the currencies and country

(Unit : Baht)

	Consolidated					
	2005			2004		
	Local	Foreign	Total	Local	Foreign	Total
Baht currency	25,221,378,492	-	25,221,378,492	16,682,297,436	-	16,682,297,436
USD currency	25,647,472	-	25,647,472	82,712,791	-	82,712,791
EURO currency	27,169,067	-	27,169,067	29,654,304	-	29,654,304
Total loans and accrued interest receivables	25,274,195,031	-	25,274,195,031	16,794,664,531	-	16,794,664,531

(Unit : Baht)

	The Bank Only					
	2005			2004		
	Local	Foreign	Total	Local	Foreign	Total
Baht currency	24,454,395,611	-	24,454,395,611	16,675,579,835	-	16,675,579,835
USD currency	25,647,472	-	25,647,472	82,712,791	-	82,712,791
EURO currency	27,169,067	-	27,169,067	29,654,304	-	29,654,304
Total loans and accrued interest receivables	24,507,212,150	-	24,507,212,150	16,787,946,930	-	16,787,946,930

7.4 Classified by type of business and loan classification

(Unit : Baht)

	Consolidated					Total
	2005					
	Pass	Special - mention	Sub - Standard	Doubtful	Doubtful loss	
Agriculture and mining	109,465,687	10,620,978	-	-	27,347,978	147,434,643
Manufacturing and commerce	12,228,548,926	120,823,813	35,576,044	155,221,219	1,265,950,433	13,806,120,435
Real estate and construction	2,888,033,656	187,601,772	341,241,147	383,528,118	1,108,250,759	4,908,655,452
Public utilities and services	3,347,188,222	230,903,404	117,111,098	14,353,952	208,447,374	3,918,004,050
Housing loans	410,012,743	46,133,747	15,379,208	21,409,742	327,579,140	820,514,580
Others	1,364,942,026	18,904,991	18,368,604	7,114,590	264,135,660	1,673,465,871
Total loans and accrued interest receivables	20,348,191,260	614,988,705	527,676,101	581,627,621	3,201,711,344	25,274,195,031

(Unit : Baht)

	Consolidated					Total
	2004					
	Pass	Special - mention	Sub - Standard	Doubtful	Doubtful loss	
Agriculture and mining	15,582,938	8,028,556	-	-	29,771,552	53,383,046
Manufacturing and commerce	5,729,599,311	30,488,389	12,880,666	-	1,743,283,937	7,516,252,303
Real estate and construction	2,432,853,554	117,688,113	96,739,931	-	1,487,433,548	4,134,715,146
Public utilities and services	2,968,335,521	5,569,962	-	22,679,119	670,577,551	3,667,162,153
Housing loans	101,645,565	19,483,515	10,410,028	2,373,572	547,911,497	681,824,177
Others	324,795,382	507,605	73,550,907	815,078	341,658,734	741,327,706
Total loans and accrued interest receivables	11,572,812,271	181,766,140	193,581,532	25,867,769	4,820,636,819	16,794,664,531

(Unit : Baht)

	The Bank Only					Total
	2005					
	Pass	Special - mention	Sub - standard	Doubtful	Doubtful loss	
Agriculture and mining	109,465,687	10,620,978	-	-	27,347,978	147,434,643
Manufacturing and commerce	12,228,548,926	120,823,813	35,576,044	155,221,219	1,265,950,433	13,806,120,435
Real estate and construction	2,888,033,656	187,601,772	341,241,147	383,528,118	1,108,250,759	4,908,655,452
Public utilities and services	3,347,188,222	230,903,404	117,111,098	14,353,952	208,447,374	3,918,004,050
Housing loans	410,012,743	46,133,747	15,379,208	21,409,742	327,579,140	820,514,580
Others	607,522,003	14,671,706	18,368,604	7,114,590	258,806,087	906,482,990
Total loans and accrued interest receivables	19,590,771,237	610,755,420	527,676,101	581,627,621	3,196,381,771	24,507,212,150

(Unit : Baht)

	The Bank Only					Total
	2004					
	Pass	Special - mention	Sub - standard	Doubtful	Doubtful loss	
Agriculture and mining	15,582,938	8,028,556	-	-	29,771,552	53,383,046
Manufacturing and commerce	5,729,599,311	30,488,389	12,880,666	-	1,743,283,937	7,516,252,303
Real estate and construction	2,432,853,554	117,688,113	96,739,931	-	1,487,433,548	4,134,715,146
Public utilities and services	2,968,335,521	5,569,962	-	22,679,119	670,577,551	3,667,162,153
Housing loans	101,645,565	19,483,515	10,410,028	2,373,572	547,911,497	681,824,177
Others	324,795,382	507,605	73,550,907	815,078	334,941,133	734,610,105
Total loan and accrued interest receivables	11,572,812,271	181,766,140	193,581,532	25,867,769	4,813,919,218	16,787,946,930

7.5 Classified by loan classification type

(Unit : Baht)

	Consolidated			
	2005			
	Loans and accrued interest receivables	Debt after deducting collateral	Rate used to set allowance %	Allowance provided
Pass	20,348,191,260	13,451,371,943	1	125,765,185
Special - mention	614,988,705	129,753,329	2	2,595,067
Sub - standard	527,676,101	61,339,426	20	12,267,885
Doubtful	581,627,621	49,392,184	50	92,867,783
Doubtful loss	3,201,711,344	1,638,734,990	100	1,639,227,997
General reserve	-	-		2,691,264,015
Total loans and accrued interest receivables	25,274,195,031	15,330,591,872		4,563,987,932

(Unit : Baht)

	Consolidated			
	2004			
	Loans and accrued interest receivables	Debt after deducting collateral	Rate used to set allowance %	Allowance provided
Pass	11,572,812,271	8,087,904,514	1	78,737,420
Special - mention	181,766,140	85,439,265	2	1,708,785
Sub - standard	193,581,532	25,735,978	20	5,147,196
Doubtful	25,867,769	3,041,216	50	75,531,724
Doubtful loss	4,820,636,819	2,427,100,700	100	2,427,908,448
General reserve	-	-		3,182,909,482
Total loans and accrued interest receivables	16,794,664,531	10,629,221,673		5,771,943,055

(Unit : Baht)

	The Bank Only			
	2005			
	Loans and accrued interest receivables	Debt after deducting collateral	Rate used to set allowance	Allowance provided
			%	
Pass	19,590,771,237	12,762,609,319	1	125,602,676
Special - mention	610,755,420	129,619,594	2	2,592,392
Sub - standard	527,676,101	61,339,426	20	12,267,885
Doubtful	581,627,621	49,392,184	50	92,867,783
Doubtful loss	3,196,381,771	1,633,405,417	100	1,633,898,423
General reserve	-	-		2,691,264,015
Total loans and accrued interest receivables	24,507,212,150	14,636,365,940		4,558,493,174

(Unit : Baht)

	The Bank Only			
	2004			
	Loans and accrued interest receivables	Debt after deducting collateral	Rate used to set allowance	Allowance provided
			%	
Pass	11,572,812,271	8,087,904,514	1	78,737,420
Special - mention	181,766,140	85,439,265	2	1,708,785
Sub - standard	193,581,532	25,735,978	20	5,147,196
Doubtful	25,867,769	3,041,216	50	75,531,724
Doubtful loss	4,813,919,218	2,420,383,099	100	2,421,190,847
General reserve	-	-		3,182,909,482
Total loans and accrued interest receivables	16,787,946,930	10,622,504,072		5,765,225,454

7.6 Non-accrued loans and receivables

(Unit : Baht)

	Consolidated		The Bank Only	
	2005	2004	2005	2004
Non-accrued loans	3,874,976,078	5,067,580,410	3,869,646,505	5,060,862,809

As at 31 December 2005, the Bank has the non-accrued loans in 15.79 percent of total loans and accrued interest receivables (2004: 30.14 percent).

7.7 Unearned income

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

(Unit : Baht)

	Consolidated		The Bank Only	
	2005	2004	2005	2004
Unearned income from				
hire purchase/financial lease	156,685,331	-	10,092,845	-

7.8 Troubled Debt Restructuring

The Bank and its subsidiaries entered into troubled debt restructuring contracts with the following receivables during the year ended 31 December 2005 :-

	Consolidated		The Bank Only	
	Number of receivables	Outstanding loan balance before restructuring	Number of receivables	Outstanding loan balance before restructuring
Restructured receivables in during the year ended 31 December 2005	113	1,324	104	1,285
Total receivables as at 31 December 2005	2,692	28,222	2,090	26,354

Details of the restructured receivables during the year ended 31 December 2005, are as follows :-

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring	Type of assets received	Fair value of
				transferred assets
Consolidated				
Modification of repayment conditions	110	805	-	-
Transfer of assets and modification of repayment conditions	3	519	Land and building	103
Total	113	1,324		159
The Bank Only				
Modification of repayment conditions	102	781	-	-
Transfer of assets and modification of repayment conditions	2	504	Land and building	41
Total	104	1,285		144

The debt restructuring by modification of repayment conditions, as above table, has the following detail :-

Number of receivables	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Average period of the remaining
			term of debt restructuring
Consolidated			
110	805	575	3.9 Years
The Bank Only			
102	781	550	3.2 Years

The debt restructuring by modification of repayment conditions, the Bank and its subsidiaries will calculate the net realisable value on the basis of the present value of the future cash flow to be received under the new conditions, using the interest rate for prime customer in discounting.

For the year ended 31 December 2005, the Bank and its subsidiaries recognised interest income from restructured receivables of Baht 350 million and collected principal and interest of Baht 1,730 million (the Bank Only : Baht 344 million and Baht 1,710 million, respectively).

As at 31 December 2005, the balance of restructured receivables in the Bank and its subsidiaries' accounts amounts to Baht 4,380 million (the Bank Only : Baht 4,380 million), including Baht 693 million (the Bank Only : Baht 693 million) of debts restructured during the year. The majority of these are now reclassified as "Pass receivable".

During the year ended 31 December 2005, the Bank and its subsidiaries had losses from restructuring amounting to Baht 35 million (the Bank Only : Baht 35 million). The losses from restructuring included reversal of loss as a result of calculating the present value of the debt restructured during the year is Baht 321 million (the Bank Only : Baht 321 million).

As at 31 December 2005, the Bank and its subsidiaries have no commitment to additionally borrow to its debtors after debt restructuring.

The Bank and its subsidiaries were not able to estimate the amount of future losses on outstanding loans currently being restructured.

7.9 As at 31 December 2005 and 2004, the Bank and its subsidiaries had loans and accrued interest receivables from companies which have problems with their financial position and operating results. The Bank has set aside the following allowances for doubtful accounts for these: -

(Unit : Million Baht)

	Consolidated and The Bank Only							
	Number of loans		Debt balance		Collateral		Allowance for doubtful accounts and allowance for revaluation	
	2005	2004	2005	2004	2005	2004	2005	2004
Listed companies under rehabilitation	5	4	73.4	186.8	20.6	22.9	49.8	164.9

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND ALLOWANCE FOR REVALUATION OF DEBT RESTRUCTURING

8.1 ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Baht)

	Consolidated						
	2005						
	Pass	Special - mention	Sub - standard	Doubtful	Doubtful loss	General reserve	Total
Balance - beginning of year	1,906,797,352	86,525,539	30,383,812	8,053,667	3,240,182,685	500,000,000	5,771,943,055
Increase from purchase of receivables from subsidiary	12,187,175	13,681,609	978,894	6,063,164	100,128,401	-	133,039,243
Allowance for doubtful accounts	(361,948,135)	(78,330,564)	46,609,163	180,468,450	(737,600,050)	-	(950,801,136)
Bad debt written-off	-	-	-	-	(390,193,230)	-	(390,193,230)
Balance - end of year	1,557,036,392	21,876,584	77,971,869	194,585,281	2,212,517,806	500,000,000	4,563,987,932

(Unit : Baht)

	Consolidated						Total
	2004						
	Pass	Special - mention	Sub - standard	Doubtful	Doubtful loss	General reserve	
Balance - beginning							
of year	2,551,012,412	71,035,844	185,406,083	395,774,016	6,162,938,260	375,000,000	9,741,166,615
Allowance for							
doubtful accounts	(644,215,060)	15,489,695	(155,022,271)	(387,720,349)	(2,922,755,575)	-	(4,094,223,560)
Others	-	-	-	-	-	125,000,000	125,000,000
Balance - end of year	<u>1,906,797,352</u>	<u>86,525,539</u>	<u>30,383,812</u>	<u>8,053,667</u>	<u>3,240,182,685</u>	<u>500,000,000</u>	<u>5,771,943,055</u>

(Unit : Baht)

	The Bank Only						Total
	2005						
	Pass	Special - mention	Sub - standard	Doubtful	Doubtful loss	General reserve	
Balance - beginning							
of year	1,906,797,352	86,525,539	30,383,812	8,053,667	3,233,465,084	500,000,000	5,765,225,454
Increase from purchase							
of receivables from							
subsidiary	12,187,175	13,681,609	978,894	6,063,164	100,128,401	-	133,039,243
Allowance for							
doubtful accounts	(362,110,644)	(78,333,239)	46,609,163	180,468,450	(736,212,023)	-	(949,578,293)
Bad debt written-off	-	-	-	-	(390,193,230)	-	(390,193,230)
Balance - end of year	<u>1,556,873,883</u>	<u>21,873,909</u>	<u>77,971,869</u>	<u>194,585,281</u>	<u>2,207,188,232</u>	<u>500,000,000</u>	<u>4,558,493,174</u>

(Unit : Baht)

	The Bank Only						Total
	2004						
	Pass	Special - mention	Sub - standard	Doubtful	Doubtful loss	General reserve	
Balance - beginning							
of year	2,551,012,412	71,035,844	185,406,083	395,774,016	6,156,220,659	375,000,000	9,734,449,014
Allowance for							
doubtful accounts	(644,215,060)	15,489,695	(155,022,271)	(387,720,349)	(2,922,755,575)	-	(4,094,223,560)
Others	-	-	-	-	-	125,000,000	125,000,000
Balance - end of year	<u>1,906,797,352</u>	<u>86,525,539</u>	<u>30,383,812</u>	<u>8,053,667</u>	<u>3,233,465,084</u>	<u>500,000,000</u>	<u>5,765,225,454</u>

8.2 ALLOWANCE FOR REVALUATION OF DEBT RESTRUCTURING

(Unit : Baht)

	Consolidated and The Bank Only	
	2005	2004
Balance - beginning of year	975,494,964	1,530,211,926
Decrease during year	(320,728,519)	(395,534,649)
Written-off during year	(86,495,051)	(159,182,313)
Balance - end of year	<u>568,271,394</u>	<u>975,494,964</u>

As at 31 December 2005, the Bank has set up allowances for doubtful accounts, totaling Baht 4,558 million (2004: Baht 5,765 million) and allowance for revaluation of debt restructuring totaling Baht 568 million (2004: Baht 975 million), which is Baht 2,780 million (2004: Baht 3,345 million) more than the allowance required in accordance with the Bank of Thailand guidelines. The management of the Bank believes that this allowance for doubtful accounts and allowance for revaluation of debt restructuring are sufficient to cover the losses that might be incurred as a result of inability to make collection from receivables.

9. PROPERTY FORECLOSED

The majority of property foreclosed received as a result of the restructuring of debt.

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

Type of property foreclosed	Consolidated				
	2005				
	Balance - beginning of year	Increase from purchase of property foreclosed from subsidiary	Additions	Disposals	Balance - end of year
Immovable assets	1,340,639,312	134,773,839	259,282,590	(220,175,135)	1,514,520,606
Less : Allowance for loss on impairment	(265,013,881)	(19,144,120)	(68,307,837)	21,148,284	(331,317,554)
Total properties foreclosed - net	1,075,625,431	115,629,719	190,974,753	(199,026,851)	1,183,203,052

(Unit : Baht)

Type of property foreclosed	Consolidated			
	2004			
	Balance - beginning of year	Additions	Disposals	Balance - end of year
Immovable assets	919,380,357	458,421,135	(37,162,180)	1,340,639,312
Movable assets	-	14,124,490	(14,124,490)	-
Total	919,380,357	472,545,625	(51,286,670)	1,340,639,312
Less : Allowance for loss on impairment	(57,953,947)	(214,270,834)	7,210,900	(265,013,881)
Total properties foreclosed - net	861,426,410	258,274,791	(44,075,770)	1,075,625,431

(Unit : Baht)

Type of property foreclosed	The Bank Only				
	2005				
	Balance - beginning of year	Increase from purchase of property foreclosed from subsidiary	Additions	Disposals	Balance - end of year
Immovable assets	1,339,539,312	134,773,839	259,282,590	(220,175,135)	1,513,420,606
Less : Allowance for loss on impairment	(265,013,881)	(19,144,120)	(68,307,837)	21,148,284	(331,317,554)
Total properties foreclosed - net	1,074,525,431	115,629,719	190,974,753	(199,026,851)	1,182,103,052

(Unit : Baht)

Type of property foreclosed	The Bank Only			
	2004			
	Balance - beginning of year	Additions	Disposals	Balance - end of year
Immovable assets	918,280,357	458,421,135	(37,162,180)	1,339,539,312
Movable assets	-	14,124,490	(14,124,490)	-
Total	918,280,357	472,545,625	(51,286,670)	1,339,539,312
Less : Allowance for loss on impairment	(57,953,947)	(214,270,834)	7,210,900	(265,013,881)
Total properties foreclosed - net	860,326,410	258,274,791	(44,075,770)	1,074,525,431

As at 31 December 2005, the Bank and its subsidiaries had commitments with regard to the properties foreclosed which were received in payment of debts amounting to Baht 496.34 million (the Bank only: Baht 496.34 million). The debtors can repurchase these properties.

10. EQUIPMENT

(Unit : Baht)

	Consolidated		
	Furniture, fixtures and equipment	Vehicles	Total
Cost :			
31 December 2004	235,550,537	55,525,308	291,075,845
Increase from purchase of assets from subsidiary	11,387,312	5,550,253	16,937,565
Purchases	134,079,938	51,163,462	185,243,400
Disposals	(14,007,799)	(10,109,796)	(24,117,595)
31 December 2005	367,009,988	102,129,227	469,139,215
Accumulated depreciation :			
31 December 2004	(175,967,232)	(17,989,860)	(193,957,092)
Increase from purchase of assets from subsidiary	(9,947,609)	(2,336,004)	(12,283,613)
Depreciation for disposals	12,806,455	5,525,790	18,332,245
Depreciation for the year	(35,063,337)	(16,691,846)	(51,755,183)
31 December 2005	(208,171,723)	(31,491,920)	(239,663,643)
Allowance for loss on impairment :			
31 December 2004	(12,000,000)	-	(12,000,000)
Allowance for loss on impairment for disposals	1,023,911	-	1,023,911
31 December 2005	(10,976,089)	-	(10,976,089)
Net book value :			
31 December 2004	47,583,305	37,535,448	85,118,753
31 December 2005	147,862,176	70,637,307	218,499,483
Depreciation charge included in statements of earnings for the years :			
2004			38,642,304
2005			51,755,183

	(Unit : Baht)		
	The Bank Only		
	Furniture, fixtures and equipment	Vehicles	Total
Cost :			
31 December 2004	154,522,573	46,159,455	200,682,028
Increase from purchase of assets from subsidiary	11,387,312	5,550,253	16,937,565
Purchases	17,337,652	9,312,026	26,649,678
Disposals	(6,712,215)	(2,102,343)	(8,814,558)
31 December 2005	176,535,322	58,919,391	235,454,713
Accumulated depreciation :			
31 December 2004	(111,858,534)	(13,786,812)	(125,645,346)
Increase from purchase of assets from subsidiary	(9,947,609)	(2,336,004)	(12,283,613)
Depreciation for disposals	6,701,177	2,102,341	8,803,518
Depreciation for the year	(15,278,053)	(10,297,213)	(25,575,266)
31 December 2005	(130,383,019)	(24,317,688)	(154,700,707)
Net book value :			
31 December 2004	42,664,039	32,372,643	75,036,682
31 December 2005	46,152,303	34,601,703	80,754,006
Depreciation charge included in statements of earnings for the years :			
2004			26,041,485
2005			25,575,266

As at 31 December 2005, the Bank and its subsidiary companies have vehicles acquired under financial leases with net book values amounting to approximately Baht 16.24 million (the Bank only: Baht 5.98 million).

As at 31 December 2005, certain assets items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 206.56 million for the Bank and its subsidiaries (the Bank only: Baht 133.43 million).

11. INTANGIBLE ASSETS

	(Unit : Baht)			
	Consolidated		The Bank Only	
	2005	2004	2005	2004
Cost :				
Building leasehold	319,543,853	319,543,853	319,543,853	319,543,853
Software	113,923,443	64,365,016	100,844,739	61,589,084
Total	433,467,296	383,908,869	420,388,592	381,132,937
Accumulated amortisation :				
Building leasehold	(58,570,190)	(47,918,203)	(58,570,190)	(47,918,203)
Software	(63,998,425)	(60,592,562)	(60,734,110)	(58,112,020)
Total	(122,568,615)	(108,510,765)	(119,304,300)	(106,030,223)
Net book value :				
Building leasehold	260,973,663	271,625,650	260,973,663	271,625,650
Software	49,925,018	3,772,454	40,110,629	3,477,064
Total	310,898,681	275,398,104	301,084,292	275,102,714

(Unit : Baht)

	Consolidated		The Bank Only	
	For the years ended 31 December		For the years ended 31 December	
	2005	2004	2005	2004
Amortisation :				
Building leasehold	10,651,986	10,651,986	10,651,986	10,651,986
Software	2,794,601	2,548,196	1,975,874	1,991,489
Total	13,446,587	13,200,182	12,627,860	12,643,475

12. OTHER ASSETS

(Unit : Baht)

	Consolidated		The Bank Only	
	2005		2004	
	2005	2004	2005	2004
Prepaid expenses	9,113,900	5,174,322	5,109,844	4,602,126
Deposits	14,092,353	4,555,497	6,306,993	908,675
Withholding tax deducted at source	12,181,807	9,632,689	10,213,983	7,090,705
Account receivable - Revenue Department	46,706,083	-	316,286	-
Others	26,407,227	32,457,392	2,624,693	29,338,780
Total	108,501,370	51,819,900	24,571,799	41,940,286
Less : Allowance for diminution in value of other assets	(36,396)	(405,414)	(36,396)	(405,414)
Total other assets - net	108,464,974	51,414,486	24,535,403	41,534,872

13. CLASSIFICATIONS OF ASSETS

13.1 Classification of assets in accordance with the announcement of the Bank of Thailand

As at 31 December 2005 and 2004, the Bank had classified the following assets and provided the following allowances in accordance with the criteria in the announcement of the Bank of Thailand (BOT): -

(Unit : Million Baht)

	Debt balance		Percentage Required by BOT	Allowance for doubtful accounts			
				Amount to be provided under BOT's guideline		Amount already provided by the Bank	
	2005	2004		2005	2004	2005	2004
Loans and receivables							
Pass	19,591	11,573	1	125	78		
Special - mention	611	182	2	3	2		
Sub - standard	528	193	20	12	5		
Doubtful	581	26	50	93	76		
Doubtful loss	3,196	4,814	100	1,634	2,421		
Total	24,507	16,788		1,867	2,582	4,558	5,765
Loss on receivables under							
troubled debt restructuring	-	-		479	813	568	975
Total	24,507	16,788		2,346	3,395	5,126	6,740
Investments and other assets							
Doubtful loss	1,058	1,129	100	1,058	1,128	1,058	1,128
Total classified assets	25,565	17,917		3,404	4,523	6,184	7,868

The above debts included loans and accrued interest on loans, investments and other assets.

13.2 Classification of assets in accordance with the Notification of the Office of the Securities and Exchange Commission (SEC)

As at 31 December 2005 and 2004, the subsidiary operating in securities business classified its securities business receivable, and accrued interest receivables as follows, and had provided the stated related allowances for doubtful accounts:-

(Unit : Million Baht)

	Receivables and accrued interest receivables		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts recorded by the subsidiary	
	2005	2004	2005	2004	2005	2004
Pass debts	295.63	-	-	-	-	-
Doubtful debts	5.33	6.72	5.33	6.72	5.33	6.72
Total	300.96	6.72	5.33	6.72	5.33	6.72

13.3 Hire-purchase receivables/financial lease receivables of subsidiary separate by aging

As at 31 December 2005, hire purchase and financial lease receivables of subsidiary engaged in hire-purchase and financial lease business is classified by the due date of the contracts as follow :-

(Unit : Million Baht)

Current or overdue less than 90 days 895

14. DEPOSITS

14.1 Classified by types of deposits

(Unit : Baht)

	Consolidated		The Bank Only	
	2005	2004	2005	2004
Current accounts	227,984,140	82,668,339	227,984,140	82,668,339
Saving accounts	99,197,341	78,805,012	99,197,341	78,805,012
Fixed deposits				
Less than 6 months	14,606,393,257	4,155,097,025	14,199,559,658	4,155,097,025
6 months to less than 1 year	3,021,200,744	2,418,062,796	3,021,200,744	2,418,062,796
Over 1 year	3,965,868,650	4,008,771,112	3,965,868,650	4,008,771,112
Total deposits	21,920,644,132	10,743,404,284	21,513,810,533	10,743,404,284

14.2 Classified by the remaining period of the contract

(Unit : Baht)

	Consolidated		The Bank Only	
	2005	2004	2005	2004
At call	327,181,481	161,473,351	327,181,481	161,473,351
Not over 1 year				
(included contracts which are due)	20,563,451,088	9,627,827,023	20,156,617,489	9,627,827,023
Over 1 year	1,030,011,563	954,103,910	1,030,011,563	954,103,910
Total	21,920,644,132	10,743,404,284	21,513,810,533	10,743,404,284

14.3 Classified by the currency and the residency of depositors

(Unit : Baht)

	Consolidated					
	2005			2004		
	Local	Foreign	Total	Local	Foreign	Total
Baht currency	21,901,293,941	18,932,975	21,920,226,916	10,734,141,127	9,263,157	10,743,404,284
USD currency	417,216	-	417,216	-	-	-
Total deposits	21,901,711,157	18,932,975	21,920,644,132	10,734,141,127	9,263,157	10,743,404,284

(Unit : Baht)

	The Bank Only					
	2005			2004		
	Local	Foreign	Total	Local	Foreign	Total
Baht currency	21,494,460,342	18,932,975	21,513,393,317	10,734,141,127	9,263,157	10,743,404,284
USD currency	417,216	-	417,216	-	-	-
Total deposits	21,494,877,558	18,932,975	21,513,810,533	10,734,141,127	9,263,157	10,743,404,284

15. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit : Baht)

	Consolidated					
	2005			2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
Commercial banks	100,000,000	-	100,000,000	-	-	-
Finance companies, finance and securities companies, securities companies and credit foncier companies	108,424,425	710,000,000	818,424,425	-	390,000,000	390,000,000
Total domestic items	208,424,425	710,000,000	918,424,425	-	390,000,000	390,000,000

(Unit : Baht)

	The Bank Only					
	2005			2004		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
Commercial banks	100,000,000	-	100,000,000	-	-	-
Finance companies, finance and securities companies, securities companies and credit foncier companies	244,500,000	1,459,659,685	1,704,159,685	-	390,000,000	390,000,000
Total domestic items	344,500,000	1,459,659,685	1,804,159,685	-	390,000,000	390,000,000

16. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	(Unit : Baht)	
	Consolidated and The Bank Only	
	2005	2004
Government and Bank of Thailand bonds	-	95,000,000

17. OTHER LIABILITIES

	(Unit : Baht)			
	Consolidated		The Bank Only	
	2005	2004	2005	2004
Other payables	172,604,631	26,655,568	106,408,180	26,348,719
Accrued expenses	136,414,295	79,587,387	124,011,052	76,431,932
Withholding tax payable	11,970,359	4,964,400	9,789,971	4,825,862
Special business tax payable	10,574,924	6,330,445	10,510,574	6,321,801
Accounts payable - financial leases	16,680,792	9,704,024	6,289,656	9,704,024
Others	21,964,867	1,012,661	5,849,508	1,012,661
Total other liabilities	370,209,868	128,254,485	262,858,941	124,644,999

18. SHARE CAPITAL

Preferred shares of the Bank are divided into Class A and Class B shares, both non-cumulative. Holders of Class B preferred shares are entitled to preferential receipt of dividends and return of capital over holders of Class A preferred shares and ordinary shares. In addition, if the Bank reduces its capital because of operating losses attributable to assets held prior to the injection of capital funds by the Ministry of Finance, the Bank is to reduce the capital of the ordinary shares and the Class A preferred shares first, to the extent that this does not exceed the accumulated loss as at the date that the Ministry of Finance injected funds plus any subsequent losses on the assets held prior to that date. If the Bank reduces capital because of operating losses attributable to assets acquired after the Ministry of Finance injected funds, the Bank is to reduce the capital of the ordinary shares first and subsequently Class A preferred shares, and Class B preferred shares proportionately. Holders of both classes of preferred shares are entitled to convert the shares they hold to ordinary shares, with the conversion ratio being 1:1.

The Bank issued a regulation with regard to the rules, conditions and procedures for the conversion of preferred shares into ordinary shares, effective from 15 May 2001, whereby preferred shareholders have the right to convert the preferred shares into ordinary shares four times a year, the exercise dates for the conversion of preferred shares into ordinary shares are 22 February, 22 May, 22 August and 22 November.

Such regulation can not be used for the conversion of Class A preferred shares into ordinary shares and the Executive Committee's Meeting No. 29/2004, held on 4 August 2004, has approved the Regulation, re: Rules, Conditions and Procedures for the Conversion of Class A Preferred Shares, which the Bank is the Securities Registrar. It is effective from 5 August 2004.

For the year ended 31 December 2005, 131,000,000 Class A preferred shares and 102,404,115 Class B preferred shares were converted into ordinary shares. After conversion, there were 746,120,187 ordinary shares in issue, 112,066,951 Class A preferred shares and 732,265,807 Class B preferred shares.

The registered capital of the Bank presented in the balance sheet as at 31 December 2005 and 2004 is the registered capital per the Bank's letter of affidavit.

19. REVALUATION DEFICIT ON INVESTMENTS

	(Unit : Baht)	
	Consolidated and The Bank Only	
	2005	2004
Balance - beginning of year	(9,574,354)	14,067,420
Increase from changes in value of securities	14,793,289	722,206
Decrease from changes in value of securities	(10,439,437)	(12,728,504)
Transfer to gain (loss) from sale of investments	3,333	(11,635,476)
Balance - end of year	<u>(5,217,169)</u>	<u>(9,574,354)</u>

20. CAPITAL FUNDS

As at 31 December 2005 and 2004, the capital funds maintained by the Bank in accordance with Section 4 and Section 10 of the Banking business Undertaking Act B.E. 2505 as amended by the Banking business Undertaking Act No. 3 B.E. 2535, as reported to the Bank of Thailand, were as follows :-

	(Unit : Baht)	
	The Bank Only	
	2005	2004
Tier 1 capital		
Paid-up share capital	15,904,529,450	15,904,529,450
Premium on share capital	2,282,608,710	2,282,608,710
Deficit	(7,723,114,896)	(8,947,611,315)
Total	<u>10,464,023,264</u>	<u>9,239,526,845</u>
Tier 2 capital		
Reserve for assets classified as pass	125,470,693	78,725,141
Deficit on revaluation of investment - available-for-sale securities	(5,739,933)	(9,574,354)
Total	<u>119,730,760</u>	<u>69,150,787</u>
Total capital fund	<u>10,583,754,024</u>	<u>9,308,677,632</u>

Capital funds as discussed above are calculated based on the Bank of Thailand's guidelines.

21. STATUTORY RESERVE

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

22. GAIN (LOSS) ON INVESTMENTS

	(Unit : Baht)	
	Consolidated	
	For the years ended 31 December	
	2005	2004
Gain on sale of securities		
- Trading securities	-	893,380
- Available-for-sale securities	65,505,922	13,560,804
- Other investments	16,315,581	910,617
Gain (loss) from recategory of investments	(11,164,413)	4,293,113
Reversal of loss on impairment (loss on impairment)		
- Available-for-sale securities	50,397,700	(29,345,046)
- Other investments	91,651,063	(42,070,165)
Total gain (loss) on investments	<u>212,705,853</u>	<u>(51,757,297)</u>

	(Unit : Baht)	
	The Bank Only	
	For the years ended 31 December	
	2005	2004
Gain (loss) on sale of securities		
- Available-for-sale securities	(6,912,174)	13,560,804
- Other investments	16,315,581	910,617
Gain (loss) from recategory of investments	(11,164,413)	4,293,113
Reversal of loss on impairment (loss on impairment)		
- Available-for-sale securities	50,397,700	(29,345,046)
- Other investments	91,651,063	(42,070,165)
Total gain (loss) on investments	<u>140,287,757</u>	<u>(52,650,677)</u>

23. DIVIDEND FROM LIQUIDATION

The Bank had entered into a three-year cross currency interest rate swap agreement with Peregrine Fixed Income Limited, Hong Kong (PFIL) for USD 50 million under guarantee by Peregrine Investment Holding Limited, Hong Kong (PIHL) for USD 100 million value from 11 September 1996.

On January 1998, both PFIL and PIHL were in liquidation. The Bank launched counterclaims of HKD 225,241,151 and HKD 225,142,480, respectively against PFIL and PIHL, the claims would rank as unsecured debts. The Bank had already provided full provision in 1997.

For the year ended 31 December 2005, the Bank received the dividend from PIHL amounting HKD 10,357,738 (2004: HKD 11,707,409) which was presented as non-interest income item in the statements of earnings.

24. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits (exclusive of salaries and related benefits payable to executive directors) paid to the Bank's directors in accordance with Section 90 of the Public Limited Companies Act.

25. CORPORATE INCOME TAX

No corporate income tax is payable on the net earnings of the Bank for the year ended 31 December 2005 and 2004 since the Bank has tax loss brought forward in excess of net earnings for the year.

Corporate income tax of the subsidiary as presented in consolidated financial statements has been calculated on the net earnings for the year after adding back certain expenses which are disallowable for tax computation purposes.

26. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	For the years ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	2005	2004	2005	2004	2005	2004
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	1,161,133	1,130,023	638,000	237,140	1.82	4.77
Effect of dilutive potential ordinary shares						
Convertible preferred shares	-	-	844,333	1,077,737		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	1,161,133	1,130,023	1,482,333	1,314,877	0.78	0.86

27. NUMBER OF EMPLOYEES

	Consolidated		The Bank Only	
	2005	2004	2005	2004
Number of employees at the end of year (persons)	637	246	363	232

28. PROVIDENT FUND

During the year ended 31 December 2005, Baht 8,015,388 has been contributed to the provident fund by the Bank and its subsidiary company (2004: Baht 5,111,464) and the Bank only amounting to Baht 5,259,334 (2004: Baht 4,166,238).

29. RELATED PARTY TRANSACTIONS

As at 31 December 2005 and 2004, the Bank had significant business transactions with its subsidiaries and related companies in accordance with Accounting Standard, transactions with directors or management employees from departmental manager level upward, or company which the Bank or directors or such management employees hold more than 10 percent of the issued shares. Such transactions are summarised below: -

As at 31 December 2005 and 2004, the Bank and its subsidiaries had not granted the credit and made the commitments to directors or management employees from departmental manager level upward.

The outstanding balances of transactions between the Bank, its subsidiaries and related parties can be summarised as follows: -

	(Unit : Thousand Baht)			
	Consolidated		The Bank Only	
	2005	2004	2005	2004
Interbank and money market items (assets)				
Bangkok Bank Public Company Limited	400,377	8,445	384,293	7,802
Investments - net				
BLF Company Limited	-	-	1,199,540	-
Asia Credit Securities Company Limited	-	-	537,424	228,327
Leasing Sinn Asia Company Limited	-	-	272,901	-
BBL Asset Management Company Limited	12,500	12,500	12,500	12,500
Thai Petrochemical Industrial Public Company Limited	4,515	19,420	4,515	19,420
The Special Steel Industry Public Company Limited	1,673	-	1,673	-
Bangkok UFJ Company Limited	20,390	20,390	20,390	20,390
EMC Public Company Limited	2,078	-	2,078	-
Loans - net				
Leasing Sinn Asia Company Limited	-	-	1,089,990	-
BSL Leasing Company Limited	495,000	297,000	495,000	297,000
Billion Building Company Limited	40,323	82,832	40,323	82,832
Bangkok Industrial Gas Company Limited	39,600	-	39,600	-
Accrued interest receivables - net				
Billion Building Company Limited	14,966	14,971	14,966	14,971
Other assets - net				
Bangkok Bank Public Company Limited	269	-	268	-
Bualuang Securities Company Limited	-	23,984	-	23,984
Asia Credit Securities Company Limited	-	-	102	3
Deposits				
BLF Company Limited	-	-	748,361	-
Asia Credit Securities Company Limited	-	-	137,375	-
Rayong Electricity Generating Company Limited	34,905	-	34,905	-
Interbank and money market items (liabilities)				
Bangkok Bank Public Company Limited	49,523	-	-	-
Accrued interest payables				
BLF Company Limited	-	-	440	-
BSL Leasing Company Limited	15	29	15	29
Asia Credit Securities Company Limited	-	-	8	-
Rayong Electricity Generating Company Limited	209	-	209	-
Other liabilities				
Bangkok Bank Public Company Limited	8,692	-	8,692	-
BSL Leasing Company Limited	6,290	9,704	6,290	9,704
Petchburi Terminal Company Limited	-	1,813	-	1,813
Leasing Sinn Asia Company Limited	-	-	199,800	-
Off-balance sheet items				
Leasing Sinn Asia Company Limited	-	-	408,000	-
Bangkok Bank Public Company Limited				
Foreign currency bought forward contract	2,797	-	2,797	-
Foreign currency sold forward contract	431,265	29,264	431,265	29,264

Transactions occurring during the years ended 31 December 2005 and 2004 can be summarised as follows :-

	(Unit : Thousand Baht)			
	Consolidated		The Bank Only	
	For the years ended 31 December		For the years ended 31 December	
	2005	2004	2005	2004
Interest income	31,802	21,954	41,925	21,954
Dividend income	8,563	5,188	208,348	5,188
Fee and service income	-	1,305	463	-
Rental income	-	155	1,824	4,053
Other income	-	-	140	6
Interest expense	24,658	2,069	25,478	2,069
Fee and service expenses	256	167	177	167
Personnel expenses	638	1,365	638	1,365
Premises and equipment expenses	775	296	439	296
Other expenses	-	1,499	-	-

In addition to the above related party transaction, on 5 September 2005, the Bank acquired the business of BLF Company Limited (formerly known as "Bualuang Finance Company Limited") (subsidiary company) and received the transfer of its assets and liabilities at their book values as at the date of acquisition, amounting to Baht 4,828.47 million and Baht 3,880.21 million, respectively. These book values were determined based on financial statements prepared by the management of the subsidiary company and audited by other auditor. The net amount which the Bank must pay to acquire the assets and liabilities is Baht 948.26 million.

The Bank has established guidelines whereby interest rates, fee, service and building rental charges are to be set for related companies as if the transactions were being executed with unrelated parties, with the key consideration being maximisation of benefit to the Bank.

The interest rates used for the debt restructuring are based on the conditions in debt restructuring contracts.

The Bank's policy for set up an allowance for doubtful accounts of loans to related parties is similar to other receivables as described in Note 3.8 to the financial statements.

Details of receivables related parties and its movement during the year ended 31 December 2005, are as follows: -

	31 December	Addition during year	Repayment during year	Bad debt written-off	31 December	Period of contracts
	2004				2005	
Thai Petrochemical Industrial Public Company						
Limited	98,357	-	(55,042)	(11,392)	31,923	10 November 2004 - 30 December 2016
Treatthaboon Industry Company Limited	15,052	-	-	-	15,052	17 July 2002 - 17 July 2014
BSL Leasing Company Limited	300,000	270,000	(70,000)	-	500,000	11 June 2004 - 6 September 2006
M-Home SPV 3 Company Limited	82,611	-	(2,432)	-	80,179	July 2001 - No maturity
Petchburi Terminal Company Limited	408,450	-	(74,695)	(333,755)	-	9 May 2000 - 9 November 2015
Billion Building Company Limited	152,832	-	(42,509)	-	110,323	31 July 2000 - 22 July 2008

(Unit : Thousand Baht)

	31 December 2004	Addition during year	Repayment during year	Bad debt written-off	31 December 2005	Period of contracts
Leasing Sinn Asia						
Company Limited	-	1,151,000	(322,000)	-	829,000	Revolving loans
Leasing Sinn Asia						
Company Limited	-	272,000	-	-	272,000	23 August 2005 - 19 August 2010
Bangkok Industrial Gas						
Company Limited	-	40,000	-	-	40,000	Revolving loans

As at 31 December 2005, the Bank has set up allowance for doubtful accounts and allowance for revaluation of loans totaling Baht 213.56 million (2004: Baht 785.25 million).

The movements of deposits from related companies during the year ended 31 December 2005, are as follows: -

(Unit : Thousand Baht)

	31 December 2004	Addition during the year	Repayment during the year	31 December 2005	Period of contracts
Asia Credit Securities Company Limited	-	459,845	(322,470)	137,375	At call
BLF Company Limited	-	768,461	(20,100)	748,361	14 December 2005 - 5 January 2006
Rayong Electricity Generating					
Company Limited	-	1,087,297	(1,078,433)	8,864	At call
Rayong Electricity Generating					
Company Limited	-	8,614,162	(8,588,120)	26,042	3 October 2005 - 4 January 2006

The above deposits are promissory notes carried average interest rate of 2.98 to 3.85 percent per annum.

As at 31 December 2005, Bangkok Bank Public Company Limited has obligations under guarantees of Baht 0.63 million (2004: Baht 0.55 million) provided on behalf of the Bank, with the period of the relevant agreement being 30 August 2003 to 29 August 2006. The Bank paid the fees totaling Baht 0.01 million for the provision of such guarantees during the year ended 31 December 2005 (2004: Baht 0.01 million).

Relationship features of related party transactions can be categorised as follows: -

- The shareholder of the Bank, which holds more than 10 percent, is Bangkok Bank Public Company Limited.
- The companies which Bangkok Bank Public Company Limited hold more than 10 percent of their shares and have transactions with the Bank.
 - BBL Asset Management Company Limited
 - Thai Petrochemical Industrial Public Company Limited
 - BSL Leasing Company Limited
 - Treatthaboon Industry Company Limited
 - Petchburi Terminal Company Limited
 - The Bumrungrad Hospital Company Limited
 - The Special Steel Industry Public Company Limited
 - Bualuang Securities Company Limited
 - Bangkok Industrial Gas Company Limited
 - EMC Public Company Limited
- The company, which the Bank holds more than 10 percent of its shares, and is regarded the investment in related companies but not subsidiary, is BBL Asset Management Company Limited.

4. The subsidiaries of the Bank are
 - Asia Credit Securities Company Limited
 - BLF Company Limited (formerly known as “Bualuang Finance Company Limited”)
 - Leasing Sinn Asia Company Limited
5. The companies related through the Bank’s management and have transaction with the Bank.
 - Bangkok UFJ Company Limited
 - M-Home SPV 3 Company Limited
 - Billion Building Company Limited
 - Electricity Generating Public Company Limited
 - Rayong Electricity Generating Company Limited
 - Khanom Electricity Generating Company Limited

30. CONTINGENT LIABILITIES AND COMMITMENTS

30.1 Contingent liabilities and commitments of the Bank and its subsidiary, including those already shown in the balance sheet, consist of the following: -

(Unit : Million Baht)

	Consolidated					
	2005			2004		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bill	3.5	-	3.5	-	-	-
Guarantees						
Shipping guarantees	2.3	-	2.3	-	-	-
Others	84.3	-	84.3	9.3	-	9.3
Letter of credit	165.9	-	165.9	41.5	67.6	109.1
Other contingencies						
Bought forward contract	-	256.8	256.8	-	28.5	28.5
Sold forward contract	-	1,580.6	1,580.6	-	139.6	139.6
Total	256.0	1,837.4	2,093.4	50.8	235.7	286.5

(Unit : Million Baht)

	The Bank Only					
	2005			2004		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bill	411.5	-	411.5	-	-	-
Guarantees						
Shipping guarantees	2.3	-	2.3	-	-	-
Others	84.3	-	84.3	9.3	-	9.3
Letter of credit	165.9	-	165.9	41.5	67.6	109.1
Other contingencies						
Bought forward contract	-	256.8	256.8	-	28.5	28.5
Sold forward contract	-	1,580.6	1,580.6	-	139.6	139.6
Total	664.0	1,837.4	2,501.4	50.8	235.7	286.5

As at 31 December 2005 and 2004, the Bank's outstanding other contingent liabilities in foreign currency, as presented in the above table, amounted to Baht 1,837.4 million (USD 44.09 million and EURO 0.55 million) and Baht 235.7 million (USD 5.28 million and EURO 0.55 million), respectively.

30.2 As at 31 December 2005, the Bank and its subsidiaries had the following outstanding rental and service commitments under long-term lease agreements for its offices and office equipment, and other service agreements.

Year	(Unit : Million Baht) Amount
2006	64.15
2007	40.16
2008	15.85

30.3 The Bank is obliged to make contributions to the Fund for the Rehabilitation and Development of Financial Institutions, at a rate of 0.2 percent of the Bank's total outstanding balance of deposits, as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.

30.4 The subsidiary company operating in securities business is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis of Baht 50,000 and at the rate of 0.005 percent of the trading volume.

30.5 The subsidiary company operating in securities business is required to pay a membership fee to Securities Investor Protection Fund (SIPF), which is overseen by the Stock Exchange of Thailand, on a monthly basis, at a rate of 0.0005 percent of its trading volume.

30.6 The subsidiary company operating in securities business is required to pay a fee to the Office of the Securities and Exchange Commission in relation to securities business licensed for securities brokerage, securities trading, investment advisory and underwriting. The fee is charged at the rate of 1 percent per annum of income from the aforesaid activities with a minimum fee of Baht 200,000 per annum and a maximum fee of Baht 3,000,000 per annum.

30.7 The subsidiary company operating in securities business is required to pay contributions to the Compensation Fund for Clearing and Settlement, which is overseen by the Thailand Securities Depository Company Limited (TSD), on a monthly basis, at a rate of 0.008 percent of its net settlements.

30.8 Since the year 2001, the Bank transferred its non-performing loans to the Thai Asset Management Corporation (TAMC) as described in Note 1.3 to the financial statements, the Bank is still jointly liable for a share of the profits or losses arising from TAMC's management of the non-performing assets, at the end of fifth and tenth years, counting from 1 July 2001. The profit or loss cannot be estimated at this time, and therefore no liability has been provided for in the accounts.

31 LITIGATION

31.1 On 21 October 1999, the Bank received a court summons with a copy of the plaintiff's complaint stating that Krungthai Bank Public Company Limited Registered Provident Fund had sued the Bank for Baht 220 million (an unrealised loss from investment) plus accrued interest Baht 23 million (calculated from the default date to the filing date) on the grounds that the Bank had breached the agreement, dated 8 June 1995, appointing the Bank as provident fund manager. The Bank consulted with two law firms and their opinions were that nothing in the agreement or other prepared documentation expressly stated that the Bank is responsible for compensating the Provident Fund for unrealised losses. On 31 January 2003, the court of first instance dismissed the plaintiff's case and the plaintiff is currently lodging an appeal.

31.2 In 1999 and 2000, some purchasers of houses from a real estate development company sued the Bank for a total of Baht 1.02 million and the subcontractor of the real estate development company sued the Bank, as second defendant, to make the Bank jointly liable for compensation of Baht 35.9 million. All of these cases were brought on the grounds that as the project had been transferred to the Bank from the real estate development company, the Bank was jointly liable with the real estate development company. However, the Bank has argued that the transfer of such assets in settlement of debts does not make the Bank in any way legally obliged to the house purchaser and the Bank therefore has no obligation to accept liability for the financial commitments of that real estate company and no such liability will arise. Of the three cases brought, the court has suspended two of the cases, however, the plaintiff of such suspended case has request the court to reconsider the case and, on 28 June 2004 the court of first instance dismissed the plaintiff's case and the plaintiff is currently lodging an appeal. In the third case the Court of First Instance dismissed the plaintiff's case, but on 25 April 2003 the Appeals Court overturned this decision and found in favour of the plaintiff. The case is currently in the process of being filed with the Supreme Court.

31.3 On 14 March 2002, a company has sued the Bank for payment of damages of Baht 7.95 million on the grounds that the Bank did not provide financial support for the plaintiff's project but did not refund the related front-end fee and commitment fee. The Bank has consulted with a law firm, which is of the opinion that the Bank does not have an obligation to refund such amounts. On 18 April 2003, the court held in favour of the plaintiff. The Bank is in the process to appeal.

31.4 On 23 August 2004, a debtor sued the Bank in order to recover collateral, on the grounds that the debtor already repaid the related loan under its rehabilitation plan. The Bank's in-house lawyer was of the opinion that such collateral was shared with its joint debtor, and if such joint debtor does not repay its debt in full, the Bank has rights to such collateral. On 25 March 2005, the court held in favour of the plaintiff. The Bank is in the process to appeal.

32. FINANCIAL INFORMATION BY SEGMENT

The Bank and its subsidiaries' financial information by segment for the years ended 31 December 2005 and 2004 and as of 31 December 2005 and 2004 is as follows :-

(Unit : Million Baht)

	For the years ended 31 December											
	Bank/finance business		Securities business		Hire purchase business		Total		Elimination entries		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Interest and dividend												
income	1,545	1,116	12	3	19	-	1,576	1,119	(10)	-	1,566	1,119
Interest expenses	(492)	(223)	(21)	-	(11)	-	(524)	(223)	11	-	(513)	(223)
Net interest income and												
dividend income	1,053	893	(9)	3	8	-	1,052	896	1	-	1,053	896
Reversal of bad debt and												
doubtful accounts	409	925	1	-	-	-	410	925	-	-	410	925
Net interest income and												
dividend income after bad												
debt and doubtful												
accounts (loss)	1,462	1,818	(8)	3	8	-	1,462	1,821	1	-	1,463	1,821
Non-interest income (loss)	419	(66)	135	16	1	-	555	(50)	50	49	605	(1)
Non-interest expenses	(679)	(622)	(186)	(68)	(35)	-	(900)	(690)	-	-	(900)	(690)
Earnings (loss) before												
income tax and minority												
interests	1,202	1,130	(59)	(49)	(26)	-	1,117	1,081	51	49	1,168	1,130

(Unit : Million Baht)

	For the years ended 31 December											
	Bank/finance business		Securities business		Hire purchase business		Total		Elimination entries		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Corporate income tax	(9)	-	-	-	(1)	-	(10)	-	-	-	(10)	-
Earnings (loss) before												
minority interests	1,193	1,130	(59)	(49)	(27)	-	1,107	1,081	51	49	1,158	1,130
Minority interests in net loss												
in subsidiary companies	-	-	-	-	-	-	-	-	3	-	3	-
Net earnings (loss) for												
the year	1,193	1,130	(59)	(49)	(27)	-	1,107	1,081	54	49	1,161	1,130

(Unit : Million Baht)

	For the years ended 31 December											
	Bank/finance business		Securities business		Hire purchase business		Total		Elimination entries		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Investments - net	11,545	9,546	8	8	-	-	11,553	9,554	(2,010)	(228)	9,543	9,326
Loans and accrued interest												
receivables - net	19,380	10,047	296	-	1,567	-	21,243	10,047	(1,101)	-	20,142	10,047
Other assets	4,735	1,681	460	223	300	-	5,495	1,904	(636)	-	4,859	1,904
Total assets	35,660	21,274	764	231	1,867	-	38,291	21,505	(3,747)	(228)	34,544	21,277

33. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

33.1 Credit Risk

Credit risk is the risk that the party to a financial agreement fails to honour an obligation and consequently cause the Bank and the subsidiary companies to incur a financial damage. The Bank and the subsidiary companies have disclosed significant concentrations of credit risk in Note 7.4 to the financial statements. The maximum amount of credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the balance sheet. The risk from off-balance sheet derivative financial instruments is presented in Note 30 to the financial statements.

33.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

(Unit : Million Baht)

Transactions	Consolidated as at 31 December 2005			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Interbank and money market items	4	1,346	235	1,585
Securities purchased under resale agreement	-	536	-	536
Investments - net	-	8,530	1,013	9,543
Trading transactions with securities companies	-	-	82	82
Loans	6,056	18,419	406	24,881

(Unit : Million Baht)

Transactions	Consolidated as at 31 December 2005			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial liabilities				
Deposits	203	21,718	-	21,921
Interbank and money market items	-	918	-	918
Securities business payable	-	-	73	73

(Unit : Million Baht)

Transactions	The Bank Only as at 31 December 2005			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Interbank and money market items	1	1,268	208	1,477
Securities purchased under resale agreement	-	536	-	536
Investments - net	-	8,530	3,015	11,545
Loans	5,814	17,953	347	24,114
Financial liabilities				
Deposits	203	21,311	-	21,514
Interbank and money market items	-	1,804	-	1,804

The periods of time from the balance sheet date to the repricing or maturity dates (whichever dates are earlier) of financial instruments which have fixed interest rates are as follow: -

(Unit : Million Baht)

Transactions	Consolidated as at 31 December 2005							Interest rates %
	Repricing or maturity date							
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Total	
Financial assets								
Interbank and money market items	78	1,268	-	-	-	-	1,346	4.03
Securities purchased under resale agreement	-	536	-	-	-	-	536	3.91
Investments - net	-	20	250	6,265	1,995	-	8,530	3.09
Loans	4,533	5,517	3,906	2,926	1,537	-	18,419	7.10
Financial liabilities								
Deposits	829	17,281	2,580	1,028	-	-	21,718	2.26
Interbank and money market items	207	711	-	-	-	-	918	3.45

(Unit : Million Baht)

The Bank Only as at 31 December 2005								
Transactions	Repricing or maturity date						Total	Interest rates %
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified		
Financial assets								
Interbank and money market items	-	1,268	-	-	-	-	1,268	4.28
Securities purchased under resale agreement	-	536	-	-	-	-	536	3.91
Investments - net	-	20	250	6,265	1,995	-	8,530	3.09
Loans	4,533	5,517	3,906	2,460	1,537	-	17,953	7.10
Financial liabilities								
Deposits	829	16,874	2,580	1,028	-	-	21,311	2.22
Interbank and money market items	1,093	711	-	-	-	-	1,804	3.45

33.3 Liquidity risk

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

(Unit : Million Baht)

Consolidated as at 31 December 2005								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							Performing Loans	
Financial assets								
Interbank and money market items	317	1,268	-	-	-	-	-	1,585
Securities purchased under resale agreement	536	-	-	-	-	-	-	536
Investments - net	-	20	900	6,265	1,995	363	-	9,543
Trading transactions with securities companies	-	82	-	-	-	-	-	82
Loans	1,536	5,706	4,562	5,516	3,557	-	4,004	24,881
Financial liabilities								
Deposits	1,032	17,281	2,580	1,028	-	-	-	21,921
Interbank and money market items	207	711	-	-	-	-	-	918
Securities business payable	-	73	-	-	-	-	-	73
Off-balance sheet items								
Avals to bill and guarantees	2	4	-	-	-	84	-	90
Letter of credit	15	146	5	-	-	-	-	166
Other contingencies	-	1,534	303	-	-	-	-	1,837

(Unit : Million Baht)

Transactions	The Bank Only as at 31 December 2005							Non Performing Loans	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified			
Financial assets									
Interbank and money market items	209	1,268	-	-	-	-	-	-	1,477
Securities purchased under resale agreements	536	-	-	-	-	-	-	-	536
Investments - net	-	20	900	6,265	1,995	2,365	-	-	11,545
Loans	1,294	5,652	4,562	5,050	3,557	-	3,999	-	24,114
Financial liabilities									
Deposits	1,032	16,874	2,580	1,028	-	-	-	-	21,514
Interbank and money market items	1,093	711	-	-	-	-	-	-	1,804
Off-balance sheet items									
Avals to bill and guarantees	2	412	-	-	-	84	-	-	498
Letter of credit	15	146	5	-	-	-	-	-	166
Other contingencies	-	1,534	303	-	-	-	-	-	1,837

33.4 Foreign exchange risk

The Bank's policy on derivatives includes using foreign currency forward purchase/sale contracts to meet its customers' needs or hedge against exchange rate risk.

33.5 Fair value

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

a) Financial assets

The methodology used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the balance sheet, including cash, interbank and money market items and loans which are considered to approximate their respective carrying value since they are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investment in securities, fair values are determined from the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including deposits and interbank and money market items, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2005, there are no material differences between the book value of financial instruments and their fair value, except that the fair values of investments in held-to-maturity debt securities as follow.

	Net book value	Fair value
Government bond	5,600	5,360
Debenture	150	Cannot be reasonably determined
Bill of exchange	138	Cannot be reasonably determined

The fair value of such government bond is determined using the formula quoted by the BOT, which is based on the yield rate quoted by The Thai Bond Market Association.

The fair value of off balance sheet items cannot be reasonably determined and thus has not been disclosed.

34. PRESENTATION

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

Certain amounts in the prior year's financial statements, as presented herein for comparative purposes, have been reclassified due to the upgrade of status to a commercial bank, as described in Note 1.2 to the financial statements, with accounts previously presented in the format for a finance company being presented in the format for a commercial bank, to conform to the current year's classification, with no effect to the net earnings or shareholders' equity previously reported.

Management Structure

The Bank's management structure comprises the Board of Directors and the other four committees under the Board of Directors' direct supervision, namely Audit Committee, Corporate Governance Committee, Executive Committee and Risk Management Committee.

Furthermore, the Bank also has another seven sub-committees appointed by the Executive Committee to enhance operation efficiency and ensure compliance with the authorities' regulations, as follows:

- Management Committee
- Credit Committee
- Asset and Liability Committee
- Technology Committee
- Assets Appraisal Committee
- Assets Appraisal Sub-Committee
- Assets Management Committee

(1) The Board of Directors comprises eleven members as follows:

*	Mr. Chanchai	Leetavorn	Chairman
*	Dr. Charnchai	Musignisarkorn	Vice Chairman
*	Mr. Joti	Bhokavanij	Vice Chairman
*	Mr. Thongchai	Ananthothai	President
	Ms. Pannee	Sathavarodom	Director
	Mr. Kritsda	Udyanin	Director
*	Mr. Vudhiphol	Suriyabhivadh	Director
	Mr. Vim	Tayaputch	Director
	Dr. Kosol	Petchsuwan	Director
	Mr. Plengsakdi	Prakaspesat	Director
	Mr. Charnchai	Charuvastr	Director

Remark: * To bind ACL BANK, any two of these five directors jointly sign and affix with the Bank's seal.

The Bank's directors are chosen by the shareholders' meeting. A director shall be chosen by the majority of votes. If there is an equality of votes, the chairman of the meeting shall cast the deciding vote. At each annual general meeting of shareholders, one-third of directors shall retire. The retiring directors are eligible for re-election. In this regard, the Bank has the Corporate Governance Committee to nominate and propose the qualified person to position as director of the Bank. The Board of Directors must hold a meeting at least once in every three months. In 2005, there were eleven Board of Directors' meetings.

The Board of Directors has the scope of duties and responsibilities as follows:

- 1) To manage the Bank in compliance with the laws, the objectives and Articles of Association of the Bank as well as the resolutions of the shareholders' meeting.
- 2) To set policy and direction for the Bank's business operation, control and oversee the operation of the Management in line with the Bank's policy with efficiency.
- 3) To approve and authorise the Bank's business plan, budget and dividend payment policy.
- 4) To assign one or several directors or any other persons to perform any acts on its behalf.
- 5) To appoint and change the directors with signatory power legally binding the Bank.

(2) The Bank has four committees under the Board of Directors' direct supervision as follows:

(2.1) The Audit Committee comprises three members as follows:

Dr. Kosol	Petchsuwan	Chairman
Mr. Plengsakdi	Prakaspesat	Member
Mr. Charnchai	Charuvastr	Member

The Audit Committee was set up on May 30, 2000. Term for holding office is one year. The retiring members are eligible for re-appointment. Audit Committee meeting shall be held not less than four times a year. In 2005, there were seven meetings held.

The Bank's Audit Committee members have the same qualifications as those of the independent director under the Best Practice Guideline for the Audit Committee approved by the SET, the Office of the Securities and Exchange Commission (SEC) and the BOT as follows:

- 1) Holding shares not more than 0.5% of the paid-up capital of the Bank, affiliated company, associated company or related company, which shall be inclusive of the shares held by related persons.
- 2) Being a director who does not take part in the management of the Bank, not being an employee, staff member or advisor who receives a regular salary from the Bank, not being an auditor or person who has controlling power over the Bank, associated company or related company.
- 3) Being a director who does not have business relationship such as customer, creditor or guarantor or person who has a conflict of interest, both direct and indirect benefit in finance and management of the Bank, affiliate company, associated company or related company or majority shareholder of the Bank, and also has no benefit or interest of the said nature during the period of more than one year.
- 4) Being a director who is not a close relative or related person of any management member or majority shareholder of the Bank, and being a director who is not appointed as a representative of the majority shareholder of the Bank and has no other relationship that may affect his independence.

The Audit Committee has the scope of duties and responsibilities and shall report to the Board of Directors as follows:

- 1) To review the financial reporting process and the disclosure of its financial information, in which the financial statement must be correct and sufficient.

- 2) To review that the Bank has adequate and effective internal control and internal audit systems.
- 3) To review that the Bank follows the Securities Act, the regulations of the SET and the relevant regulations and laws.
- 4) To consider, select and propose the appointment of the external auditor and audit fee.
- 5) To ensure that the Bank discloses all connected transactions or conflict of interest activities correctly and completely.
- 6) To produce the Audit Committee's report to be included in the annual report. The report must be signed by the Chairman of the Audit Committee.
- 7) To perform any matters as assigned by the Board of Directors and accepted by the Audit Committee.

To perform duties stated above, the Audit Committee has direct responsibilities to the Board of Directors and the Board of Directors has responsibilities to the public for the operations.

(2.2) The Corporate Governance Committee comprises three members as follows:

Mr. Charnchai	Charuvastr	Chairman
Ms. Pannee	Sathavarodom	Member
Mr. Vudhiphol	Suriyabhivadh	Member

The Corporate Governance Committee was set up on December 24, 2004. Term for holding office is two years. The Corporate Governance Committee meeting shall be held not less than four times a year. In 2005, there were four meetings held.

The Corporate Governance Committee has the scope of duties and responsibilities as follows:

1) Nomination

- 1.1) To establish policy and procedures to select directors, CEO and members of the committees under the Board of Directors' direct supervision. The policy and procedures must be readily available for submission to the BOT when required.
- 1.2) To select and propose qualified individuals for the following positions for the Board of Director's approval.
 - Directors of the Bank
 - Members of committees under the Board of Directors' supervision (Excluding non-director members)
 - CEO
- 1.3) To ensure the appropriateness of the composition of the Board of Directors in terms of number of members and variety of knowledge and experience contributing to the Bank's business operation in response to the changing environment.
- 1.4) To review performance, qualification or other related issues concerning members of the Board of Directors upon request or as required.
- 1.5) To ensure that the Bank has in place programs for the effective induction of new directors, which include sessions with key employees, product reviews and reviews of strategic and business plans.

2) Compensation

- 2.1) To establish policies and procedures for compensation and benefits granted to the Board of Directors and Committees under the Board of Directors' direct supervision for the Board of Directors' approval to ensure the fairness and transparency. The policies and procedures must be readily available for submission to the BOT when required.
- 2.2) To review the corporate goals and objectives to be used by the Corporate Governance Committee for evaluating the performance of the CEO and use the evaluation result for the purpose of determining the CEO's compensation.
- 2.3) To review the base salary, annual salary adjustment, cash bonus plans and cash bonus payouts, stock-based incentives and other forms of compensation, as well as terms of employment of the CEO for the Board Chairman's approval.

3) Corporate Governance

- 3.1) To develop and recommend to the Board of Directors the corporate governance policies reflecting generally accepted principles of good corporate governance.
- 3.2) To advise the Board of Directors and the Management in complying with its corporate governance policies while maintaining a flexible and dynamic management.
- 3.3) To oversee the implementation of good corporate governance at all levels in the Bank.
- 3.4) To review and recommend to the Board of Directors appropriate changes, if any, to the corporate governance policy, the Articles of Association, the Memorandum of Association and the code of business conduct, at least on an annual basis.

(2.3) The Executive Committee comprises five members as follows:

Dr. Charnchai	Musignisarkorn	Chairman
Mr. Joti	Bhokavanij	Vice Chairman
Mr. Thongchai	Ananthothai	Member
Mr. Vudhiphol	Suriyabhivadh	Member
Mr. Vim	Tayaputch	Member

The Executive Committee has the scope of duties and responsibilities as follows:

- 1) To perform duties as delegated by the Board of Directors, and to regulate the criteria and procedures regarding the consideration and approval of credit facilities, debt restructuring, securities investment, acquisition and transfer of immovable properties resulting from the debt restructuring or acceptance of the mortgage of properties of the Bank, including the operation of any other normal businesses, or businesses concerned with the normal businesses of the Bank.
An acquisition of debt instruments concerned with and/or resulting from the credit facility approval shall be in compliance with the criteria and procedures regarding the approval of credit facility.
- 2) To be responsible for various matters requiring an approval of the Board of Directors or the shareholders pursuant to the applicable laws and the Bank's Articles of Association such as strategies, policies, annual business plan and budget, financial results and issuance of the Bank's securities, etc.

- 3) To approve the policy of human resource management, to adjust the business organisation and the management development plans and to procure the evaluation of the employees' performance.
- 4) To appoint, amend, revise, alter and add the authorities, responsibilities, criteria and procedures of any sub-committees.
- 5) To immediately report to the Board of Directors any committed fraud or suspect fraud or illegal conduct or any other misconduct, which may have a material impact on the Bank's reputation or financial position.
- 6) To be responsible for any other matters assigned by the Board of Directors.

The Committee holds a meeting every week.

(2.4) The Risk Management Committee comprises seven members as follows:

Mr. Joti	Bhokavanij	Chairman
Mr. Thongchai	Ananthothai	Member
Ms. Tarissa	Tanjasiri	Member
Mr. Hock Chye, Yeo		Member
Ms. Ratchanee	Mesommonta	Member
Ms. Sumana	Pornnutvutikul	Member
Mr. Apichart	Kasemkulsiri	Member

The roles and responsibilities of the Risk Management Committee are:

- 1) To formulate risk management policies for the Bank and propose the policies to the Board of Directors for consideration.
- 2) To arrange organisation structure and resources to accommodate the implementation of risk management policies.
- 3) To set the maximum limit for different types of core risks and propose such limits to the Board of Directors for consideration.
- 4) To review appropriateness of risk management policies and propose changes in policies to the Board of Directors for consideration.
- 5) To monitor the implementation of risk management policies by various divisions/departments and report to the Board of Directors.

The Risk Management Committee's meeting is held at least once a quarter.

(3) The Bank has seven sub-committees appointed by the Executive Committee as follows:

(3.1) The Management Committee comprises eight members as follows:

Mr. Joti	Bhokavanij	Member
Mr. Thongchai	Ananthothai	Member
Ms. Tarissa	Tanjasiri	Member
Mr. Hock Chye, Yeo		Member
Ms. Ratchanee	Mesommonta	Member
Ms. Potchanart	Seebungkerd	Member
Ms. Sumana	Pornnutvutikul	Member
Mr. Apichart	Kasemkulsiri	Member

The Management Committee was set up on March 10, 2005. The Committee holds a meeting every week.

The roles and responsibilities of the Management Committee are:

- 1) To be responsible for setting business strategy, prioritising the allocation of the Bank's overall resources, monitoring adherence to the Bank's core values and ensuring outstanding service to the Bank's customers.
- 2) To act as an advisory body to all business units in developing policies, rules and regulations to achieve vision, mission, corporate values and brand objective.
- 3) To ensure good corporate governance across the organisation.
- 4) To strengthen team-based culture by collaborating on cross-functional team-based projects to achieve corporate end results, mitigating and solving cross-functional problems.
- 5) To make decisions on major business issues that do not belong to any other decision-making bodies in the organisation.
- 6) To oversee and ensure high standard of bank-wide business conduct including the performance of sub-committees such as Credit Committee, Asset and Liability Committee, and Technology Committee, etc.
- 7) To oversee and co-ordinate all people issues across the organisation to ensure leadership bench strength, career advancement, talent retention and happy working environment.

(3.2) The Credit Committee comprises six members as follows:

Mr. Thongchai	Ananthothai	Chairman
Ms. Tarissa	Tanjasiri	Member
Mr. Hock Chye, Yeo		Member
Ms. Sumana	Pornnutvutikul	Member
Ms. Suree	Wipatakanok	Member
Mr. Tejanan	Tejasen	Member

The Credit Committee decides on credit proposals or gives recommendations to the Executive Committee. The Committee holds a meeting every week.

(3.3) The Asset and Liability Committee comprises seven members as follows:

Mr. Thongchai	Ananthothai	Chairman
Ms. Tarissa	Tanjasiri	Member
Mr. Hock Chye, Yeo		Member
Ms. Sumana	Pornnutvutikul	Member
Mr. Apichart	Kasemkulsiri	Member
Ms. Suree	Wipatakanok	Member
Mr. Tejanan	Tejasen	Member

The Asset and Liability Committee was set up on June 28, 2001.

The Committee holds a meeting every month.

The Asset and Liability Committee has the scope of duties and responsibilities as follows:

- 1) To review and validate Treasury Division's assumption.
- 2) To define a strategy related to liquidity management, including day-to-day management of liquidity.
- 3) To ensure that liquidity is effectively managed and that appropriate procedures and policies are established to control and limit liquidity risk.
- 4) To define a policy in term of interest rate.
- 5) To ensure that the Bank has an adequate information system for measuring, monitoring, controlling and reporting liquidity risk.
- 6) To approve gaping limits.
- 7) To diversify funding sources.
- 8) To validate contingency funding plan.

(3.4) The Technology Committee comprises eight members as follows:

Mr. Joti	Bhokavanij	Chairman
Mr. Thongchai	Ananthothai	Member
Ms. Tarissa	Tanjasiri	Member
Mr. Hock Chye, Yeo		Member
Ms. Ratchanee	Mesommonta	Member
Ms. Potchanart	Seebungkerd	Member
Ms. Sumana	Pornnutvutikul	Member
Mr. Apichart	Kasemkulsiri	Member

The Technology Committee was set up on September 20, 2002. The Committee holds a meeting at least every quarter.

The Technology Committee has the scope of duties and responsibilities as follows:

- 1) To establish objectives for the Bank's long-range IT plans and link them to the Bank's overall strategy.
- 2) To oversee the information technology functions and its activities.
- 3) To oversee the development and maintenance of IT strategic plan.
- 4) To approve and monitor major projects, priorities, standards, procedures and overall IT performances.
- 5) To approve the IT procurement as per the Limits of Authorities.
- 6) To oversee IT outsourcing policy and practices.
- 7) To ensure the IT governance.
- 8) To oversee IT Working Group's operation:
 - To provide strategic directions to IT Working Group.
 - To make the decision on the IT major project acquisitions as proposed by IT Working Group.
 - To consult with IT Working Group and appoint a chairperson for such group.

(3.5) The Assets Appraisal Committee comprises seven members as follows:

Mr. Khanate	Sakulyong	Chairperson / Member
Mr. Buppachai	Jirachaisakul	Member
Mr. Chaiyarit	Teerasiripong	Member
Ms. Orawan	Phromkwamkit	Member
Ms. Kanchana	Vongratanakulthon	Member
Mr. Thammanoon	Tulkham	Member
Mr. Parames	Tonnamning	Member

The Assets Appraisal Committee was set up on July 12, 2001. The Committee holds a meeting every week.

The Assets Appraisal Committee has the scope of duties and responsibilities as follows:

- 1) To consider the list of independent appraisers to be proposed to the Executive Committee for approval.
- 2) To have authority to approve the result of assets appraisal or assets valuation of the debtor's collateral, over the scope of duties and responsibilities of Assets Appraisal Sub-Committee and foreclosed immovable properties acquired from debt repayment or purchasing from auction.
- 3) To have authority to revoke any independent appraiser from the approved list in case of breaching an agreement with the Bank, or in case that the performance dose not meet the appraisal criteria of the Bank, or such independent appraiser was revoked from the approved list of the Assets Appraisers' Association of Thailand or the SET or the BOT for appropriate reasons.
- 4) To have authority to invite any person to provide information, explanation, opinion or technical advice as it deems appropriate.

(3.6) The Assets Appraisal Sub-Committee comprises the following members:

- Deputy Vice President of Collateral Appraisal Department Chairman / Member
- Section Head of Collateral Appraisal Unit Member
- All Officers of Collateral Appraisal Unit Members

The Assets Appraisal Sub-Committee was set up on August 19, 2005. The Committee holds a meeting every week.

The Assets Appraisal Sub-Committee has the scope of duties and responsibilities as follows:

- 1) To approve the result of collateral appraisal made by independent appraiser for the debts that have book value not exceeding 20 million bath, specifically such collateral as immovable properties and machines.
- 2) To approve the result of examination of the construction progress.

(3.7) The Assets Management Committee comprises six members as follows:

Mr. Thongchai	Ananthothai	Chairman
Mr. Hock Chye, Yeo		Member
Ms. Sumana	Pornnutvutikul	Member
Ms. Kanchana	Vongratanakulthon	Member
Ms. Jungjai	Loharangsikul	Member
Mr. Khanate	Sakulyong	Member

The Assets Management Committee was set up on August 4, 2004. The Committee holds a meeting every week.

The Assets Management Committee has the scope of duties and responsibilities as follows:

- 1) To consider the loan officers' proposals regarding sale of the Bank's collateral at auction and approve/recommend the objection and intervention prices to the Executive Committee for approval.
- 2) To consider the proposals of Assets Management Unit and approve/recommend minimum selling price including terms and conditions of assets for sale to the Executive Committee for approval.
- 3) To approve rental price together with terms and conditions of assets for sale proposed by Asset Management Unit.

(4) List of Executive Officers

Mr. Chanchai	Leetavorn	Chairman
Mr. Joti	Bhokavanij	Vice Chairman and Chief Executive Officer
Mr. Thongchai	Ananthothai	President
Ms. Tarissa	Tanjasiri	Senior Executive Vice President, Corporate Banking Division and Banking Operations Division
Mr. Hock Chye, Yeo		Executive Vice President, Risk Management Division
Ms. Ratchanee	Mesommonta	Executive Vice President, Technology Division
Ms. Potchanart	Seebungkerd	Executive Vice President, Organisation Development Division
Ms. Sumana	Pornnutvutikul	Executive Vice President, Recovery Division
Mr. Apichart	Kasemkulsiri	Executive Vice President, Treasury Division
Ms. Orapin	Sreesangkom	Senior Vice President, General Secretariat Division and Corporate Secretary
Ms. Yimhuang	Khow	Senior Vice President, Banking Operations Division
Ms. Chonlanee	Riebroicharoen	First Vice President, Accounting Department
Ms. Sukarnda	Ongjindapipat	Vice President, Financial Control Department

Corporate Governance

The Bank has attempted to continue the development in good corporate governance in order to raise the confidence of the investors, shareholders, customers, staffs and all parties concerned. The Bank has standardised the operations in line with the 15 principles of good corporate governance under the criteria defined by the SET and other supervisory authority as follows:

(1) Policy on corporate governance

The Board of Directors has well recognised that good corporate governance is the important mechanism for administration under transparent framework, which should be auditable to ensure confidence and maximum benefit to the shareholders in the long term. The Bank pays attention to all parties concerned by showing respect and providing equitable and fair treatment to all shareholders. The Bank is also concerned about prevention of conflict of interest. The Board of Directors and the Management are honest, trustworthy, and responsible for their duties. In addition, the Bank gives importance to the disclosure of clear, transparent and sufficient information.

To comply with the SET's regulations on corporate governance within the Bank, the Corporate Governance Committee was established for the best practice. The scope of duties and responsibilities of the Committee are to establish policy and procedures for selection of directors and for compensation and benefits granted to directors, to develop and recommend the Board of Directors the corporate governance policies reflecting generally accepted principles of good corporate governance, to advise the Board of Directors and the Management in complying with its corporate governance policies while maintaining a flexible and dynamic management, to oversee the implementation of good corporate governance at all levels in the Bank, and to review and recommend to the Board of Directors appropriate changes to the corporate governance policy and the code of business conduct, at least on an annual basis.

Besides, the Bank has prepared the code of business conduct for staff's use as operational guideline and promoted the staff's awareness of the responsibility in performing their duties under the good corporate governance and in compliance with regulations and notifications. All staff have well studied and signed for acknowledgment of the principles of practices defined in such code.

(2) Shareholders' rights

The annual general meeting of shareholders for 2005 and the extraordinary meeting of shareholders No. 1/2005 were held at the Bank. The Bank sent a notice of the shareholders' meeting, annual report together with documents related to the agenda to the shareholders 14 days prior to the meeting, which exceeds the period prescribed by the law to ensure that related information would exhaustively and carefully be considered by the shareholders. The Bank also announced the shareholders' meeting in Thai daily newspapers for three consecutive days and not less than three days before the meeting. Each agenda of the meeting contained the Board of Directors' opinion to facilitate shareholders' consideration for voting. The minutes of the meeting were recorded completely and correctly for shareholders' examination. The proxy form was enclosed in the notice of the shareholders' meeting for the shareholders to appoint either his nominee or the Chairman or the President or independent director as his proxy to attend the meeting in case of inability to attend the meeting by himself.

(3) Rights of stakeholders

The Bank has recognised the rights of its stakeholders. Each party, involving the Bank's staff, management, customers, creditors, shareholders or related agencies, has been treated equally and fairly in accordance with the laws and related rules and regulations to ensure rights of stakeholders are well and fairly protected.

(4) Shareholders' meeting

At the shareholders' meeting held by the Bank, the shareholders are fairly treated by the Bank. The shareholders' meeting is held in compliance with the laws and the SET's regulations. At the annual general meeting of shareholders for 2005, 10 directors including Chairman of the Audit Committee attended the meeting. At the extraordinary meeting of shareholders no. 1/2005, nine directors including Chairman of the Audit Committee attended the meeting. The Bank allocated sufficient period to conduct the meeting by allowing two hours prior to the meeting for shareholders' registration and distribution of the tickets for casting the votes. The Chairman of the meeting welcomed shareholders opportunities to exercise their rights for examining the Bank's operation, making queries, providing opinion as well as suggestions. Queries and opinions made by the shareholders were recorded in the minutes of the meeting.

(5) Leadership and vision

- The Bank has clearly stated the duties, roles and responsibilities of the directors as well as the methods to select, appoint and demote the directors, in accordance with the Bank's regulations and principles of corporate governance. The directors of the Bank are screened for their knowledge and ethics to carry out the banking business, variety of skills and competencies that benefit the Bank, and willingness to dedicate their time and effort to perform as member of the Board of Directors.
- The Board of Directors approves the vision, mission, strategy, direction and policy related to the business operation of the Bank, including its business plan and annual budget. The Board of Directors delegates authority and defines duties and responsibilities of the Executive Committee, and other committees as well as those of the Management as detailed in Management structure.
- The Board of Directors supervises and monitors the overall management of the Bank efficiently and effectively according to the stated business plan and policy in conformity with any laws and regulations as well as the resolutions of shareholders' meeting, in the best interest of the Bank and all stakeholders.
- The Board of Directors also provides appropriate procedures of internal control and risk management to attain international standard of business operation. In order to achieve the sustainable good performance, the Bank has taken into consideration both current and future risk, in conformity with the Bank's visions, missions, business ethics as well as good governance principles.

(6) Conflict of interest

The Bank has set up measures to supervise and avoid the occurrence of transactions that may have conflict of interest. The criteria and procedures of related transaction approval are determined in writing in compliance with the criteria defined by the SET, the SEC and the BOT. For any transaction with persons who may have conflict of interest, the Bank treats such transaction as an ordinary transaction in the usual course of business that has the same normal commercial term as that made with other persons. The Bank also strictly follows the steps or procedures defined by regulatory authorities. The persons who may have conflict of interest have no right to vote on the issues concerning consideration or approval of such transaction. Details of related transactions are disclosed in the Annual Report and Form 56-1.

The Bank's measures on disclosure of information, which may have conflict of interest, require the Management to disclose business transactions, which are relating to them on a quarterly basis. The Bank has stated the best practice in the Code of Business Conduct to encourage the staff to perform their duties with responsibility for the benefits of the Bank and avoid seeking benefits for themselves or related persons both directly and indirectly.

(7) Code of Business Ethics

The Bank has established the Code of Business Ethics as referential guideline for the Management and staff, which requires certified signatures in writing. The content of the Code of Business Ethics covers protection of the customers' confidential information, correctness and reliability of the information, conflict of interest, the best practice for the staff including penalty in case of violation of the Code. The Bank will occasionally review and amend the Code in line with external situation and will further announce to the Management and staff for practice.

(8) Balance of power for non-executive directors

The Board of Directors comprises 11 highly experienced persons from various fields. There are four representatives of the MOF and three independent directors performing as members of the Audit Committee. Furthermore, there are three executive directors serving on the Board of Directors. This reflects a balance of power in the Board of Directors and an efficient management that ensures investors that no single person will have an absolute power to make any decision in the Bank's affairs.

(9) Aggregation or segregation of positions

The Chairman of the Board of Directors is not the same person as the Chief Executive Officer or the President. However, the Board of Directors consists of representatives of the MOF and external directors, which ensures a balance of power and a review of administration.

(10) Remuneration for Directors and Executives

In 2005, ACL BANK paid remuneration to directors and executives as follows:

1. Remuneration for directors

Details of directors' fee for 2005

No.	Name	Total (baht)
1	Mr. Chanchai Leetavorn	280,500.00
2	Mr. Joti Bhokavanij	280,500.00
3	Mr. Thongchai Ananthothai	280,500.00
4	Mr. Panit Dunnvatanachit	255,000.00
5	Ms. Pannee Sathavarodom	229,500.00
6	Mr. Kritsda Udyanin	229,500.00
7	Mr. Vudhiphol Suriyabhivadh	280,500.00
8	Dr. Kosol Petchsuwan	255,000.00
9	Mr. Plengsakdi Prakaspesat	280,500.00
10	Mr. Charnchai Charuvastr	255,000.00
	Total	2,626,500.00

Details of the Audit Committee members' fee for 2005

No.	Name	Total (baht)
1	Dr. Kosol Petchsuwan	1,225,806.00
2	Mr. Plengsakdi Prakaspesat	612,903.00
3	Mr. Charnchai Charuvastr	612,903.00
	Total	2,451,612.00

Details of the Corporate Governance Committee members' fee for 2005

No.	Name	Total (baht)
1	Mr. Chanchai Leetavorn	146,774.00
2	Mr. Charnchai Charuvastr	539,517.00
3	Mr. Vudhiphol Suriyabhivadh	306,452.00
	Total	992,743.00

2. Remuneration for Executives

Executive Directors and Executives	2004		2005	
	No. of persons	Total amount (baht)	No. of persons	Total amount (baht)
Salary	11	38,154,113.87	13	56,107,806.00
Bonus		3,894,390.00		26,597,262.00
Others		6,767,960.62		21,556.90
Total	11	48,816,464.49	13	82,726,642.90

(11) Board of Directors' meetings

The Bank's Board of Directors holds a meeting on a quarterly basis. The agenda of the meeting comprises consideration of policies, granting of credit facilities and report on the Bank's performance. Corporate Secretary Department sends notice of the meeting together with the agenda and related documents to the directors seven days before the meeting so as to enable the directors to have enough time to study the information before attending the meeting. Normally, each meeting takes around one hour and 30 minutes. The minutes of the meeting are prepared in writing and filed properly. The minutes of the Board of Director's meetings certified by the Board of Directors are available for examination by the Board of Directors and related persons.

In 2005, there were 11 Board of Directors' meetings. The attendance of the directors is as follows:

Name	Attendance / Total no. of meetings
1. Mr. Chanchai Leetavorn	11/11
2. Mr. Joti Bhokavanij	11/11
3. Mr. Jacques Bouchery	11/11
4. Mr. Thongchai Ananthothai	11/11
5. Mr. Panit Dunnvatanachit	10/11
6. Ms. Pannee Sathavarodom	9/11
7. Mr. Kritsda Udyanin	9/11
8. Mr. Plengsakdi Prakaspesat	11/11
9. Dr. Kosol Petchsuwan	10/11
10. Mr. Vudhiphol Suriyabhivadh	11/11
11. Mr. Charnchai Charuvastr	10/11

Note: - Mr. Panit Dumvatanachit resigned on December 21, 2005.
- Mr. Jacques Bonchery resigned on January 10, 2006.

(12) Sub-committees

The Board of Directors has appointed various committees to help supervise and administer the Bank. Details are shown under Management Structure.

(13) Internal control system and internal audit

13.1) Internal control system

Internal control system is one of the mechanisms, of which the Board of Directors of the Bank realises the importance. The internal control system is essential to prevent damageable consequences, which may be incurred to the Bank and its subsidiaries, and to safeguard the benefits of the stakeholders of the Bank. The Executive Committee and the Bank's senior management have been assigned to take full responsibilities for monitoring and controlling the sound operations of the Bank by encompassing all prudential types of controls which are adequate and efficient for banking business operation to fulfill the following primary objectives:

- 1) To efficiently and effectively operate and optimise the use of available resources as well as mitigate or diminish financial losses or any damages which may arise and impact the Bank as a whole.
- 2) To present comprehensive, accurate, timely and reliable financial reports to support the Management's decision-making and control over the business and operational management in order to maximise stakeholders' benefits.
- 3) To regulate all employees of the Bank and its subsidiaries to completely and correctly perform in compliance with the institutional framework governing the operation of the Bank and with all internal policies including rules and regulations.

With the distinct managerial policy of the Board of Directors and the Management to promote and support the establishment of efficient internal control system, the Bank has determined and provided the internal control system in response to international guidance of Committee of Sponsoring Organisations of the Treadway Commission, (COSO). All employees are also required to take responsibilities for setting up a control system within the Bank which covers the following key control systems:

Control environment

The Bank has clearly defined its organisational structure and detailed description of tasks and responsibilities for each activity and operation unit with clear segregation of duties in order to promote check and balance control. Such structure supports the implementation of the Bank's business strategies and the effective management control. In addition, human resource development has also been encouraged with selection of qualified staff to harmonise their competencies with the designated duties and responsibilities and the continuing staff development to cope with change of business environment.

Furthermore, the Bank has set clear operational policies, limit of authorities, operational manuals which cover all business undertakings of each unit in writing. The duties and responsibilities across the various jobs and operational units in conjunction with authorisation system have also been clearly defined. The detailed procedures for each type of operation, as well as a detailed manual of such procedures are communicated to the personnel in charge of the execution and control of the particular operation to stringently comply with.

Risk management

A risk-specific approach as well as well-documented risk policy have been clearly formulated and approved to cope with all possible risk occurrence. They have also been timely implemented and communicated to all concerned personnel and units. The process of risk mechanism starts from possible risk identification, possibility of incurred incident, impact analysis and assessment, and, finally, risk avoidance or mitigation to acceptable level. The process is implemented under the supervision of Risk Management Division. In addition, risk management is incorporated in the systematic risk monitoring to manage overall risks of the Bank and assess efficiency and effectiveness on a regular basis. Revision is made when necessary to respond to any changes either in the environment or possible risk factors.

Control activities

Appropriate procedures have been established under adequate and efficient control. The authority is well defined in writing and appropriately delegated according to the designated responsibilities. With such procedures, details of every process have been properly indicated and communicated to responsible personnel to inform them of particular operation and their tasks in each step. For transparency and check and balance control system, any functional unit shall not be responsive to proceed the whole process. In addition, adequate mechanism to support the flow and distribution of timely and reliable information has been put in place.

Information and communication

In order to ensure the sound management with adequate security control, an effective information system has been selected to appropriately correspond with the business strategy. The effective and safe development and operation of the Bank's information system as well as relevant control procedures are implemented to deliver sufficient information to support the managerial decision-making. A specific contingency plan has also been put in place to ensure the uninterrupted operations of the Bank and the restoration of all information system to normal operation.

In terms of information communication, the Bank has constituted several channels to communicate to all relevant personnel the Bank's business strategies, goals and targets, operational manuals as well as rules and regulations in order to ensure stringent compliance of all personnel.

Monitoring and assessing process

The risk monitoring and management have been constituted and functioned as a major role of superintendent of each responsible unit in conformity with the institutional framework governing operation.

13.2) Internal audit

Internal Audit Department is an independent function established for the purposes of encouraging the trustworthiness of the Bank's operation, providing independent and objectivity recommendations, adding value as well as improving the effectiveness of the Bank's operation under good internal control environment.

Internal Audit Department performs its duties independently and freely accesses the Bank's information and data as defined in "International Standards for the Professional Practice of Internal Auditing." The audit results are directly reported to the Audit Committee without any interference from other business units. (The Audit Committee members are independent directors who are appointed by the Board of Directors.)

Internal Audit Department's objectives, authorities, roles and responsibilities have been defined in "Internal Audit Charter" and approved by the Audit Committee. The "Internal Audit Charter" has been also announced to all staffs for their acknowledgement.

The key roles and responsibilities of the Internal Audit Department are to perform the risk assessment and to determine risk factors and their impacts prior to preparing the annual audit plan. Internal audit duties also include evaluation of the adequacy and efficiency of internal control system, review of the reliability of data and information technology system's security, review of the means to safeguard and utilise the assets, verification of the existence of such assets as appropriate, coordination with the Bank's independent auditor to understand its audit scope and minimise duplication of works, and review of the overall business units of the Bank to consider whether they have efficiently and effectively carried out their functions and to determine procedures and propose valuable recommendations.

There are three types of audits, which are defined as follows:

- Operational audit is an audit process that reviews business units' operations and their procedures determined by the Management with a focus on efficiency, economy and effectiveness. Operational audit is undertaken to evaluate each business unit's ability to carry out tasks and meet the specified target.
- Information technology audit is an audit process that reviews operational processes related to information technology system in order to ensure that all the Bank's data and information is secure and reliable.
- Special audit is an audit process that reviews any tasks as assigned by the Management and the Audit Committee.

(14) Board of Directors' responsibilities to financial reports

The Board of Directors is responsible for the Bank's consolidated financial statements and financial statements including financial information as presented in the annual report. The aforementioned financial statements are prepared in accordance with the generally accepted accounting principles. Appropriate and consistent accounting policies are applied. Significant disclosures are also adequately presented in the notes to financial statements.

The Board of Directors has appointed the Audit Committee to assist in supervision to ensure appropriate internal control system and enhancement of efficiency and transparent operation according to the good corporate governance principles, which in part helps increase the reliability and creditability of the financial reports. In order to achieve the aforementioned objective in 2005, the Audit Committee reviewed the quarterly and annual financial statements together with the Bank's Management and the independent auditor. The purposes of reviewing were to ensure the accuracy and creditability of the Bank's accounting system and financial statements in accordance with the generally accepted accounting principles, as well as sufficient disclosure of information contained in the financial statements for the benefit of all concerned parties.

(15) Relations with investors

Corporate Communication and Investor Relations Department acts as the center of the Bank's communications with investors, stock analysts, the press and the public to provide the Bank's information and respond to any inquiry. ACL BANK is dedicated to transparency, equitability and good governance practices in disclosing the Bank's information. Various communications channels and media, including websites operated by the SET and the SEC, as well as the Bank website (www.aclbank.com), have been used in order to strengthen the relationships and to enhance understanding among all investors and interested parties.

To facilitate the stock analysts and foreign investors, ACL BANK has arranged the one-on-one meeting to provide information directly to those interested parties. In 2006, the Bank plans to organise a conference to announce its financial performance to the press and the stock analysts quarterly, and disseminate its news through various channels and media periodically.

Internal Control

Control of Insider Trading

As a SET listed company, the Bank has responsibility to protect the rights and fairness of all stakeholders with equitable treatment. The Bank has regulated the principles to supervise and control the Management and all levels of staff and their related persons in order to prevent violation of the SET's regulations, especially the misuse of inside information. According to the regulations of the SET, the Bank's personnel are not allowed to use inside information for their own benefit including benefits from trading the Bank's securities.

According to the SEC's definition of the directors and managerial officers, the Directors and Management of the Bank have been well notified to acknowledge and strictly perform their duties on reporting to the SEC their own shareholding as well as those of their spouses and minor children in accordance with Section 59 of the Securities and Exchange Act B.E. 2535 (1992).

In case of non-compliance with the Bank's regulations regarding the use of insider information, such person will be subject to punishment according to the rules or the laws, as the case may be.

Internal Control: Board of Directors' Perspective on Internal Control System

At the Board of Directors' meeting no. 2/2006 held on February 17, 2006 and attended by the Audit Committee, the Board of Directors assessed the Bank's internal control system and approved the assessment guideline prepared by the Management. The meeting concluded that the internal control evaluation shall involve five sections, i.e. control environment measure, risk management measure, management control activities, information and communication measure and monitoring. The Board of Directors as well as the Audit Committee were of the opinion that the Bank has adequate internal control system for the activities with major shareholders, directors, management and related third parties (refer to Section 3, No.3.3 to 3.7 in the Assessment Form) including the internal control system of the other topics. In addition, according to the external auditor's opinion regarding the Bank's financial statements for 2005, there are no significant findings that materially affect the internal control and the Bank's operation. The Audit Committee has reported their performance in the annual report.

Related Party Transaction

Transactions between the Bank and related persons or parties which are related to the Bank comprise credit granted, commitments, significant accounting transactions between the Bank and the Directors or Executive Officers from departmental manager level upward including their related persons, or company in which the Bank or the Directors of the Bank or the Management, employees from departmental manager level upward and their related persons hold more than 10% of its registered capital. Details of the said related party transactions for the year ended December 31, 2005 and 2004 were entirely disclosed in the notes to financial statements No. 29.

Measurement or approval process for related parties transaction

The Bank has arranged policy and procedures to consider, approve and disclose the transactions in conformity with the regulatory authorities and to ensure an offer with ordinary pricing and conditions without any differences from those to general customers for the maximum benefit to the Bank. The consideration and approval process for credit and commitments of related persons or parties is required to have unanimous approval from the Board of Directors. For approval of other related business transactions, it is required that the transactions be disclosed in compliance with the SEC and the accounting standard. The persons who may have conflict of interest in such business are prohibited from participating in such approval process.

In addition, the Directors and the Management of the Bank are regularly required to disclose their relationship or relation to the companies that may have conflict of interest to the Bank.

Related party transaction policy

The Bank places emphasis on management under the corporate governance framework with the determination of process that is transparent and capable to examine. The Bank has established the policy for undertaking related party transactions in accordance with the regulations of the BOT and the SET. The policy covers the fair price setting according to the ordinary course. For the grant of credits or related party transactions and transactions which may have conflict of interest, the directors, the Management and employees who have conflict of interest are prohibited from participating in such approval process. In addition, the Articles of Association of the Bank regarding related party transactions require disclosure of such transactions in accordance with the regulations of the SET.

Capital Structure

Capital Securities

(a) As of December 31, 2005 the Bank had a registered capital of 16,059,495,270 baht, fully capitalised at 15,904,529,450 baht, divided into 746,120,187 ordinary shares at par value of 10 baht each and 844,332,758 preferred shares at par value of 10 baht each.

(b) Preferred shares

The preferential rights of preferred shares are as follows:

- (1) Preferred shares of the Bank are divided into Class A preferred shares and Class B preferred shares.
- (2) Both Class A and Class B preferred shares are non-cumulative.
- (3) Preferred shares in both classes have par value, rights and benefits equal to ordinary shares with the exception that:

(3.1) The holders of preferred shares in both classes are entitled to receive dividends before holders of ordinary shares.

(3.2) In any year, if the Bank has a profit after legal reserve and other necessary reserves and no accumulated losses and can maintain its net capital ratio as required by law, the Bank shall pay dividends to Class B and Class A preferred shareholders at the rate equal to the fixed deposit rate of bonds which will be issued by the government in respect of the tier 1 capital support scheme plus 1% per annum. The holders of Class B preferred shares are entitled to receive dividends before holders of Class A preferred shares.

In any year, if profits to be distributed as dividend at the rate as prescribed in the first paragraph are not sufficient for both classes of preferred shares, the Bank shall pay dividends to holders of Class B preferred shares first. The Bank shall later pay dividends to holders of Class A preferred shares from the remainder (if any).

(3.3) In any year, should the Bank pay dividends to ordinary shares at a rate higher than dividends to be paid to the preferred shares of both classes, the Bank shall additionally pay dividends to preferred shares up to the amount paid to the ordinary shares.

(3.4) In case of capital decrease due to losses from operations resulting from the assets that were held prior to the capital injection by the MOF, the Bank shall decrease capital of the ordinary shares first and then Class A preferred shares. The amount of the capital decrease in this regard shall not be greater than the accumulated losses on the date the MOF injects the capital, including any subsequent losses arising from other assets held prior to the capital injection by the MOF.

Assets that were held prior to the capital injection by the MOF refer to total assets and all contingent liabilities prior to the date the MOF subscribes for preferred shares as well as additional credit and contingent liabilities granted to existing debtors within 180 days after the capital injection by the MOF.

In case of capital decrease due to losses from operations resulting from the assets after the capital injection by the MOF, the Bank shall proportionately decrease the capital of the ordinary shares, Class A and Class B preferred shares respectively.

(3.5) In case of liquidation or dissolution of the Bank, priority rights to receive distribution shall be given to the holders of Class B preferred shares, Class A preferred shares, and ordinary shares respectively.

In case the value of the remaining assets is insufficient for allocation to shareholders in each class as stated in the previous paragraph, the remaining assets shall be first allocated to the holders of Class B preferred shares and subsequently to holders of Class A preferred shares and ordinary shares respectively.

After the asset distribution to the holders of Class B preferred shares, Class A preferred shares, and ordinary shares respectively under paragraph 1, if there are any remaining assets left, the holders of Class A and Class B preferred shares are entitled to receive the allocation in the same proportion as the holders of ordinary shares.

(4) All preferential rights of the preferred shares as stated above shall have a term of 10 (ten) years commencing from the date, on which the MOF subscribes for the preferred shares. Upon the end of the term, all preferential rights shall be immediately terminated. The holders of preferred shares shall have the same rights as the holders of ordinary shares. The holders of both classes of preferred shares are entitled to exercise the conversion of the preferred shares into ordinary shares. The Bank shall proceed with this matter according to the regulations and conditions set forth by applicable laws.

To convert preferred shares into ordinary shares, a holder of the preferred shares must lodge an application for conversion to the Bank and return the share certificates within the period stipulated by the Bank.

The holders of preferred shares are entitled to convert their shares into ordinary shares at the ratio of 1:1.

The holders of Class A preferred shares are able to exercise the conversion of Class A preferred shares into ordinary shares by lodging the application for conversion together with the share certificates to the Bank during business hours.

The holders of Class B preferred shares are able to exercise the conversion of Class B preferred shares into ordinary shares four times a year (once in every quarter). The exercise dates for the conversion of Class B preferred shares into ordinary shares are February 22, May 22, August 22 and November 22 of each year. The holders of Class B preferred shares must lodge the applications for conversion together with the share certificates or securities withdrawal forms to Thailand Securities Depository Company Limited during business hours within the period stipulated by the Bank.

As of December 31, 2005, there were the holders of 131,000,000 Class A preferred shares and 102,404,115 Class B preferred shares requesting to convert their preferred shares into ordinary shares. Therefore, the ordinary shares after conversion amount to 746,120,187 shares. The remaining Class A preferred shares are 112,066,951 shares and the remaining Class B preferred shares are 732,265,807 shares.

Shareholders

List of Ten Major Shareholders as of December 31, 2005

No.	Name	Common shares	Class A preferred shares	Class B preferred shares	Number of shares held	Percentage of shareholding
1	Thailand Securities Depository Company Limited for Depositors (Local)	449,408,951	-	48,193,381	497,602,332	31.29
2	Ministry of Finance	-	-	486,870,543	486,870,543	30.61
3	Bangkok Bank Public Company Limited	263,216	112,066,951	193,934,394	306,264,561	19.26
4	Thailand Securities Depository Company Limited for Depositors (Foreign)	284,405,501	-	36,658	284,442,159	17.88
5	Mr. Chatri Sophonpanich	3,921,158	-	2,206,019	6,127,177	0.39
6	Mrs. Lewma Po Chu	1,615,000	-	652,500	2,267,500	0.14
7	Prasertkit Enterprise Co., Ltd.	950,000	-	-	950,000	0.06
8	Bangkok UFJ Limited	693,000	-	-	693,000	0.04
9	Mr. Lau Ting Fai	560,000	-	-	560,000	0.04
10	Mr. Arun Rungpornataweewat	530,000	-	-	530,000	0.03
	Others	3,773,361	-	372,312	4,145,673	0.26
		746,120,187	112,066,951	732,265,807	1,590,452,945	100.00

Remark: Thailand Securities Depository Company Limited for Depositors (Local) and Thailand Securities Depository Company Limited for Depositors (Foreign) hold shares on behalf of investors through the members of Thailand Securities Depository Company Limited for Depositors under the Securities and Exchange Act B.E. 2535, Section 225 to Section 228.

Dividend payment policy

The Bank omitted the dividend payment for 2005 due to its accumulated losses. Therefore, the Bank has not determined dividend payment policy.

ACLS and LACL, the Bank's subsidiaries, also omitted the dividend payment as they incurred losses in 2005.

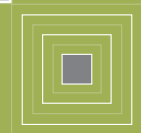
General Information

ACL BANK Public Company Limited

Registration No.	0107536000251
Type of Business	Commercial Bank
Head Office	11 th -13 th Floor, Emporium Tower, 622 Sukhumvit Road, Klong Ton, Klong Toei, Bangkok 10110 Tel. 66 2663 9999 Fax. 66 2663 9888 www.aclbank.com
Registered Capital	16,059,495,270 baht (As of December 31, 2005)
Fully Capitalised	15,904,529,450 baht (As of December 31, 2005) 1) 746,120,187 ordinary shares 2) 844,332,758 preferred shares
Par Value	10 baht
Registrar	Thailand Securities Depository Co.,Ltd. The Stock Exchange of Thailand, Ratchadapisek Road, Klong Toei, Bangkok 10110 Tel. 66 2229 2800 Fax. 66 2359 1259
Auditors	Ernst & Young Office Limited 193/136-137 Lake Ratchada Office Complex, 33 rd Floor Ratchadapisek Road, Klong Toei, Bangkok 10110 Tel. 66 2264 0777 Fax. 66 2264 0789 - 90 <ul style="list-style-type: none"> • Ms. Rungnapa Lertsuwankul, CPA Registration No. 3516 • Mr. Sophon Permsirivallop, CPA Registration No. 3182 • Ms. Sumalee Reewarabandith, CPA Registration No. 3970
Branch Offices	
Hatyai Branch	4 th Floor, Hatyai-Nai Branch of Bangkok Bank Plc., 49/19 Phetkasem Road, Hatyai, Songkhla 90110 Tel. 66 7425 7276 - 81 Fax. 66 7425 8275
Khonkaen Branch	4/6 Klang Muang Road, Nai Muang District, Amphur Muang, Khonkaen 40000 Tel. 66 4324 2400, 66 4324 3507 - 9 Fax. 66 4324 3510

VISION

ACL BANK aspires to be a NOBLE and INNOVATIVE financial institution acclaimed by the public for its excellent services, sought by prospective employees for its happy working environment and valued by its stakeholders for its fair practices.





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