

ANNUAL ECONOMIC REPORT
2005

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SUMMARY REPORT

Economic Performance in 2005

In 2005, Thailand's economic growth slowed down from the previous year. The softer growth was due to several negative factors. Adverse domestic factors included the tsunami, which affected 6 Andaman coast provinces at the end of 2004, prolonged drought, unrest in the south and the return of avian influenza outbreak in poultry. Meanwhile, external pressure came from persistent high oil prices and tightening monetary condition around the world. Given the strong economic fundamentals coupled with an ability to respond well to those disturbances, overall growth and stability remained satisfactory. The engine of growth was primarily domestic demand, with support from improved export performance during the second half of the year.

Farm income from major crops grew by 20.2 per cent in 2005 compared with 17.0 per cent in 2004, mainly due to the upswing in prices. Meanwhile, major crop production contracted from last year as a result of drought in the northeast and flood in parts of the south. During the same period, manufacturing production expanded at a decelerating rate compared to the year before. The growth deceleration was more pronounced in production for domestic consumption as a result of weaker economic activities. Meanwhile, export production continued to expand well. As a result, the Manufacturing Production Index (MPI) increased by 9.2 per cent in 2005, slowing down from 11.5 per cent in the previous year. Nevertheless, capacity utilization continued to rise from 70.7 per cent in 2004 to average at 72.6 per cent. The service sector in general expanded at a slower pace from 2004 on account of lower number of foreign tourists and average hotel occupancy rate. This decline was due to the impact of the tsunami and unrest in the three southernmost provinces.

Private consumption rose by 4.0 per cent in 2005, decelerating from 2004. The slower growth was partly the result of persistent high oil prices, rising inflation as well as increasing interest rates, all of which contributed to more cautious consumer spending; but the growth softening was more pronounced in durable consumption. Consistently, the Private Consumption Index (PCI) expanded less in 2005 than it did in 2004. Meanwhile, private investment growth decelerated to 11.0 per cent in 2005 from 16.3 per cent in 2004, with growth in construction investment tapering off in line the slowdown in real-estate activities. The overall investment growth moderation was reflected in the Private Investment Index (PII), which expanded at a declining pace from 2004.

On the external front, export value rose by 15.0 per cent in 2005, decelerating from 21.6 per cent in the previous year. Meanwhile, import value continued to expand at 26.0 per cent, a similar pace comparable to last year. The high import growth resulted mainly from accelerating imports of oil, iron and steel as well as non-monetary gold during the first half of 2005. As a result, the trade balance reverted from surplus in the previous year into a deficit of 8.6 billion US dollars. The services, income, and transfers account registered a smaller surplus in 2005, owing to the continued negative impact of the tsunami on tourism revenue. Consequently, the current account shifted from 7 years of back-to-back surpluses into a deficit of 3.7 billion US dollars in 2005. The deficit was particularly sizeable during the first half of the year, but the current account reverted back into surplus during the second half following better export performance and decelerating imports.

On the fiscal side, the government pursued a balanced budget in fiscal year 2005. Government revenue expanded at a higher rate than previously estimated in the budget document. The higher revenue came from the continued increase in tax revenue, particularly corporate income and value added taxes. Meanwhile, government expenditure rose in line with measures to accelerate the disbursement of funds. The cash balance for fiscal year 2005 recorded a surplus of 16.8 billion baht or 0.2 per cent of GDP.

Regarding monetary condition, short-term money market rates rose in tandem with the monetary policy tightening by the Bank of Thailand (BOT)^{1/}. The effect of policy rate hikes was transmitted to financial institutions, as most commercial banks began to raise deposit and lending rates. In addition, the “One Presence” policy under the Financial Sector Master Plan, which caused finance companies to merge and upgrade to commercial bank status, resulted in the expansion of commercial banks’ private deposits and claims on the private sector. These claims included private credits as well as commercial banks’ holding of private-sector securities. Excluding the merger and upgrading effect, however, claims on the private sector expanded at a slower rate than in 2004 but picked up in the second half of 2005, in line with improving economic conditions.

In 2005, the baht averaged at 40.29 baht per US dollar, closed to 40.28 baht per US dollar in 2004. During the first half of 2005, the baht depreciated from both domestic and external pressure. However, the baht started to stabilize in the latter half of the year with support from (1) better-than-expected GDP

growth in 2005 Q3, (2) regional currency appreciation, and (3) downward US dollar sentiment in line with market anticipation that US tightening cycle would soon end.

Measures of economic stability indicated a satisfactory outcome in 2005, both on the internal and external fronts. Headline inflation averaged at 4.5 per cent for the year while core inflation, averaging at 1.6 per cent, appeared to be well contained within the policy target range of 0-3.5 per cent. The unemployment rate and public debt as a percentage of GDP also remained at low levels. External stability also improved. Despite a deficit for the whole year, the current account balance stayed in surplus throughout the second half of 2005. At the same time, the level of external debt declined steadily while international reserves stood at a high level.

Economic Outlook for 2006

The Thai economy was expected to continue its growth momentum in 2006. The key underlying assumptions were: (1) comparable world economic growth with that of the previous year (2) crude oil price upswing moderated from last year (3) supply-side risks, for example drought and avian flu outbreak, ameliorated, and (4) public investment projects with well-defined work plans could be executed according to schedule. The main driver of growth was expected to be net exports. Export volume was expected to rise satisfactorily in line with the expansion of trading partners’ economies. On the other hand, import volume was expected to fall from an extraordinarily high level in 2005. Meanwhile, private investment should

1/ In 2005, BOT increased the policy rate six times in total, from 2.00 per cent per annum to 4.00 per cent per annum.

grow continuously, judging from high capacity utilization and robust corporate earnings. Public investment was also expected to grow at a similar rate as in 2005, in line with the measure to accelerate government budget disbursement.

Export value of goods was anticipated to decelerate in growth terms in 2006, in line with export price. Meanwhile, the value of exports of services, particularly tourism revenue, was expected to rebound after the impact from the tsunami dissipated. On the other hand, with uncharacteristically high imports in early 2005 and a slowdown of

import price, import value of goods should moderate in growth terms from the previous year. As exports of goods and services outperformed imports, the current account balance in 2006 was expected to register a smaller deficit than in 2005.

Going forward, the principal external risk factors facing the Thai economy included trading partners' economic performance, rising oil prices, the global imbalance and tightening monetary policy. The main domestic risk factors included weak consumer and business confidence and natural disasters.

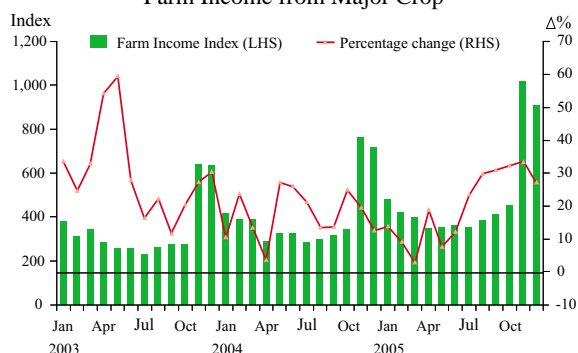
ECONOMIC CONDITIONS IN 2005

Agricultural Sector

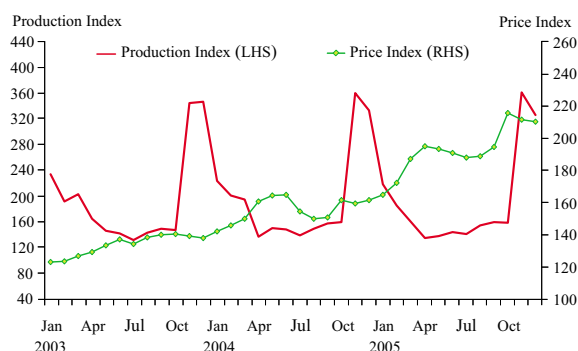
Table 1 : Farm Income From Major Crops,
Crop Production and Crop Prices

Δ%	2004	2005				
		Total	Q1	Q2	Q3	Q4
Farm Income	17.0	20.2	9.4	12.8	28.1	31.0
Crop Production	0.5	-3.1	-8.8	-4.6	2.0	-0.9
Crop Prices	16.4	24.1	19.9	18.3	25.6	32.2

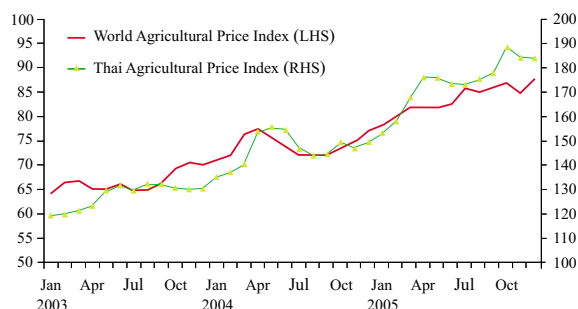
Farm Income from Major Crop



Indices of Major Crop Production and Crop Prices



Indices of Thai and World Commodity Prices*



Overall Developments in 2005

Farm income from major crop increased by 20.2 per cent, accelerating from 17.0 per cent in the previous year. The **major crop price index** increased by 24.1 per cent, accelerating significantly from the previous year. Favorable price increases were observed in rubber, cassava, paddy, and sugar cane in response to high domestic and world demand as well as decreased supply of major crop. The **major crop production index** declined by 3.1 per cent due to prolonged drought in 2004 and flood in late 2005, which adversely affected the production of sugar cane, cassava, maize and rubber.

Farm income from livestock increased as a result of significant gains in broiler and egg production following the recovery from the avian influenza outbreak in 2004. In addition, the **price of livestock** increased by 13.2 per cent, owing to the increase in the price of poultry. Meanwhile, the price of swine decreased in response to the slowdown in demand for swine, as demand for poultry returned to its normal level.

Farm income from fishery declined following a sharp decrease in supply in line with increases in fishery cost on account of high oil prices. **Fishery price** increased by 5.0 per cent as a result of higher prices in all major fishery products, except crab and freshwater fish. In the second half of 2005, the price of shrimp increased partly because EU had granted a temporary tariff reduction for shrimp products from Thailand in August 2005. The same EU tariff reduction also resulted in a significant surge in exports of shrimp to EU.

World agricultural price (covering only 12 commodities particularly important to the Thai economy) increased

by 13.0 per cent, mainly from the increase in prices of rubber and sugar due to favourable demand and a fall in production.

Major Commodities

Paddy. Paddy production was close to that of 2004. The drought condition in late 2004 and the lack of rainfall in the first half of 2005 led to a decline in the production of paddy during the second crop season. First crop production, however, continued to expand following abundant rainfall in the second half of 2005. The price of paddy continued to rise following the increase in the government's guaranteed price.

In 2005, Thailand's export volume of rice amounted to 7.5 million metric tonnes, or 93,548 million baht in value terms, declining by 24.5 and 13.7 per cent, respectively, as a result of supply constraint. In addition, the relatively higher price of Thai rice had caused some importers to switch to Thailand's competitors. The decline in export volume outweighed the increase in export price, resulting in a fall in export value.

Cassava. The production of cassava decreased by 24.3 per cent due to drought. Although the lack of cassava's cuttings constrained the replanting of cassava, production for 2005/2006 harvest season was expected to rise by 13.1 per cent, as the drought was over and the high price of cassava, in line with favorable domestic and world demand, had induced farmers to expand cultivation area.

Rubber. The production of natural rubber decreased by 1.3 per cent as a result of the drought condition in the beginning of 2005 and flood in late 2005, which hindered rubber tapping. Rubber price continued to increase at a high rate of 17.1 per cent, compared to 18.4 per cent in 2004, due to a reduction in rubber production and favorable domestic and world demand.

Sugar cane. The production of sugar cane in 2005 dropped significantly by 29 per cent as a result of decreases in cultivation area and yield per rai. This was because of the prolonged drought effect in the first half of 2005 as well as the increase in transportation cost. In addition, the preliminary sugar cane price of the 2004/2005 harvest season was unfavorable and thus encouraged farmers to switch to other crops.

Poultry. Although the avian influenza outbreak reappeared in 2005, the impact was less severe than the previous year because consumers had better information about the avian influenza. Additionally, producers had shifted to the closed evaporative chicken farming system and switched from exporting frozen fowls to prepared fowls, which resulted in continuous increase in exports.

Shrimp. Shrimp production was close to that of 2004 after the tsunami at end-2004 destroyed much of the shrimp hatcheries. Other factors included the unfavourable price of shrimp in the first half of 2005 as well as the decrease in production from flood in the south during the second half of 2005. However, since EU granted a temporary reduction on tariff for shrimp products from Thailand on 1 August 2005, exports of Thai shrimp had grown significantly while the price of shrimp had also adjusted upward.

Prospects in 2006

Farm income from major crop was expected to continue rising as a result of both production and price factors. **Production** of rice, rubber and cassava was expected to rise due to strong demand and high prices, which induced farmers to increase cultivation area. Additionally, the favourable climate condition and water supply, evidenced in an increase in water level in all major reservoirs in January 2006, also supported production.

Price of major crops, especially rubber and cassava, was expected to increase in line with domestic and world demand.

Price of livestock was expected to decline due to the large increase in poultry and egg production following the change in production method as well as high prices in 2004. On the other hand, **the price of fishery products**, particularly the price of shrimp, was expected to increase, as shrimp benefited from strong world demand and the special tax privileges that EU returned to Thailand since 1 January 2006.

Overall, **the price of major agricultural commodities** would continue to expand at a somewhat slower rate in line with major crops and fishery, while the price of livestock was expected to contract slightly.

The world agricultural price (covering only the 12 commodities particularly important to the Thai economy) was expected to continue rising from high world demand, particularly prices of rubber and sugar. In addition, shrinking supply of sugar cane for sugar production was also anticipated due to an unfavourable climate condition and increasing use of sugar cane in ethanol production.

Table 2 : Major Crop Production, Trade, and Consumption^{1/}
(Unit: Million tonnes)

Thai Crops	2001/02	2002/03	2003/04	2004/05 ^{P/}	Δ%	2005/06 ^{E/}	Δ%
Paddy	26.52	27.99	29.47	28.54	-3.2	29.91	4.8
First crop	20.90	21.57	23.14	22.65	-2.1	23.39	3.3
Second crop ^{2/}	5.62	6.43	6.33	5.89	-7.0	6.52	10.7
Rubber	2.56	2.63	2.86	3.01	5.0	2.97	-1.3
Maize	4.36	4.09	4.18	4.22	0.9	3.89	-7.8
Cassava	16.87	19.72	21.44	16.94	-21.0	19.16	13.1
Sugarcane	62.64	77.56	67.92	52.24	-23.1	46.96	-10.1
Mungbean	0.24	0.22	0.18	0.16	-10.4	0.15	-3.0
Soybean	0.26	0.26	0.23	0.22	-5.6	0.22	1.6
Oil palm	4.10	4.00	4.90	5.18	5.7	5.00	-3.5
Coffee	0.05	0.05	0.06	0.06	-3.4	0.05	-23.2
World Crops	2001/02	2002/03	2003/04	2004/05 ^{P/}	Δ%	2005/06 ^{E/}	Δ%
Grains							
Production	1,872.0	1,818.8	1,858.8	2,037.0	9.6	1,981.8	-2.7
Trade	241.2	241.7	234.3	242.7	3.6	236.9	-2.4
Rice (milled)							
Production	399.1	377.5	391.4	402.2	2.8	406.9	1.2
Trade	27.8	27.6	27.1	28.3	4.3	26.1	-7.6
Maize							
Production	598.9	601.7	623.0	708.3	13.7	683.5	-3.5
Trade	74.5	78.0	79.1	75.8	-4.2	75.4	-0.6
Soybean							
Production	185.1	197.0	186.8	215.3	15.3	223.0	3.6
Trade	53.4	61.2	55.9	65.2	16.6	66.8	2.6
Rubber							
Production	7.2	7.5	8.0	8.7	8.4	9.0	3.1
Consumption	7.3	7.6	8.0	8.5	6.2	8.9	4.1

Note : P = Preliminary

E = Estimated

1/ Estimated as of December 2005

2/ Second crop production of 2005/2006 is the production obtained during 1 January - 31 December 2006.

Sources : Office of Agricultural Economics

World Production, Market and Trade Reports, Foreign Agriculture Service, United States Department of Agriculture

LMC Commodity Bulletin, December 2005

Table 3 : Thai Farm Prices
(Unit: Baht/tonne)

	2004	2005				
		Year	Q1	Q2	Q3	Q4
Farm Price Index*						
(1995 =100)	146.5	173.9	159.7	175.1	175.5	185.5
Δ%	14.8	18.7	16.1	13.2	21.0	24.7
Crop Price Index*	154.5	191.7	173.9	192.2	189.5	211.4
Δ%	16.4	24.1	19.9	18.3	25.6	32.2
Hom Mali Paddy	8,255	7,680	7,719	7,771	7,640	7,589
Δ%	10.4	-7.0	-12.8	-14.1	0.3	1.1
Paddy Class 1 (5%)	5,585	6,662	6,484	6,675	6,710	6,779
Δ%	9.4	19.3	26.5	25.4	18.0	9.3
Rubber	44,567	52,190	41,544	47,809	59,808	59,599
Δ%	18.4	17.1	-2.1	0.1	32.6	38.7
Maize	4,971	4,874	4,981	4,889	4,889	4,738
Δ%	11.0	-1.9	19.1	-22.1	0.6	3.7
Cassava	950	1,352	1,394	1,392	1,333	1,290
Δ%	9.1	42.3	81.8	60.2	26.8	15.9
Livestock Price Index*	130.8	148.1	142.2	153.1	152.7	144.4
Δ%	19.3	13.2	20.9	5.9	13.6	14.0
Fishery Price Index*	136.5	143.4	132.1	143.0	153.9	144.5
Δ%	5.8	5.0	-1.5	2.1	12.4	7.0
Wood Price Index*	113.7	115.1	114.6	114.6	114.6	116.6
Δ%	4.5	1.2	3.2	0.0	0.0	1.8

Note : *Base year is 1995.

Δ% represents percentage change from the same period last year.

Sources : The Farm Price Index is constructed from data of the Fish Marketing Organization, the Ministry of Agriculture and Cooperatives, and the Ministry of Commerce.

Table 4 : World Agricultural Prices*

(Unit: US dollar/tonne)

	2004	2005				
	Year	Q1	Q2	Q3	Q4	
World Agricultural Prices*						
(1995 = 100)	74.0	83.6	80.1	82.1	85.5	86.6
Δ%	11.1	13.0	9.4	8.7	18.5	15.3
Rice 5%	238	286	290	292	282	282
Δ%	20.2	20.4	31.0	24.8	19.8	8.1
Shrimp	10,221	10,338	10,296	10,472	10,279	10,307
Δ%	-10.7	1.1	-5.6	-3.1	8.0	6.7
Rubber	1,280	1,478	1,241	1,361	1,651	1,658
Δ%	21.2	15.5	-3.1	0.4	31.7	34.8
Sugar	158	218	196	193	220	263
Δ%	1.2	37.9	47.4	32.1	28.9	43.8
Cassava	126	138	147	140	135	132
Δ%	12.5	10.2	19.4	24.0	5.5	-4.8
Maize	112	99	97	96	102	100
Δ%	6.1	-11.8	-20.9	-25.0	-0.4	5.8
Oil palm	471	422	413	422	415	438
Δ%	6.2	-10.3	-21.2	-15.2	-4.0	2.2

Note : * Only 12 commodities particularly important to the Thai economy are included, namely, rice, shrimp, rubber sugar, maize, cassava, coffee, soybean, oil palm, tobacco, cotton and sorghum.

Δ% represents percentage change from the same period last year

P = Preliminary

Source : The World Agricultural Price Index is constructed from World Bank's data, except cassava price is constructed from The Thai Tapioca Trade Association data

Manufacturing Sector

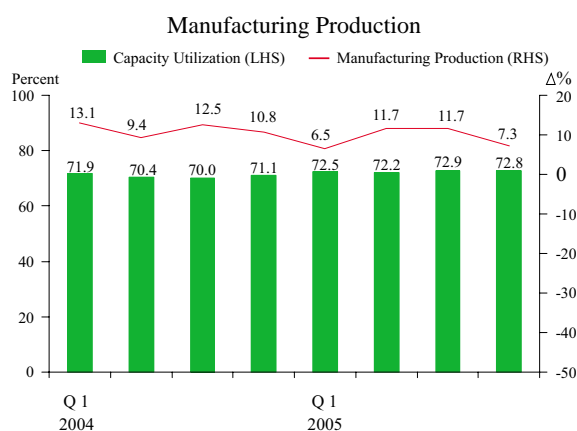


Table 5 : Manufacturing Production Index*
(Percentage change)

Industry	Weight 2000	2005 ^P				
		2003	2004	Year		
Textiles	12.23	4.7	6.6	2.9	2.0	2.4
Electronics	10.31	40.7	31.4	40.0	39.3	39.6
Petroleum Products	9.48	4.4	8.4	2.2	-2.8	-0.4
Vehicles and Equipment	6.85	32.5	20.4	2.1	10.3	6.3
Food	6.82	16.5	-3.7	-1.9	6.8	1.7
Beverages	5.11	19.1	5.2	6.0	-0.5	2.8
Electrical Appliances	5.05	7.1	8.8	1.5	2.2	1.8
Leather and Leather Products	2.79	-17.3	16.8	-8.6	-12.2	-10.2
Chemical Products	2.36	4.7	3.8	0.0	7.1	3.6
Iron and Steel Products	2.21	7.2	10.4	6.4	-12.7	-3.5
Construction Materials	1.84	-2.2	10.5	14.2	8.5	11.3
Others	10.62	4.6	3.3	6.7	2.3	4.4
Total *	75.68	13.9	11.5	9.0	9.4	9.2

Note : *Covering 76 products with 75.7 per cent of the overall value added in the manufacturing sector
P = Preliminary data

Source : BOT surveys

Table 6 : Capacity Utilization*
(Percentage change)

Industry	Average 1995-1996	2005 ^P				
		2003	2004	H1	H2	Year
Electronics	77.1	78.0	65.0	64.4	69.4	66.9
Petroleum Products	88.6	78.9	85.5	84.7	85.6	85.2
Vehicles and Equipment	74.7	69.3	77.7	72.4	79.5	75.9
Beverages	69.0	48.4	60.1	67.6	65.5	66.5
Electrical Appliances	87.1	56.5	61.5	75.4	79.9	77.7
Food	40.4	56.6	54.1	59.4	48.5	54.0
Leather and Leather Products	-	52.4	61.2	62.1	47.8	55.0
Chemical Products	91.4	95.9	99.5	96.4	103.8	100.1
Iron and Steel Products	58.1	69.8	68.8	65.7	55.1	60.3
Construction Materials	87.9	65.0	71.1	79.1	77.1	78.1
Pulp and Paper Products	77.6	89.8	87.4	93.3	92.7	93.0
Rubber and Rubber Products	73.1	65.3	61.3	65.1	69.5	67.3
Others	81.8	66.5	69.4	69.1	68.7	68.9
Total *	76.7	68.9	70.7	72.3	72.8	72.6

Note : *Covering 69 products with 59.1 per cent of the overall value added in the manufacturing sector
P = Preliminary data

Source : BOT surveys

Manufacturing production in 2005 expanded at a decelerated rate compared to last year. The slowdown of production in domestic-oriented sectors was particularly pronounced, consistent with weakened economic conditions, while the production in export-oriented sectors continued to grow favourably.

Manufacturing Production Index^{1/} (MPI) grew by 9.2 per cent in 2005, moderating from 11.5 per cent in the previous year. The slowdown was due to increases in oil price, interest rate and production cost, as well as intensified competition both from domestic and foreign producers.

Capacity utilization rate^{1/} of the manufacturing sector averaged at 72.6 per cent in 2005, increasing from 70.7 per cent recorded in the previous year.

The sectors for which production was either lower or decelerated from the previous year included:

Leather and leather products. Production was lower owing to shortage of high quality raw material as well as loss of market share to products from China, which had lower production cost. Consequently, this sector's capacity utilization rate declined from 61.2 per cent in 2004 to 55.0 per cent in 2005.

Tobacco. The anti-smoking campaign, especially the new measure that prohibited cigarette displays at sale points, as well as the excise tax increase from 75 to 79 per cent of ex-factory prices contributed to a decline in tobacco production. Capacity utilization rate reduced from 60.7 per cent in 2004 to 57.6 per cent in 2005.

^{1/} In December 2005, BOT had improved MPI and capacity utilization rate to reflect additional data from surveys as well as exclusion of the capacity data of those firms, which had not produced for a long time, from the calculation.

Iron and steel products. During the first half of 2005, production expanded from the same period last year when production was low due to the temporary removal of anti-dumping measures that took place in the first half of 2004. However, overall production in 2005 declined from 2004. The slowdown in the second half of 2005 was due to softening demand in the construction sector, greater volatility of global steel prices as well as considerable inventory accumulation earlier. Capacity utilization rate in this sector declined from 68.8 per cent in 2004 to 60.3 per cent in 2005.

Petroleum. Production declined slightly from the previous year as some plants were closed for maintenance at the beginning as well as toward the end of the year. Capacity utilization rate averaged at 85.2 per cent, close to 85.5 per cent in 2004.

Vehicle and transportation equipment. Despite a slight deceleration, production continued to expand satisfactorily by 6.3 per cent, in line with rising demand for commercial cars both from domestic and foreign markets. Meanwhile, production of passenger cars declined as a result of higher oil price and fewer new car models being introduced during the year. Capacity utilization rate averaged at 75.9 per cent, declining from 77.7 per cent in 2004.

Textiles. Production increased by 2.4 per cent, decelerating in growth terms from the previous year. Upstream production of synthetic fiber and spinning contracted because some domestic apparel producers switched to imported raw materials, which were cheaper and served specific production need. Meanwhile, downstream production such as apparel continued to expand well, benefiting from safeguard measures imposed on Chinese textile exports to US and EU, which started in July 2005.

Electrical appliances. Production, most of which was meant for exports, declined

from the previous year. In particular, production of television sets slowed down in line with reduced external demand as well as changes in consumer's preference to higher quality products. Overall capacity utilization rate increased from 61.5 per cent in 2004 to 77.7 per cent in 2005.

Nevertheless, there are several sectors in which production accelerated in 2005, particularly:

Electronics. Production growth rate accelerated, particularly in the case of hard disk drives, owing mainly to strong external demand. Meanwhile, production of integrated circuits (IC) continued to grow favourably even at a more moderate growth rate. Overall capacity utilization rate rose to 66.9 per cent from 65.0 per cent in 2004.

Construction materials. Production expanded well in 2005, especially during the first half of the year, as a result of healthy domestic demand associated with public infrastructure projects. However, during the second half of 2005, production decelerated in line with the slowdown in construction activities, both in public and private sectors. Meanwhile, cement exports continued to expand favourably, owing to robust demand from US, Vietnam and Bangladesh. The sector's capacity utilization rate stood at 78.1 per cent, up from 71.1 per cent in 2004.

Food. Production improved from 2004 especially during the second half of the year, owing mainly to higher production of canned seafood, which benefited from EU decision to reduce tariff on fishery imports to the GSP rate starting from 1 August 2005. Capacity utilization rate stood at 54.0 per cent, close to the rate in 2004.

Rubber and rubber products. Production accelerated in response to incentive from higher rubber prices. Capacity utilization rate increased slightly to 67.3 per cent, from 61.3 per cent in 2004.

Services

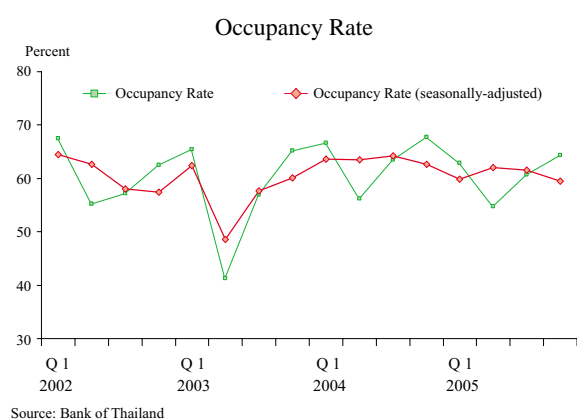


Table 7 : International Tourists Classified by Nationality

Country	Δ (%)		Market Share (%)	
	2004	2005	2004	2005
	Year	Year	Year	Year
East Asia	21.6	-7.6	52.2	49.9
- China	21.1	5.7	7.6	8.3
- Japan	16.6	-1.1	12.0	12.3
- Korea	26.4	-15.0	8.7	7.7
Europe	13.1	-0.5	26.7	27.4
USA	21.9	0.0	7.8	8.1
Others	30.7	6.7	13.3	14.6

Note : Δ % = represents percentage change from the same period last year.
 Source : Tourism Authority of Thailand
 (Based on number of tourists arriving at Donmueng and Phuket International Airports)

Tourism and Hotel Industry

The tsunami that damaged the six Andaman coast provinces at the end of 2004 posed a sizable impact on the tourism industry. Together with prolonged unrest in the three southernmost provinces, it caused the number of tourists to decline in 2005. The decline was especially pronounced in 2005 Q1, with the number of foreign tourists falling by 10.1 per cent from the previous year. Nevertheless, gradual recovery was evident in the following quarters.

Tourism activities in the south were relatively sluggish due to various negative factors, such as (1) the tsunami in the Andaman coast provinces (2) ongoing unrest in the three southernmost provinces (3) the bombing in Hat Yai district in the province of Songkhla, and (4) severe flood in several southern provinces. These factors had an unfavourable impact on the number of tourists in the south, which was down by 27 per cent from 2004.

For the year 2005, the number of foreign tourists totalled 11.4 million, down by 2.5 per cent year-on-year. The hotel occupancy rate averaged at 60.6 per cent, down from 63.5 per cent in the previous year. The decline in the occupancy rate limited the average room rate increase to only 3.9 per cent this year. Overall, foreign revenue from tourism in 2005 amounted to 406.5 billion baht, a 0.7-per-cent increase from 2004.

Inbound tourist statistics in terms of country of origin in 2005 did not show significant change from 2004. Tourists from East Asia still took up the largest share of foreign tourists to Thailand at 49.9 per cent, followed by those from Europe and the US,

which accounted for 27.4 and 8.1 per cent, respectively.

Tourism activities in all regions of Thailand were expected to improve in 2006,

especially in the tsunami-hit area. In addition, the continued collective effort of government and private agencies to promote tourism in Thailand would help give the industry a boost.

Table 8 : Tourism Indicators

	2004	2005 ^P	2005			
	Year	Year	Q1	Q2	Q3 ^P	Q4 ^P
1. Number of foreign tourist (million persons)	11.7	11.4	2.7	2.5	2.9	3.3
$\Delta\%$	16.5	-2.5	-10.1	-1.2	-1.1	2.4
2. Income from tourism (billion baht)	403.6	406.5	99.3	88.1	98.7	120.4
3. Occupancy rate (percent)	63.5	60.6	62.9	54.7	60.7	64.3
4. Room rates (baht)	1,238	1,287	1,378	1,197	1,187	1,386

Notes : P = Preliminary data

$\Delta\%$ = represents percentage change from the same period last year.

Source : Tourism Authority of Thailand and Bank of Thailand

Real Estate

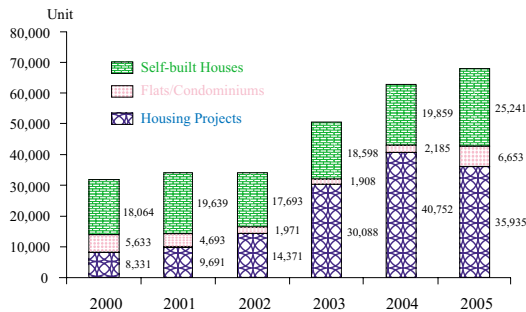
Overall Conditions in 2005

In 2005, overall real estate activities slowed down from the previous year in line with slowing demand, mainly as a result of higher oil prices and rising interest rates. Faced with these challenges, potential home buyers on average took longer time to make decisions. In a different financial environment, some switched to housing types that suited their purchasing power, for example, small condominium units in the city that located close to work with convenient transportation to save on commuting expenses. As a result, the number of newly completed and registered condominium units in Bangkok and its greater metropolitan area increased significantly in 2005. In addition, outstanding mortgage loans continued to expand, as most home buyers relied on credits from financial institutions to finance their purchases.

Meanwhile, real estate developers also adapted to higher production cost. Some developers postponed project launches to better assess market outlook. New housing units available in 2005 tended to be smaller in size, reflecting declining consumers' purchasing power. With more conservative commercial bank credit extension to housing development projects, commercial bank's outstanding loans to real estate developers decelerated in growth terms from 6.4 per cent in 2004 to only 0.4 per cent in 2005. These figures included outstanding loans at non-bank financial institutions which had upgraded into commercial banks in 2005. However, without the adjustment of past data, outstanding credits would have risen by 8.3 per cent owing to the inclusion of credits extended by the three newly established commercial banks during the fourth quarter of 2005.

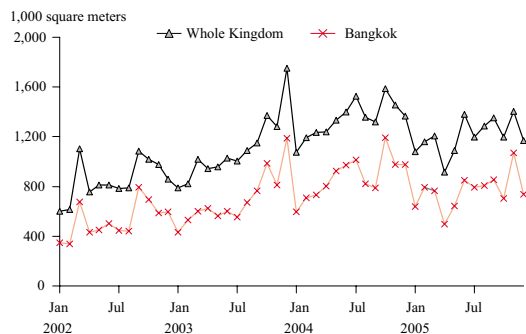
In 2005, the single detached house and townhouse price indices (including land) rose by 8 per cent and 6 per cent, respectively, reflecting the increase in land price, construction cost and wages.

New Housing Registrations
(Bangkok and Vicinities)



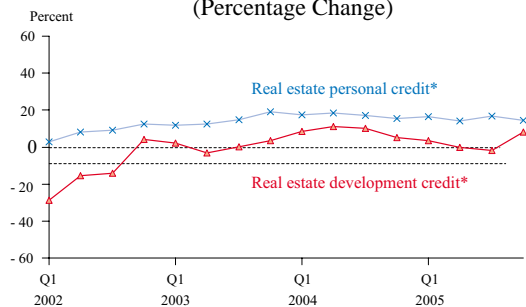
Source: Real estate Information Centre, Government Housing Bank

Permitted Housing Construction Areas



Source: Bank of Thailand

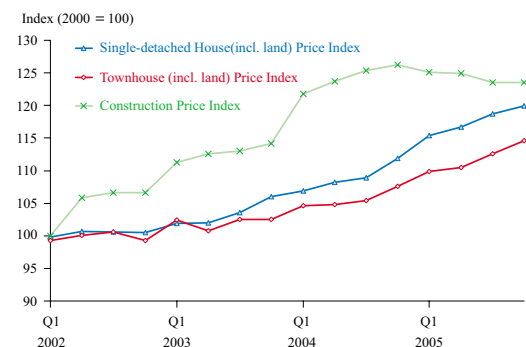
Total Real estate Credit Outstanding of Commercial Bank
(Percentage Change)



Source: Bank of Thailand

Note: *Including Tisco Bank since July 2005, Kiatnakin Bank since October 2005, ACL Bank and Land And House Retail bank since December 2005

Housing Price Index



Source: Bank of Thailand calculation using the Government Housing Bank appraisal database

Outlook in 2006

The real estate market was expected to decelerate further during the first half of 2006, owing to rising inflationary pressure. Nevertheless, during the second half of 2006, real estate activities should improve as inflation was expected to moderate. In addition to the projects postponed from 2005,

new supply of medium- to low-price housing units should become available, particularly condominium units located along the existing sky-train routes as well as proposed new routes. House price growth was expected to moderate from the previous year due to rising competition from low-priced public housing projects.

Table 9 : Real Estate Indicators

	2004	2005				
		Year	Q1	Q2	Q3	Q4
Land Transaction Value ^{1/} (Million Baht)	694,339	614,837	140,649	152,086	160,989	161,113
$\Delta\%$	-8.9	-11.5	11.2	-0.8	-14.9	-28.5
Juristic Act and Right Registration Fee 2% ^{2/} (Million Baht)	10,619	11,750	2,704	2,889	3,004	3,152
$\Delta\%$	22.0	10.7	24.5	7.5	4.2	9.6
Juristic Act and Right Registration Fee 0.01% ^{3/} (Million Baht)	16.3	2.7	0.5	0.8	1.1	0.3
$\Delta\%$	-50.1	-83.3	-69.6	-59.5	-76.1	-95.7
Number of Land Transactions (Unit)	850,116	903,451	219,209	232,669	227,353	224,220
$\Delta\%$	-4.1	6.3	11.2	7.9	4.3	2.2
Permitted Construction Areas (1,000 square meters)	22,698	19,633	4,727	4,611	5,360	4,936
$\Delta\%$	22.2	-13.5	-2.4	-22.3	-6.2	-20.5
- Permitted Housing Construction Areas Municipality area (1,000 square meters)	16,111	14,447	3,444	3,385	3,836	3,782
$\Delta\%$	22.0	-10.3	-1.8	-14.8	-8.8	-14.4
- Permitted Housing Construction Areas Bangkok area (1,000 square meters)	10,518	9,162	2,197	1,994	2,457	2,514
$\Delta\%$	26.2	-12.9	7.6	-26.2	-6.5	-20.1
New Housing Registrations (Bangkok and Vicinities) (Unit)	62,796	67,829	16,709	15,691	17,698	17,731
$\Delta\%$	24.1	8.0	40.0	10.9	11.3	-14.8
- Housing Projects	40,752	35,935	9,396	8,411	9,793	8,335
- Flats/Condominiums	2,185	6,653	1,656	1,252	1,346	2,399
- Self-built Houses	19,859	25,241	5,657	6,028	6,559	6,997
Cement Sale (1,000 Metric tons)	27,191	28,966	8,391	7,135	6,802	6,638
$\Delta\%$	12.2	6.5	17.6	8.2	3.1	3.3
Single-detached House Price Index (Including Land) (2000 = 100)	109.0	117.7	115.4	116.7	118.7	119.9
$\Delta\%$	5.4	8.0	7.9	7.8	9.1	7.2
Town House Price Index (Including Land) (2000 = 100)	105.6	111.9	109.9	110.5	112.6	114.6
$\Delta\%$	3.5	6.0	5.1	5.4	6.8	6.5
Construction Material Price Index (2000 = 100)	124.3	124.3	125.1	124.9	123.5	123.5
$\Delta\%$	10.2	0.0	2.7	1.0	-1.5	-2.1

Note. : $\Delta\%$ represents percentage change from the same period last year.

P = Preliminary

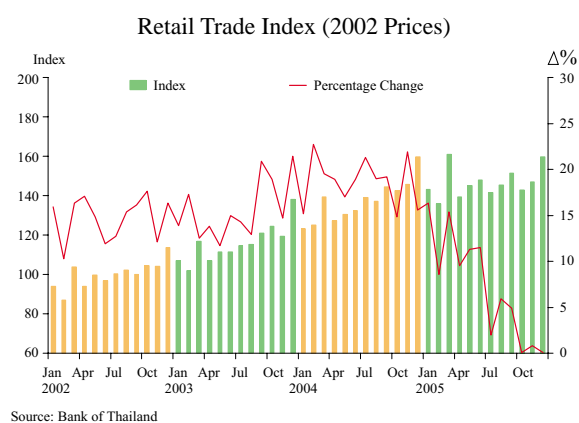
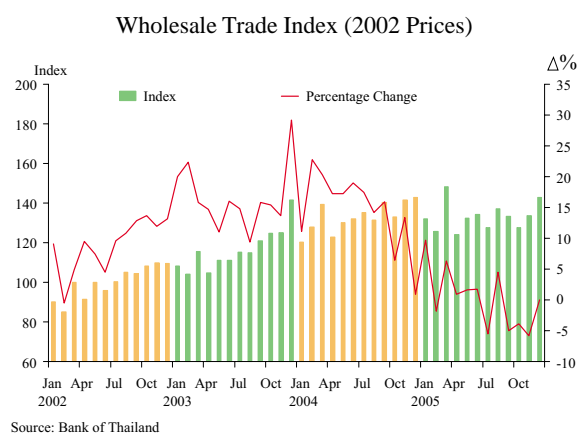
1/ Regarding the estimation for overall land transactions nationwide, the Bank of Thailand derives the figures from the amount of the Juristic Act and Right Registration Fee, separately classified into 2 per cent and 0.01 per cent categories.

2/ The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 2 per cent, in accordance with Ministerial Regulation No. 47 (B.E. 2541), which was issued under the Land Code Amendment Act B.E. 2497 article 2(7).

3/ The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 0.01 per cent as specified by the Cabinet.

Sources : Department of Land, Government Housing Bank, Ministry of Commerce, and Bank of Thailand

Trade



Trade sector's activities slowed down in 2005 in line with falling consumers' purchasing power, which was due mainly to higher retail oil prices and rising inflation. Meanwhile, producers could pass only a fraction of higher production costs through to consumers, as they attempted to maintain market shares amid intense competition. Trade activities related to construction and durable goods, especially in household electrical appliances, decelerated significantly while necessities decelerated only slightly. Nevertheless, larger-scaled producers were able to better cope with higher costs of production.

Trading sector's outlook for 2006 was expected to improve in line with easing inflationary pressure. Additional factors supporting the improving outlook were better expected agricultural production than that in 2004, which suffered from drought, satisfactory expansion of manufacturing production and a gradually improving tourism industry.

Table 10 : Retail and Wholesale Trade Indices

	2004	2005 ^E	2005			
			Q1	Q2	Q3	Q4 ^{E/I}
Wholesale Trade Index	133.1	133.2	135.3	130.2	132.7	134.6
Δ%	14.2	0.1	4.7	1.4	-2.1	-3.2
Retail Trade Index	137.2	146.7	146.6	144.1	146.1	149.8
Δ%	18.6	6.9	13.5	10.8	4.3	0.3

Notes : P = Preliminary

E = Estimated

Δ% represents percentage change from the same period last year.

Source : Bank of Thailand

Telecommunication

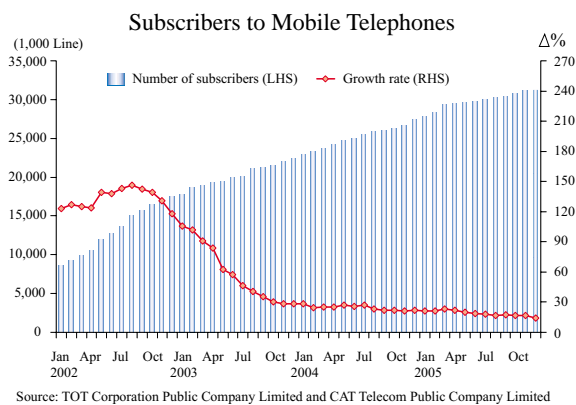
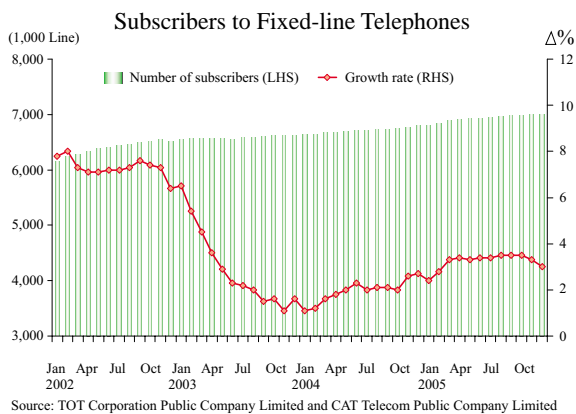


Table 11 : Telecommunication Services

(Million Lines)	2004		2005			
	Year	Q1	Q2	Q3	Q4	
Fixed-line Telephones ^{1/}	6.8	7.0	6.9	6.9	7.0	7.0
Δ%	2.7	3.0	3.3	3.4	3.5	3.0
Mobile Phones ^{1/}	27.4	31.3	29.3	29.8	30.4	31.3
Δ%	22.0	14.2	23.4	19.0	17.2	14.3

Note : 1/ Data as of end-period

Δ% = represents percentage change from the same period last year.

Source : TOT Corporation Public Company Limited and CAT Telecom Public Company Limited

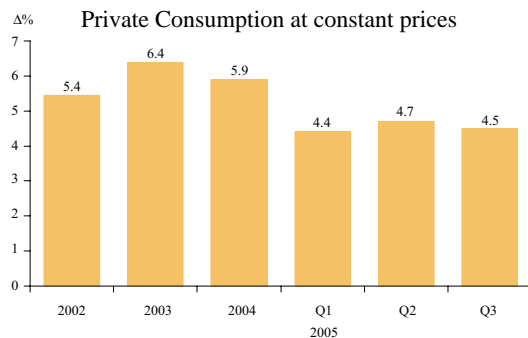
In 2005, mobile telephone service activities decelerated from 2004, owing to declining consumer's purchasing power amid rising inflation and the fact that the penetration ratio had reached one-half of the entire population. In 2005, the number of mobile service users stood at 31.3 million numbers, increasing by 3.9 million or 14.3 per cent, but slowing down from the increase of almost 5 million in 2004. In 2005, mobile phone service providers concentrated on price cutting as a core competition strategy to attract customers from other providers as well

as to maintain their own customer bases. Despite development of new complimentary services to boost earnings, most providers experienced lower profit per number, as additional earnings were not sufficient to cover losses incurred from the price cutting strategy.

Fixed-line telephone service activities expanded at a slightly higher pace. In 2005, the number of fixed-line service users increased roughly by 200,000 numbers or by 3.0 per cent, compared to an increase of 180,000 numbers or by 2.7 per cent in 2004. The increase in 2005 mainly reflected higher penetration rate in regional areas as well as rising demand for internet services, which mostly utilized the fixed lines.

Outlook for 2006: Mobile phone service activities should continue on a decelerating path. However, service providers were expected to concentrate their investment on network expansion in the regional areas, as the penetration rate for this customer group remained low. Meanwhile, price competition should be less intense, as service providers were likely to compete more on quality of services and other complimentary service options to fulfill demand, especially in the expanding regional markets. In addition, it was expected that the National Telecommunications Commission (NTC) would exert greater regulatory role and issue licenses for telecommunication services, particularly new licenses for third generation technology services (3G), which allowed for the integration of voice, data and other multimedia services. With these new 3G licenses, there would be significant amount of new investment spending in the sector. Indeed, since late 2005, there had been cases of foreign equity investment in the sector as well as foreign purchase of mobile service businesses. It was likely that foreign participation in the telecommunication sector would continue. As for the fixed line market, activities were expected to grow at a similar rate as in 2005, with regional market expansion as the main thrust.

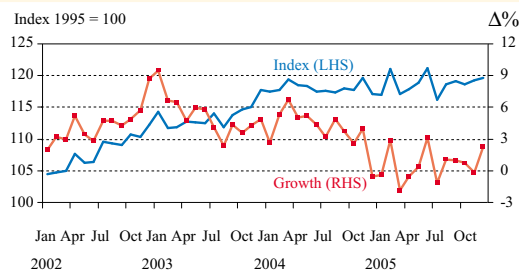
Private Consumption



Source: National Economic and Social Development Board

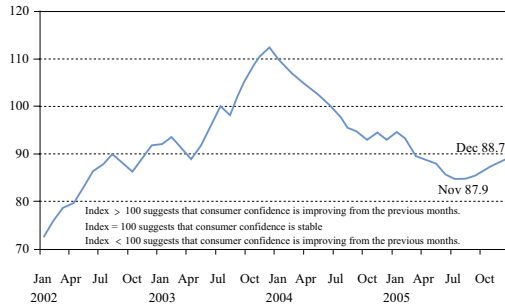
Private Consumption Index

	2004	2005	2005			
			Q1	Q2	Q3	Q4
Index	118.0	118.7	118.4	119.3	118.0	119.2
Δ%	3.9	0.6	0.2	1.0	0.3	0.9



Source: Bank of Thailand

Consumer Confidence Index



Source: The University of the Thai Chamber of Commerce

Table 12 : Private Consumption Indicators

	2004	2005	2005			
			Q1	Q2	Q3	Q4
Passenger Car Sales	209.1	185.8	42.3	47.3	40.3	55.9
(Unit: 1,000 units)	(16.6%)	(-11.2%)	(-19.5%)	(-5.6%)	(-19.8%)	(-0.6%)
Motorcycle Car Sales	1,965.5	2,053.0	519.1	498.6	477.7	557.7
(Unit: 1,000 units)	(14.7%)	(4.5%)	(1.2%)	(-0.2%)	(9.5%)	(8.0%)
Sales of Benzene and Gasohol	7.7	7.2	1.8	1.9	1.8	1.8
(Unit: billion liters)	(0.4%)	(-5.4%)	(-7.0%)	(-7.0%)	(-3.8%)	(-3.4%)
Household's Usage of Electricity Power	24.5	25.5	5.8	7.1	6.5	6.1
(Unit: billion kilowatts)	(5.2%)	(4.0%)	(4.8%)	(6.0%)	(2.7%)	(2.5%)
Imports of Consumer Goods at 1995 Prices	7,252.0	7,539.4	1,837.9	1,864.7	1,879.8	1,957.1
(Unit: billion USD)	(13.9%)	(4.0%)	(3.7%)	(5.3%)	(1.0%)	(5.8%)
VAT at 1995 prices	257.8	287.4	70.4	72.0	71.2	73.7
(Unit: billion baht)	(19.3%)	(11.5%)	(13.4%)	(15.6%)	(10.2%)	(7.2%)

Note : Number in parenthesis is a year-on-year growth rate.

Source : Bank of Thailand

Private consumption expanded at a decelerating rate from the previous year. For the first nine months of 2005, private consumption increased by 4.6 per cent, compared to 5.9 per cent for 2004. The decline in private consumption resulted mainly from increasing oil prices, which led to higher price of goods and services and rising inflation. This in turn caused consumer confidence to deteriorate and consumer spending behaviour to become more cautious. The slowdown in private consumption was in line with the downward trend observed in the Consumer Confidence Index (CCI), which was identified as due to concerns over rising cost of living as well as the prolonged unrest in the three southernmost provinces.

In 2005 Q4, the BOT's Private Consumption Index (PCI) expanded by 0.9 per cent, up from 0.3 per cent in the previous quarter. The expansion concurred with the improving Consumer Confidence Index in the final quarter of 2005.

The increase in PCI during 2005 Q4 reflected satisfactory growth in its components, namely imports of consumer goods at constant price, passenger car sales, which was due to the launch of new car models and promotions during the Motor Show in December 2005, and motorcycle sales, which grew in line with farm income. Other PCI components, such as the value added tax at 1995 prices and household electricity usage continued to expand, albeit at a slower rate. On the other hand, the consumption of benzene and gasohol continued to decline from 2004, as oil prices remained high.

The upward interest rate cycle and high oil prices should further discourage private consumption, as consumers become increasingly prudent with their spending decisions. To some certain extent, the continued rise in interest rates should nevertheless encourage household savings and discourage households from taking on more debt.

Private Investment

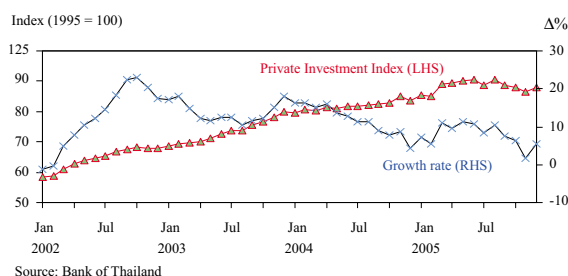
Private Investment at Constant Price



Source: National Economic and Social Development Board

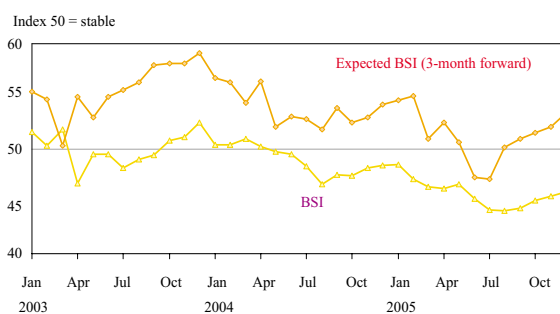
Private Investment Index

	2004	2005	2005			
			Q1	Q2	Q3	Q4 ^P
Private Investment Index	81.9	89.0	89.1	90.4	88.7	87.9
Δ%	10.0	8.6	11.0	10.6	7.6	5.4



Business Sentiment Index (BSI)

	2004	2005	2005			
			Q1	Q2	Q3	Q4
BSI	49.0	45.8	47.3	46.0	44.2	45.5
Expected BSI (3-month forward)	53.9	51.3	53.5	50.1	49.4	52.3



Private investment decelerated in 2005, expanding at 12.0 per cent in the first half of the year and entering the latter half with slightly lower growth, registering at 11.5 per cent in 2005 Q3. The moderate deceleration was on account of the increase in cost of production following the oil price surge and deteriorated business sentiment.

During 2005 Q1-Q3, private investment expanded mainly on strengthened investment in equipment and machinery. Meanwhile, construction investment slowed down in line with real estate activities.

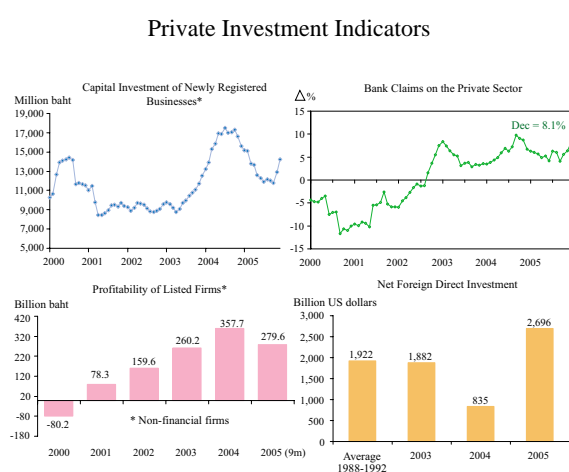
For 2005 Q4, private investment indicators pointed to a slowdown from the previous quarter. The Private Investment Index (PII) grew at 5.4 per cent in 2005 Q4, compared to 7.6 per cent in 2005 Q3. As a result, private investment growth for the year was expected to decelerate from 2004. Factors accounting for most of the growth slowdown included (1) increasing cost of production, especially rising oil prices and (2) deteriorating business sentiment, caused by rising cost of production, strong business competition as well as the unrest in the three southernmost provinces.

Table 13 : Private Investment Indicators

	2004	2005	2005			
			Q1	Q2	Q3	Q4
Domestic Cement Sales (Unit: 1,000 tons)	27,191 (12.2%)	28,966 (6.5%)	8,391 (17.6%)	7,135 (8.2%)	6,802 (3.1%)	6,638 (-3.3%)
Construction Area Permitted in Municipal Zone (a 12-month backward moving average) (Unit: 1,000 square meters)	21,494 (37.2%)	21,277 (-1.0%)	5,656 (16.2%)	5,394 (2.2%)	5,198 (-7.6%)	5,030 (-12.1%)
Domestic Commercial Car Sales (Unit: 1,000 units)	416.8 (17.7%)	517.7 (24.2%)	124.2 (30.7%)	132.1 (30.9%)	118.6 (31.9%)	142.8 (9.1%)
Imports of Capital Goods at 1995 Prices (Unit: Billion Baht)	424.8 (4.8%)	481.5 (13.3%)	117.4 (13.4%)	121.8 (13.4%)	123.8 (13.0%)	118.6 (13.7%)
Domestic Machinery Sales at 1995 Prices (Unit: Billion Baht)	431.0 (18.6%)	491.2 (14.0%)	116.8 (12.2%)	133.9 (25.8%)	119.6 (10.7%)	120.9 (7.5%)

Note : Number in parenthesis is a year-on-year growth rate

Source : Bank of Thailand



Other private investment indicators confirmed a slowdown in investment activity in 2005. Registered capital of new businesses was on a decline, though climbing slightly toward the end of year. Nevertheless, profit margin growth of listed companies, net foreign direct investment and the value of investment projects approved by the Board of Investment (BOI) remained satisfactory in 2005. These factors along with high capacity utilization should allow private investment to continue to expand well in 2006.

Table 14 : Investment Promotion Certificates Issued

Jan - Dec 2005 ($\Delta\%$)	No. of Projects	Value
Agriculture	-6.3	-11.4
Mining ceramics and metals	42.3	73.9
Light industry	28.2	7.2
Metal machinery and equipment	-6.3	101.4
Electronics and electrical products	23.8	-37.2
Chemicals paper and plastic	9.9	13.7
Services and infrastructure	12.2	128.4
Total	7.7	43.4

Source : Office of the Board of Investment

Labour Market Conditions

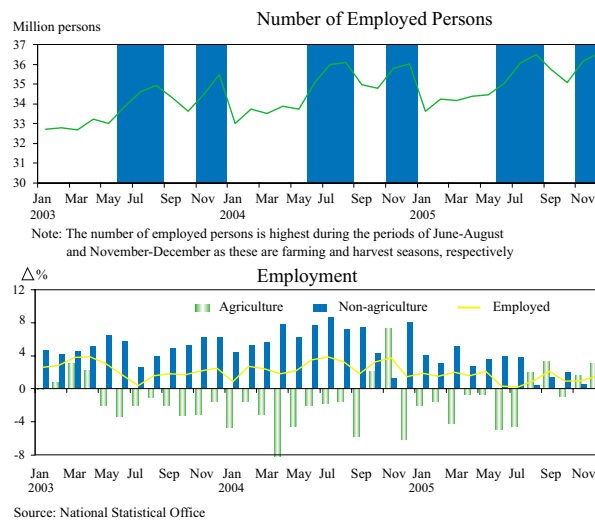


Table 15 : Labour Market Conditions by Sector and Region
(Unit: Percent)

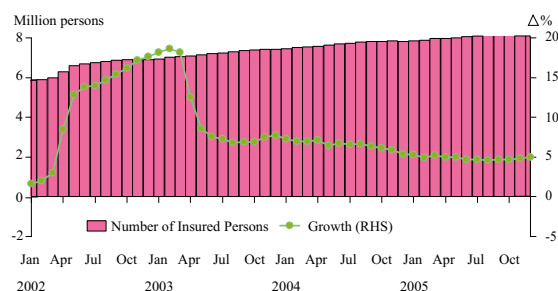
	Share of Employed		Growth Rate of Employed	
	2004	2005	2004	2005
Agriculture	38.5	37.7	-2.3	-0.7
Non-agriculture	61.5	62.3	6.0	2.6
Manufacturing	16.5	16.7	3.9	2.3
Wholesale and retail trade	15.8	15.7	6.3	0.3
Hotel and restaurant services	6.5	6.7	5.6	4.0
Construction	6.0	6.0	11.4	1.9
Others	16.7	17.2	5.2	4.8
Total	100.0	100.0	2.6	1.3

Table 16 : Labour Market Conditions by Region

	Share of Employed		Growth Rate of Employed		Unemployment Rate	
	Persons in 2005	2004	2004	2005	2004	2005
Central region	24.8	3.5	4.8	1.5	1.6	
Bangkok	11.9	0.8	-6.9	2.1	1.8	
Northern region	18.5	4.6	4.6	2.1	1.9	
Northeastern region	31.8	2.5	2.1	2.5	2.1	
Southern region	13.1	0.5	3.9	1.9	1.7	
Whole Kingdom	100.0	2.6	1.3	2.1	1.8	

Source : National Statistical Office

Number of Insured Persons in the Social Security System



Note: Since April 2002, the Social Security Office expanded Social insurance coverage to establishment with less than 10 persons, resulting in the unusually large increase in the number of insured persons during the period of April 2002 to March 2003

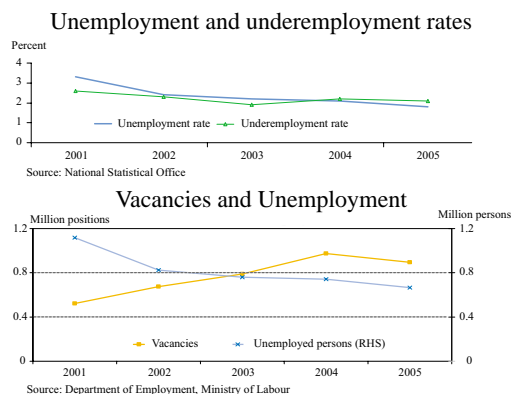
Source: Social Security Office

In 2005, the number of employed persons increased by 1.3 per cent, moderating from the previous year. Employment in the agricultural sector continued to decline from 2004, falling by 0.7 per cent on account of drought and crossover into non-agricultural sectors. Nevertheless, as economic growth slowed down, non-agricultural employment growth dropped to 2.6 per cent from 6.0 per cent in 2004, with the growth slowdown observed in all major non-agricultural sectors.

Employment rose significantly in the north, central, and especially the south of Thailand. Despite the ongoing unrest, employment in the south expanded robustly on account of a substantial rise in the price of natural rubber. In addition, the increasing employment in these regions was partly due to labour migration from Bangkok and the northeast.

Private hiring in the formal sector continued to improved, as reflected in the number of insured persons under the social security programme, which rose by 8.23 million persons, an increase of approximately 0.39 million persons or 5.0 per cent from end-2004.

Continued increase in the number of employed persons in 2005, albeit at slower growth, contributed to the unemployment rate of 1.8 per cent, down from 2.1 per cent in



2004 and the lowest since 1998. The low unemployment and underemployment rates together with the number of job vacancy that outpaced unemployment reflected a tightening labour market in 2005. The labour market could continue to tighten in the future as the number of workers demanded was expected to outstrip the number of unemployed persons. Nevertheless, business firms, especially those in the manufacturing sector, had so far managed to increase shifts and working hours in response to the low unemployment condition.

Price Level

Consumer prices, as measured by the Consumer Price Index (CPI), rose by 4.5 per cent in 2005, accelerating from 2.7 per cent in 2004. The acceleration was on account of a 5.0-per-cent increase in food and beverage prices and a 4.3-per-cent increase in non-food and beverage prices. **Core CPI** (excluding raw food and energy prices) rose by 1.6 per cent, accelerating from the previous year's rate of 0.4 per cent as a result of the second-round effect of rising oil prices. This effect translated steeper production costs into higher cost of public transportation as well as high raw food prices into the price of restaurant and home cooked meals. Nevertheless, core inflation remained within the target range of 0-3.5 per cent.

Factors that caused Thailand's inflation to pick up included:

(1) The removal of domestic retail oil price control to align domestic prices with world prices that continued to increase significantly;

(2) Higher raw food prices, in particular farm prices such as fresh vegetables and fruits, which rose 16.5 per cent as a result of crop damage from natural disasters including drought and flood coupled with higher external demand for rice and cassava in particular;

(3) Higher energy costs, which led to a 13.2-per-cent upward adjustment in the cost

of public transportation, which included local and regional buses, ferries and boats, motorcycles, and air fares, as well as an increase in electricity charges;

(4) An increase in the excise taxes for alcoholic beverages and cigarettes.

Nevertheless, headline inflation, which rose as high as 6.2 per cent in October fell to 5.9 and 5.8 per cent in November and December, respectively, as domestic retail oil prices declined following a fall in world oil prices. This development indicated a possibility that headline inflation might have already peaked.

Since raw food and energy items accounted for most of the price increases, there remained a significant difference between headline and core inflation measures. Part of the rising production costs had begun to translate into higher prices of some goods and services. But businesses were still unable to adjust prices to the full extent. This incomplete pass-through came about as a result of price control measures that applied to basic goods considered as necessities. In particular, the authority increased the number of controlled items to 37 from 18. Intense competition also forced businesses to absorb higher production costs, for example, freight charges, in order to maintain market share.

Table 17 : Consumer Price Index
(Percentage change from the same period last year)

	Weight (Per cent)	2004	2005	2005			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	2.7	4.5	2.8	3.7	5.6	6.0
Food and beverages	36.1	4.5	5.0	4.0	3.6	5.5	6.5
Non-food and beverages	63.9	1.7	4.3	2.0	3.6	5.7	5.7
Core Consumer Price Index	75.95	0.4	1.6	0.7	1.1	2.2	2.4

Source : Bureau of Trade and Economic Indices, Ministry of Commerce

Table 18 : Producer Price Index
(Percentage change from the same period last year)

	Weight (Per cent)	2004	2005	2005			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	6.7	9.2	9.6	9.4	9.4	8.2
Agricultural Products	9.5	14.9	21.2	18.7	21.0	25.7	27.0
Mining Products	2.4	12.8	17.4	15.8	18.3	19.2	16.4
Manufactured Products	88.1	5.4	7.2	8.0	7.8	7.4	5.4

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

The **Producer Price Index (PPI)** increased by 9.2 per cent in 2005, accelerating from the previous year's increase of 6.7 per cent. The acceleration in PPI was due to higher prices in all categories, namely, agricultural, mining, and manufactured products, which rose by 21.2, 17.4 and 7.2 per cent, respectively. Agricultural prices surged with the increase in farm prices, including prices of paddy, cassava, rubber and fresh vegetables given strong external demand as well as supply contraction after natural disasters such as drought and flood.

Manufactured product prices edged up following the upswing in the prices of petroleum products, chemical products, rubber and plastic products, and metal products, while the price of mining products rose in line with the surge in the prices of crude oil, natural gas, and metal ore.

External Sector

World Economy

The world economy continued to expand in 2005 albeit at a slower pace than in 2004. As of September 2005, the International Monetary Fund projected that the world economy would grow at 4.3 per cent in 2005, compared to 5.1 per cent in the previous year. During the first half of 2005, the world economy continued to be driven principally by the US with support from Asia, particularly China and India. However, Japan and Europe remained subdued on account of weak domestic private consumption. Persistent high oil prices were the main adverse disturbance to the global economy over the year.

Although US economic growth decelerated somewhat in the fourth quarter following hurricanes Katrina and Rita, US economy continued to expand at a

considerably high rate during the second half of 2005 and remained the global economy's main engine. Meanwhile, Japan and the euro area started to recover. However, the global economy still faced the risk of persistent high oil prices.

US economy in 2005 continued to expand well, moderating slightly from the previous year. Supporting factors included more favourable employment conditions as well as high rate of return on assets and rising house prices, especially in the second half of the year. In addition, US economy proved to be resilient to the impact of hurricanes Katrina and Rita.

Nevertheless, the high current account deficit remained a concern while high oil prices still posed adverse risk to growth and significantly caused consumer confidence to deteriorate.

The **euro area** economy had recovered gradually in 2005. During 2005 H1, the economy did not show clear signs of recovery. The unemployment rate remained high, resulting in subdued domestic demand. Increasing oil prices also contributed to the slowdown in production. However, some countries in the euro area such as Germany started to recover, as evidenced by the decreasing unemployment rate and pickup in manufacturing production. Overall, the euro area was expected to continue on a recovery path in 2006.

Japan's economy expanded consistently in 2005. Although the growth rate remained low in 2005 Q1, domestic demand started to recover and the export sector continued to improve. This improvement resulted in an economic upturn in the second half of 2005. Stronger private spending was in line with favourable employment conditions and consumer confidence. In 2005 Q4, the recovery in the business and banking sectors as well as firmer domestic investment helped bolster business confidence significantly. Although Japan was still in the state of deflation, the inflation rate started to rise with the economic expansion. As a result, the Bank of Japan (BOJ) might consider a shift toward a more tightening monetary policy stance in the near future.

In the **Asian region**, most countries experienced weaker growth in the first quarter of 2005, except China and India. The growth slowdown was essentially a result of high oil prices and weaker global demand particularly for electronics, which constituted much of Asia's exports. With the recovery of global demand for electronics and domestic private consumption in the second half of 2005, growth in most Asian economies picked up. Despite the risk of persistent high oil prices, Asian economies in general remained strong, notably China which continued to enjoy high growth.

The IMF expected **world trade volume** to increase by 7.0 per cent in 2005, decreasing from 10.3 per cent in the previous year as a result of a slowdown in the global economy from 2004, especially US.

World inflation rose with pressure mainly coming from persistent high oil prices. For developed countries, partly owing to efficient oil consumption, inflation pressure was moderate and inflation rates were well-contained. Japan, however, remained in deflation. Developing countries in Asia were significantly affected by high price of oil as several countries began to remove domestic oil price subsidies. This subsidy removal resulted in considerable increases in inflation in 2005, with the inflation rates averaging at 4.2 per cent. Despite such inflationary pressure from rising oil prices, China's inflation remained low as a result of decreasing prices of goods.

World interest rates continued on an upward trend in 2005. US Federal Reserve raised the fed funds rate 8 times in 25-basis-point increments to 4.25 per cent per annum in December 2005 in order to maintain price stability and return interest rates to a neutral level. The ECB, having left the policy rate on hold at 2.0 per cent per annum during the last two years, decided to raise the refinancing rate by 25 basis points to 2.25 per cent per annum on 1 December 2005 as inflation exceeded its medium-term target.

Meanwhile, the Bank of England had reduced the base rate by 25 basis points to 4.5 per cent per annum in August, in order to stimulate economic activities. For the Bank of Japan, the quantitative easing policy was maintained in order to keep its policy rate at effectively zero per cent to facilitate the economic recovery.

International Trade and the Balance of Payments

The trade deficit in 2005 resulted from decelerating export growth along with faster import growth. Together with the declining surplus in the services, income and transfers account consequent of adverse tourism activities post-tsunami, Thailand's current account turned from a sizable surplus in 2004 into deficit. Nevertheless, large net inflow of capital more than offset the current account deficit, thereby allowing the balance of payments to continue to be in surplus in 2005.

Exports

Export value posted a record sum of 109.2 billion US dollars, a year-on-year increase of 15.0 per cent compared to 21.6 per cent in 2004. The export price and volume expanded by 10.1 and 4.5 per cent, respectively, mainly buoyed by the growth in export of manufacturing and fishery products. On the other hand, agricultural exports dropped on account of severe drought.

Thai exports increased in all major markets including USA, EU, Japan and ASEAN, which accounted for 64.4 per cent of export share. In addition, owing to the bilateral free trade agreements, higher growth of exports to new markets such as New Zealand, Australia, India and China also raised their export share.

Details of Thailand's major export items are as follows:

Manufactured Products. Export value of high-technology products accounted for the highest share of 63.7 per cent of total exports, slightly up from 62.3 per cent in the previous year. Among the high-growth industries, automobile maintained its strong expansion due to Thailand's potential as a production base, especially for commercial cars. This robust growth resulted in a significant rise in the country's export of **vehicles and parts**, particularly to ASEAN countries as well as those with free trade agreements such as

Australia and New Zealand. Electronic exports, particularly **computers and parts**, continued to expand in line with an upswing in consumer electronics cycle. This contributed to an ongoing growth of export of hard disk drives as well as **integrated circuits (IC) and parts** that was supported by the electronic up-cycle. Meanwhile, export of **electrical appliances** recorded smaller growth relative to the previous year. Major items in this category were air conditioning units, the export of which was impacted by a prolonged winter in Europe and television sets, a major market for which was US, which had regulation restricting import of analogue televisions.

Other export categories that expanded well were **plastic products, chemical products** as well as **petroleum products** such as diesel, benzene and LPG, for which there was excess supply in the domestic market. This excess supply was induced by the removal of retail oil price subsidies, the substitution of gasohol for benzene usage as well as a slowdown in fishery following high oil prices.

The growth of **labour-intensive product** exports was due mainly to an expansion in **precious stone and jewellery** exports. The growth rate of exports in this item was 22.0 per cent, a sharp rise from 5.3 per cent in the previous year. The expansion was primarily in fine jewelleries and articles of jewellery made of gold alloys. On the other hand, export of gold for speculative purposes made up for an insignificant share of exports. The growth of **garment** exports diminished as the elimination of the quota restriction became effective on 1 January 2005. The action shifted export orders from the US and EU towards Thailand's competitors, such as China and Vietnam, as well as India for their competitive potentials and abundance in raw materials. However, despite the moderate

pickup in export orders toward the end of 2005, garment export growth registered only at 2.3 per cent for 2005, down from 12.0 per cent in 2004. Meanwhile, with the acceleration of sporting-footwear exports to US, export of **footwear** increased by 17.8 per cent compared to -4.2 percent in 2004.

Goods categories classified under **resource-based products** that enjoyed solid export growth included: 1) **rubber products** especially radial tyres, the export value of which increased sharply with the expansion of automobile production in the ASEAN region, and other rubber products such as rubber gloves, 2) **furniture and parts** particularly to US and EU, 3) **Prepared fowls** as substitutes for frozen fowls to Japan and EU due to the persisted avian influenza problem and 4) **canned seafood**, primarily canned fish, the export price and volume growth of which increased. As for agricultural-based exports, the volume of **sugar** exports declined while the export of **canned pineapple** rose in line with rising pineapple crop yield toward the end of the year.

Fishery products. Export value of fishery products rose by 9.6 per cent, of which 8.2 per cent was from volume growth. The main contribution to fishery products export growth in 2005 came from **fresh and frozen shrimp**, which had been under investigation for dumping from US in 2004 and which per official US investigation outcome as of 1 February 2005 eventually sustained the lowest antidumping duty rate compared to other competitors under investigation, except Ecuador. The other supporting factor was the reduction in tariff rates by EU to the same rate as the GSP tariff rate during 1 August - 31 December 2005.

Agricultural products. Export value of agricultural products in 2005 declined in line with major export items such as **rice, rubber and tapioca product**. The decline was due to the severe drought, which impacted on export quantity.

Imports

Import value reached a record high of 117.8 billion US dollars, growing by 26.0 per cent. Import price rose by 16.0 per cent, mainly following the pickup in the prices of fuel and lubricant products. Meanwhile, import volume expanded by 8.6 per cent following the acceleration in capital goods as well as fuel and lubricant products imports. This import acceleration was consistent with firm export and domestic demand growth, oil consumption growth as well as speculative non-monetary gold imports in anticipation of a gold price surge. Import value from the Middle East rose on account of oil while imports from Australia and China, with which Thailand had free trade agreements, surged by 48.0 and 37 per cent, respectively, and imports from India and New Zealand edged up by 12.4 and 6.8 per cent, respectively.

Details of Thailand's major import items are as followed.

Capital goods. Import value of capital goods rose by 24.7 per cent with major increases coming from **electrical machinery and parts**, which were inputs for electronics production for export. In addition, imports of **non-electrical machinery and parts**, used in the automobile, office equipment, paper, food, transportation, construction, telecommunication and metal industries, also rose. Stoking demand for imports were also government mega-projects, such as the construction of the expressway, the Suvarnabhumi airport, housing projects for the poor as well as state enterprise purchases, such as Thai Airways International's import of 8 new aircraft (at 1.0 billion US dollars), the new airport's explosive detection system as well as gas pipelines imported by PTT Public Company Limited. Furthermore, imports of **computers and parts** also increased in line with internal and external demand expansion.

Import value of **intermediate goods and raw material** grew by 18.1 per cent. Major items in this import categories included: (1) **iron and steel**, which surged during the first half of the year in anticipation of government mega-projects as well as the expansion in domestic industrial production, (2) **animal feeds** (of which 65 per cent was **soybean mill**), which had risen since the measure to reduce raw material import duty came into effect following a cabinet resolution on 23 November 2004 to lower the cost of animal feeds, (3) **fishery and prepared seafood**, of which 70.0 per cent was the import of tuna to serve the production of prepared seafood for export, (4) **integrated circuit and parts** for export production and (5) **chemical** products, namely Ethylene Glycol for use in the petrochemical industry.

Consumer goods. Import value of consumer goods rose by 12.4 per cent from import of durable goods, such as household goods and electrical appliances, particularly parts for radio receivers and television sets as well as colour video monitors, and non-durable goods such as **fruits and vegetables**, of which more than half were imported from China, including apples, peaches and pears.

Other imports that registered high growth included **non-monetary gold**, which jumped by 64.0 per cent from 2004. The gold imports were used for jewellery production and partly in speculation that gold price would continue to rise. Gold was mainly imported from Australia, which was Thailand's nearest source of raw material.

Vehicles and parts. Import value of vehicles and parts rose by 9.1 per cent in line with domestic demand and export growth. Nevertheless, the growth rate was down from 18.4 per cent in 2004, as producers substituted domestically produced materials for imported ones.

Crude oil. Crude oil import value rose by 60.7 per cent as a result of 38.1 per cent

rise in import price together with 16.3 per cent rise in import volume. The surge in oil prices during 2005 was due to various factors such as a prolonged and unstable winter in US and EU, labour strife in Nigeria's oil industry, the impact of hurricanes Katrina and Rita on refinery facilities in the Gulf of Mexico as well as hedge funds' speculative behaviour. The average price of oil imports was at 52.8 US dollars per barrel compared to 38.2 US dollars per barrel in 2004.

Trade, Services and Current Account Balances

With import growth exceeding that of export, the **trade balance** turned from a surplus of 1.5 billion US dollars in 2004 into a deficit of 8.6 billion US dollars. Machinery and electronic imports from Japan and Taiwan and sizable oil imports from the Middle East and ASEAN contributed to most of the deficit. Among countries with which Thailand had free trade agreements, the largest deficit was to China and Australia; the latter was due to gold imports. Nevertheless, the trade balance with India and New Zealand was still in surplus in 2005.

The **services, income and transfers account** recorded a lower surplus of 4.9 billion US dollars, down from 5.4 billion US dollars in 2004. Tourism revenue was sluggish at 10.1 billion US dollars, close to the previous year's figure as a result of the tsunami together with unrest in the south. On the other hand, tourism expenditure rose to 5.0 billion US dollars, a 10.7 per cent increase from 2004, in line with increases in the number of outbound tourists and average expenditure per tourist. Investment income accelerated from 2004, especially in the public sector, whereas investment payment rose due to higher profit remittances and dividend payment of the private sector. With diminishing services, income and transfers surplus and the trade balance reversion, the current account turned to a deficit of 3.7 billion US dollars in 2005 from a surplus of 6.9 billion US dollars in the previous year.

Net Capital Movement

In 2005, net capital movements recorded a surplus of 6.6 billion US dollars, compared to a net deficit of 0.6 billion US dollars in 2004, owing mainly to net capital inflow in the non-banking sector, particularly portfolio investment. Details of net capital movements in 2005 are as follows:

Capital flows of the public sector registered a deficit of 1.8 billion US dollars, compared to a deficit of 1.5 billion US dollars in 2004. The deficit was due to the government's repayment of long-term loans, which amounted to 1.2 billion US dollars, as well as the outflow of 0.6 billion US dollars from the refinancing of short- and long-term government external debt through domestic loans.

Capital flows in the banking sector recorded a deficit of 2.5 billion US dollars, reversing from a surplus of 1.6 billion US dollars in 2004. The net capital outflow in this sector was due to an increase in commercial banks' net foreign assets of 1.2 billion US dollars, which was on account of the decline in forward sales of foreign currencies to non-residents. At the same time, external debt repayment of the BIBF, mostly long-term debt, was reported at 1.3 billion US dollars.

Capital flows in other sectors registered a large surplus of 11.0 billion US dollars, of which **non-banking sector's** net inflow accounted for 9.4 billion US dollars. In the non-banking sector, **foreign direct investment** recorded a net inflow of 2.7 billion US dollars, of which **equity investment** in businesses related to beverage, tobacco as well as chemical production accounted for 2.1 billion US dollars and

inflow of **direct loans** to subsidiaries accounted for 0.6 billion US dollars, mainly in the energy trading business. In addition, **portfolio investment** was in surplus for 4.7 billion US dollars and was accounted for by inflows of **equity securities** of 4.9 billion US dollars and net outflows of **debt securities** of 0.2 billion US dollars. Items recorded under **other loans** registered a deficit of 0.4 billion US dollars, compared to a surplus of 0.5 billion US dollars in 2004, and was mainly accounted for by external debt repayment of oil-related businesses and holding companies.

Capital flows of state enterprises reverted into surplus at 1.5 billion US dollars, from a deficit of 1.4 billion US dollars in 2004. The large capital inflows were accounted for by loans to Thai Airways International for the payment of 8 new aircraft coupled with new issuance of long-term securities by other state enterprises in foreign markets, such as the floating rate certificate of deposit (FRCD) and floating rate notes (FRN). In addition, certain state enterprises trimmed down their foreign assets, which was defined as capital inflows as well.

Balance of payments

The reversion of the current account into deficit was more than offset by a significant inflow in the capital account, which resulted in a **balance of payments** surplus of 5.4 billion US dollars in 2005, compared to a surplus of 5.7 billion US dollars in 2004. Consequently, **international reserves** rose from 49.8 billion US dollars at end-2004 to 52.1 billion US dollars at end-2005, equivalent to 5.3 months of imports. Net outstanding forward obligations of the BOT stood at 3.8 billion US dollars.

Table 19 : Balance of Payments
(Unit: Million of US\$)

	2004			2005 ^{1/}		
	Year	H1	H2	Year	H1	H2
Exports, f.o.b.	94,941	45,041	49,900	109,211	50,984	58,227
(Δ%)	21.6	22.4	20.8	15.0	13.2	16.7
Imports, c.i.f.	93,481	45,077	48,404	117,788	59,102	58,686
(Δ%)	25.7	30.2	21.9	26.0	31.1	21.2
Trade balance	1,460	-36	1,496	-8,578	-8,118	-459
Services & Transfers	5,405	2,739	2,666	4,864	2,255	2,609
Current account balance	6,865	2,703	4,162	-3,714	-5,864	2,150
Capital movements (net)	-591	-1,355	764	6,621	4,412	2,209
Monetary authorities	3,065	1,247	1,818	0	0	0
Government	-1,504	-619	-885	-1,840	-647	-1,193
Bank	1,659	673	986	-2,500	-1,545	-955
Other sectors	-3,811	-2,656	-1,155	10,961	6,604	4,357
- Non-bank	-2,373	-1,929	-444	9,438	5,030	4,408
Foreign Direct Investment	835	359	476	2,697	1,508	1,189
Portfolio Investment	-561	-427	-134	4,722	2,807	1,915
Other Loans	548	-8	556	-444	-1,161	717
Nonresident Baht Account	-2,747	-2,106	-641	0	0	0
Others	-448	253	-701	2,463	1,876	587
- State enterprises	-1,438	-727	-711	1,523	1,574	-51
Errors and omissions	-539	503	-1,042	2,515	2,548	-33
Overall balance ^{2/}	5,735	1,851	3,884	5,422	1,097	4,325

Note : 1/ Preliminary

2/ Actual

% Δ represents percentage change from the same period last year

Sources : 1. Customs Department

2. Bank of Thailand

External Debt

External debt outstanding stood at 50.9 billion US dollars as of end-2005, declining from 51.3 billion US dollars as of end-2004. Notwithstanding the net external debt inflow of 2.0 billion US dollars, the outstanding value of external debt fell by 0.4 billion US dollars thanks to depreciation in the yen, which pushed down the value of yen-denominated debt in US dollar terms. The details can be summarized as follows:

Table 20 : External Debt Outstanding*
(Unit: Million US\$)

	2003	2004	2005	Dec-05 compared to Dec-04
1. Public Sector	7,306	5,779	3,578	-2,201
Long-term	6,921	5,491	3,578	-1,913
Short-term	385	288	0	-288
2. BOT (Long-term)	0	0	0	0
3. Banks	7,045	7,069	6,038	-1,031
Long-term	3,729	4,384	2,982	-1,402
Short-term	3,316	2,685	3,056	371
3.1 Commercial Banks	2,790	3,043	4,244	1,201
Long-term	1,271	1,733	2,000	267
Short-term	1,519	1,310	2,244	934
3.2 BIBFs	4,255	4,026	1,794	-2,232
Long-term	2,458	2,651	982	-1,669
Short-term	1,797	1,375	812	-563
4. Others	37,432	38,464	41,255	2,791
Long-term	30,229	29,263	27,656	-1,607
Short-term	7,203	9,201	13,599	4,398
4.1 State Enterprises	9,653	9,151	8,977	-174
Long-term	9,653	9,151	8,943	-208
Short-term	0	0	34	34
4.2 Non-Banks	27,779	29,313	32,278	2,965
Long-term	20,576	20,112	18,713	-1,399
Short-term	7,203	9,201	13,565	4,364
Total Debt (1+2+3+4)	51,783	51,312	50,871	-441
Long-term	40,879	39,138	34,216	-4,922
Short-term	10,904	12,174	16,655	4,481
Share (%)	100.0	100.0	100.0	
Long-term	78.9	76.3	67.3	
Short-term	21.1	23.7	32.7	

Note : * Including valuation change
Source : Bank of Thailand

External debt of the public sector amounted to 3.6 billion US dollars, down from 2004, as the Ministry of Finance's scheduled loan repayment amounted to 1.2 billion US dollars and domestic commercial banks purchased short- and long-term public debt securities worth 0.6 billion US dollars from non-residents. Consequently, the public sector reported total external debt repayment of 1.8 billion US dollars. With valuation changes from the yen depreciation, public sector debt outstanding declined by a total of 2.2 billion US dollars.

External debt of the banking sector stood at 6.0 billion US dollars. Commercial banks registered net loan inflows of 0.2 billion US dollars while the Bangkok International Banking Facility (BIBF) continued its short-and long-term external debt repayment totalling 1.3 billion US dollars. With the yen depreciation, the outstanding external debt for the banking sector declined by 1.0 billion US dollars from 2004.

External debt of other sectors stood at 41.3 billion US dollars with (1) net loan inflow in the non-banking sector of 4.1 billion US dollars, especially as trade credit of petroleum-related businesses and (2) net external borrowing by state enterprises of 0.8 billion US dollars in the form of loans and bond issuances. As a result, total external debt inflow amounted to 4.9 billion US dollars. Nevertheless, with the depreciation of the yen, external debt outstanding in this category increased by only 2.8 billion US dollars.

External debt structure

Short-term debt as of end-2005 accounted for 32.7 per cent of total external debt, rising from 23.7 per cent at end-2004. This increase was due to inflow of short-term loans, especially in the form of trade credit, as well as a decline in net inflows of long-term loan.

Fiscal Conditions

The government committed to balance the budget for fiscal year 2005. The budget was initially set at 1,200 billion baht. However, revenue collection exceeded expectation. This enabled the government to implement supplementary expenditures of 50 billion baht and still balance the budget. Consequently, the total government expenditures amounted to 1,250 billion baht.

During budget preparation for fiscal year 2005, the government had reviewed its budgeting plan in an integrated fashion so as to link various budgetary items to achieve desired goals in the most efficient manners while limiting public debt expansion, increasing efficiency in the administration and disbursement of public sector budget expenditures, supporting investment expansion, and strengthening local administrative bodies.

Fiscal Position

In fiscal year 2005, government cash balance recorded a surplus of 16.8 billion baht, equivalent to 0.2 per cent of GDP. Meanwhile, government's net repayment of domestic loans amounted to 38.5 billion baht while net foreign loan repayment totalled 20.7 billion baht. As a result, treasury reserves fell from 147.2 to 104.8 billion baht at the

end of fiscal year 2005, a reduction of 42.4 billion baht.

For fiscal year 2006, the government aimed to strengthen macroeconomic fundamentals and stability by continuing on a balanced budget path. The government set its expenditures at 1,360 billion baht. Budget preparation was in accordance with a policy framework of the country's Administrative Plan B.E. 2548-2551 (2005-2008).

In the first quarter of fiscal year 2006 (the fourth quarter of 2005 calendar year), the government registered a cash deficit of 109 billion baht. In this regard, the cabinet, on 29 November 2005, raised the treasury bill ceiling by 80 billion baht to facilitate liquidity management over the fiscal year, which resulted in the new treasury bill ceiling of 250 billion baht from 170 billion baht at the end of fiscal year 2005.

The government financed the cash deficit of 109 billion baht as well as the net external debt repayment of 6.0 billion baht through net domestic borrowing of 27.4 billion baht and reduction of 87.7 billion baht in treasury reserves. Consequently, treasury reserves fell from 104.8 to 17.1 billion baht at the end of the first quarter of fiscal year 2006.

Table 21 : Treasury Account Position^{1/}
(Unit: Billion baht)

Fiscal Year	2004	2005	2005		2006 ^P			
			H1	H2	Q1 ^P	Oct ^P	Nov ^P	Dec ^P
Revenue ^{2/}	1,125.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(Δ%)	(17.1)							
Expenditure	1,105.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(Δ%)	(17.8)							
: Disbursement rate (%)	89.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Budgetary Deficit (-) or Surplus (+)	19.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-Budgetary Deficit (-) or Surplus (+)	-2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash Deficit (-) or Surplus (+)	17.2	16.8	-63.8	80.6	-109.0	-53.3	-25.1	-30.7
: (% of GDP)	(0.3)	(0.2)	(-1.9)	(2.3)				
Financing								
Net Domestic Borrowing	30.9	-38.5	-36.0	-2.5	27.4	-10.2	1.3	36.3
Net Foreign Borrowing	-24.1	-20.7	-10.7	-10.0	-6.0	-4.5	-0.9	-0.6
Use of Treasury Cash Balance	-24.0	42.4	110.5	-68.1	87.7	67.9	24.7	-5.0
Treasury Cash Balance (end-period)	147.2	104.8	36.8	104.8	17.1	36.9	12.2	17.1

Note : 1/ The data has been compiled following the E-government system (Government Fiscal Management Information System: GFMIS) since FY2005. Thus, complete fiscal position cannot be displayed during this period.

2/ Revenue remitted to Treasury (Cash basis)

Δ% represents percentage change from the same period last year

n.a. = no data available

P = Preliminary data

Sources : Comptroller-General's Department, Ministry of Finance
Data Management Department, Bank of Thailand

Government Revenue

In fiscal year 2005, government revenue collected amounted to 1,474.3 billion baht, up by 14.3 per cent from the previous fiscal year. Adjusted for tax refunds, the government's net revenue was 1,255.9 billion baht, up by 13.3 per cent and was slightly higher than that estimated in the budget document at 1,250 billion baht (including the supplementary budget). Tax revenue increased significantly, particularly from corporate and personal income taxes,

which increased from fiscal year 2004 by 25.8 and 9.0 per cent, respectively. Value-added tax (VAT) expanded by 22.0 per cent. (VAT would grow at 17.5 per cent if excluded the extra amount of 14.1 billion baht collected from electricity generators on cross-selling of electricity that was later claimed for refunds.) Excise tax grew slightly by 1.3 per cent owing to the modification of vehicle excise tax structure as well as the temporary tax cut on diesel oil.

Meanwhile, non-tax revenue reached

147.4 billion baht, increasing by 8.7 per cent from the previous fiscal year, a moderate deceleration that was due to the postponement of planned state enterprise privatization. Nevertheless, such decline in revenue from privatization was partly offset by state enterprises' income contribution to government revenue.

As for the first quarter of fiscal year 2006, government's collected revenue totalled 305.7 billion baht, up by 3.4 per cent from the previous fiscal year. The increase was due

mainly to an 18.0 per cent rise in the income tax base while the foreign-trade tax base declined by 10.0 per cent, consequent of uncharacteristically high imports during fiscal year 2005 as well as continued tariff reduction in accordance with free trade agreements. Moreover, non-tax revenue declined by 14.7 per cent, as in the previous fiscal year there was income contribution of 1.6 billion baht from the closure of revolving funds for home mortgage earmarked for primary and secondary school teachers.

Table 22 : Government Revenue*
(Unit: Billion baht)

Fiscal Year	2004	2005	2006 ^P			
			Q1	Oct	Nov	Dec ^P
Total Revenue	1,289.8	1,474.3	305.7	95.6	111.4	98.7
(Δ%)	(16.8)	(14.3)	(3.4)	(8.2)	(2.4)	(0.1)
Taxes	1,154.1	1,326.9	284.5	91.2	101.2	92.1
(Δ%)	(17.0)	(15.0)	(5.1)	(9.8)	(3.2)	(2.7)
- Income base	429.0	518.0	85.6	25.8	37.1	22.7
(Δ%)	(23.3)	(20.8)	(18.0)	(18.3)	(26.0)	(6.6)
Personal income tax	135.2	147.3	34.7	11.9	12.0	10.9
(Δ%)	(15.2)	(9.0)	(14.7)	(9.8)	(20.6)	(14.1)
Corporate income tax	261.9	329.5	48.7	12.9	24.6	11.2
(Δ%)	(25.4)	(25.8)	(21.8)	(19.1)	(28.4)	(12.2)
- Consumption base	611.9	691.4	170.5	55.9	54.6	60.0
(Δ%)	(17.5)	(13.0)	(2.0)	(7.5)	(-5.1)	(4.1)
Value added tax	316.1	385.7	100.0	33.4	32.0	34.5
(Δ%)	(21.0)	(22.0)	(12.3)	(20.2)	(3.1)	(14.6)
Excise tax	275.8	279.4	62.9	20.1	20.2	22.6
(Δ%)	(11.8)	(1.3)	(-12.3)	(-9.2)	(-17.8)	(-9.6)
- Foreign trade base	103.9	107.2	25.8	8.6	8.6	8.6
(Δ%)	(-5.8)	(3.2)	(-10.0)	(0.8)	(-16.2)	(-12.7)
Other Incomes	135.7	147.4	21.2	4.4	10.2	6.6
(Δ%)	(14.5)	(8.7)	(-14.7)	(-16.5)	(-4.8)	(-25.6)

Note : * Revenue on a collection basis is defined differently from revenue on cash basis shown in the treasury account positions. Differences are from time-overlapping and the deduction from the collection basis set aside for tax rebates and export duties compensation.

Δ% represents percentage change from the same period last year

P = Preliminary data

Sources : Comptroller-General's Department, Ministry of Finance
Data Management Department, Bank of Thailand

State Enterprises

In fiscal year 2005, state enterprises' retained income totalled 143.2 billion baht, down by 20.2 per cent from the previous fiscal year. This decline was partly owing to construction delay at Thailand Tobacco Monopoly's new plant, resulting in the conversion of the planned construction budget into income contribution to the government instead. Moreover, parts of the retained income of state enterprises, in particular TOT Public Company Limited and CAT Telecom Public Company Limited, was transferred to the government in order to prepare their balance sheets for the

process of initial public offering in the future in accordance with the state enterprise privatization plan.

At the same time, state enterprises' capital expenditure reached 232.9 billion baht, increasing markedly by 72.8 per cent from the previous fiscal year. This disbursement acceleration was partly due to the import of aircraft by Thai Airways International Public Company Limited and the acceleration in the construction of housing project for low and medium income groups as well as the Suvarnabhumi Airport. As a result, state enterprises recorded a deficit of 89.7 billion baht, equivalent to 1.3 per cent of GDP.

Table 23 : State Enterprises' Balances
(Unit: Billion baht)

Fiscal Year	2003	2004 ^{P/}	2005 ^{P/}
Retained Income	137.5	179.1	143.2
Δ%	(-13.2)	(30.2)	(-20.0)
Investment Expenditure	93.0	134.8	232.9
Δ%	(-21.5)	(44.9)	(72.8)
State Enterprises' Balances	44.5	44.3	-89.7
(% of GDP)	(0.8)	(0.7)	(-1.3)

Note : Δ% represents percentage change from the same period last year
P = Preliminary data

Source : National Economic and Social Development Board (NESDB)

Public Debt

At the end of fiscal year 2005, total public debt stood at 3,277.5 billion baht or 45.9 per cent of GDP, declining from 47.5 per cent of GDP at the end of fiscal year 2004. Public debt in the form of direct government borrowing amounted to 1,827.0 billion baht while government-guaranteed and non-guaranteed debt of non-financial state

enterprises totalled 664.5 billion baht and 348.3 billion baht, respectively. Debt outstanding of the Financial Institutions Development Fund (FIDF) amounted to 437.7 billion baht.

The decline in the ratio of public debt to GDP was partly a consequence of the government's balanced budget policy, which required no borrowing to finance the budget.

Furthermore, the government's prepayment of foreign debt as well as continuous economic expansion also contributed to a drop in the debt burden.

The Ministry of Finance established the following fiscal framework in order to achieve fiscal sustainability: (1) contain public debt

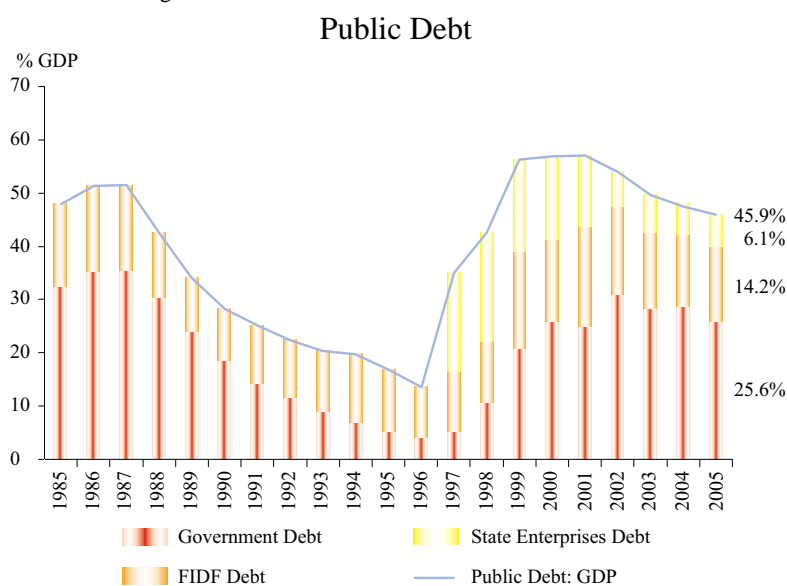
to within 50 per cent of GDP, (2) contain government debt service including principal repayment, interest payment and fees to under 15 per cent of budgeted expenditures, (3) balance the budget from fiscal year 2005 onwards and (4) maintain the level of capital expenditure at no less than 25 per cent of total budget.

Table 24 : Public Debt
(Unit: Billion baht)

Fiscal Year	2003	2004 ^{P/}	2005 ^{P/}
1. Debt incurred from direct borrowing	1,651.6	1,828.4	1,827.0
(% GDP)	(28.0)	(27.8)	(25.6)
1.1 foreign debt	344.3	321.9	250.8
1.2 domestic debt	1,307.4	1,506.5	1,576.2
2. Debt of non-financial state enterprises	851.0	899.2	1,012.8
(% GDP)	(14.4)	(13.7)	(14.2)
2.1 government-guaranteed debt	694.6	653.9	664.5
foreign debt	305.1	271.2	247.5
domestic debt	389.5	382.7	417.0
2.2 non-government-guaranteed debt	156.5	245.3	348.3
foreign debt	61.1	77.5	102.2
domestic debt	95.3	167.8	246.1
3. Financial Institutions Development Fund (FIDF)	427.4	398.9	437.7
(% GDP)	(7.2)	(6.1)	(6.1)
3.1 government-guaranteed debt	62.0	40.0	40.0
3.2 non-government-guaranteed debt	365.4	358.9	397.7
4. Total (1+2+3)	2,930.0	3,126.5	3,277.5
(% GDP)	(49.6)	(47.5)	(45.9)

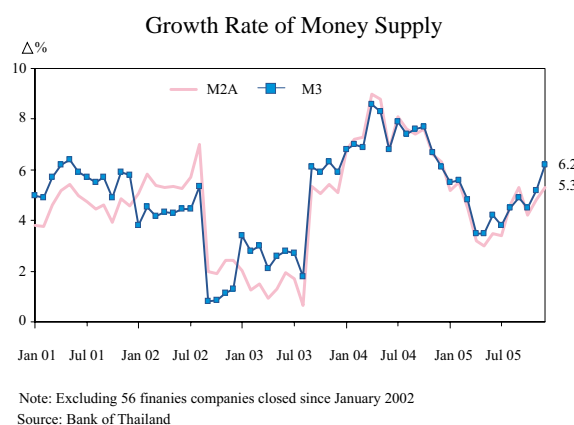
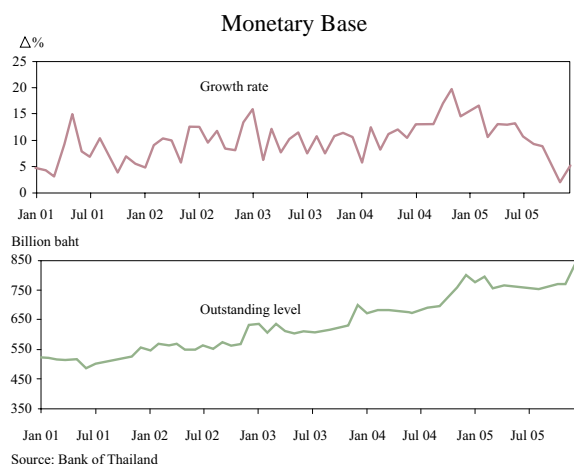
Note : P = Preliminary data

Source : Office of Public Debt Management



Monetary Conditions and the Exchange Rate

Monetary Base and Money Supply



In 2005, **monetary base** expanded by 5.2 per cent year-on-year, slowing down from the rate of 14.4 per cent in 2004. The deceleration was partly due to an irregular jump in monetary base at end-2004 when the arrangement for provincial treasuries to act as agents for the Bank of Thailand in bank note deposit and withdrawal transactions with financial institutions came to an end. Instead, the Bank of Thailand established 10 bank notes operation centres in regional provinces while commercial banks had to manage bank notes at their own cash centres in a comprehensive fashion. This change caused cash in hand at commercial banks to increase permanently from the average of around 1 per cent to around 2 per cent of deposits from November 2004 onwards. At end-2005, monetary base outstanding reached 842.2

billion baht from 800.5 billion baht at end-2004, growing by 5.2 per cent.

Important changes in the supply of monetary base were (1) a continued increase in net foreign assets of the BOT in line with surplus in the balance of payments; (2) an increase in the BOT's net claims on the government following a decline in government deposits at the BOT; and (3) a decline in the BOT's net claims on financial institutions due to greater investment in the repurchase market as well as holding of BOT bonds, especially by non-bank financial institutions.

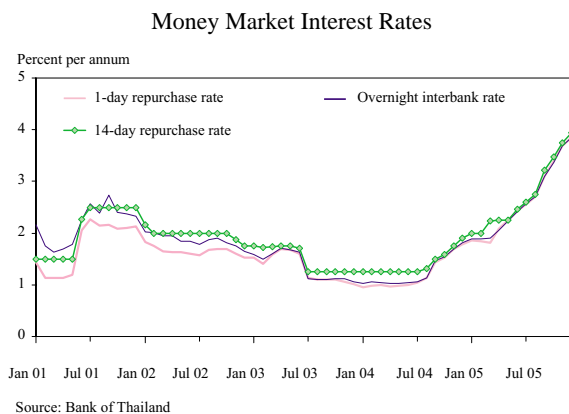
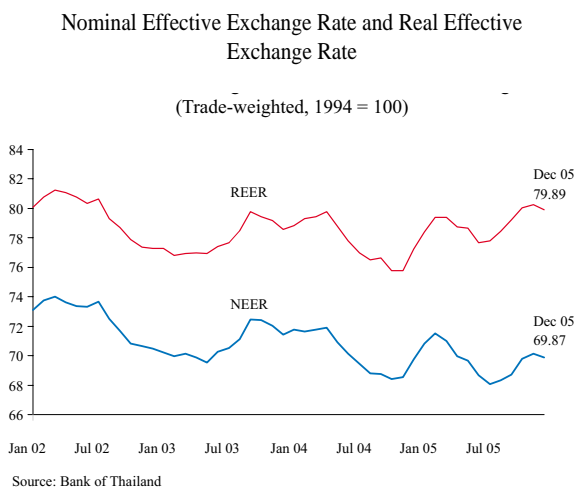
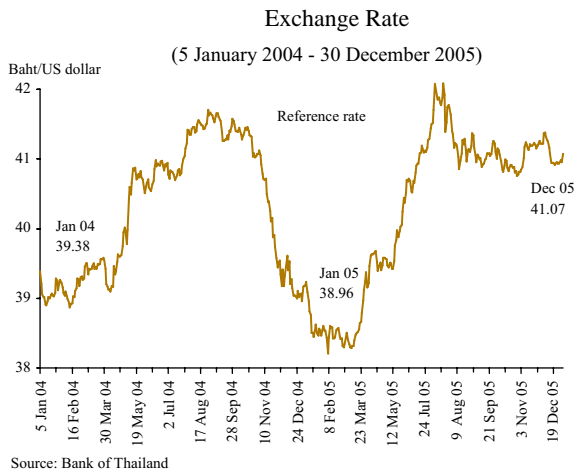
M2A and M3 at end-2005 expanded by 5.3 and 3.2 per cent year-on-year, respectively, moderating from the previous year's growth of 6.3 and 6.1 per cent, respectively. At end-2005 M2A and M3 stood at 6,510.0 and 7,725.2 billion baht, respectively.

In early-2005, broad measures of monetary aggregate, which primarily consisted of deposits at commercial banks, expanded at a markedly lower rate from 2004. This deceleration was due partly to relatively low deposit growth, as deposits were converted into alternative investments with higher yields such as debt instruments, together with the slowdown in economic growth owing to various negative factors including natural disasters and rising oil prices.

In the second half of 2005, however, monetary aggregates accelerated as more commercial banks entered the market, following commercial bank upgrading policy per BOT's Financial Sector Master Plan, and deposit rate became more attractive during the interest rate up-cycle. Moreover, overall economic conditions had improved from the first half of 2005 after the economic disturbances had ameliorated.

Exchange Rate, Interest Rates, and Government Bond Yields

1. Exchange Rate



In 2005, the baht fluctuated between 38.21 - 42.08 baht per US dollar and averaged at 40.29 baht per US dollar, close to the average level in 2004.

Following the general election in February, which bolstered investors' confidence in the Thai economy, the baht was relatively stable. Later on in the first half of 2005, the baht rapidly depreciated, partly on account of investors' concerns over the Thailand's ability to adjust to the continued oil price increase, especially after the current account recorded deficits in several consecutive months during 2005 H1.

Nevertheless, when the People's Bank of China (PBOC) announced a reform of the renminbi exchange rate regime on 21 July 2005, the baht, which earlier depreciated steadily, strengthened in line with the renminbi and fluctuated in the narrow range afterwards. Factors supporting the baht included: (1) weak sentiment against the US dollar due to concerns over the US twin deficits that prompted sales of the US dollar and purchases of Asian currencies, including the baht and (2) Thailand's current account that reverted into surplus in July 2005, thereby enhancing investors' confidence.

The nominal effective exchange rate (NEER), calculated as a weighted average of bilateral exchange rates between the baht and major trading partners' currencies, averaged at 69.71 in 2005, close to the average of 70.15 in 2004. This reflected little change in the value of the baht vis-à-vis overall trading partners' currencies on average.

The real effective exchange rate (REER), which was deflated by relative prices to reflect Thailand's price competitiveness, continued to appreciate from the average of 77.74 in 2004 to 79.00 in 2005. This appreciation could in some sense be viewed as a deterioration in Thailand's price competitiveness in 2005 as a result of higher Thai inflation relative to trading partners'.

2. Money Market Interest Rates

Short-term money market rates in 2005 continued to increase in line with rising policy interest rate. The 1-day repurchase rate and the overnight interbank rate averaged at 2.63 and 2.64 per cent per annum, respectively, compared with 1.21 and 1.25 per cent per annum, respectively, in the previous year.

During the first half of 2005, short-term money market rates edged up only slightly, as the Monetary Policy Committee (MPC), awaiting full assessment of the impact from the tsunami that occurred at end-2004 as well as other negative disturbances to growth, raised the policy rate twice by 50 basis points in total.

By the second half of 2005, it had become clear that the impact of the natural disaster and other risks to growth were not different from what had been anticipated. In addition, the continued rise in oil prices, causing the Thai authority to float diesel prices in July 2005, had exerted more pressure on the general price level with a possibility that core inflation could exceed the target range going forward. Consequently, the MPC decided to raise the policy rate in a series of meetings and at a faster pace to temper the inflationary pressure. In sum, the MPC raised the policy rate by 1.50 percentage points in the second half of 2005, prompting the short-term money market rates to climb accordingly.

3. Government Bond Yields

In 2005, overall government bond yields rose from the previous year. Short-term yields rose in line with a series of domestic policy rate hike and US government bond yields. Meanwhile, the rise in medium-and long-term yields was modest, resulting in a flatter yield curve in general. Strong demand for bonds at medium to long maturities coupled with lower-than-expected inflation at end-2005 was believed to have caused the market to lower their future inflation

expectations, thereby making yield increases toward the long end of the curve fairly small.

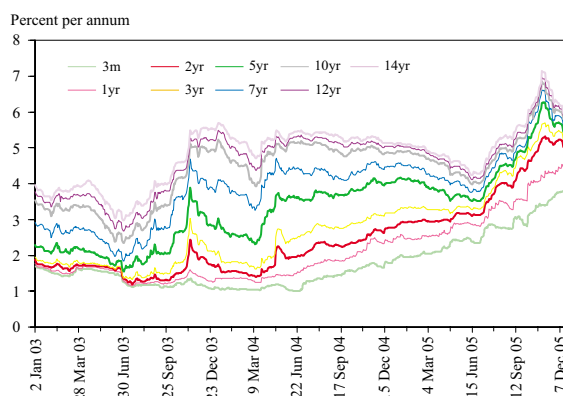
Movements of government bond yields in each quarter are summarized as follows:

In 2005 Q1, short-term yield rose from the level at end-2004 as investors expected the policy rate to increase during the beginning of March, which would be the first rate hike after a pause in January when the MPC was awaiting clearer natural disaster impact assessment. Meanwhile, medium-and long-term yields fell as investors demanded more bonds of those maturities amid concerns over their supply shortage going forward.

Overall short-term yields in 2005 Q2 rose from the previous quarter. Most investors expected the policy rate to keep rising. However, toward the end of 2005 Q2, 1-month government bond yield declined as financial institutions sought to reduce their deposit base in order to lower the Financial Institutions Development Fund (FIDF) fees, paid twice yearly. At the same time, medium-and long-term yields adjusted downward in line with US government bond yields and domestic factors, including moderated growth outlook and uncertainty arising from the cancellation of bond issuance in June.

Government Bond Yields

(2 January 2003 - 30 December 2005)



Source: Bank of Thailand

In 2005 Q3, short-term yields rose further after the MPC decided to raise the policy rate by 50 basis points in September. However, as the magnitude of this rate hike exceeded market expectation, investors began to anticipate a more aggressive pace of policy rate increases going forward. As a result, medium- and long-term yields rose considerably, reflecting higher risk premium in the bond market. Meanwhile, investors shortened the duration of their bond portfolios to reduce market risk, causing a decline in yields on short-term bonds, especially on those with maturity of less than 3 months.

In 2005 Q4, government bond yields were volatile, particularly medium- and long-term yields that rose significantly after the second consecutive 50-basis-point hike in October. However, medium- to long-term bond yields fell substantially toward the end of the quarter, owing to lower-than-expected inflation figures in November 2005 from which investors interpreted a less steep policy rate path going forward. Moreover, domestic and foreign mutual funds' demand for medium- and long-term bonds strengthened given relatively high Thai bond yields vis-à-vis regional markets.

Commercial Bank Deposits and Claims

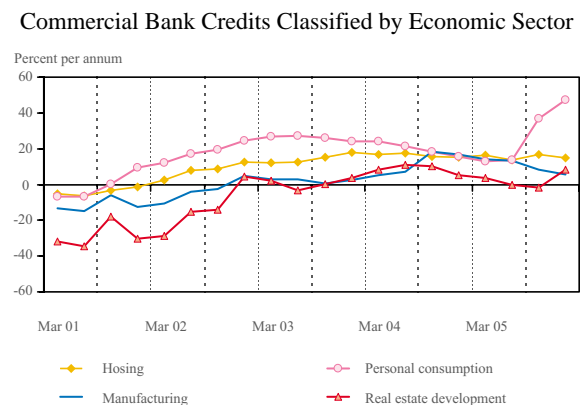
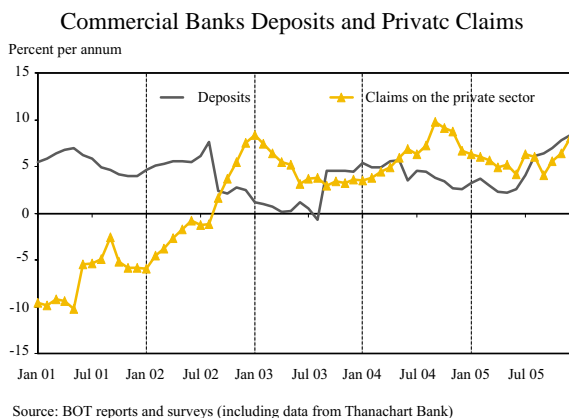
1. Commercial Bank Deposits

Commercial bank deposits grew at an accelerating pace of 8.4 per cent at end-2005 from 2.6 per cent at end-2004. Factors contributing to such increase were the upward interest rate path, which attracted depositors, as well as the impact of financial institutions' merging and upgrading to commercial bank status, which resulted in a larger number of commercial banks. However, excluding the impact of mergers and status upgrades of financial institutions, deposits at end-2005

grew by 4.8 per cent, accelerating from those at end-2004 and early-2005.

2. Commercial Bank Claims on the Private Sector (Including Investment in Private Securities)

At end-2005, commercial bank claims on the private sector (including investment in private securities) grew by 8.1 per cent, partly due to the mergers and status upgrades of financial institutions. Excluding such impact, claims on the private sector grew by 4.0 per cent at end-2005.



Once adjusted for the impact of mergers and upgrades, the expansion of private claims slowed down in the first half of 2005, in line with the slowdown in economic activities. This slowdown was due to various adverse factors. In the latter half of 2005, private claims' growth pace quickened, reflecting a pickup in economic activities.

With regard to commercial bank credit classified by economic sectors, personal consumption loans accelerated during the second half of 2005. This acceleration was caused by the transfer of personal consumption loans extended by finance companies in the form of hire-purchase loans into the banking system under the Financial Sector Master Plan. As for credits extended for manufacturing, however, there was a growth slowdown. This deceleration did not necessarily reflect a downward investment trend going forward, as businesses had adjusted their financing structure by shifting from bank credits to other sources of financing, such as retained earnings and debt instruments.

3. Commercial Banks Interest Rates

Although the MPC had gradually raised the policy interest rate since end-2004, deposit and lending reference rates of commercial banks, especially large banks, had remained unchanged until mid-2005. The sluggish adjustment was due mainly to significant excess liquidity in the banking system, which resulted in less need to attract more deposits and therefore for commercial banks to raise their reference rates particularly the deposit rate.

Commercial banks started to raise their reference rates for long-term deposits before pushing up short-term deposit and lending rates. At end-2005, the 12-month fixed deposit rates and the minimum lending rates (MLRs) of the four largest Thai commercial banks averaged at 2.50 and 6.50 per cent per annum, respectively, increasing from 1.00 and 5.69 per cent per annum, respectively, at end-2004.

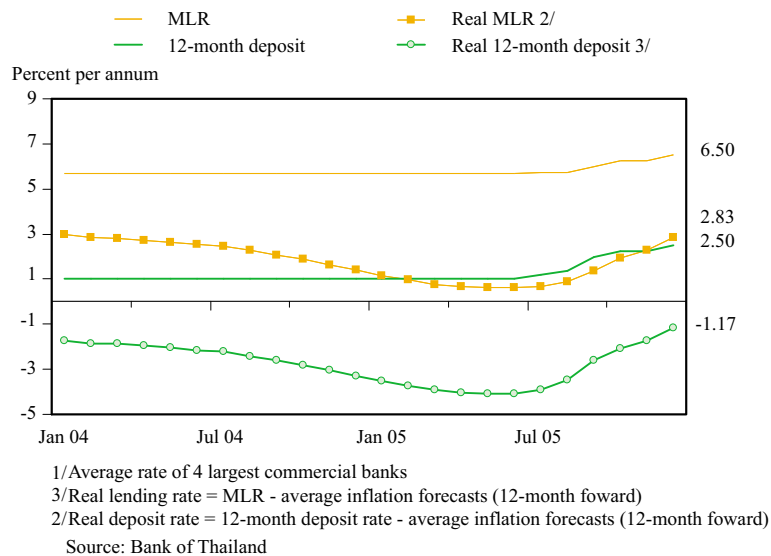
The real deposit rate remained negative, but rose steadily thanks to gradual commercial banks' interest rate increases in 2005 together with lower inflation expectations toward the end of 2005. At end-2005, real 12-month deposit rate and real MLR of the four largest Thai commercial banks averaged at -1.17 and 2.83 per cent per annum, respectively.

Table 25 : Commercial Bank Interest Rates

Percent Per Annum	2004	2005			
	End of Dec	Q1	Q2	Q3	Q4
Deposit rates, 12-month fixed					
Four largest banks, average	1.00	1.00	1.00	2.00	2.50
Other banks, average ^{1/}	1.31	1.39	1.46	2.20	2.75
Minimum lending rates					
Four largest banks, average	5.69	5.69	5.69	6.00	6.50
Other banks, average ^{1/}	6.03	6.03	6.03	6.37	6.80

Note : ^{1/} Other commercial banks are Thai commercial banks, including those that were upgraded in accordance with the One Presence policy, but excluding retail banks. These new commercial banks were TMB Bank (after the merger of Thai Military Bank, DBS Thai Danu Bank and the IFCT) in September 2004, Tisco Bank in July 2005, Kiatnakin Bank in October 2005, United Overseas Bank (after the merger with UOB Rattanasin Bank and Bank of Asia) in November 2005, and ACL Bank (after the merger between Asia Credit Finance and Bualuang Finance) in December 2005.

Source : Bank of Thailand

Commercial Banks Deposits and Lending Interest Rates ^{1/}

Performance of Commercial Banks

In 2005, there were 34 commercial banks in the banking system, including 16 Thai commercial banks and 18 branches of foreign commercial banks. In 2005, new commercial banks were created from finance companies and credit foncier companies that had been upgraded, including Tisco Bank, Kiattakin Bank, ACL Bank, and Land and Houses Retail Bank. In addition, Standard Chartered Nakornthon Bank and the Thai

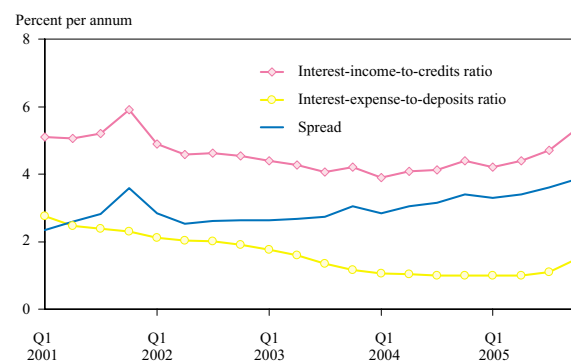
branch of foreign-registered Standard Chartered Bank merged to form Standard Chartered Bank (Thai) Public Company Limited while UOB Radanasin Bank merged with the Bank of Asia to form United Overseas Bank (Thai) Public Company Limited. The Thai branch of the International Commercial Bank of China also changed status to become a Thai registered commercial bank.

Table 26 : Profit and Loss of Commercial Banks

Unit: Billion Baht	2004	2005	2005			
			Q1	Q2	Q3	Q4
All commercial banks						
- Profits/loss from operations	119.59	143.05	34.95	34.12	35.87	38.10
- Loan loss provision	-1.75	-26.7	-4.82	-3.3	-4.49	-14.09
- Net profits/loss before tax	99.46	122.71	30.65	32.75	29.97	29.35
Thai commercial banks						
- Profits/loss from operations	108.9	126.75	31.37	29.59	32.79	33.0
- Loan loss provision	-12.87	-28.5	-4.52	-6.57	-4.23	-13.18
- Net profits/loss before tax	78.06	104.63	27.37	24.95	27.14	25.17
Foreign commercial bank branches						
- Profits/loss from operations	10.69	16.29	3.58	4.52	3.09	5.10
- Loan loss provision	11.12	1.8	-0.3	3.27	-0.26	-0.91
- Net profits/loss before tax	21.4	18.09	3.28	7.79	2.83	4.19

Source : Bank of Thailand

Interest Rate Spread of the Banking Sector



Note: Credits and deposits are exclusive of those between financial institutions

Source: Bank of Thailand

Combined profits of all commercial banks stood at 143 billion baht, rising 19.6 per cent from the previous year. Profits of Thai commercial banks and foreign bank branches rose 16.4 per cent and 52.4 per cent, respectively. The rise in operating profits owed largely to income from loans while income from financial market investments, dividends, and fee charges also rose. Nonetheless, most commercial banks incurred large costs in human resource and operating system improvement in preparation for greater competition and requirements that would attend the advanced approach to risk management (AIRB) under Basel II by 2009. In addition, a number of Thai banks raised

their loan loss provision in line with credit expansion and became more conservative in that regard.

In 2005, borrowing and lending rates of commercial banks increased in line with the 14-day repurchase rate. Nevertheless, the spread between lending and borrowing rates continued to widen until 2005 Q4. Going forward, credit extension to a wider range of corporate and retail customers, especially by new commercial banks, together with rigorous measures to reduce NPLs should help prevent the spread from narrowing in the short run as both lending and borrowing rates would keep on rising.

Capital Market

Non-bank Financing to the Private Sector

In 2005, primary non-bank financing sources for the corporate and household sectors were as follows:

1. Equity and debt securities. Issuance of common stocks by non-financial corporate amounted to 95.3 billion baht in 2005, a slight decline from 98.8 billion baht in 2004. The decline owed mainly to the effects of higher oil prices and inflation that dampened investor sentiment. The value of debentures issued by the corporate sector rose slightly to 131.3 billion baht, up from 101.7 billion baht in 2004. These issuances included debentures issued under the asset capitalization schemes, which were arranged by various Special Purpose Vehicles (SPVs) with 7 issuances of securities worth 14.5 billion baht.

Since the middle of 2004, the SEC had amended issuance and reporting rules^{1/} for

bills of exchange and other short-term debt instruments in order to facilitate the issuance of such instruments. The issuance of these instruments amounted to 556.5 billion baht in 2005 whereas the total issuance was 124.2 billion baht during the second half of 2004. Total outstanding amount of such instruments, however, fell to 58.4 billion baht from 74.4 billion baht at the end of 2004.

2. Credits extended by finance companies and specialized financial institutions. Credits extended by finance companies at end-2005 fell from end-2004 by 119.2 billion baht. The fall owed largely to credit reclassification after a number of the former finance companies had been upgraded to banks. These finance companies were Tisco, Kiatnakin (which merged with Bualuang Finance), Asia Credit, and Book Club (which merged with Land and Houses Company to form Land and Houses Retail Bank).

^{1/} see the details of bills of exchange and other short term instrument's new issuance from Web. Site of Securities and Exchange Commission, Thailand. (www.sec.or.th)

Credits from specialized financial institutions (SFIs) rose 215.1 billion baht or 22.4 per cent. Some of the credits extended by the SFIs was related to government policy lending, namely to (1) the program to resolve household debt problem including formal and informal debt, (2) asset capitalization operations, (3) debt restructuring for individuals, and (4) promotion of market for pre-owned houses.

3. Credits by non-bank financial institutions. Non-bank financial institutions increasingly became a significant funding source for household consumption spending.

Hire-purchase credits extended by SET-listed leasing companies edged up from 1.3 billion baht in 2004 to 17.0 billion baht in 2005. Credit card spending and cash advances rose from 12.7 billion baht in 2004 to 15.5 billion baht in 2005. In the latter half of 2005, personal credits without collateral rose by 8.5 billion baht. Fees and interest charges on such credits, however, were extremely high, especially for low-income customers. To prevent excessive fees and interest charges, the BOT had introduced relevant measures on personal loans in July 2005 and monitored the development closely.

Table 27 : Non-bank Financing to the Private Sector
(Unit: Billion Baht)

Sources of Financing	2004	2005
1. Capital market (Non-financial institutions) ^{1/}		
Equity (common and preferred stocks)	98.8	95.3
Debentures	101.7	131.3
Bill of exchange and other short-term debt instruments (started reporting in September 2004)	124.2	556.5
2. Credits from non-bank financial institutions ^{2/}		
Finance companies ^{*/}	60.2	-119.2
Specialized financial institutions	175.7	215.1
3. Credits from other non-bank financial institutions ^{3/}		
Credits from listed finance companies	1.3	17.0
Credit card loans from non-bank financial institutions	12.7	15.5
Personal credits without collateral from non-bank financial institutions (started reporting in June 2005)	n.a	8.5

Note : 1/ Value of newly issued securities

2/ Change in the outstanding balance from the end of last year

3/ Change in the outstanding balance at the end of September 2005 of 12 listed companies that granted credits, with credit card loans from the 12 listed companies and personal loans from 26 listed and non-listed companies under the BOT's supervision at the end of December 2005.

*/ Credit outstanding at the end of December 2005 fell, owing to the upgrades of finance companies to banks including Tisco Bank, Kiatnakin Bank, ACL Bank, and Land and Houses Retail Bank

Sources : Bank of Thailand, Securities and Exchange Commission, and Stock Exchange of Thailand

**IMPORTANT POLICIES AND
MEASURES**

Monetary Measures

Measures	Party involved	Salient points	Effective dates	Source
Interest Rate Policy 1. Policy rate MPC decisions on the following dates : <ul style="list-style-type: none"> • 19 January 2005 		<p>The MPC maintained the 14-day repurchase rate at 2.00 per cent per annum. Despite the view that interest rates should stay on an upward trend, the MPC agreed that the recent natural disaster, volatility in the currency market, and high oil prices could adversely affect the economic expansion and thus decided to wait for a clearer picture to develop.</p>		BOT News No.5/2005
		<p>The MPC raised the 14-day repurchase rate from 2.00 to 2.25 per cent per annum because upward price pressure was likely to build up going forward as production costs had already increased considerably. Furthermore, the impact of the natural disaster on the economy was not more severe than the initial assessment made in the previous MPC meeting.</p>		BOT News No.7/2005
		<p>The MPC maintained the 14-day repurchase rate at 2.25 per cent per annum. Despite upwards price pressure, the MPC agreed that, against the backdrop of increased domestic and external risks to growth and the lack of financial imbalances arising from exceptionally low interest rates, policy tightening should be implemented at a gradual pace to facilitate the private sector's adjustment to such risks.</p>		BOT News No.9/2005

Measures	Party involved	Salient points	Effective dates	Source
<ul style="list-style-type: none"> • 9 June 2005 • 20 July 2005 • 7 September 2005 • 19 October 2005 • 14 December 2005 		<p>The MPC raised the 14-day repurchase rate continually from June to December 2005, bringing it to 4.00 per cent per annum at the close of the year. The MPC viewed that the growth momentum was robust and thus the economy was expected to expand going forward. Meanwhile, although the risks to inflation had begun to moderate towards the end of 2005, price pressure persisted and real interest rates remained negative. Therefore, the continuation of an upwards policy interest rate path was deemed appropriate.</p>		BOT News Nos.16/2005, 21/2005, 26/2005, 32/2005, and 36/2005
2. Other interest rates				
2.1 A short-term reference rate for the Bangkok market		<p>The BOT commenced the official release of the Bangkok Interbank Offered Rate (BIBOR) as a benchmark rate for short-term interbank borrowing. BIBOR is the average rate of interest at which commercial banks offer to lend funds to other banks on an unsecured basis, with tenure ranging from one week to one year.</p>	4 January 2005	BOT News No.1/2005 4 January 2005
2.2 Rates on bond repurchase agreements with financial institutions to maintain end-of-day liquidity	- All financial institutions, except securities companies and IBFs	<p>The BOT raised the interest rate on bond repurchase agreements with financial institutions for end-of-day liquidity maintenance 6 times, following the policy rate hikes:</p> <ul style="list-style-type: none"> - to 3.75 per cent per annum - to 4.00 per cent per annum - to 4.25 per cent per annum - to 4.75 per cent per annum - to 5.25 per cent per annum - to 5.50 per cent per annum 	2 March 2005 9 June 2005 20 July 2005 September 2005 19 October 2005 14 December 2005	BOT Circular No.FMOG (13)C.8/2548 and FRD (1)C.dated 15/2005, 18/2005, 21/2005, 24/2005 and 28/2005

Measures	Party involved	Salient points	Effective dates	Source
2.3 Interests, discounts and fees that financial institutions may offer or charge	- Commercial banks (excluding IBFs) - Finance companies	The BOT stipulated that financial institutions must announce their effective interest rate ceilings on credits in per cent per annum terms separately for commercial and consumer loans. In addition, financial institutions may charge fees on commercial loans at the rate set and announced by the financial institutions. In addition, fees on consumer loans may be charged on the actual basis or at a reasonable amount for certain items as specified by the BOT.	29 August 2005	BOT Circular No.PPD. (21)C. 69/2548 and 70/2548 (Thai only), dated 4 August 2005 and BOT Notification, dated 29 June 2005
Money Market Measures				
1. Issuance of Bank of Thailand bonds with maturities exceeding one year		The BOT started to issue two-year fixed-coupon BOT bonds on a regular basis as of May 2005 to ensure a balance in the maturity structure of BOT bonds, provide investment alternatives for investors, and foster the development of the Thai bond market.		BOT News No.11/2005, dated 27 April 2005
2. Issuance of Government savings bonds during the fiscal year 2005-2006 by a total amount of 30,000 million baht		The Ministry of Finance (MOF) announced the issuance of Government savings bonds by a total amount of 30,000 million baht for the fiscal year 2005-2006. The bonds of 5-year and 7-year maturities were to be sold to individuals with Thai nationality or Thai residency permits as well as to foundations.		BOT News No. 24/2005, dated 8 August 2005
Foreign Exchange Controls				
1. Relaxation of regulations on foreign exchange controls	- Life insurance companies - The Government Pension Fund - The Social Security Fund	The BOT allowed 6 types of institutional investors to invest in foreign securities, in addition to the amounts formerly permitted but expired as of end-2004, as follows: 1) Institutional investors were allowed to invest in Thai securities issued abroad as well		BOT News No.10/2548 (Thai only), dated 21 April 2005

Measures	Party involved	Salient points	Effective dates	Source
<p>2. Limit on baht borrowings from non-residents</p>	<ul style="list-style-type: none"> - Specialized financial institutions - Mutual funds - Provident funds - Securities companies 	<p>as in foreign securities issued by sovereign, quasi-sovereign and supranational entities and in foreign mutual funds, with a total limit of 1,500 million US dollars.</p> <p>2) For mutual funds and provident funds, a limit of 500 million US dollars was set for investment in overseas securities, with the Securities Exchange Commission (SEC) having the authority to allocate that sum.</p> <p>The BOT allowed securities companies to borrow in Thai baht or engage in transactions comparable to Thai baht borrowing, e.g., direct loan or issuance of short-term debt instruments to non-residents, with a contract maturity of not more than 3 months and without underlying trade or domestic investment transactions, within the outstanding limit of 50 million baht per entity. However, with underlying trade or domestic investment transactions belonging to the clients of the securities companies, borrowing in Thai baht from non-residents would be permitted up to the value of the underlying activities.</p>		<p>BOT Circular No.BOT.SED(03)C.1069/2548 (Thai only), dated 9 June 2005</p>
<p>3. Issuance of baht bonds</p>	<ul style="list-style-type: none"> - Commercial banks (excluding IBFs) - Islamic Bank of Thailand - Government Savings Bank - Small and Medium Enterprise Development 	<p>The BOT allowed domestic financial institutions to invest in Thai baht bonds issued by international financial institutions, foreign governments, and financial institutions of foreign governments subject to approval from the Ministry of Finance.</p> <p>Issuers of the said Thai baht bonds were required to deposit the funds raised in Special Non-resident Baht Accounts</p>		<p>BOT Circular No.BOT.SED(03)C.986/2005, dated 26 May 2005</p>

Measures	Party involved	Salient points	Effective dates	Source
	Bank of Thailand - The Export and Import Bank of Thailand - Finance companies and securities companies	(SNA), where the outstanding balances of the accounts were allowed to exceed 300 million baht at the end of each day.		
Credit Measures				
1. Regulations on the undertaking of credit card business	- Non-financial credit card companies	The BOT specified the definition of “a branch office,” the opening of which must be reported by the non-financial credit card company to the BOT by no less than 15 days to the opening date. The BOT also raised the frequency of data reporting from a quarterly to a monthly basis, effective from the January 2005 reporting period onwards.	12 March 2005	BOT Circular No. PPD (21)C. 22/2548 (Thai only), dated 15 March 2005 and BOT Notification, dated 4 March 2005 (Thai only)
2. Credit extension to or investment in businesses with beneficial interest and credit extension to shareholders of commercial banks	- Commercial banks - Branches of foreign commercial banks (excluding IBFs)	The BOT modified the definitions in and the essence of the previous notification as well as adding another exemption to the rules and regulations by allowing for credit extension to or investment in a juristic person established and controlled, directly or indirectly, by the government. However, the said exempted transactions must seek prior approval from the BOT.	5 August 2005	BOT Circular No. PPD (21)C. 71/2005, dated 8 August 2005, and BOT Notification, dated 25 July 2005
3. Regulations on the undertaking of personal loan business	- Commercial banks - Finance companies - Non-financial institutions undertaking the personal loan business	The BOT issued definitions and conditions for the undertaking of personal loan business under the BOT’s supervision, as follows: “Personal loan under supervision” was defined as 1) A clean loan to an individual with no specific	1 July 2005	BOT Circular No. PPD. 51/2548, 52/2548 and 53/2548 (Thai only), dated 30 June 2005, Notification of the Ministry

Measures	Party involved	Salient points	Effective dates	Source
	under the BOT's supervision	<p>purpose of use or with a purpose of acquiring goods or services not for business use; or</p> <p>2) A loan for hire-purchasing and leasing of good, except car and motorcycle, that the lender does not sell in the ordinary course of business.</p> <p>Personal loan business operators were specified to include:</p> <p>1) Commercial banks and finance companies which are eligible to operate the business without prior permission from the Minister of Finance;</p> <p>2) Non-financial institutions which are required to seek prior permission from the Minister of Finance and to register as limited companies or limited public companies with a capitalization of no less than 50 million baht. These companies must submit their application for business operation through the BOT.</p> <p>Key regulations were as follows:</p> <p>1) The credit line extended to a customer shall not exceed 5 times of the customer's average monthly salary or monthly cash flow in the deposit account at a financial institution over a period of at least 6 months;</p> <p>2) The effective interest rate charged to the customer shall not exceed the rate of 28 per cent per annum.</p>		of Finance, dated 9 June 2005 (Thai only), and BOT Notification, dated 20 and 24 June 2005 (2 issues) (Thai only)

Measures	Party involved	Salient points	Effective dates	Source
Supervision and Financial Institutions Development Measures				
1. Supervision of Financial Institutions				
1.1 Supervision Measures				
1.1.1 Extension of asset types classified in Article 6 or for capital funds of foreign commercial bank branches	- Branches of foreign commercial banks	The BOT expanded asset types that could be counted as capital funds to include investment units which invest entirely or partly in assets permissible as capital funds by Article 6, with investment units in the latter case being eligible only up to the portion of permissible assets.	26 October 2005	BOT Circular No. PPD (21)C. 25/2548 (Thai only), dated 7 December 2005 and Notification of the Ministry of Finance dated 10 October 2005
1.1.2 Policy guidelines on the maintenance of capital funds for market risks arising from commodity derivative transactions	- All commercial banks (excluding IBFs and retail banks)	The BOT announced as follows: 1) Commercial banks were required to assess their capital funds requirement for market risks arising from commodity derivative transactions, starting from the period ending on 31 March 2005, and submit related reports; 2) Commercial banks were required to maintain capital funds in accordance with the above assessment.	1 July 2005	BOT Circular No. PPD. (21)C. 438/2548, dated 2 March 2005
1.1.3 Securities business in the form of securities brokerage, securities dealing, or underwriting of investment units	- All commercial banks (excluding IBFs)	The BOT allowed commercial banks with license issued by the Securities and Exchange Commission (SEC) to conduct securities business in the form of securities brokerage, securities dealing, or underwriting of investment units in accordance with the guidelines stipulated by the BOT. Subsequently, the BOT also allowed commercial banks conducting limited brokerage, dealing and underwriting of	1 May 2005 29 September 2005	BOT Circular No. FID. (11)C.33/2005 (Thai only), dated 6 May 2005 and Notification of the BOT, dated 25 March 2005 BOT Circular No. PPD. (21)C1/2548, dated 5

Measures	Party involved	Salient points	Effective dates	Source
1.2 Establishment of a commercial bank branch		investment unit (LBDU) to invest in investment units under certain restrictions. For example, investment in a debt instruments mutual fund must not exceed 20 per cent and investment in other types of mutual funds must not exceed 10 per cent of the investment units already sold.		October 2005 and Notification of the BOT, dated 19 September 2005
1.2.1 Modification of rules and conditions on the establishment of a commercial bank branch in provincial area	- All commercial banks	The Minister of Finance agreed to modify rules and conditions regarding the establishment of a commercial bank branch in provincial area. Previously, a commercial bank had been required to extend provincial credits no less than 60 per cent of the deposits mobilized through a provincial branch and, in failing to do so, must deposit the gap at the BOT or hold securities in the form of government or state enterprise bonds by the same amount. Under the modified rules, commercial banks were also allowed to hold securities in the form of investment units, provided that they invest in government or state enterprise bonds, in accordance with the guidelines stipulated by the BOT	11 October 2005	BOT Circular No.PPD.(21)C. 2108/2548, dated 3 November 2005
1.2.2 Application for the establishment of commercial bank branches and sub-branches	- All commercial banks	The Minister of Finance modified rules and conditions related to the establishment of branches and sub-branches as follows: 1) Abolish previous rules regarding branch distribution between high and low branch-density areas as well as the regulation that a sub-branch must be at least 500 metres from an	25 February 2005	BOT Circular No.PPD.(21)C. 552/2548, dated 22 March 2005

Measures	Party involved	Salient points	Effective dates	Source
		existing branch. 2) 2) Stipulate that, in order to apply for a new branch or sub-branch, a commercial bank must have sound financial status as well as good management and good governance. It must also be able to demonstrate that the opening of the new branch or sub-branch is consistent with its strategic plan. 3) Allow for greater flexibility under certain circumstances, for example, commercial banks need not open branches in rural areas where branches of specialized financial institution already exist.		
1.3 Debt restructuring				
1.3.1 Permission to engage in the business of purchasing loans and accepting loan transfers	- All commercial banks (excluding IBFs)	The BOT expanded the set of debtors and counterparties from whom commercial banks could purchase loans or accept loan transfers to include: (1) hire purchase and leasing clients, and (2) juristic persons.	12 March 2005	BOT Circular No. FID.(11)C. 3/2548, dated 17 March 2005 and Notification of the BOT, dated 4 March 2005
1.3.2 Permission to conduct hire purchase and leasing business due to debt resulting	- All commercial banks (excluding IBFs) - Finance companies	The BOT extended the period during which financial institutions could conduct hire purchase and leasing business with properties received under debt restructuring agreements for 2 more years until 31 December 2006. This privilege was extended with additional conditions and restrictions and applied to certain types of debt only.	1 January 2005	BOT Circular No. PPD (21) C. 47/2548 and 61/2548 (Thai only), dated 27 May 2005 and 28 July 2005, respectively and Notification of the Ministry of Finance dated 28 June 2005

Measures	Party involved	Salient points	Effective dates	Source
1.3.3 Permission to undertake hire purchase and leasing business	- All commercial banks (excluding IBFs)	The BOT required commercial banks to provide insurance coverage for hire-purchased and leased properties for which commercial banks are beneficiaries. In addition, the BOT set the calculation method for the maximum amount which a retail bank may invest in properties for the hire purchase or leasing business.	10 May 2005	BOT Circular No. FID (11)C. 34/2548, dated 11 May 2005 and Notification of the BOT, dated 7 April 2005
1.3.4 Extension of the possession period of foreclosed immovable properties	- All commercial banks (excluding IBFs) - Branches of foreign commercial banks - Finance companies - Credit foncier companies	The BOT allowed financial institutions to hold possession of immovable properties received between 1 January 2005 and 31 December 2006 from debt restructuring non-performing assets prior to 1 January 2005, beyond the date previously stated.	1 January 2005	BOT Circular No. PPD (21)C. 800/2548 and 801/2548, dated 4 May 2005
1.3.5 Regulations for the disposal of foreclosed immovable properties from debt repayments	- All commercial banks (excluding IBFs of foreign bank branches) - Finance companies - Credit foncier companies	The BOT extended the period during which financial institutions could hold possession of foreclosed immovable properties obtained from debt repayments for another 2 years. However, financial institutions were required to raise annual provisions for the said properties based on the lower value between appraisal and accounting prices, with provisioning to begin in the second half of the 2006 accounting period.	6 September 2005	BOT Circular No. PPD (21)C. 81/2548 and 82/2548, dated 7 September 2005 and Notification of the BOT, dated 18 August 2005
1.3.6 Amendment of the regulations pertaining to the purchase or possession of shares	- All commercial banks - Finance companies	The BOT allowed financial institutions to purchase or possess shares of a limited company in excess of the rate prescribed by law as a result of debt restructuring	1 January 2005	BOT Circular No. PPD. (21)C. 798/2548 and 799/2548, dated

Measures	Party involved	Salient points	Effective dates	Source
of a limited company at a level exceeding the limit prescribed by law	- Credit foncier companies	before 1 January 2005. However, financial institutions were required to reduce the share holding to be within the limit prescribed by law within 3 years.		4 May 2005
2. Financial Institutions Development				
2.1 Temporary exemptions for foreign commercial bank branches and foreign bank subsidiaries following business adjustment in accordance with the Financial Sector Master Plan				
	- Foreign commercial bank branches	The BOT announced the following guidelines for foreign commercial bank branches and foreign bank subsidiaries: 1) Foreign commercial bank branches and foreign bank subsidiaries must follow all aspects of risk management regulations previously required on commercial banks; 2) Regulations on the single lending and related lending limits are temporarily waived for transactions signed prior to the date the Minister of Finance agreed to the status change in accordance with the Financial Sector Master Plan.	10 March 2005	BOT Circular No. PPD (21)C. 474/2548 (Thai only), dated 10 March 2005
2.2 Scopes of business and transactions of retail banks				
	- Finance companies and credit foncier companies - Retail banks	The BOT specified the scope of business for retail banks, allowing them to serve only retail customers and small and medium enterprises within the credit limits specified by the BOT and prohibiting international settlement transactions unless having been granted permission from the Minister of Finance. Engagement in derivative instruments was also prohibited, except for the purpose of hedging for their own business.	15 November 2005	BOT Circular No. FID (21)C. 2210/2548 (Thai only), dated 22 November 2005 and Notification of the BOT dated 26 October 2005 (Thai only)
2.3 Separation line between retail customers and small and medium enterprises and				
	- Finance companies and credit foncier companies	The BOT provided the following guidelines: 1) The separation line between retail customers and small and medium enterprises (SMEs)	30 November 2005	BOT Circular No. FID (11)C. 138/2547 (Thai only), dated 30

Measures	Party involved	Salient points	Effective dates	Source
definition of collateralised credits to retail customers	- Retail banks	<p>should consider the following:</p> <p>(1.1) Objective of borrowing: if the loan is for business purpose, it should be classified under loans to SMEs and;</p> <p>(1.2) Availability of business location: if business location is not available, the loan should be classified under loans to retail customers.</p> <p>2) Collateralised credits to retail customers were defined as credits with collateral assets or full guarantee, as previously specified in a BOT circular to retail banks. The value of the collateral assets should also be appraised professionally, and the foreclosure of these assets must also be enforceable.</p>		November 2005
Financial Assistance to Priority Economic Sectors 1. Financial assistance to chicken farmers affected by avian flu	- All commercial banks	<p>The BOT provided special financial assistance through commercial banks in terms of working capital by purchasing the promissory notes at the face value equal to the amount of collaterals provided by entrepreneurs. The financial assistance was applied for poultry farming business, slaughter house business, poultry transformation plants, poultry trading business as well as poultry and poultry products exports and would be charge at the rate 0.01 per cent per annum, while commercial banks are allowed to charge the promissory notes issuers no more than 2 per cent per annum, providing that all notes have to due no later than 10 March 2006.</p>		BOT Circular No. FOMG (04)C. 1101/2548, dated 15 June 2005

Measures	Party involved	Salient points	Effective dates	Source
2. Financial assistance to the entrepreneurs affected by tidal waves in the six southern provinces	- Commercial banks - Finance companies	The BOT's financial assistance was later extended to cover poultry farmers who aim to develop and upgrade farming standards.		
		The BOT would extend credit facility through purchasing promissory notes from the financial institutions at 80 per cent of its face value provided by entrepreneurs as collateral in order to relieve debt burden as well as to provide working capital for rehabilitation. The BOT would charge financial institutions at the rate 0.01 per cent per annum, while financial institutions are allowed to charge their clients at the rate not higher than 2 per cent per annum. Latest due date of promissory notes should not be later than 28 February 2008.		BOT Circular No. FOMG (04)C. 36/2548, dated 10 January 2005 and 28 January 2005
3. Financial assistance to entrepreneurs affected by the outbreak of violence in the three southern boarder provinces	- All Commercial banks	The BOT would extend credit facility through purchasing promissory notes from commercial banks at the full face value provided by entrepreneurs as collateral in order to relieve debt burden as well as to provide working capital for rehabilitation. The BOT would charge financial institutions at the rate 0.01 per cent per annum, while financial institutions are allowed to charge their clients at the rate not higher than 1.5 per cent per annum. Latest due date of Promissory notes should not be later than 28 February 2006	28 January 2005	BOT Circular No. FOMG (04)C. 37/2548, 160/2548 and 162/2548, dated 10 January 2005 and 28 January 2005
		The BOT later extended the termination date of promissory noted to 28 February 2007	15 September 2005	BOT Circular No. FOMG (04)C. 1724/2548, dated 15 September 2005

Measures	Party involved	Salient points	Effective dates	Source
4. Credit line with promissory notes in connection with small and medium enterprises as collateral as stated in the Bank of Thailand regulations B.E. 2546	<ul style="list-style-type: none"> - Commercial banks - Finance companies - Small- and Medium-enterprise Development Bank of Thailand - Export and Import Bank of Thailand - Bank for Agriculture and Agricultural Cooperatives - Government Savings Bank - Islamic Bank of Thailand 	<p>Financial institutions intending to borrow in accordance with the regulations on borrowing and lending, whereby promissory notes in connection with small- and medium-enterprise were to be used as collateral, B.E. 2546, were required to notify the BOT the credit line for the year 2006 (1 October 2005-30 September 2006) and their credit extension plan within 11 August 2005.</p>		<p>BOT Circular No. FOMG (04)C. 1316/2548, dated 21 July 2005</p>
5. Financial assistance to entrepreneurs in Songkhla and Satun affected by the outbreak of violence in the three southern boarder provinces	<ul style="list-style-type: none"> - Commercial banks - Small and Medium enterprise Development Bank of Thailand - Export and Import Bank of Thailand - Bank for Agriculture and Agricultural Cooperatives - Government Savings Bank 	<p>The BOT would extend credit facility through purchasing promissory notes from financial institutions provided by entrepreneurs in Songkhla and Satun affected by the outbreak of violence in the three southern boarder provinces, with 5,000 million baht credit line: 3,000 million baht provided from the BOT, while 2,000 million baht were from financial institutions. The BOT would charge financial institutions at the rate 1.0 per cent per annum, while financial institutions are allowed to charge their clients at the rate not higher than MLR minus 2.75 per cent per annum. Each entrepreneur was expected to obtain this credit facility no more than two years. Latest due date of promissory notes should not be later than 31 December 2008.</p>	<p>1 January 2005</p>	<p>BOT Circular No. ECD (22)C. 2477/2548, dated 30 December 2005 and BOT News No.40/2548 Dated 29 December 2005</p>

Fiscal Measures

Measures	Source	Date of Announcement	Effective Dates	Link
Tax Measures				
1. Ministerial regulations on tax exemption for personal income taxpayers who donated money to any bank or private entity in aid of victims of the natural disaster	Cabinet Resolution	18 January 2005	26 December 2004 - 31 May 2005	
2. Draft Royal Decree on income tax exemption for juristic companies or partnerships in the 6 Andaman coast provinces affected by the natural disaster, allowing for the exclusion of compensations received from insurance companies or partnerships in excess of their asset values from being counted as taxable income	Cabinet Resolution	22 February 2005	-	
3. Draft ministerial regulations on tax exemption	Cabinet Resolution	5 April 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
1) Measures to aid victims of the natural disaster in 6 Andaman coast provinces No. 253 for tax exemption on their assessable income				
2) Measures to aid victims of the natural disaster in 6 Andaman coast provinces No. 254 for tax exemption on donation for victims of the natural disaster and other calamities				
3) Personal income tax exemption on civil servants and members of government pension fund who had retired under the early retirement programme				

Measures	Source	Date of Announcement	Effective Dates	Link
4. Measures to reduce the diesel excise tax by 1 baht per litre for 6 months (1 June - 30 November 2005). Afterwards, the rate would be raised in two 0.50 baht increments per litre. (The first period was 1 December 2005 - 31 March 2006, and the second period was from 1 April 2006 onwards). Estimated revenue loss was 14,000 million baht.	Cabinet Resolution	31 May 2005	-	
5. Draft ministerial regulations No. 255 (B.E.2548) on tax exemption on donation to juristic companies or partnerships or other juristic entities to aid victims of the natural disaster on 26 December 2004	Cabinet Resolution	14 June 2005	-	www.thaigov.go.th Select
6. Tax measures to help support economic expansion: (1) Promotion of labour skill development, allowing companies to deduct twice the amount of such expenses instead of 1.5 times for tax calculation purpose; (2) Promotion of extra cost of living allowances, allowing companies to deduct 1.5 times the amount for tax calculation purpose between 1 August 2005 and 31 December 2007	Cabinet Resolution	19 July 2005	-	- Cabinet Resolution - Archive - Date
7. Draft Royal Decree on value-added tax (VAT). Extension by 2 years of VAT reduction from 10 per cent to 6.3 per cent, from 1 October 2005 until 30 September 2007.	Cabinet Resolution	9 August 2005	-	
8. Draft Royal Decree on tax exemption for the extension of tax privileges for joint ventures registered with the Securities and Exchange Commission of Thailand, from 30 January 2005 until 30 January 2008	Cabinet Resolution	13 September 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
9. Draft ministerial regulations on tax exemption for taxpayers who are Thai residents and over 65 years old, allowing income not exceeding 380,000 baht to be excluded from taxable income from 1 January 2005 onward	Cabinet Resolution	27 September 2005	-	
10. Draft Royal Decree on tax exemption for national competitiveness promotion as follows: 1) Shortening the period of tax exemption on juristic companies or partnerships' stock holding in small and medium enterprises (SMEs) established as venture capital business 2) Corporate income tax exemption for public company limited established under Thai law on dividends from holding shares of juristic companies or partnerships established under foreign law 3) Specific business tax exemption for juristic companies or partnerships on the sale of plant (including land) for the purpose of relocation into industrial estates in accordance with the Industrial Estates Act	Cabinet Resolution	11 October 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
11. Draft ministerial regulations in accordance with the Excise Tax Acts B.E. 2547, which cancelled and replaced the existing 21 regulations with one new regulation, except for regulation No.324 (B.E.2542), which exempted tax on service businesses such as horse	Cabinet Resolution	18 October 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
racetracks and golf courses, as they already claimed large tax exemption on donation to non-profit organizations				
12. Draft ministerial regulations under the law development plan of the Excise Department in accordance with the national law development plans	Cabinet Resolution	1 November 2005	-	
13. Tax measures to enhance economic value: (1) measures to induce private sector to replace their machines between 1 January 2006 and 31 December 2010, (2) measures to stimulate investment with tax privileges for five accounting periods beginning 1 January 2006 onwards	Cabinet Resolution	20 December 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
Expenditure Measures				
1. Draft regulations on multi-year debt obligation and on integrated management of provincial budget	Cabinet Resolution	15 February 2005	-	
2. Execution of the supplementary budget for fiscal year 2005 worth 50,000 million baht	Cabinet Resolution	12 April 2005	-	
3. The acceleration of the Central Fund Budget disbursement for fiscal years 2003 - 2005 totalling 115,500 million baht	Cabinet Resolution	3 May 2005	-	
4. Strategies for budget allocation and budget structure for fiscal year 2006	Cabinet Resolution	3 May 2005 31 May 2005	-	
5. Approval of Draft Budget Act B.E. 2549 with total budget expenditure of 1,360 billion baht	Cabinet Resolution	21 June 2005	-	
6. The acceleration of budget disbursement for capital expenditure in fiscal year 2005 and plans for budget management of fiscal year 2005 and following fiscal years	Cabinet Resolution	5 July 2005 19 July 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
7. Draft Royal Decree on allowances for pensioners regarding a raise in allowances for those who received pension of less than 5,100 baht to match this benchmark	Cabinet Resolution	22 February 2005 23 August 2005	-	
8. Revision of civil servant's remuneration for fiscal year 2006 as follows: 1) Increase base salary at all levels of civil service by 5 per cent 2) Increase allowances for pensioners by 5 per cent 3) Temporary increase in extra cost of living allowances for junior civil servants, so that salary including extra allowances increased from 7,000 baht to 7,350 baht, while the combined amount was raised from 10,000 baht to 10,500 baht	Cabinet Resolution	30 August 2005	1 October 2005	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
9. Draft Act on civil service pensions and gratuities and the Government Pension Fund to provide the pensioners with living expenses appropriate to current economic condition. In this regard, the pensioners could make use of the rights on descended pensions as guaranteed assets for borrowing money.	Cabinet Resolution	13 September 2005	-	
10. Draft ministerial regulations in accordance with the Social Security Act regarding child support, increasing from 200 to 350 baht per month	Cabinet Resolution	15 November 2005	-	
11. Measures and guidelines to speed up budget disbursement for fiscal year 2006, setting the budget disbursement rate at 93	Cabinet Resolution	22 November 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
per cent of the total budget of 1.36 trillion baht and no less than 73 per cent of capital expenditure budget of each government branch				
12. The acceleration of disbursement and implementation of measures to strengthen economic stability for fiscal year 2005 and fiscal year 2006	Cabinet Resolution	20 December 2005	-	
State Enterprise Measures				
1. The improvement of the minimum standard of state enterprise employment	Cabinet Resolution	22 February 2005	-	
2. Draft regulations of the Office of the Prime Minister regarding the regulating committee for electricity providers	Cabinet Resolution	1 March 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
3. Budget determination on investment plan for selected public investment's mega projects over 1,000 million baht	Cabinet Resolution	5 April 2005	-	
4. Corporatization and establishment of the Electricity Generation Authority of Thailand (EGAT) as a public company limited, with 60,000 million baht authorized capital at par value of 10 baht per share; and EGAT employee salary increase (of 8 and 15 per cent) effective retroactively from 1 April 2004	Cabinet Resolution	10 May 2005	-	
5. Adjustment of the daily minimum wage for state enterprise employees; (1) from 170 baht to 175 baht (2) from 175 baht to 181 baht	Cabinet Resolution	10 May 2005 4 October 2005	- 1 August 2005	
6. Capital-raising plan for EGAT and guidelines for the determination of electricity prices	Cabinet Resolution	30 August 2005	-	
7. State enterprises' investment plan for fiscal year 2006 with	Cabinet Resolution	27 September 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
296 billion baht disbursement or a deficit of 1 per cent of GDP (formally proposed for 420 billion baht disbursement, or deficit of 2 per cent of GDP)				
8. Establishment of the Mass Transit Authority of Thailand (Public Organization) to oversee project implementation and provide policy recommendation, including financing, as well as guideline to ensure efficient and fair mass transit services	Cabinet Resolution	18 October 2005	-	
9. Six-step guideline for EGAT share allocation, giving electricity users first priority as subscribers through random selection	Cabinet Resolution	1 November 2005	-	www.thaigov.go.th Select - Cabinet Resolution
10. The dissolution of the Express Transportation Organization of Thailand	Cabinet Resolution	27 December 2005	Draft Royal Decree subsequently proclaimed as Law	- Archive - Date
Local Government Measures				
1. Draft ministerial regulations on the allotment and receipt of pensions and gratuities for local civil servants	Cabinet Resolution	18 January 2005	-	
2. Upgrading Office of the Board of Fiscal Decentralisation to the status of local administrative authority under the Office of the Prime Minister, equivalent to a governmental department	Cabinet Resolution	8 March 2005	-	
3. Postponement of the transfer of education services under the Office of Basic Education Commission to local administrative authorities	Cabinet Resolution	30 August 2005 8 November 2005	-	
4. Strategies and managerial plans for development of Bangkok Metropolitan and Vicinities (B.E. 2548 - 2551)	Cabinet Resolution	25 October 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
5. Draft Royal Decree on remuneration for committees in accordance with the regulations on local personnel management B.E.2542	Cabinet Resolution	20 December 2005	-	
Public Borrowing and Debt Management Measures				
1. Approval for the Energy Fund Management Institute (public organization) to issue bonds of no more than 85,000 million baht. In case total bond sale was insufficient to compensate for the loss from ongoing petrol subsidies, the government would allocate the budget at a maximum of 12,000 million baht to the EFMI to facilitate liquidity management.	Cabinet Resolution	31 May 2005 20 September 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
2. Draft ministerial regulations on the issuance, transfer, collateral and pledging of debt instruments, and on other financial transactions associated with public debt restructuring	Cabinet Resolution	31 May 2005	-	
3. Plan for public debt management for fiscal year 2006 amounted 796.7 billion baht, comprising of 6 sub-plans as follows: 1) Managing borrowing to finance budget deficit 2) Managing borrowing to compensate for Financial Institutions Development Fund (FIDF) losses 3) Managing borrowing to strengthen financial system stability 4) Managing domestic borrowing of state enterprises 5) Borrowing in accordance with the external debt borrowing programme	Cabinet Resolution	4 October 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
6) Managing external debt				
4. Draft regulations of Ministry of Finance on public debt management B.E.2548 and approval of extended treasury bill's ceiling by 80,000 million baht to the new ceiling of 250,000 million baht to facilitate cash management for fiscal year 2006	Cabinet Resolution	29 November 2005	-	
5. Criteria for guarantees and lending and approval in principle of draft regulations of Ministry of Finance regarding fees imposed on guarantee and lending at the maximum charge of 0.50 per cent per annum	Cabinet Resolution	13 December 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
Other Measures				
1. Strategies for Thailand's economic and social restructuring in a 4-year period (B.E. 2548 - 2551)	Cabinet Resolution	11 January 2005	-	
2. Projection of government revenues for fiscal year 2005 and fiscal years 2006-2009. For fiscal year 2005, estimated government net revenues amounted to 1.25 trillion baht. For fiscal years 2006-2009, the estimates were 1.36, 1.49, 1.63, and 1.78 trillion baht, respectively, given revenue buoyancy of 1.1.	Cabinet Resolution	1 March 2005	-	
3. Encouraging government agency executive to share responsibility and monitor the use of GFMS (Government Fiscal Management Information System) so that its implementation was efficient and accurate	Cabinet Resolution	7 June 2005	-	

Other Measures

Measures	Source	Date of Announcement	Effective Dates	Link
Agricultural Measures				
1. Establishment of the Central Market for Agricultural Products at Trad, eastern provinces, and Rayong province for rubber in the eastern region	Cabinet Resolution	4 January 2005 22 February 2005 2 August 2005 25 October 2005	-	
2. National strategy on organic agriculture	Cabinet Resolution	4 January 2005	-	
3. Agricultural production reform	Cabinet Resolution	25 January 2005	-	
4. Draft Royal Decree on applying the provision in Section 4 of the Animal Epidemic Act, B.E. 2499, to epidemics in birds, chickens, ducks, geese and eggs	Cabinet Resolution	8 February 2005	-	
5. Resolution on farmers' debt problem	Cabinet Resolution	22 February 2005 19 April 2005 28 June 2005 12 July 2005 19 July 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
6. Project to resolve pest outbreak in coconut and oil palm	Cabinet Resolution	22 February 2005	-	
7. Approval of the project to establish the Thai Agricultural Business Promotion Company	Cabinet Resolution	29 March 2005	-	
8. Oil price subsidy for fishermen and farmers	Cabinet Resolution	5 April 2005, 12 July 2005, 2 August 2005	-	
9. Approval of financing from the central government budget to provide assistance to those affected by the drought condition	Cabinet Resolution	5 April 2005	-	
10. Project for career development and income enhancement for citizens in the fresh-water shrimp farming area in Pakpanang	Cabinet Resolution	3 May 2005	-	
11. Guideline on an integrated approach to resolve the drought problem	Cabinet Resolution	17 May 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
12. Framework for improving the quality of jasmine rice in the north eastern region	Cabinet Resolution	17 May 2005	-	
13. Debt burden alleviation measure for members of agricultural cooperatives who suffered losses from the tsunami	Cabinet Resolution	7 June 2005	-	
14. Financial compensation (under the official guideline) to poultry farmers affected by avian flu	Cabinet Resolution	7 June 2005	-	
15. Endorsement of the memorandum of understanding on prevention and control for animal epidemics in the Greater Mae Khong sub-region	Cabinet Resolution	28 June 2005	-	
16. Endorsement of the memorandum of understanding with China on research and development of alternative energy from bio-fuel	Cabinet Resolution	28 June 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
17. Allocating fund for the management of Longan production in 2005 from the central government budget and the Farmers Aid Fund	Cabinet Resolution	12 July 2005 19 July 2005	-	
18. Draft Royal Decree on tax exemption (tax measure to support the undertaking of the International Rubber Consortium Limited)	Cabinet Resolution	12 July 2005	-	
19. Strategy to restructure fruit production in the eastern region	Cabinet Resolution	2 August 2005	-	
20. Approval of loan to relieve the impact of drought on sugarcane farmers	Cabinet Resolution	2 August 2005	-	
21. Strategy to promote pineapple-related businesses	Cabinet Resolution	16 August 2005	-	
22. Measure to assist customers of Bank for Agriculture and Agricultural Cooperatives who suffered from flood in the 2004 harvest season	Cabinet Resolution	4 October 2005	-	
23. Establishment of the Rice Department under Ministry of Agriculture and Cooperatives	Cabinet Resolution	25 October 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
24. Agricultural product restructuring plan (concerning shrimp, poultry, rice, and rubber)	Cabinet Resolution	1 November 2005	-	
25. Policy and measures regarding the import of animal feeds in 2006 (soybean meal, maize for animal feeds and coarse fish powder)	Cabinet Resolution	22 November 2005	1 January - 31 December 2005	
26. Standard and procedure involving revenue estimation, payment rate and methods for sugar cane and sugar production, as well as compensation ratio between sugar cane planters and sugar plants for the 2004/2005 and 2005/2006 harvest seasons	Cabinet Resolution	22 November 2005	-	
27. Integrated management approach for milk and related products	Cabinet Resolution	29 November 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
28. Resolving the problem related to rubber in the southern provinces	Cabinet Resolution	13 December 2005	-	
29. Fund allocation to promote sugarcane planting in the 2006/2007 harvest season	Cabinet Resolution	20 December 2005	-	
International Trade Measures				
1. Protection measures to address rising imports	Cabinet Resolution	4 January 2005	-	
2. Agreements on Thailand-Czech Republic, Thailand-New Zealand, Thailand-Cambodia, Thailand-Japan and ASEAN-Korea economic cooperation	Cabinet Resolution	4 January 2005 29 March 2005 19 July 2005 6 December 2005 20 December 2005	-	
3. Prohibition of import of household refrigerators, water coolers, and freezers that use Chlorofluorocarbons (CFCs) as well as import of timber and timber products	Cabinet Resolution	15 February 2005 17 May 2005 25 October 2005 22 November 2005	-	
4. Antidumping measures on hot-iron plates	Cabinet Resolution	1 March 2005	-	
5. Import of goods and services following the Thailand-New Zealand and ASEAN-China free trade agreements (FTA)	Cabinet Resolution	31 May 2005 13 September 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
6. Import of potatoes in 2005 and raw material for animal feeds in 2006	Cabinet Resolution	20 September 2005 22 November 2005	-	
7. Agreements on the adjustment of regulations and controls for ASEAN electrical and electronic equipments	Cabinet Resolution	6 December 2005	-	
8. Arrangement of the agreement on investment promotion and protection between the Kingdom of Thailand and the Hashemite Kingdom of Jordan	Cabinet Resolution	13 December 2005	-	
9. Draft Act on the import and export of goods, and 16 draft public notices of the Ministry of Commerce on import-export control measures, itemized by goods, to replace the existing royal decree	Cabinet Resolution	20 December 2005	1 January 2005	
10. Draft rules and procedure for the Sugarcane and Sugar Committee on the export of sugar	Cabinet Resolution	20 December 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
Industrial Measures				
1. Draft Royal Decree on standard for Portland cement products	Cabinet Resolution	4 January 2005	120 days after the declaration in the government gazette	
2. Measure to promote primary steel production	Cabinet Resolution	18 January 2005	-	
3. Energy Measures	Cabinet Resolution			
- Measures to promote energy conservation		19 April 2005	-	
- Strategy on resolving national energy problems		17 May 2005	-	
- Action plan on developing and promoting bio-diesel usage		17 May 2005	-	
- Mandatory measures to resolve national energy problems		12 July 2005	-	
- Modifications of excise tax for vehicles using ethanol-mixed petrol with at least 20 per cent of ethanol		6 September 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
- Reduction of excise tax rate for diesel fuel that contains bio-diesel with methyl ester of fatty acid at no less than 4 per cent		13 September 2005	-	
- Tax measure to promote NGV usage		13 September 2005	-	
- Draft ministerial regulations on petrol service station		25 October 2005	-	
4. Water tunnel and pipeline construction project (Navamintr -Tapchang) by Metropolitan Waterworks Authority	Cabinet Resolution	26 April 2005	-	
5. Review of the master plan on natural gas pipeline system, volume 3, B.E. 2001-2011	Cabinet Resolution	17 May 2005	-	
6. Government Mega Projects	Cabinet Resolution	14 June 2005	-	
7. Draft Acts on excise tax and tariff (resolving the double taxation problem on alcoholic beverage and improving the excise tax collection structure)	Cabinet Resolution	28 June 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
8. Resolution of the water shortage problem in the eastern industrial zones	Cabinet Resolution		-	
- Artesian well development		28 June 2005	-	
- Budgetary support in 2005 from the central fund budget		28 June 2005	-	
- Water management		2 August 2005		
- Construction of water retaining system by the Provincial Waterworks Authority in the eastern region area		23 August 2005		
- Artesian well development project to resolve water shortage crisis		23 August 2005		
9. Support for Metropolitan Electricity Authority's operation on electricity generation and distribution	Cabinet Resolution	9 August 2005	-	
10. Measure to restructure excise tax on alcoholic beverage	Cabinet Resolution	6 September 2005	-	
11. Measure to increase tobacco duty	Cabinet Resolution	6 December 2005	7 December 2005	

Measures	Source	Date of Announcement	Effective Dates	Link
Price Measures				
1. Price control measures for goods and services 1.1 18 items 1.2 8 items (addition) 1.3 11 items (addition)	Resolution by the Central Commission on Prices of Goods and Services	31 January 2005 10 May 2005 6 October 2005	31 January 2005 10 May 2005 6 October 2005	www.dit.go.th
2. Fare adjustment of types 1 - 4 buses (regular and air-conditioned buses of the BMTA, joint private services, and buses of the Transport Co. Ltd.)	Resolution by the Central Land Transport Control Board	19 April 2005 7 July 2005	2 May 2005 8 July 2005	www.bmta.go.th www.transport.co.th
3. Electricity price adjustment (Ft) 1) at an additional 3.55 satang per unit for the period of June - September 2005 2) at another 10.00 satang per unit for the period of October 2005 - February 2006	Resolution by the Subcommittee on the Automatic Adjustment Mechanism	14 June 2005 18 October 2005	1 June 2005 1 October 2005	www.eppo.go.th
Labour Measures				
1. Measure to assist construction contractors in Yala, Pattani and Narathiwat	Cabinet Resolution	18 January 2005	-	
2. Draft regulation of the Ministry of Labour on protection and remuneration of university employees	Cabinet Resolution	15 February 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
3. Establishment of registration fee for alien workers	Cabinet Resolution	8 March 2005	-	
4. Extension of fee and fine exemptions for foreigners staying temporarily in the Kingdom	Cabinet Resolution	8 March 2005	-	
5. Reorganization of the management of illegal alien workers in 2005	Cabinet Resolution	10 May 2005 19 July 2005 20 December 2005	-	
6. Adjustment of the minimum wage for state enterprise employees	Cabinet Resolution	10 May 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
7. Readjustment of the minimum wage for 2005	Cabinet Resolution	19 July 2005	1 August 2005	
8. Adjustment of the university employees' remunerations	Cabinet Resolution	30 August 2005	-	
9. Economic and employment development of border provinces in the south of Thailand	Cabinet Resolution	18 October 2005	-	
10. Draft notification of the Ministry of Interior on granting residency status to foreigners in 2005	Cabinet Resolution	25 October 2005	-	
11. Wage setting in accordance with skill level in 11 industries and 30 occupations	Cabinet Resolution	22 November 2005	-	
12. Adjustment of the minimum wage for 2006	Cabinet Resolution	6 December 2005	1 January 2006	
Service Measures				
1. The Bangkok Mass Transit Project (including both extended routes and newly planned routes), consisting of 3 sub-projects - Blue Line 1) Hualumpong - Bangkai section 2) Bangsue - Tha Pra section - Orange Line (Bangkapi - Bangbumru section - Purple Line 1) Bang Sue- Samsen section 2) Samsen-Ratburana section	Cabinet Resolution	4 January 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
2. Housing development project for low income individuals - "Bann Eua-Arthorn project" phase 4 - "Bann Mankong project" 2005-2008	Cabinet Resolution	4 January 2005 2 August 2005	-	
3. Agreements on arrangement of the visa exemption for ordinary passport holder between - Thailand and New Zealand - Thailand and Argentina - Thailand and Japan - Thailand and Costa Rica - Thailand and Cambodia	Cabinet Resolution	4 January 2005 5 April 2005 19 April 2005 9 August 2005 18 October 2005	- -	

Measures	Source	Date of Announcement	Effective Dates	Link
- Thailand and Russia		6 December 2005		
4. Measures on Tourism	Cabinet	11 January 2005	-	
- Strategies and measures to rehabilitate the tourism industry in the 6 Andaman coast provinces	Resolution	1 March 2005 8 March 2005 10 May 2005		
- Draft announcement of the Designated Area for Sustainable Tourism Administration to specify the designated area for the Chiang Mai Night Safari	Cabinet Resolution	18 January 2005	-	
- The announcement of the additional designated area and the allocation of the mid-year 2005 budget for the master plan, action plan, and detailed designs of the two new designated areas	Cabinet Resolution	15 February 2005	-	
- Approval of organizing framework for the Thai Cultural Week in Rome as proposed by the Ministry of Culture.	Cabinet Resolution	19 April 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
- Approval of the budget for urgent projects to stimulate tourism activities for 2005	Cabinet Resolution	26 July 2005	-	
- Approval of the agreement between the Government of the Socialist Republic of Vietnam and the Government of the Kingdom of Thailand on the admittance of tourist vehicles on roads between Vietnam and Thailand	Cabinet Resolution	26 July 2005	-	
- Reduction of airport fees for chartered flights via Phuket International Airport	Cabinet Resolution	15 November 2005	-	
5. Draft of the bilateral agreement on exchange regulations between	Cabinet Resolution		-	
- Thailand and Japan		25 January 2005	-	
- Thailand and South Korea		18 October 2005	-	
6. The signing ceremony of the commitment on financial sector	Cabinet Resolution	29 March 2005	-	

Measures	Source	Date of Announcement	Effective Dates	Link
liberalization under the agreement on trade in services following the ASEAN third round negotiation				
7. Draft ministerial regulation on fees according to the Aviation Act B.E. 2497 (1954)	Cabinet Resolution	25 January 2005	-	www.thaigov.go.th Select - News
8. Regulation on the usage of prepaid mobile phone services	Cabinet Resolution	10 May 2005 31 May 2005	-	- Cabinet Resolution
9. Establishment of commercial maritime fleet as a joint venture between Thai Maritime Navigation Co., Ltd. and a group of Thai maritime owners	Cabinet Resolution	15 November 2005	-	- Archive - Date
10. Reduction of permissible hours for the sale of alcoholic beverages	Resolution of the Ministry of Finance	16 November 2005	18 November 2005	www.ratchakitcha.soc.go.th
11. Measures to promote second-hand housing market				
- Fee collection for right transfer registration and juristic act under the Land Code Act (as part of measures to promote purchase and sale as well as mortgage transactions involving the second-hand housing markets)	Public Notification of the Ministry of Interior	15 November 2005	16 November 2005 31 December 2007	www.dol.go.th
- Fee collection for right transfer registration and juristic act under the Condominium Act (as part of measures to promote purchase and sale as well as mortgage transactions involving the second-hand housing markets)	Public Notification of the Ministry of Interior	15 November 2005	16 November 2005 31 December 2007	www.rd.go.th
- Tax exemption on the sale of the old residential real estate for the purchase of new residential real estate	Royal Decree (No.444 B.E. 2548)	29 November 2005	30 November 2005	www.rd.go.th/publish/29744.0.html

Measures	Source	Date of Announcement	Effective Dates	Link
Capital Market Measures				
1. Rules on center or network of derivatives exchange other than the Thailand Futures Exchange Plc.	SEC	19 January 2005	1 February 2005	www.sec.or.th
2. Permission to sell newly issued stocks (Issue No. 9)	SEC	15 February 2005	1 April 2005	
3. Rules, conditions and procedures of brokerage and dealing of non-debt instruments (Issue No. 8)	SEC	28 February 2005	1 July 2005	
4. Rules, conditions and procedures for dealing of debt instruments (Issue No. 9)	SEC	28 February 2005	1 July 2005	
5. Allocation of foreign investment by mutual funds and provident funds	SEC	19 April 2005	15 May 2005	
6. Conditions for collateral of securities borrowing and lending business (Issue No. 4)	SEC	12 May 2005	1 June 2005	
7. Ratio of investment of mutual funds in foreign securities under SEC approval	SEC	18 May 2005	18 May 2005	
8. Investment in or holding of foreign securities or foreign assets by mutual funds and rules on investment ratio of mutual funds (Issue No. 2)	SEC	18 May 2005	18 May 2005	
9. Permission to sell newly issued debentures (Issue No. 6)	SEC	20 June 2005	16 July 2005	
10. Permission to sell newly issued derivative debentures (Issue No. 4)	SEC	20 June 2005	16 July 2005	
11. Permission to sell newly-issued derivative warrants (Issue No. 6)	SEC	20 June 2005	16 July 2005	
12. Establishment of mutual funds and execution of agreement for management of private funds (Issue No. 3)	SEC	22 June 2005	1 July 2005	
13. Rules for management of ETF mutual funds	SEC	18 July 2005	18 July 2005	

Measures	Source	Date of Announcement	Effective Dates	Link
14. Permission to securities companies selling ETF mutual funds units without actual possession	SEC	22 August 2005	1 August 2005	
15. Rules, conditions, and procedures for establishment and management of property funds to resolve problems in the financial institution system (Issue No. 9)	SEC	22 August 2005	1 September 2005	
16. Rules, conditions, and procedures for establishment and management of property funds and their claims (Issue No. 5)	SEC	22 August 2005	1 September 2005	
17. Rules, conditions, and procedures for management of mutual funds to resolve problems in the financial institution system (Issue No. 9)	SEC	22 August 2005	1 September 2005	
18. Trade in derivatives and related services offered by securities companies	SEC	13 September 2005	1 November 2005	www.sec.or.th
19. Rules, conditions, and procedures for permission on the sale of newly issued debentures to non-resident investors (Issue No. 5)	SEC	12 October 2005	16 October 2005	
20. Sales of foreign bonds or debentures in Thailand (Issue No. 2)	SEC	12 October 2005	16 October 2005	
21. Permission to offer newly issued derivatives debentures (Issue No. 5)	SEC	12 October 2005	16 October 2005	
22. Permission to sell bills and newly issued short-term debentures (Issue No. 3)	SEC	12 October 2005	16 October 2005	
23. Permission to sell newly issued debentures (Issue No. 7)	SEC	12 October 2005	16 October 2005	
24. Rules for operating derivatives exchange and derivatives clearing house (Issue No. 2)	SEC	28 October 2005	16 November 2005	
25. Rules, conditions, and procedures for establishment and management of funds (Issue No. 3)	SEC	28 October 2005	16 November 2005	

Measures	Source	Date of Announcement	Effective Dates	Link
26. Approval to rating agencies in the issuance of bonds, debentures, and bills that are securities	SEC	31 October 2005	1 November 2005	www.sec.or.th
27. Opinions on accounting rules for capital reduction to compensate for cumulative losses	SEC	16 November 2005	16 November 2005	
28. Permission to sell bills that are securities and newly issued short-term debentures (Issue No. 4)	SEC	16 November 2005	1 January 2006	
29. Permission to sell newly issued derivative debentures (Issue No. 6)	SEC	16 November 2005	1 January 2006	
30. Permission to sell newly issued debentures (Issue No. 8)	SEC	16 November 2005	1 January 2006	
31. Classification of real estate in which real estate mutual funds are allowed to invest	SEC	28 November 2005	28 November 2005	
32. Computation of ratio of investment in Asian Bond Fund by mutual funds	SEC	15 December 2005	1 January 2006	
33. Rules for management of Long Term Equity Funds (Issue No. 2)	SEC	21 December 2005	21 December 2005	
34. Regulations on securities companies' engagement in other businesses	SEC	28 December 2005	28 December 2005	

The Bank of Thailand's Activities

Reserve Management Performance and Note Printing

1. Reserve Management and Operations

During the year 2005, the Bank of Thailand has managed the country's international reserves, based on the principle of risk-awareness, safety and sound rationality, as well as liquidity management that is consistent with the Bank's exchange rate and monetary policy operations as well as future obligations in order to achieve a desirable return within the investment guidelines and risk profiles set by the Top Management Committee and closely monitored monthly by the Investment Sub-Committee.

To maximize investment returns within the framework of acceptable risk and appropriate liquidity, economic and financial market developments that can affect asset price movements have been closely monitored. Besides, both short and long-term interest rates trend of major currencies that will influence on both foreign exchange rates and government fixed income securities prices have been tracked.

In 2005, major portfolios under the management of the Bank of Thailand include Liquidity Portfolio, Investment Portfolios and Exchange Equalization Fund Portfolio. The Bank of Thailand has also invested 111 million USD in the Asian Bond Fund II, the USD-dominated bond fund set up by central banks of the EMEAP member countries to invest in domestic bond markets.

In addition, in 2005 the Bank has improved reserve management efficiency by expanding asset classes and foreign exchange that the Bank can invest and propose an amendment in the related legislation to expand the asset universe.

2. Banknote Issued and Management

At the end of 2005, the number of banknotes in circulation is 3,032.8 million notes, an increase of 0.9% over 2004. The value of banknotes in circulation is 769,484.7 million baht, an increase of 1.3% over 2004. The number of banknotes in circulation, by denominations, is as shown in Table 1.

Table 1 : Banknote Issued in 2005

Denomination (Baht)	500000	1000	500	100	50	20	10	5	1	0.50	BOT Note 60 Baht
Volume (million notes)	0.000236	561.6	213.4	707.7	165.3	904.4	322.8	24.5	106.6	18.9	7.6

In 2005, Bank of Thailand issued two new series of banknote; the Series-15 (revised version) 100 Baht banknotes on October 21, 2005 and the Series-15 (revised version) 1000 Baht banknotes on November 25, 2005.

The number of counterfeited banknotes that were detected and reported in 2005 is 7,412 notes. The top three denominations among counterfeited banknotes are 1000 Baht (3,282 notes or 44.3%) 100 Baht (3,241 notes

or 43.7 percent) and 20 Baht (464 notes or 6.3 percent).

3. Currency Reserve

At the end of 2005, Currency Reserve was valued at 769,484.7 million baht, equal to the value of banknotes in circulation at the time. The assets in Currency Reserve, along with their values and shares, are as shown in Table 2.

Table 2 : Currency Reserve Account As of 31 December 2005

	Value (Million baht)	Share (%)
1. Gold	48,970.3	6.4
2. Foreign currencies	390,189.2	50.7
3. Foreign securities	330,325.2	42.9
Total	769,484.7	100.0

4. Note Printing Works, Bank of Thailand (NPT)

In 2005, NPT produced a total of 2,046.81 million notes, and produced non-banknote security products which are 238 million revenue stamps, 1,650 million excise stamps, and 6 million postage stamps and 225,000 postage sheets.

NPT continually undertook 24 research and development projects in 2005. The example of which are ink productions for NPT's own use such as dry offset ink, intaglio ink, numbering ink and others, and base ink totaling 232,876 kgs. It also conforms with international standards namely, the ISO 9001 : 2000, the ISO 14001 : 2004 and OHSAS 18001.

Banking Business

1. Cash Management

1.1 Cash Received and Paid Out

In 2005, the Bank of Thailand (including head office, Surawongse office, and Banknote Operation Centers) received cash from provincial treasury offices, commercial banks,

financial institutions, government agencies and others declining 30.7 percent compared to the Cash paid out, on the other hand, decreased by 31.9 percent compared to the previous year's end.

Cash Received and Paid Out	Unit : Million baht			
	2004	2005	Increase (decrease)	percent
Cash received	1,266,336.5	877,509.3	(388,827.2)	(30.7)
Cash paid out	1,344,479.2	916,115.3	(428,363.9)	(31.9)
Net amount	(78,142.7)	(38,606.0)		

In sum, cash was paid out (net amount) 38,606.0 million baht for the year.

1.2 Cash Position

In 2005, the Bank of Thailand transferred assets to the Currency Reserve Account in

order to increase note in circulation higher than withdrew assets from the Currency Reserve Account to reduce note in circulation by 10,000 million baht, resulting in 769,484.8 million baht increase of currency reserve assets in 2005.

Unit: Million baht

Currency Reserve (CR)	2004	2005	Increase(decrease)
CR at the end of year	759,484.8	769,484.8	10,000.0
- transfer asset to CR	189,000.0	140,000.0	(49,000.0)
- withdraw asset from CR	80,959.0	130,000.0	49,041.0
- Net position	108,041.0	10,000.0	

At the end of 2005, balance in the “Cash account stood at 16,228 million baht. deposited with the Note Issue Department”

2. Center of Funds Transfer

2.1 Large Value Funds Transfer (BAHTNET)

As of 30 December 2005, there were 68 participants in BAHTNET system; these participants comprised of 16 Thai commercial banks, 17 branches of foreign commercial banks, 18 finance companies/finance & securities companies and securities companies, 8 BOT divisions, 9 specialized financial institutions/government agencies and other institutions.

The volume of funds transferred through BAHTNET system in year 2005 totaled for 1,503,755 transactions that increased from 1,209,491 transactions of year 2004 or by 24.33 percent. Whilst the value totaled for 105.63 trillion bahts that increased from 73.49 trillion bahts of last year or by 43.73 percent. The aforementioned transactions can be categorized as Table 3.

Table 3 : Funds Transfer and Securities Transfer Transactions via BAHTNET System

	Volume			Value (Trillion Bahts)		
	2004	2005	%Change	2004	2005	%Change
Interbank Funds Transfer ^{1/}	186,656	127,516	-31.68%	41.78	54.66	30.83%
Third Party Funds Transfer	1,002,982	1,347,040	34.30%	28.74	47.98	66.95%
Deliver Against Payment/Receive Against Payment	19,853	29,199	47.08%	2.97	2.99	0.67%
Deliver Free/Receive Free	1,591	2,067	29.92%	0.61	0.82	34.43%
Total ^{2/}	1,209,491	1,503,755	24.33%	73.49	105.63	43.73%

Note : 1/ Includes Book Transfer and Multilateral Funds Transfer Transactions

2/ Excludes Deliver Free/Receive Free Transactions

2.1.1 Interbank Funds Transfer represented a total figure of 127,516 transactions that decreased from previous year and had value at 54.66 trillion bahts that increased from last year by 30.83 percent. Interbank Funds Transfer comprises Multilateral Funds Transfer through BAHTNET with the volume of 2,487 transactions, valued at 5.57 trillion bahts that increased by 6.92 percent and 25.76 percent, correspondingly and Book Transfer of commercial banks through BAHTNET with the volume of 9,939 transactions that decreased by 18.62 percent, valued at 13.04 trillion bahts that increased by 29.80 percent. Given that majority of Interbank Funds Transfer's reduction remarkably resulted from the change of the Comptroller General's Department's funds transfer method for budget allocation to various government agencies from Interbank Funds Transfer to Third Party Funds Transfer by sending from GFMIS system into BAHTNET System.

2.1.2 Third Party Funds Transfer represented a total figure of 1,347,040 transactions that rose by 34.30 percent comparing to last year and the total value was 47.98 trillion Bahts that increased from last year by 66.95 percent. The increment of volume and value came from the usage of GFMIS System by Comptroller General's Department. The volume of third party funds transfer of government agency in year 2005 totaled for 118,578 transactions whilst the value totaled for 3.97 trillion bahts.

2.1.3 Delivery versus Payment (DVP) / Receive versus Payment (RVP) of securities transfer totaled 29,199 transactions and valued at B2.99 trillion, increased from the previous year at 19,853 transactions and valued at B2.97 trillion, increased by 47.08 percent and 0.67 percent, respectively. Factors to increase both volume and value of securities transfer transactions were caused by an increasing investment in short-term securities from investors due to the expectation that the domestic interest rate will increase.

Moreover, most of securities transferred through BAHTNET were securities trading among institutions.

2.1.4 Deliver Free (DF) / Receive Free (RF) of securities transfer totaled 2,067 transactions and valued at B0.82 trillion, increased from the previous year at 1,591 transactions and valued at B0.61 trillion, increased by 29.92 percent and 34.43 percent, respectively. Most of these transactions were institution securities book transfer.

2.2 The Electronic Retail Funds Transfer (SMART)

In 2005, the number of member banks in SMART (System for Managing Automated Retail Funds Transfer) decreased slightly from last year, despite the emergence of Tisco Bank Public Company Ltd. as a new member bank. This was partly due to the banks mergers between Standard Chartered Bank and Standard Chartered Nakornthon Bank Public Company Ltd. since 7 November 2005, and between Bank of Asia Public Company Ltd. and UOB Radhanasin Bank Public Company Ltd. since 28 November 2005. As a result, the total number of member banks at the end of 2005 amounted to 26 banks, consisting of 12 Thai commercial banks, 11 foreign commercial banks, 2 specialized financial institutions, and the Bank of Thailand.

The total volume of funds transferred via SMART in 2005 amounted to 15,728,391 transactions with the value of 805.6 billion Baht, increasing from last year by 32.6 and 45.8 percent, respectively. The daily average volume was 64,198 transactions, and the daily average value was 3.3 billion Baht.

Foreign banks were the major senders under the SMART system with the respective volume and value of 59.5 and 66.9 percent of the total funds transfer. Thai commercial banks were the major receivers with the respective volume and value of 98.3 and 86.2 percent of the total funds transfer via SMART.

The major type of transaction in term of volume was salary and pension payment, accounting for 48.1 percent of the total volume. In contrast, the major type of

transaction in terms of value was goods and services payment, amounting to 65.2 percent of the total value.

Table 4 : Value of Transactions via SMART Classified by Service Types

Unit: Billion baht

Year	Goods & Services	Salary	Dividend	Others	Total
2002	152.60	96.45	11.19	14.40	274.63
	(62.9)	(13.2)	(248.4)	(479.1)	(48.8)
2003	229.24	112.64	10.65	32.64	385.16
	(50.2)	(16.8)	(-4.8)	(126.7)	(40.2)
2004	365.60	122.98	14.65	49.33	552.56
	(59.5)	(9.2)	(37.6)	(51.2)	(43.5)
2005	524.93	153.02	64.31	63.39	805.64
	(43.6)	(24.4)	(339.0)	(28.5)	(45.8)

Note : () represents percentage change from the same period last year

Source : Payment Systems Department, Bank of Thailand

2.3 Interbank Cheque Clearing System

2.3.1 Interbank Cheque Clearing in Bangkok and Metropolitan areas

In 2005, total out-clearing cheques in Bangkok and Metropolitan areas operated via the Electronic Clearing House were 64.07 million items with the value of B25,062.57 billion. Compared to 2004, the volume and

value increased by 0.3 and 10.6 percent respectively. The average value of out-clearing cheques per item rose by 10.3 percent, from B 0.35 million in 2004 to B0.39 million in 2005.

The volume of returned cheques in Bangkok and Metropolitan areas was 1.48 million items, amounted to B198.76 billion. The volume and value of returned cheques

Table 5 : Volume and Value of Interbank Cheque Clearing in the Bangkok and Metropolitan Areas operated via ECS

	Volume (items)			Value (million baht)		
	2004	2005	Δ%	2004	2005	Δ%
Cleared Cheques	63,844,841	64,065,498	0.3	22,652,615.21	25,062,568.53	10.6
Cleared Cheques amount per item				0.35	0.39	10.3
Returned Cheques	1,478,601	1,480,544	0.1	171,364.22	198,764.86	16.0
	(2.3)	(2.3)		(0.8)	(0.8)	
Returned Cheques with insufficient fund	927,667	937,382	1.0	91,244.90	98,896.04	8.4
	(1.5)	(1.5)		(0.4)	(0.4)	

Note : () represent % change form the same period of last year

Source : Payment Systems Department, Bank of Thailand

increased by 0.1 and 16.0 percent from the previous year. The ratios of the returned cheques to out-clearing cheques were stable in volume and value at 2.3 and 0.8 percent respectively.

The number of the returned cheques of which the reasons were fund insufficient (including the returned cheques for the reasons of :1 "Insufficient funds"; 2 "Refer to drawer"; 3 "No arrangement with the bank") was 0.94 million items, valued at B98.90 billion. The volume and value of returned cheques with insufficient funds increased by 1.0 and 8.4 percent from the previous year. The proportions of the volume and value of the returned cheques with insufficient funds to the volume and value of out-clearing cheques were 1.5 and 0.4 percent respectively, which were equivalent to those in the last year.

From the whole year's cheque clearing statistic, it implies the overall interbank cheques clearing in Bangkok and Metropolitan

areas in 2005 that the volume and value of out-clearing cheques and returned cheques slightly increased from the previous year due to the expansion of Thai economy. Although, the volume and value of returned cheques increased from 2004, the proportion of the volume and value of the returned cheques to the volume and value of out-clearing cheques were equivalent that of last year.

2.3.2 Intra Provincial Cheque Clearing

In 2005, the intra provincial cheques cleared in 85 clearing areas nationwide were 16.47 million items, with B 2,371.48 billion in value. The volume of the cheques went down by 0.02 percent from the previous year while the value rose up by 16.3 percent.

Throughout the year, the volume of the returned cheques was 0.39 million items, amounted to B40.06 billion, decreased in volume by 4.7 percent while increased in

Table 6 : Volume and Value of Interbank Cheque Clearing in the Provincial Areas Operated via Provincial Cheque Clearing House

	Volume (items)			Value (million baht)		
	2004	2005	Δ%	2004	2005	Δ%
Cleared Cheques	16,476,212	16,472,744	-0.02	2,038,658.04	2,371,478.21	16.3
Returned Cheques	408,397 (2.5)	389,396 (2.4)	-4.7	36,179.35 (1.8)	40,062.22 (1.7)	10.7
Returned Cheques with insufficient fund	253,612 (1.5)	250,303 (1.5)	-1.3	17,248.25 (0.8)	19,362.26 (0.8)	12.3

Note : () represent % change form the same period of last year

Source : Payment Systems Department, Bank of Thailand

value by 10.7 percent. The ratios of the volume and value of returned cheques to those of out-clearing cheques equaled to 2.4 and 1.7 percent respectively.

The returned cheques, of which the reasons was fund insufficient, were 0.25 million items with the value of B19.36

billion. The volume decreased from the previous year by 1.3 percent while the value increased by 12.3 percent. The proportion of the volume and value of the returned cheques with insufficient funds to those of the out-clearing cheques remained unchanged from the last year at 1.5 and 0.8 percent respectively.

In this year, the total value of the settlement of out-clearing cheques at 85 clearing houses operated by the Electronic Clearing House was B430.63 billion, increased by 17.9 percent from the prior year.

2.3.3 Inter Provincial Cheque Clearing

In 2005, the volume of the inter provincial cheques clearing operated via the Electronic Clearing House was 6.83 million

items, amounted to B 303.21 billion, continually increased by 3.4 and 9.6 percent respectively.

The volume of the returned cheques was 0.30 million items with the value of B15.30 billion. The ratios of the volume and value of the returned cheques to the volume and value of the out-clearing cheques were 4.4 and 5.0 percent respectively, slightly increased from the previous year.

Table 7 : Volume and Value of Bill for Collection (B/C) Operated via BOT

	Volume (items)			Value (million baht)		
	2004	2005	Δ%	2004	2005	Δ%
Cleared Cheques	6,604,840	6,826,859	3.4	276,748.19	303,205.67	9.6
Returned Cheques	282,269 (4.3)	298,356 (4.4)	5.7	13,678.89 (4.9)	15,303.70 (5.0)	11.9
Returned Cheques with insufficient fund	220,871 (3.3)	237,675 (3.5)	7.6	10,479.37 (3.8)	11,772.35 (3.9)	12.3

Note : () represent % change from the same period of last year

Source : Payment Systems Department, Bank of Thailand

Total returned cheques of which the reason was insufficient funds were 0.24 million items, valued at B 11.77 billion. The proportion of the volume and value of the

returned cheques with insufficient funds to the volume and value of out-clearing cheques were 3.5 and 3.9 percent respectively.

3. Banker to the Government

3.1 Repository of Government's and Government Agencies' Funds

At the end of 2005, balance in treasury's account, government agencies' and public organizations' accounts at the Bank of Thailand decreased by 77.98 and 71.02 percent respectively compared to the previous year's end.

3.2 Government and State Enterprise Securities Holding

As of end-2005, the Bank of Thailand's holding of public sector securities amounted to 111.1 billion baht, an increase of 6 billion baht from the previous year due to the purchase of government bonds for monetary implementation purposes. Holding is comprised of 97% government bonds and 3% state-enterprise bonds. The number of primary dealers for outright transactions remained unchanged from last year at 9.

Unit : Million baht

Account Balance	2004	2005	increase(decreased)	percent
Treasury A/C	35,494.3	7,814.4	(27,679.9)	(77.98)
Government agencies' & public organizations' A/C	16,485.1	4,777.2	(11,707.9)	(71.02)

4. Banker to Commercial Banks and Financial Institutions

4.1 Repository of Banks' Funds and Other Financial Institutions' Funds

Balance in banks' accounts at the Bank of Thailand at the end of 2005, increased by 9.44 percent, while balance in other financial institutions' accounts decreased by 48.38 percent compared to the previous year's end.

Also, at the end of 2005, balance in other accounts excluding accounts of the government, government agencies, banks and other financial institutions decreased by 80.12 percent compared to the previous year's end.

4.2 Securities Position Adjustment Facility

The Securities Position Adjustment Window is established as a privilege to outright primary dealers. To support their market making activities i.e. quoting a firm price for specified benchmark bonds, the window was introduced on January 15, 2004. Through this facility, primary dealers can temporarily acquire specific bonds to deliver to their counterparties if they are unable to acquire it from the market. To date the facility has had two transactions which were for testing purposes only.

Unit : Million baht

Account Balance	2004	2005	increase(decreased)	percent
Banks	53,538.2	58,593.4	5,055.2	9.44
Financial Institutions	1,672.5	863.3	(809.2)	(48.38)
Others	228,288.4	45,394.7	(182,893.7)	(80.12)

4.3 Issuance of Bank of Thailand Bonds

Since 2003, Bank of Thailand Bonds have been issued as a discount instrument with maturities of 1-month, 3-months, 6-months, and 12-months. The issuance of Bank of Thailand Bonds enhances the flexibility and efficiency in managing market liquidity and in conducting monetary operations. In 2005, the range of bond maturities increased to include 2-month terms. In addition, increased demand for bonds with medium to long-term maturities has led the Bank of Thailand to begin issuance of fixed-coupon Bank of Thailand Bonds with longer-term maturities. Since May 2005, the Bank of Thailand therefore began issuing two-year fixed-coupon Bank of Thailand Bonds.

The outstanding figure at year-end for the Bank of Thailand Bonds stood at 601,332 million baht, an increase of 328,992 million baht from 2004. The majority of bonds issued were in the 12-months tenor.

4.4 Repurchase Market Operations

Transaction volume in the BOT-Repurchase Market amounted to 27.077 trillion baht in 2005, a rise of 32 % from 2004 as liquidity remained high due to fiscal disbursement and foreign capital inflows. Transactions concentrated in the 1-day term while volume in the 7-day and 14-day terms were roughly equal. In 2005, there was an increased interest in 1-month transactions. The average composition of transactions by term was 68 % in the 1-day, 16 % in the 7-day, 16 %

in the 14-day, and 0.4% in the 1-month terms. The Bank of Thailand continues to be a net borrower in the market.

In 2005, the Monetary Policy Committee raised the policy rate (14-day repurchase rate) six times from two percent in January to four percent at year-end. Interest rate was raised 50 bps in two successive meetings towards the end of 2005.

4.5 Bilateral Repo Transactions with Primary Dealers

With only one BOT-run repurchase market trading session in the afternoon, the Bank of Thailand also conducts Bilateral repurchase-transactions (BRP) in the morning session. The total BRP volume in 2005 stood at 442,500 million baht, a slight decrease from 2004. Transactions were mainly in the 7-day term. Nevertheless, total BRP volume for 2005 remained relatively low in comparison to volume in the repurchase market (1.6 % of transactions in the RP market).

To promote primary dealers' role in effectively transmitting monetary policy as well as to encourage competition, primary dealers were evaluated for their performance during the period of 1 July 2004 to 30 June 2005. Two new primary dealers were selected

during the review. Meanwhile, the merger of Bank of Asia and United Overseas Bank decreased the number of primary dealers by one. As a result, from 17 October 2005, the number of primary dealers thus increased from 8 to 9.

4.6 End-of-Day Liquidity Window

There was no activity through the end-of-day liquidity window in 2005. The interest rate charged for the facility stood at 5.50% at year-end 2005. (Policy rate plus 1.50%)

4.7 Publication of a Short Term Reference Rate in the Bangkok Market

Since its launch on 4 January 2005, the Bangkok Interbank Offered Rate (BIBOR) has been published daily on the Bank of Thailand website in collaboration with the Thai Bankers' Association and the Foreign Banks' Association for their contribution of the daily lending rates. In an effort to continuously improve the use of BIBOR as a benchmark rate for short-term fundings in the Bangkok interbank market, the Bank of Thailand increased the number of quoted tenors to include the O/N term from 1 June 2005 onwards. In addition, the number of contributing banks was also raised from 14 to 16 banks.

5. The BOT's Financial Assistance to Priority Economic Sectors in 2005

In 2005, BOT provided financial assistance to priority economic sectors through financial institutions in 3 main programs with total limit of 149,930 million baht. During the year, total amount of loans disbursement was 346,998.5 million baht, increased by 80.0 percent from previous year. By the end of 2005, total loan outstanding was 97,997.0 million baht, up 80.6 percent from the end of 2004. The details are as follows:

5.1 Regular Program

BOT provided credit to SMEs by means of short-term loans through financial institutions, these loans are collateralized by P/N

issued by eligible entrepreneurs. During the year 2005, the amount of loans disbursement totalled 204,856.0 million baht, increased by 13.7 percent from 2004.

By the end of 2005, loan outstanding was 29,876.1 million baht, decreased by 10.6 percent from 2004. This was due to some banks which obtained higher credit limit after the reallocation in the last quarter failed to step up their disbursement while banks whose new limits were lower had to reduce their outstanding balance to comply with the new limit.

5.2 Emergency Program

BOT has also provided emergency soft loan to alleviate economic impacts to those entrepreneurs who suffered from pandemic, natural disaster, and social violence in the deep South, details of which are as follows:

5.2.1 Lending to Entrepreneurs Affected by the Outbreak of Avian Influenza

This program is a continuing program from previous year with total credit limit of 15,000 million baht. In 2005 total disbursement amount was 29,673.7 million baht with year-end outstanding of 11,100.4 million baht.

5.2.2 Lending to Entrepreneurs Affected by tidal waves in the Six Southern Provinces

This program started in January 2005 aimed at those entrepreneurs who are Tsunami victims both direct impact or loss from properties damaged and indirect impact or business loss. The fund from BOT was 48,000 million baht with another 12,000 million baht contributed by financial institutions to make up a total credit of 60,000 million baht. During the year loan disbursed totalled 75,657.9 million baht with 28,660.0 million baht loan outstanding by the end of 2005.

5.2.3 Lending to Entrepreneurs Affected by the Outbreak of Violence in the Three Southern Border Provinces

This program is another emergency program focusing on the entrepreneurs in the deep three southern provinces affected by social turmoil and violence. Total credit under this program

is 20,000 million baht. In 2005 total disbursement was 32,521.8 million baht. By the end of 2005, loan outstanding was 10,020.8 million baht.

5.3 Special Lending Program

All of the special lending programs are channeled through specialized financial institution. The purpose of these programs is to support government policies for certain sectors as follows:

5.3.1 Lending to Government Housing Bank (Housing Project)

Total credit limit is 15,000 million baht. By the end of 2005, loan outstanding was 13,917.3 million baht.

5.3.2 Lending to Bank for Agricultural and Agricultural Cooperative (Rural SMEs Project)

Total credit limit is 3,000 million baht. By the end of 2005, loan outstanding was 2,789.1 million baht.

5.3.3 Lending to Industrial Finance Corporation of Thailand (SMEs Project)

Total credit limit is 9,000 million baht. By the end of 2005, loan outstanding was 1,425.4 million baht.

5.3.4 Lending to Export-Import Bank of Thailand and Industrial Finance Corporation of Thailand (Maritime Business Project)

Total credit limit is 4,000 million baht. By the end of 2005, loan outstanding was 207.9 million baht.

6. Development and Promotion of Financial Derivatives Market

In 2005, the Bank of Thailand aimed to develop and promote financial derivatives market by emphasizing problems/hindrances identification as well as resolving identified problems to improve market liquidity. Besides, the Bank also supported the ACI Thailand in reviewing a new version of the Derivatives Manual which would serve as a useful guideline for both professionals and market participants. Furthermore, a series of

training courses and a seminar were organized to provide knowledge and understanding of financial derivatives instruments, market convention and practices for players where the course content covers rules and regulations, legal documentation, risk management and workshop for relevant issues.

Action plans for developing and promoting Thai financial derivatives market can be categorized into 3 main schemes as follows:

- The Bank of Thailand employed PriceWaterHouseCoopers (PWC) under a grant from the World Bank :- “ASEM TRUST FUNDS II”. Topic of the study is “Building the OTC Market for Interest Rate Derivatives” and the purpose of the study is to investigate market obstructions which limiting market liquidity in the OTC derivatives market. In addition, recommendations on resolving existing hindrances ie., one-way market condition are provided.

- ACI Thailand¹ had assumed the responsibility to review a new version of derivatives manual. This will serve as guidelines for participants who engaging in financial transactions in derivatives market.

- Five training courses and one seminar were held during 2005. Attendants are from financial institutions, private sector, government officials and related regulatory agencies. The topic of the seminars including an introduction to derivatives, product description, legal issues, rules and regulations and workshops on risk management.

7. The Asian Bond Fund 2 (ABF2) - The Thailand Sub-Fund

The Bank of Thailand, in collaboration with ten other central bank members of EMEAP (Executives’ Meeting of East Asia and Pacific Central Banks), jointly launched the Asian Bond Fund 2 (ABF2) on 16 December 2004 in order to expedite the development of local currency bond markets in the region as well as to introduce into Asia a new set of transparent, replicable and credible Asian bond indices.

ABF Thailand Bond Index Fund (ABFTH), a sub-fund under the ABF2 project, is a single-market fund investing in sovereign and quasi-sovereign local currency denominated bonds issued in Thailand. ABFTH began its first phase on 26 April 2004, as a private fund invested by the EMEAP central banks only. Currently, the Fund is in the process of transforming into an Exchange Traded Fund and is expected to open for participation by

Table 8 : The BOT’s financial Assistance to Priority Economic Sectors

Projects	Million baht					
	2004		2005		Change	
	Accumulative Value (1)	Outstanding at year-end (2)	Accumulative Value (3)	Outstanding at year-end (4)	Accumulative Value (3)-(1)	Outstanding (4) - (2)
1. Regularly Program						
- Lending to SMEs Entrepreneurs	180,201.6	33,431.7	204,856.0	29,876.1	24,654.4	-3,555.6
2. Emergency Program						
2.1 Lending to Entrepreneurs Affected by the Outbreak of Avian Influenza	2,672.1	1,011.0	29,673.7	11,100.4	27,001.6	10,089.5
2.2 Lending to Entrepreneurs Affected by the tidal waves	-	-	75,657.9	28,660.0	75,657.9	28,660.0
2.3 Lending to Entrepreneurs Affected by the Violence in the Three Southern Border Provinces	-	-	32,521.8	10,020.8	32,521.8	10,020.8
3. Special Program						
3.1 Lending to GHB (Housing Project)	8,300.0	14,405.7	-	13,917.3	-8,300.0	-488.4
3.2 Lending to BAAC (Rural SMEs Project)	-	-	4,289.1	2,789.1	4,289.1	2,789.1
3.3 Lending to IFCT (SMEs Project)	1,400.0	4,954.0	-	1,425.4	-1,400.0	-3,528.6
3.4 Lending to EXIM and IFCT (Maritime Bussiness Project)	213.3	311.4	-	207.9	-213.3	-103.5
3.5 Lending to EXIM and IFCT (Upgrading Machinery)	-	153.8	-	-	-	-153.8
Total	192,787.0	54,267.6	346,998.5	97,997.0	154,211.5	43,729.4

¹ The ACI Thailand Club is established under the Thai Bankers’ Association. The primary objectives of the Club are to strengthen relationship between foreign exchange traders in onshore and offshore markets, to provide technical support and academic research in currency trading fields and to maintain high standard as well as strengthen the code of ethics of traders.

other investors and listed on the Bond Electronic Exchange in early 2006.

To enhance knowledge and understanding of market participants on the concept of fund management against bond indices, the Bank of Thailand organized a seminar on the topic

in December 2005. A total of 250 participants comprising of fund managers, institutional investors, bond traders, and officers from relevant government organizations and agencies attended the seminar.

Acting as Agent of the Government

1. Exchange Control

1.1 Issuances of Notifications and Notices relating to exchange control regulations and the implementation according to the Exchange Control Act

1.1.1 Issuances of Notifications and Circulations on exchange control regulations in 2005

(1) Notification of the Ministry of Finance on the Minister Directions to authorized companies dated 3 October 2005 was issued to set licensing procedures to operate as authorized companies by submitting the applications to the Ministry of Finance through the Bank of Thailand. It also set the scope and qualifications of authorized companies as well as the conditions and guidelines that they have to follow.

(2) Notice of the Competent Officer on Principles and Procedures regarding the operation of authorized companies dated 7 October 2005 was issued to set licensing procedures to operate as authorized companies by submitting the applications to the Ministry of Finance through the Bank of Thailand. It also set the scope and qualifications of

Authorized companies as well as the conditions and guidelines that they have to follow.

1.1.2 Implementation of the Exchange Control Act

Cooperation with government agencies relating to exchange control regulations as follows:

(1) In cooperation with the Ministry of Foreign Affairs on various agreements such as Free Trade Area Agreements, Agreements on the Promotion and Protection of Investment between Thailand and other countries, etc.

(2) In cooperation with other government agencies related to the economic, trade, and investment cooperation such as ACMECS, the Study on Border Trade Strategy, etc.

1.2. Inspection on Proceeds of Exports

In 2005, total export value amounted to 110,361 million US dollars, increasing by 14.3 percent from last year. The foreign currency proceeds of exports were exchanged into Thai baht, deposited into foreign currency accounts, used for foreign currency loan repayment to authorized financial institutions, used for

Table 9 : Export Value and the Receipt of Export Proceeds

Values	Unit : Million US\$	
	2004	2005 ^{P/}
1. Exports ^{1/}	96,530	110,361
Change (percent)	20.6	14.3
2. Foreign currency received from exports	85,217	97,213
Change (percent)	23.1	14.1

Note : 1/ Total value of export,

P = Preliminary

Source : Customs Department

payment of obligations to nonresidents or received in Thai baht from nonresident baht account. Total proceeds accounted for 88.1 percent of total export value. The difference

was partly attributed to netting transactions and export transactions exempted from receiving foreign currency proceeds.

2. Foreign Exchange Transactions and Net Foreign Exchange Positions of Authorized Financial Institutions, International Banking Facilities (IBFs), Authorized Money Changers, Money Transfer Agents, and Currency Exchange Services

2.1 Authorized Financial Institutions

2.1.1. Number of Authorized Financial Institutions

At end-2005, the number of authorized financial institutions totaled 38, consisting of 16 commercial banks registered in Thailand, 18 foreign bank branches, the Export-Import Bank of Thailand, Islamic Bank of Thailand, the Government Savings Bank, Small and Medium Enterprise Development Bank of Thailand. In 2005, five banks (Tisco Bank Public Company Limited, Kiatnakin Bank Public Company Limited, Land and House Retail Bank Public Company

Limited, Societe Generale Bangkok Branch and UFJ Bank Limited Bangkok Branch) were added to the list, while two (UOB Ratanasin Bank Public Company Limited and Standard Chartered Bank) were removed. UOB Ratanasin Bank Public Company Limited has been closed since it merged with Asia Bank Public Company Limited and has changed its name to United Overseas (Thai) Public Company Limited. Standard Chartered Bank has been closed since it merged with Standard Chartered Nakornthon Public Company Limited and has changed its name to Standard Chartered Bank (Thai) Public Company Limited.

Table 10 : Purchase and Sale of Foreign Currencies from/to Customers

(Unit: Million US\$)

	2004	2005	% Change
Purchase	175,018.1	219,889.2	+25.6
Export	59,274.0	65,385.9	+10.3
Other	115,744.1	154,503.3	+33.5
Sale	173,403.1	216,815.5	+25.0
Import	63,900.4	76,231.6	+19.3
Other	109,502.7	140,583.9	+28.4
Net Purchase and Sale	1,615.0	3,073.7	+90.3
Foreign Trade	(4,626.4)	(10,845.7)	+134.4
Other	6,241.4	13,919.4	+123.0

Note : Figures in parentheses indicate the amounts by which sale is greater than purchase.

P = Preliminary

Source : Jan - Mar 2004 : Based on Daily Report of Spot and Forward Exchange Transaction and Position.

After Apr 2004 : Based on Data set received from financial institutions.

2.1.2 Volume of Transactions

In 2005, the purchase and sale of foreign currencies from/to customers amounted to 219,889.2 and 216,815.5 million US dollars, an increase of 25.6 and 25.0 percent

respectively from the previous year. In 2005, total purchase volume exceeded sale by 3,073.7 million US dollars, an increase of 90.3 percent from the previous year.

2.1.3 Foreign Exchange Positions

At end-2005, authorized financial institutions held a net long foreign currency

position of 682.2 million US dollars, a decrease of 19.9 percent from the previous year. Their long spot position was at 13,814.3 million US dollars, an increase of 5.7 percent

Table 11 : Foreign Currency Position of Authorized Financial Institutions

(Unit : Million US\$)

	End - 2004 (+Long, -Short)	End - 2005 ^{P/} (+Long, -Short)	% Change
1. Spot Position	+13,068.5	+13,814.3	+5.7
Assets	19,250.7	22,917.7	+19.0
Liabilities	6,182.2	9,103.4	+47.3
2. Forward Position	-12,216.3	-13,132.1	+7.5
Bought	45,814.5	61,004.3	+33.2
Sold	58,030.8	74,136.4	+27.8
3. Net Position (1+2)	+852.2	+682.2	-19.9

P= Preliminary

Source : Based on Data set received from authorized financial institutions.

from the previous year. Total assets and liabilities increased by 19.0 and 47.3 percent, respectively, from last year. Forward position, on the other hand, was at short 13,132.1 million US dollars, an increase of 7.5 percent from

the previous year. Outstanding forward purchase increased by 33.2 percent from the previous year while outstanding forward sale increased by 27.8 percent.

Table 12 : Net Lendings of IBFs

(Unit : Million US\$)

	2004			2005 ^{P/}		
	Out-In	Out-Out	Total	Out-In	Out-Out	Total
Thai IBFs						
Lending	602.2	143.9	745.9	981.4	84.0	1,065.4
Receipt of repayments	632.2	148.2	780.4	1,099.4	223.0	1,322.4
Net	-30.2	-4.3	-34.5	-118.0	-139.0	-257.0
Foreign Bank Branches IBFs						
Lending	51,325.0	427.0	51,752.0	57,473.7	742.3	58,216.0
Receipt of repayments	51,543.1	371.4	51,914.5	58,555.2	978.6	59,533.8
Net	-218.1	55.6	-162.5	-1,081.5	-236.3	-1,317.8
Foreign IBFs ^{1/}						
Lending	1,079.1	22.1	1,101.2	607.2	100.0	707.2
Receipt of repayments	1,068.5	21.6	1,090.1	706.5	104.2	810.7
Net	10.6	0.5	11.1	-99.3	-4.2	-103.5
Total						
Lending	53,006.1	593.0	53,599.1	59,062.3	926.3	59,988.6
Receipt of repayments	53,243.8	541.2	53,785.0	60,361.1	1,305.8	61,666.9
Net	-237.7	51.8	-185.9	-1,298.8	-379.5	-1,678.3

Note : 1/ Engage in only IBF business

P = Preliminary

Source : Jan - Mar 2004 : Based on Monthly Report of Foreign Exchange Transactions & Positions of International Banking Facilities (Ft. 100) from Apr 2004 : Based on Data set received from authorized financial institutions.

2.2 International Banking Facilities (IBFs)

At end-2005, there were a total of 22 Bangkok International Banking Facilities (BIBFs), 6 less than those at end-2004. Out of the total number of BIBFs, 8 belonged to Thai banks and 14 to foreign bank branches in Thailand. The number of Provincial International Banking Facilities (PIBFs) totaled 5 nationwide, the same as in the previous year.

In 2005, IBFs' lending figure showed net repayments receipt of 1,678.3 million US dollars, attributable partly to customers'

preference continuing to shift towards Baht borrowing from commercial banks. Consequently, outstanding foreign currency lending declined by 46.5 percent from the previous year to 2,632.1 million US dollars. Of this amount, 2,168.2 million US dollars was attributable to Out-In lending and the remaining amount of 463.9 million US dollars to Out-Out lending. Approximately 72.2 percent of the lending was denominated in US dollar and 23.3 percent in Yen. With respect to market share, lending of foreign bank branches' IBFs accounted for the largest market share (68.7 percent), followed by Thai bank IBFs (31.3 percent).

Table 13 : Outstanding Lending of IBFs

(Unit : Million US\$)

	End - 2004	End - 2005 ^{P/}	% Change
1. Out-In	4,147.4	2,168.2	-47.7
2. Out-Out	775.4	463.9	-40.2
3. Total	4,922.8	2,632.1	-46.5

Note : P = Preliminary

Source : Based on Data set received from authorized financial institutions.

On the funding side of IBFs, which consists of borrowing and deposits received, the outstanding foreign currency borrowing

declined to 2,565.3 million US dollars and the outstanding foreign currency deposit was 1.7 million US dollars.

2.3 Authorized Money Changers and Money Transfer Agents

2.3.1 Foreign Exchange

Table 14 : Transaction Volume of Foreign Exchange through Authorized Money Changers and Money Transfer Agents at end-December 2005^{P/}

Type	No.	Change from Previous Year	Purchase/		Sale/	
			Remittance Volume		Remittance Volume	
			Million US\$	Δ %	Million US\$	Δ %
Authorized Money Changer	426	120	205.78	12.43	205.74	12.81
Money Transfer Agent	28	24	69.02	17.73	12.14	114.11

Note : Δ% represents the percentage change from the same period of the previous year.

At end-2005, there were 426 authorized money changers regulated by the Bank of Thailand (210 by Head Office, 163 by Southern Region Office, 39 by Northern Region Office, and 14 by Northeastern Region Office), an increase of 120 authorized money changers from last year as a result of the new versions of the Notification of the Ministry of Finance and the Notice of the Competent Officer that have been in force since 11 August 2004. Under the new qualifications, there were increasing numbers of persons interested in applying for the license. There were 129 new authorized money changers while existing ones decreased by 9 by not applying under the new rules.

There were 28 money transfer agents regulated by the Bank of Thailand (23 by the Head Office, 2 by the Southern Region Office, 2 by the Northern Region Office, 1 by the Northeastern Region Office), increasing by 24 agents from last year.

2.3.2 Examination of Persons Authorized to Conduct a Foreign Exchange Transaction

In 2005, there were 37 authorized money changers examined by the Bank of Thailand, Head Office; 32 of which were in Bangkok and 5 of which were in provincial areas. Such authorized money changers were new and had never received the license to purchase/sell foreign currencies. The result

of the examination showed that there were 22 authorized money changers who did not comply with the regulations due to the misunderstanding in the regulations; however, they have already been advised in persons on how to correctly comply with the regulations.

2.3.3 Submission of an Application to Operate as Authorized Money Changer

Under the Notifications of the Ministry of Finance on Directions of the Minister to Authorized Money Changers, dated 30 July 2004, and the Notice of the Competent Officers on Principles and Procedures Regarding the Authorized Money Changer, dated 6 August 2004, which has been in force as from 11 August 2004, there were 197 applicants who applied for the license and met with all of the qualifications in 2005.

2.3.4 Submission of an Application to Operate as Money Transfer Agent

Under the Notifications of the Ministry of Finance on Directions of the Minister to Money Transfer Agents, dated 4 August 2004, and the Notice of the Competent Officers on Principles and Procedures Regarding the Money Transfer Agent, dated 6 August 2004, which has been in force as from 11 August 2004, there was 1 applicant who applied for the license to operate in 9 offices and met with all of the qualifications in 2005.

3. Public Debt Management

3.1 Issuance, redemption and coupon payment

Unit : Million baht

Types of Securities	Issuance		Redemption		Coupon Payment		Outstanding (as of 31-Dec-05)	
	No. of	Value	No. of	Value	No. of	Value	No. of	Value
	Issue		Issue		Payment		Issue	
Government Bonds	7	188,900.0	4	90,000.0	112	73,967.3	77	1,360,649.2
State Owned Enterprise Bonds	49	61,699.7	33	45,777.4	563	19,125.7	292	347,911.0
Bank of Thailand Bonds	129	961,881.0	121	632,889.0	1	477.9	59	601,332.0
FIDF Bonds	23	485,000.0	26	465,000.0	4	1,640.0	25	525,000.0
IFCT Bonds	-	-	-	-	6	171.8	3	2,320.0
Bangchak Petroleum Plc. Bonds (BCP Bonds)	-	-	-	-	-	-	-	-
Treasury Bills	104	474,000.0	100	427,040.0	-	-	41	199,000.0
Debt Restructuring Bills	4	20,000.0	5	26,000.0	-	-	2	10,000.0
Total	316	2,191,480.7	289	1,686,706.4	686	95,382.7	499	3,046,212.2

In 2005, the BOT conducted early redemption and amortization as the followings

- Early redemption

2 issues of Government Bonds for Tier2 Capital Assistance Program totaling 80 million baht.

1 issues of Government Bonds for Tier1 Capital Assistance Program totaling 287 million baht.

- Principal payment totaling 17.07 million baht for 3 issues of specific-purposed government loan bonds issued in

Government Bond in Fiscal Year B.E.2511/2 1.76 million baht

Government Bond for educational provision of private nonformal education schools 1/ 7.50 million baht

Government Bond for vocational education development 7.81 million baht

Note : 1/ Educational provision of private nonformal education schools in art education and vocational education categories as of the program approved by the Ministry of Education.

3.2 Outstanding value classified by holders as of December 31th 2005

Unit : Million baht

Types of Holders	Value
Bank of Thailand	106,374.4
Commercial Banks	633,949.3
Finance/Securities/Finance & Securities/Credit Foncier companies	9,711.2
Government Savings Bank	167,790.7
FIDF	485,000.0
Others	1,643,386.6
Total	3,046,212.2

3.3 Outstanding value of bonds deposited via BOT's counter for Repurchase was 686,176.4 million baht.

3.4 Total transferring value in 2005 was 48,114,831.9 million baht.

3.5 Collecting fee for debt securities management in 2005

Unit : Million baht

Type of Securities	No. of issues	Value
Government Bonds	76	96.0
Specific-purposed government loan bonds (US\$-denominated)*	1	-
State Enterprise Bonds	288	11.8
FIDF Bonds - MOF Guaranteed	2	1.2
Treasury Bills	104	47.4
Debentures	3	0.1
Total	474	156.5

Note : * Collecting fee for specific-purposed government loan bonds (US\$-denominated) worthed 747.25 baht.

3.6 Tax withheld from interest payment and submitted to the Revenue Department in 2005

Unit : Million baht

Types of taxes	Amount	Value
Personal Income Tax	9,784	630.0
Corporate Income Tax	351,833	2,520.0
Total	361,617	3,150.0

3.7 Issuance of Savings Bonds in Fiscal Year 2005-2006

In 2005, the Ministry of Finance issued saving bonds intermittently every month throughout the twelve month period with previously announced schedules. These bond issuances are in accordance with the Emergency Decree on the MOF's Bond Issuance and Liquidity Assistance to the FIDF, phase II, B.E.2545. For this FY 2005-2006, five and seven-year bonds were issued alternately every month, totalling 30 billion baht starts from August 2005 to July 2006.

While Kasikorn Bank Public Company Limited acted as the sole distributor, BOT assumed the roles of the registrar and the fiscal agency at the same time.

The bonds attracted a great deal of investors' interests and were fully subscribed on all issues.

At the end of December 2005, 16 billion baht bonds have been sold.

3.8 The Securities Central Depository and Clearing and Settlement System Project

From the Second Securities Market Development Plan (B.E.2548-2557), the MOF has established a Central Depository for Securities - both public (exclusively for scripless debt instruments) and private under the Thailand Securities Depository Company

Limited (TSD). In line with the infrastructural development for the national securities market to become a regional hub, this Second Securities Market Development Plan (B.E.2548-2557) aims to achieve the followings:

- (1) To increase securities clearing and settlement efficiency
- (2) To boost the volume of securities turn over
- (3) To enhance risks management efficiency
- (4) To facilitate international transactions
- (5) To lower market operational costs in general

As the Registrar and Depository Centre for the scripless public debt instruments, the BOT has set up a Book-Entry (BE) system that allows members to open up an account directly with the BOT (Single Tier Account Structure). From 2006, however, these accounts are expected to begin to be transferred to the TSD with the BOT remaining the Registrar and the fiscal agent as before.

3.9 The Public Debt Management Act (B.E.2548)

In 2005, the Public Debt Management Act (B.E.2548) was legislated and became effective on February 3, 2005. This new act solely established a complete public debt management, repealing other previous laws covers debt commitment, guarantee and restructuring as follows:

- (1) Treasury Bill Act, B.E.2487
- (2) Act Determining the Power of the Ministry of Finance to Guarantee Loans, B.E. 2510, Notification of the Revolutionary Council No. 110 dated 31st March, B.E.2515, Act Determining the Power of the Ministry of Finance to Guarantee Loans (No.2), B.E. 2519, Notification of the Revolutionary Council No. 17 dated 8th November, B.E.2520
- (3) Loan for National Defence Act, B.E.2519
- (4) Act Authorizing the Ministry of Finance to Raise Loans from Abroad, B.E. 2519
- (5) Act Authorizing the Ministry of Finance to Raise Loans from Foreign Government for Military Ammunition Procurement, B.E. 2524
- (6) Emergency Decree Authorizing the Ministry of Finance to Adjust Foreign Loans Structure, B.E. 2528
- (7) Emergency Decree Authorizing the Ministry of Finance to Raise Loans from Abroad for Economic Restoration, B.E. 2541

Under the new act, “public debt” refers to debts initiated by the MOF, public agencies or state enterprises or other debts guaranteed by the MOF excludes state enterprises’ own debts without government guarantee.

The terms “public debt management” covers debt commitment or guarantee; restructuring and any other operations related to the public debt. Here, the MOF is enabled to borrow for four main purposes as:

- (1) To finance budget deficit or the portions of expenditures in excess of revenue.
- (2) To enhance economic and social development programs not included in the annual budget.
- (3) To restructure public debt in the amount not exceeding outstanding balances.
- (4) To relend to other agencies including public agencies; agencies under public supervision, local governments; state enterprises or special financial institutions (SFIs.), in needs of foreign exchanges for their respective economic and social development projects.

In addition, the MOF may also guarantee debts issued by public agencies; state enterprises or SFIs. in a combined amount not exceeding 20 percent of the annual budget. The specific rules and regulations governing public guarantee or refinancing will be in as set out by the Public Debt Management Policy and Supervision Committee with a nominal charge specified under the MOF code.

For effective public debt management, the Public Debt Management Policy and

Supervision Committee is required to e.g. report the latest public debt situation to the Cabinet within 60 days from the dates the Cabinet announces its policy to the Parliament up on enters the office. Moreover, the Committee is also responsible for submitting annual public debt management plan for each fiscal year; establishing rules and regulations governing public debt commitment; guarantee; debt services and restructuring etc. The Public Debt Management Office (PDMO) will conduct regular business operations on behalf of the Committee; study, analyze public debt structure as well as project public sector

demands for cash; and propose public debt management strategy to the Committee. In actual operations, the PDMO is also responsible for public debt management implementation; monitors progresses in accordance with the commitments given to lenders; and evaluates the overall debt securities performances of the government.

The Public Debt Management Act (B.E.2548) is then an important instrument in improving the overall public debt management efficiency and maintaining disciplines - public debt commitment in line with the appropriate fiscal position of the country.

4. Financial Institutions Supervision Policies

4.1 Policies on Financial Institutions

4.1.1 Expanding Business Scope

(1) Limited Brokerage, Dealing and Underwriting of Investment Units (LBDU)

The BOT has permitted commercial banks to conduct limited securities business as broker, dealer and underwriter of investment units. Commercial banks may also appoint individuals approved by the Office of the Securities and Exchange Commission (SEC) as agents to sell or buy investment units. Commercial banks intending to conduct limited brokerage, dealing, and underwriting business must be licensed by the SEC.

(2) Structured derivative transactions

To promote the development of new financial products and hedging instruments, the BOT has permitted commercial banks to engage in structured derivative transactions within the specified scope on the condition that commercial banks:

- have in depth knowledge, understanding and expertise of the transactions as well as risks associated with the transactions,
- possess an efficient risk management system appropriate for the complexity of the transactions,

- comply with prudential regulations, including the reporting requirement, as prescribed by the BOT

(3) Loan Purchase/Transfer

The BOT has permitted commercial banks to purchase loans from juristic persons and from hire purchase or leasing business under the provisions prescribed by the laws governing commercial banks.

(4) Facilitating debt restructuring

The BOT continues to facilitate debt restructuring by extending the period of temporary relaxation of below regulations for two more years, ending 31 December 2006, to be in line with the Cabinet Resolution dated 21 December 2004. The regulations temporarily relaxed for debt restructuring are as follows:

(1) Permission for commercial banks to buy or hold shares of a limited company, acquired from debt restructuring, in the amount exceeding the regulatory limit.

(2) Permission for commercial banks to engage in hire purchase and leasing businesses for assets acquired from debt restructuring.

(3) Extension of the holding period for foreclosed immovable properties beyond the holding period specified by law.

4.1.2 Supervision of Financial Institutions

(1) Revision of regulations on collateral valuation

The BOT revised regulations on collateral valuation of financial institutions with details as follows:

(1.1) Clarified the definition of independent appraiser

(1.2) Required financial institutions to inform relevant staff of policy and procedures on valuation of collateral and demand strict compliance.

(1.3) Required financial institutions to reappraise all types of collateral on a regular basis, at least every 3 years. However, for immovable properties that financial institutions acquired through debt repayment or public auction, their valuation or appraisal shall be on a yearly basis.

(1.4) Required financial institutions to decrease collateral value when there is any indication of impairment.

(2) Revision of regulation on asset classification and provisioning

(2.1) In calculating the minimum required provisions, financial institutions can deduct from the book value of debts, up to 90 percent of the value of the Small Industry Credit Guarantee Corporation's letter of guarantee that they receive as collateral

(2.2) The BOT issued a guideline requiring financial institutions to make provision for off-balance sheet items as follows:

(2.2.1) Off-balance sheet contingent liabilities arising from debtor classified as substandard, doubtful, doubtful of loss and loss in accordance with the asset classification regulations issued by the BOT.

(2.2.2) Contingent liabilities which meet all the conditions of No. 14 of Thai Accounting Standard no. 53 Re: Provisions, Contingent Liabilities and Contingent Assets.

(2.2.3) Contingent liabilities which have a credit conversion factor equal

to 1.0, according to the regulation on required capital funds of financial institutions prescribed by the BOT.

(2.2.4) Financial institutions shall make provision for the said contingent liabilities, which meet all the above conditions, at the provisioning rate of the same debtor on the balance sheet.

(3) Revision of regulations on granting credits to, or investment in related parties and granting credits to shareholders of commercial banks

With prior approval from the BOT, commercial banks have been allowed to grant credits to, or invest in any juristic persons established by, under controlling power of a government agency in an amount exceeding the prescribed limit.

(4) Temporary waiver on large exposure limit and granting credits to or investment in related parties, and granting credits to shareholders of commercial banks

The BOT has granted a temporary waiver on large exposure limit and on granting credits to, or investment in related parties, as well as granting credits exceeding the regulatory limit to shareholders of commercial banks for new full branches and subsidiaries of foreign banks that have been upgraded or restructured under the Financial Sector Master Plan. The details are as follows:

(4.1) In the case of existing term loans, such full branches and subsidiaries are allowed to continue to grant credits, invest or undertake contingent liabilities until such contracts are due.

(4.2) In the case of call loans, such subsidiaries are allowed to continue to grant credits, invest or undertake contingent liabilities not exceeding 1 year from the date of operation as a subsidiary.

(5) Guidelines on investing in investment units of commercial banks

The BOT revised the regulation on conducting limited securities business in

investment units (LBDU) as follows:

(5.1) Set the individual limit for purchase or holding in each fixed-income fund at 20 percent of units sold, and for other types of mutual funds at 10 percent of units sold.

(5.2) Set the aggregate limit for purchase or holding of common shares, preferred shares or investment units in mutual fund at 30 percent of the capital of the commercial bank.

(6) Revision of regulations on conducting credit card business for non-bank operators

The BOT revised regulations on conducting credit card business for non-bank operators. The main points of this revision were as follows:

(6.1) Set the definition of a branch office, for which 15 days notification to the BOT is required prior to the opening.

(6.2) Change the frequency of report from a quarterly to a monthly basis, starting from end-January 2005. Non-bank operators must submit the report to the BOT within 21 days from the last day of the reporting month.

(7) Revision of regulations on Asset Management Companies (AMCs)

The BOT amended the regulations on AMCs to clarify the definition of non-performing assets which AMCs may purchase or acquire from financial institutions, and required AMCs controlled by financial institutions to have the same risk management system standard as that of financial institutions. The essence of the amendment is as follows:

(7.1) Revised the definition of non-performing assets, which AMCs can purchase or acquire from financial institutions, by including the investment of AMCs and the Asset Management Corporation.

(7.2) Holding of foreclosed immovable properties

(7.2.1) AMCs controlled by financial institutions may not hold foreclosed

immovable properties longer than 10 years. In the case where such AMCs fail to sell the properties within 10 years, the BOT will extend the holding period for another 2 years, provided that such AMCs are able to make full provisioning for the said properties in accordance with the rate specified by the BOT.

(7.2.2) In the case where AMCs controlled by financial institutions have purchased or acquired immovable properties previously used as premises for business or staff facilities of the controlling financial institutions, such AMCs are required to comply with the regulations and conditions stipulated in the Notification of the BOT Re: Rules and Conditions Relating to Sale of Immovable Properties Previously Used as Premises for the Business of Commercial Banks or as Facilities for Officers and Employees dated 23 March 2005.

(7.3) AMCs controlled by financial institutions are not permitted to purchase or hold shares exceeding 10 percent of total paid-up capital of a limited company that had undergone debt restructuring, or to purchase or hold shares at the aggregate value exceeding 20 percent of capital of the controlling financial institution. In calculating the said percentages, shares held by the controlling financial institution must also be included.

(8) Revision of regulation on capital adequacy

The BOT revised the regulation on capital by including the risk weight for investments in unit trusts. Effective 25 November 2005, this revision permits financial institutions to choose between the two methods of risk weight calculation: 1) using risk weights of component assets of the fund (look-through approach); or 2) using risk weight equal to 1.

(9) Specification of stress testing scenarios under market risk supervision policy and amendment of the report on maintenance of capital fund for market risk.

The BOT specified scenarios for financial institutions using internal model in calculating market risk capital to conduct stress testing for interest rate risk, equity risk, and exchange rate risk. Effective 31 March 2005, financial institutions are also required to submit additional data for capital calculation against credit and market risks.

(10) Revision of regulations on hire purchase and leasing businesses

The BOT revised the criteria for insurance coverage for hire purchased and leased property. Commercial banks should arrange for insurance coverage for the said property with the commercial banks as beneficiaries, as appropriate. Moreover, retail banks must calculate the maximum amount of investment in the hire purchased or leased property to each person as if it is a credit extension, which must not exceed the single lending limit.

(11) Revision of regulations on lease out of immovable properties

The BOT has revoked the requirement for commercial banks to submit a report on the lease out of immovable properties. Commercial banks are, however, now required to retain the documents related to the lease out of immovable properties for inspection by the BOT.

(12) Revision of regulation on the sale of immovable properties previously used as premises for the business of commercial banks or as facilities for their employees

The BOT has relaxed the regulation by allowing another extension period of 2 years, provided that commercial banks make provisions for these immovable properties at the rate of 25 percent and 50 percent of their fair value in the first and second year, respectively.

(13) Revision of regulation on the sale of foreclosed immovable properties

The BOT has extended the period for disposal of foreclosed immovable

properties, obtained as debt repayment, for commercial banks, finance companies, and credit foncier companies for 2 additional years from the official deadline or the BOT's granted period. Such relaxation is granted only to commercial banks, finance companies, and credit foncier companies that are able to set additional provisions for each year at the rate of 25 percent and 50 percent of the appraised or book value of the said immovable properties, whichever is lower.

(14) Issuance of prudential policy for commodity risk

The BOT has issued the notification on capital requirement for commodity risk, which largely conforms with the BIS framework. The notification allows a commercial bank to choose one of the three approaches, namely Simplified Approach, Maturity Ladder Approach, and Internal Model Approach, to calculate the minimum capital charge against the commodity risk. A commercial bank that wishes to use the Internal Model Approach must seek prior approval from BOT.

Apart from the capital charge for the commodity risk itself, commercial banks engaging in commodity derivatives are also required to maintain capital against interest rate risk or foreign exchange risk arising from such transactions.

Commercial banks are allowed to hold commodity position from 1 July 2005 onwards.

4.1.3 Revision of Regulation on Commercial Bank Branch Opening

(1) Some regulations on commercial banks' operations have been removed such as the rule of rural branch proportion and rule of distance between each branch.

(2) Approval conditions for opening provincial bank branch have been relaxed by providing alternatives for commercial banks to invest in unit trusts that invest

in Thai Government bonds and state enterprises bonds instead of depositing the shortfall of the required rural lending at the BOT.

(3) The regulation on the opening of allocated district bank branch or sub-branch has been relaxed by allowing either the closure of the said branch if there are other branches of commercial banks/specialized financial institutions in that area, or the provision of alternative forms of financial services if there are no banks in that location.

4.1.4 Consumer Protection and Transparency

(1) Issuance of regulations on personal loan business

The operation of personal loan business requires permission from the Minister of Finance and is subject to the BOT's regulations. The BOT issued 5 notifications regarding the operation of personal loan business for commercial banks, finance companies and non-banks, which can be summarized as follows:

(1.1) "Personal Loan under Supervision" means an unsecured loan extended to a person without specific purpose or for the purpose of acquiring goods or services unrelated to the said person's business. This includes loans from hire purchase and leasing for goods that operators sell outside their ordinary business, except for goods in the categories of automobiles and motorcycles.

(1.2) Commercial banks and finance companies can operate personal loan business without seeking permission from the Minister of Finance while non-financial institution operators (non-banks) must obtain permission from the Minister of Finance by submitting the application form through the BOT. Non-banks wishing to seek such permission must be Company Limited or Public Company Limited, with a registered capital and a paid-up capital of not less than 50 million baht.

(1.3) Details of interest rates, fines, service charges, operating fees

and other expenses of personal loan under supervision as prescribed by the BOT must be publicly disclosed at all branches and through the operators' website. The aggregate of interest rates, fines, service charges, and other operating fees charged must not exceed 28 percent annually (Effective Rate). In addition, a personal loan business operator may pass on to customers actual and reasonable expenses in accordance with BOT regulation.

(1.4) The line of credit is limited at no more than 5 times each customer's average monthly income.

(1.5) Marketing media shall convey information with all the facts to consumers in such a way that it is easily understood and not misleading.

(2) Interest rate, service charge, fee, and other expenses

Commercial banks and finance companies are required to announce their lending rate ceilings as percentage per annum (Effective Rate). For consumer loans, only actual and reasonable expense items specified by the BOT may be charged. The announcement of interest rate, service charge, fee, and other expenses related to loan shall be disclosed at all premises and posted on their websites. Should the changes in consumer loan interest rate adversely affect customers, they should be notified in advance before the changes take effect. In addition, the aggregate of interest rates, fines, service fees, and other operating fees of personal loan under supervision charged must not exceed 28 percent per annum (Effective Rate).

(3) Publication of bank charges and interest rates on BOT website

The BOT started collating the 5 types of commercial banks' fees and interest rate information that is of interest to the public and published on the BOT website from 1 September 2005.

4.1.5 Basel II Preparations

The BOT has been making preparations for the implementation of the New Basel Capital Accord (Basel II), which will be

applied to all commercial and retail banks. The commencement of Basel II capital charge in Thailand is scheduled at end-2008 for all approaches, except the AIRB, which will be implemented at end-2009. The BOT's preparations for Basel II implementation in 2005 can be summarized as follows:

(1) Issued 4 consultative papers on Pillar 1: minimum capital requirement, namely:

(1.1) Credit risk: Standardised Approach on 31 January 2005

(1.2) Operational risk: Basic Indicator and Standardized Approaches on 28 February 2005

(1.3) Credit risk: Internal Ratings-Based Approach on 11 August 2005

(1.4) Market risk: Trading book issues on 11 August 2005

(2) Conducted an industry hearing regarding the first two consultative papers on 12 May 2005, and the third and fourth consultative papers on 28 November 2005

(3) Issued a questionnaire on Basel II-related issues and continued bilateral dialogue with commercial banks to ensure their readiness to adopt the Basel II

(4) Arranged seminars and training programmes for both supervisors and the industry

The BOT's work plan for 2006 includes: issue a policy statement on Basel II's Pillar I - minimum capital requirement - which incorporates comments from the industry, and consultative papers on Pillar II - supervisory review process - and Pillar III - market disciplines.

4.1.6 Draft Financial Institutions Business Act

The draft Financial Institutions Business Act, to replace the existing Commercial Banking Act B.E. 2505 and the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier

Business B.E. 2522, has been submitted to the Parliament for consideration since 2000. However, the Senate and the Lower House could not agree on the text of the draft by the end of the parliamentary session. Under the new government, the draft Act was not submitted for parliamentary consideration within the timeframe stipulated by the law, and hence the draft Act has not yet been endorsed.

In 2005, the Ministry of Finance planned to resubmit the draft Act and therefore established a working committee, which consists of representatives from the Fiscal Policy Office and the BOT, to review the draft prior to resubmitting it to the Minister of Finance and the Cabinet for consideration.

4.2. Enhancement of Regulatory Framework

4.2.1 Promoting Risk Management Practices

(1) Guideline on prevention of internet fraud via phishing

The BOT issued the guideline on prevention of fraud via phishing to bring the subject to the attention of financial institutions and ensure that they put in place risk management system and warn customers of potential fraud.

(2) Guideline for preparation of information technology contingency plan

The BOT has issued a guideline for financial institutions to set policies and procedures for preparing IT contingency plan. The guideline for the plan covers as follows :

(2.1) Role and responsibilities of the board of directors of financial institutions

(2.2) Policy and guidelines for the preparation of IT contingency plan

(2.3) Key procedures in preparation of IT contingency plan

(3) Clarification on current guidelines on IT outsourcing

The BOT has issued a clarification circular on IT outsourcing. Financial institutions

must ensure that information needed for domestic operations is available domestically in the event that there is an interruption in cross border communication, and is also available for the BOT's inspection at any time. Financial institutions must assess risks related to the IT outsourcing arrangements and submit details of the IT outsourcing arrangement to the BOT at least 15 days prior to commencing the service, or prior to any change of the service.

Financial institutions have also been informed that the authorities are in the process of drafting a law to protect personal information, which shall require consent from the owner of the information prior to the transfer of personal information abroad.

4.2.2 Consolidated Supervision Policy

(1) Draft consolidated supervision policy to supervise banking groups (bank parent companies, subsidiary companies, and associated companies) and reporting forms for banking groups have been circulated to banks for comments before issuing an official policy statement on consolidated supervision.

(2) In order to ensure effective consolidated supervision and oversight of financial institutions, securities firms, insurance companies, and other businesses under supervision, BOT arranged the signing of the memorandum of understandings on information exchange between BOT, Securities and Exchange Commission, and Department of Insurance.

4.2.3 Preparation for Assessment Under the ROSCs Program

The Sub-committee to Enhance Corporate Governance for Commercial Banks, Finance Companies and Insurance Companies (Sub-committee), chaired by the Governor of the BOT, has delegated the task of preparatory groundwork necessary for the assessment under the Reports on the Observance of Standards and Codes (ROSCs) program to seven working groups, namely,

Data Dissemination, Fiscal Transparency, Monetary and Financial Policy Transparency, Banking Supervision, Insurance Supervision, Payment Systems, and Anti-money Laundering and Combating the Financing of Terrorism. Of the seven modules, the BOT is responsible for four modules, namely, Data Dissemination, Monetary and Financial Policy Transparency, Banking Supervision, and Payment Systems. Progress is as follows:

Data Dissemination - Assessors from the IMF have already completed the assessment and are in the process of revising the assessment report. Upon receiving the final report from the IMF assessment team, the Sub-committee will seek permission from the National Corporate Governance Committee to publish the final report.

Monetary and Financial Policy Transparency, Banking Supervision, and Payment Systems - The related working groups have completed the self-assessment exercises which were reviewed by the technical assistance experts. In line with this, the related working groups have been continually improving internal processes, rules and regulations that are not in compliance with international standards, including remedying weaknesses based on recommendations made by technical assistance experts.

Subsequently, the Sub-committee will request formal approval from the National Corporate Governance Committee before coordinating with the IMF and the World Bank for formal participation in the assessment.

4.2.4 Financial Sector Master Plan (FSMP)

The measures implemented in 2005 are as follows:

(1) Measures to enhance efficiency of the financial institution system

As of the first half of 2005, the Minister of Finance approved 10 applications for the establishment of commercial bank, retail bank, foreign bank branch and subsidiary

of foreign bank in line with the recommendations of the Committee to Review Application to Establish a Commercial Bank in accordance with the FSMP. Among the 10 applications, 3 applications were for the establishment of commercial banks, 4 for retail banks, 2 for foreign bank branches, and 1 for subsidiary of a foreign bank. Seven of the approved applicants have already started operations at the end of 2005, namely: (1) TISCO Bank PCL; (2) Kiatnakin Bank PCL; (3) ACL Bank PCL; (4) Land and Houses Retail Bank PCL; (5) Societe Generale Bangkok Branch; (6) The Bank of Tokyo-Mitsubishi UFJ Ltd., Bangkok Branch; and, (7) International Commercial Bank of China PCL.

Moreover, the Minister of Finance also approved all applicants under the “One-Presence” principle. Currently, financial institutions in the process of implementing their One-Presence plans are awaiting the finalization of measures to provide tax benefits for mergers under the FSMP, including the abolishment of tax benefits earlier provided to International Banking Facilities. Once the tax issues have been resolved, relevant financial institutions will then be able to complete the implementation of their respective One-Presence plans.

As a result of the rationalization process, the number of financial institutions under the supervision of the BOT fell almost by half, from 83 at end-2003 (before FSMP) to 43, namely: 14 Commercial Banks, 4 Retail Banks, 18 Foreign Bank Branches, 1 Subsidiary of Foreign Bank, 3 Finance Companies, and 3 Credit Foncier Companies.

(2) Measures to Promote Financial Services For All

The BOT is represented in the Microfinance System Development Sub-Committee responsible for drafting the Master Plan for Grass-Root Financial Services. The Master Plan for Grass-Root Financial Services is a four-year development plan

(2005-2009) that seeks to determine the appropriate policies that will promote grass-root financial groups as the main tool for empowering and enhancing ability of local communities, determine clear scope of operations for organizations involved in supporting grass-root financial groups, and provide continuous support for the sustainable development of grass-root financial groups.

In terms of the FSMP’s recommendation for establishing new business model that will make it economically viable to provide financial services to the low-income segment, the Office of the National Village and Urban Community Fund Committee has already developed computer application software to be used by Village Funds and microfinance groups to facilitate basic financial transactions.

4.2.5 Notification of the Ministry of Finance Re : Business undertakings which require approvals in accordance with Article 5 of the Announcement No. 58 of the National Executive Council , date 16 June B.E. 2548

Rationale : Currently, several juristic entities, which are not authorized financial institutions, undertake the business of personal loan. The usage of personal loan is also increasingly popular in the public. However, there are incidences that they have been taking advantage of the public in such matters as charging exorbitant and overlapping fees, high interest rate for late payment or default. It is therefore deemed expedient to assign an agency to regulate the personal loan business. For the optimal benefit of the public, such business therefore should be announced as one similar to banking business and subject to due authorization.

(Published in the Government Gazette , Vol 122, Part 43 d Special Issue, date 16 June B.E. 2548)

5. Financial Institutions Supervision

5.1 Financial Institutions Supervision Policy

The Bank of Thailand (BOT) has the responsibility to supervise and to ensure safety and soundness of the financial institutions and the financial sector. Risk-based supervision is used as the guideline to provide the continuous supervision. The BOT conducts on-site examinations as well as closely monitor and analyse conditions and performance of financial institutions to be able to provide prompt corrective actions whenever there is a sign indicating potential problems in any financial institutions.

The BOT's supervision policy is to conduct at least once a year on-site examinations on Thai commercial banks, foreign bank branches, finance companies, credit foncier companies, Specialized Financial Institutions* asset management companies and non-bank that operate credit card business. Except for the branches of foreign banks that have overall composite rating of 1 or 2, the on-site examinations will be conducted once every other year.

5.2 Financial Institutions On-site Examination

5.2.1 The On-site Examination of Financial Conditions, Performance and Risk Management

The main objectives of the on-site examination of commercial banks, finance companies, and credit foncier companies

are to assess their financial conditions, performance and their risk management by emphasizing on the risk level and risk management's quality in five areas; Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, and Operational Risk and then estimate the impact of such risks on their financial conditions and performance in the future. Simultaneously, the examinations are focused on capital adequacy and compliance with law and the BOT's regulations, including the examinations on consolidated basis.

In 2005, the BOT's on-site examinations were focused on strategic risk and credit risk because of the credit extension from the previous year. The BOT emphasized the assessment of corporate governance, especially the board of directors and top management of financial institutions, strategy, policy and procedure of credit approval and an adequacy of provision reserve according to the real quality of loan in order to comply with international standard. Moreover, the BOT has assessed the preparation of financial institutions to comply with the New Basel Capital Accord (Basel II)

Specialized Financial Institutions examination, delegated from the Ministry of Finance, focuses on assessing financial conditions, performance and risk management while the examination of Asset Management Companies emphasizes on management of acquiring or transferring assets.

* Specialized Financial Institutions consist of The Bank for Agriculture and Agricultural Cooperatives, The Export-Import Bank of Thailand, The Government Saving Bank, The Government Housing Bank, The Small and Medium Enterprise Development Bank of Thailand, The Islamic Bank of Thailand, The Secondary Mortgage Corporation, The Small Industry Credit Guarantee Corporation, The Asset Management Corporation and Thai Asset Management Corporation.

During this year, the BOT has examined 44 financial institutions (Table 1). The examination results indicated that most of financial institutions' composite ratings were satisfactory. Every financial institution reserved provisions for classified assets at the level higher than the regulatory requirement. Most of them were able to earn net profits. All financial institutions' capital adequacy ratios were above the minimum regulatory requirement. In the mean time, most asset management companies were able to reduce non-performing loans, as targeted, by debt restructuring.

In the case of financial institutions that the ratings are lower than satisfactory, the BOT has ordered the financial institutions to improve their financial conditions, performance and risk management system and report to the BOT the result of the corrective action within the time frame. Besides, the BOT has examined the subsidiary companies of financial institutions and ordered some of those to correct their problems to ensure the financial stability of the financial institutions.

Table 15 : The number of financial institutions examined by the BOT in 2005

Financial Institutions	Number of Financial Institutions Examinations
Domestic Commercial Banks	10
Foreign Bank Branches	8
Finance and Credit Focier Company	5
Specialized Financial Institutions	10
Asset Management Companies	11
Total	44

5.2.2 Other Examinations

The BOT performs on-site examination on other aspects, for example, the information system examination and market risk model validation examination to calculate capital requirement for market risk.

5.2.3 Non-bank Examination

The BOT examined 9 non-bank companies that operate the credit card business. The BOT has focused on compliance with law and the BOT's regulation in order to enhance consumer protection and take preventive measures for overheating of household debt.

5.3 Financial Institutions Monitoring and Analysis

Like on-site examination, the off-site monitoring and analysis focuses on financial conditions, performance, capital adequacy, and risk management. The analysis reports are created quarterly for Thai financial institutions and semi-annually for foreign bank branches and specialized financial institutions. Moreover, the BOT has driven financial institutions to be ready for the Financial Sector Master Plan especially for good corporate governance and risk management system.

5.4 Financial Institutions Application

The BOT supervises financial institutions through approving, waiving, and responding to questions raised by the financial institutions. The BOT also follows up the financial institutions' compliance with the approved condition, notifications and circulars.

5.5 Supervision Efficiency Enhancement

Several activities were conducted in 2005 to enhance the efficiency of supervision function as follows:

5.5.1 Examiners Development

The BOT has continuously developed the examiners through the School for Examiners, provides training for examiners to have sufficient knowledge and readiness to perform supervisory tasks according to the policy and in the standardized practice.

In addition, the BOT examiners and management participated in overseas trainings and seminars. Several in-house seminars, lectures and workshops on new knowledge are also held to broaden the examiners' skills and knowledge in order to

match the international standard. The guest speakers, both domestic professionals and international technical assistant from other countries' regulatory agencies, are invited for those training programs.

5.5.2 Supervision Development regarding International Standard

The BOT has consistently developed the examination manuals for examiners and improved the procedures of examination to enhance efficiency of supervision function. In addition, The BOT has prepared the examiners for the implementation of the Basel II and participates in the Financial Sector Assessment Program (FSAP) and supervise financial institutions on consolidated basis.

5.5.3 Development of the Supervision and Examination Management System

The BOT has developed the supervision support systems and the examination management systems by using information technology to enhance the efficiency of supervision and examination procedures and systematically collect the database.

BOT's participation in International Organizations

1. Association of Southeast Asian Nations - ASEAN

The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 with the objectives to accelerate economic growth, social progress and cultural development; and to promote peace and stability in the region.

At the 9th ASEAN Finance Ministers Meeting (AFMM) on 6 April 2005 in Vientiane, Lao PDR, Ministers agreed to double the size of the ASEAN Swap Arrangement (ASA) from 1 billion US\$ to 2 billion US\$. Ministers also endorsed the launch of the website on capital account regimes of member countries to provide a

one-stop service of rules and regulations for external investors.

In addition, Finance Ministers from ASEAN member countries, along with Finance Ministers from China, Japan, and Korea, agreed at the ASEAN+3 Finance Ministers' Meeting on 4 May 2005 in Istanbul, Turkey to enhance the ASEAN+3 economic surveillance as well as increase the size of swaps that could be withdrawn without the IMF-supported program from 10% to 20%. These measures are aimed at enhancing the effectiveness of the CMI as a self-help and support mechanism.

2. Bank for International Settlements - BIS

BIS acts as banker to the central banks and international financial organizations, and provides a forum to promote international cooperation, information exchange, and research on economics and finance. Since 2000, the BOT has participated in the Annual General Meetings and in the Bi-monthly Governors' Meetings, which serve as fora for central bank governors to exchange views on important current issues of global economic and financial developments. As for share ownership, initially, the BOT held 3,000 shares in the BIS. In 2005, the BOT took up another 211 shares following the change in BIS regulation requiring that shares be held by central banks only and following BIS share buy back from private investors.

The BIS's Asian Consultative Council, comprising members of the Asia-Pacific region, provides an opportunity for governors of central banks to discuss issues of regional concern. The Governor and Assistant Governor, Monetary Policy Group attended the Special Governors' Meeting during 6-7 February 2005 in Hong Kong.

In addition, the BIS launched a Central Bank Governance Steering Group and Network in which Director of Office of the Governor, Management Assistance Department, participated. During 20 - 21 October 2005, in Bangkok, BIS also organized the Symposium on the Design of an Effective Central Bank to provide a venue for central bankers in Asia and Europe to exchange views on the issue.

3. The Executives' Meeting of East Asia-Pacific Central Banks - EMEAP

The Executives' Meeting of East Asia-Pacific Central Banks, or EMEAP, established in 1991, provides a forum for central banks and monetary authorities to strengthen cooperative relationship among its members.

In 2005, the main agenda for executive meeting was to advance the progress of the

Asian Bond Fund 2 (ABF2), which was announced in December 2004. In July 2005, EMEAP launched the Pan-Asian Bond Fund (PAIF). The PAIF is a single bond fund investing in sovereign and quasi-sovereign local currency-denominated bonds issued in eight EMEAP markets.

4. International Monetary Fund - IMF

The primary objective of the IMF is to preserve the stability of the international financial system in order to promote growth and expansion of international trade. The BOT represents Thailand in the IMF and expresses its opinions, in a concerted effort with 11 other members, to IMF's Executive Board through the Southeast Asian Voting Group (SEAVG). Recently, IMF has increased its emphasis on the role of surveillance and the use of standards and codes of sound economic and financial practices.

The IMF continues to monitor and assess the Thai economy as part of the annual Article IV Consultations. Regarding financial relationship, Thailand has continued to participate as a member of the Financial Transaction Plan (FTP) since September 2003, enabling Thailand to participate as a creditor to other IMF members.

In December 2005, Thailand supported the Multilateral Debt Relief Initiative (MDRI) to cancel the debt of Heavily Indebted Poor Countries (HIPC) and countries that has capital per head less than 380 US\$ per year.

5. South-East Asian Central Banks - SEACEN

SEACEN was established in 1966. The SEACEN Centre for research and training was established in 1973, with memberships grown to 14 central banks. The Centre has been implementing the following core objectives:

(1) To promote a better understanding of the financial, monetary, banking and economic development matters which are of interest to the central banks and monetary authorities; and

(2) To stimulate and facilitate cooperation among central banks and monetary authorities in the area of research and training.

Reserve Bank of Fiji hosted the 40th SEACEN Governors' Conference and the 24rd Meeting of SEACEN Board of Governors

during 31 May - 3 June 2005 in Nadi, Fiji. The conference exchanged views on implications of Basel II implementation. Governors viewed that in addition to the preparation for adopting Basel II, the Board of Directors of commercial should also recognize the importance of Basel II.

At the 24rd Meeting of the SEACEN Board of Governors, the Board of Governors unanimously agreed to accept Papua New Guinea as the fourteenth member of SEACEN. As for the research and training programmes of the SEACEN Centre, the Board of Governors approved 18 training programmes, 5 research programmes and 6 meetings for the operating year 2004 (1 April 2004 - 31 March 2005).

Corporate Debt Restructuring

Salient Features of the Progress in Debt Restructuring in Thailand in 2005*

Over 7 years since the establishment of CDRAC (1998 - 2005), the progress of debt restructuring under CDRAC process has been consecutively successful. That is, 11,704

cases with credits outstanding of 1,501,583 million baht (80% of resolved cases) have been successfully restructured including 235 cases with credits outstanding of 3,631 million baht have been successfully restructured in 2005.

* The progress of Debt Restructuring is as of December 31, 2005, while the progress of NPL resolution is as of September 30, 2005.

1. Strategic Targets of Debt Restructuring in 2005

The success of debt restructuring has expedited the decrease of NPL from the peak of 47.70% of total credits outstanding in May 1999 to 10.76% in December 2004 and 9.93% in September 2005.

1.1 Targeted Debtors Between 2005 to 2006

(1) Qualified debtors under CDRAC process must be listed as NPLs as of December 31, 2004. As for the multi-creditor debtor, the debtor must not be listed as NPL in 2005 and expected to face problem in repayment in the near future, with the conditions that debtor and all creditors enter to the debt restructuring process on a voluntary basis.

(2) Unqualified debtors under CDRAC process include NPL debtors from credit card, re-entry NPL, new NPL and personal loans.

1.2 Strategies for Enhancing the Debt Restructuring in 2005

The CDRAC's strategies for enhancing the debt restructuring in 2005 have been focused on four groups of debtors as follows:

Group 1: Debtors that have been successfully restructured their debts and in the process of repayment

(1) For the former NPL target debtors listed as of December 31, 2003 that could not be resolved within 2004 as earlier approved by the CDRAC, CDRAC has extended the dateline to be completed from June 2004 to June 2005. In addition, the financial institutions have to monthly report the successful cases to CDRAC.

(2) For the new NPL target debtors listed as of December 31, 2004, the BOT's Corporate Debt Restructuring Advisory Department (CDD) must send the list of debtors to financial institutions within June 2005. The financial institutions are to expedite the debt

restructuring process and be completed within June 2006 and report the successful cases to CDRAC on a quarterly basis. The CDD, then, reports the compiled information to the top executive of financial institutions on a quarterly basis.

Group 2: Debtors in the process of debt restructuring

(1) For the former NPL target debtors listed as of December 31, 2003 that could not be resolved within 2004 as earlier approved by CDRAC, CDRAC has extended the dateline to be completed from February 2005 to September 2005. In addition, the financial institutions have to monthly reports the successful cases to CDRAC.

(2) For the new NPL target debtors listed as of December 31, 2004, the CDD must send the list of debtors to financial institutions within June 2005. The financial institutions are to expedite the debt restructuring process and be completed within June 2006 and report the successful cases to CDRAC on a quarterly basis. The CDD, then, report the compiled information to the top executive of financial institutions on a quarterly basis.

Group 3: Debtors in the court process

(1) For the former NPL target debtors listed as of December 31, 2003 that could not be resolved within 2004 as earlier approved by CDRAC, financial institutions are to expedite the debt restructuring process and be completed within May 2005.

(2) For the new NPL debtors listed as of December 31, 2004, the CDD must send the list of the NPL debtors to financial institutions within June 2005. The financial institutions may submit the list of cases for which they would like the Bank of Thailand (BOT) or CDRAC to serve as facilitator/mediator on monthly basis. All cases must be resolved within June 2006.

Group 4: Debtors in the legal execution process

(1) For the former NPL target debtors listed as of December 31, 2003 that could not be resolved within 2004 as earlier approved by CDRAC, financial institutions are to expedite the debt restructuring process and be completed within May 2005.

(2) For the new NPL target debtors listed as of December 31, 2004, the CDD must send the list of the debtors to financial institutions within June 2005. The financial

institutions may submit the list of cases for which they would like the Bank of Thailand (BOT) or CDRAC to serve as facilitator/mediator on monthly basis. All cases must be resolved within June 2006.

Other CDRAC's Target Debtors

The multi-creditor debtors under ICA-DCA process, walk-in debtors and debtors requested CDRAC or BOT to facilitate/mediate their debt negotiation with creditors through other organizations must be resolved within June 2006.

2. The Progress of Debt Restructuring under CDRAC process over 2005

In 2005, CDRAC has facilitated 705 cases with credits outstanding of 12,631 million baht, comprising of former 305 cases with credits outstanding of 1,489 million baht remaining from 2004 and 400 new cases with credits outstanding of 11,142 million baht in

2005. Of these 705 cases, 605 cases with credits outstanding of 12,025 million baht have been successfully restructured and 94 cases with credits outstanding of 570 million baht are in the debt restructuring process.

3. Results of the Resolution of NPLs as of September 2005

The initial execution of the CDRAC strategies and other measures has resulted in the reduction of NPL from 591,873 million baht or 10.76% of total credits outstanding in December 2004 to 576,471 million baht or 9.93% of total credits outstanding in September 2005. The debts can be categorized into four groups. As of September 2005, the highest proportion of NPL is the cases in the court process and legal execution process (41 %) followed by the cases in the negotiation process (38%) and successfully restructured and in the process of repayment (21%), respectively.

(1) Debts that have been successfully restructured and in the process of repayment as of September 2005 amount to 118,324 million baht, reflecting an increase of 25,505 million baht from December 2004.

(2) Debts that are in the negotiation process as of September 2005 amount to 220,925 million baht, reflecting a decrease of 30,969 million baht from December 2004.

(3) Debts that are in the court process and the legal execution process as of September 2005 amount to 237,222 million baht, reflecting a decrease of 9,938 million baht from December 2004.

4. Measures to Support and Expedite the Debt Restructuring in 2005

To expedite the debt restructuring process, the cabinet has extended tax exemption and land transfer-fee arising from the debt restructuring process for NPLs before January 1, 2005.

As for banking supervision, the authorities have extended the permission to financial

institutions to conduct hire purchase or leasing business, hold the immovable property and purchase or hold the shares of a limited company in excess of legal limit for another two years (until December 2006), provided that those activities related to debt restructuring.

Information Technology Development

In 2005, the Bank of Thailand (BOT) managed 53 IT projects organized into 8 programs; each program is supervised by a Computer Steering Sub-Committee (CSSC) who further reports to the Computer Steering Committee (CSC). Program management methodology has been minor improved this year to better control IT-related projects and align them with the BOT strategic directions. The overall budget for all projects is approximately 352 million baht, with most of the projects spanning longer than one year. By the end of 2005, the BOT has completed 19 projects. A brief outline of each strategic program is summarized below:

Program 1: Enterprise Knowledge Portal

This program aims to provide a single portal that will centralize common infrastructure and repository to acquire, store, disseminate, and share data, information, as well as knowledge among business users and external stakeholders. This program covers both statistical data for supervision and policy-making, and corporate data for internal decision-making. It also enhances delivery channels for regulatory reporting to reduce manual interaction between Financial Institutions and the BOT.

The most significant project in this program is the Data Management System (DMS), which aims to serve as the single point to acquire, store, and disseminate information mainly to support supervision and policy-formulation activities. The Financial Institution and the Financial Market Data Set was operational in 2003. The Foreign Exchange was completed in April 2004. The External Sector in Economic Data Set has been operational in mid 2005. The remaining subject area will be launched in the next phase of project.

During the third quarter of 2005, an expert from ABS visited the BOT as a part of

a project funded by Australian Government's PSLP (Public Sector Linkages Program) to help evaluate the process and data usage of Balance of Payment and plan overall DMS ECON Strategies for the second and third phases of the project. The second phase will focus on strengthening and expanding foundations of the BOT Statistical Data Management System with emphasizing on improving efficiency, usability, and support for operation and improving support for existing "External Sector" subject area, "Financial Sector" subject area and others.

Other than the above project, the Early Warning System for Financial Institution System has been operational around the end of last year. The Data Management System Enhancement project was initiated to serve broader requirements and to provide data submission channel via the Internet. The system is expected to be launched in early 2006.

Program 2: Financial Market Excellence

This program focuses on developing the Dealing Room System (DRS) that supports the operations of the front-, middle- and back-offices in a full "straight-through processing" manner and enhance overall risk management and benchmarking capabilities.

The primary development was completed in 2003 and in 2004, scopes of work and business requirements for the secondary phase was developed. In 2005, the BOT has signed a contract with a vendor and conducted necessary training courses for the BOT staff to be ready for the second phase development. This second phase of the project emphasizes on serving users' additional requirements and trying to solve existing problems of the first phase.

In 2005, the BOT has developed and tested business continuity plan for the DRS system. Necessary software and hardware has

been acquired and installed at the BOT's Disaster Recover Center.

Program 3: Payment Excellence

This program aims to establish national payment and cash management strategies, and to develop an appropriate payment and cash management infrastructure to support the BOT as a service provider, regulator, and facilitator of the payment industry. A brief outline of significant projects in this program is as follows:

The Central Securities Depository project is initiated by the Thailand Securities Depository committee to enable delivery-versus-payment of corporate debt securities and equities in an RTGS-DVP fashion. The BOT has prepared infrastructure and conducted a meeting with the Thailand Securities Depository (TSD) and the Office of the Securities and Exchange Commission to enable the system integration between BAHTNET and TSD for RTGS payment. The system is expected to be operational in early 2006.

The National Payment Information System aims to collect payment system information into a database, which can be used to create payment-related statistical reports for distribution to the public, including local and international organizations. The system has been partially deployed since 2004. In 2005, the BOT has surveyed and collected the payment system information from external institutions to enhance the system functionalities.

The security information system focuses on collecting security information into a database to be used for the BOT security management. This project has been in operation since November 2005. However, data conversion will be completed in early 2006.

Program 4 & 5: Financial Excellence and Human Resource Excellence

These programs aim to improve the efficiency of the BOT's financial system,

administrative operations, human resource management, and banknote production by implementing integrated enterprise resource planning (ERP) software packages. The ERP system has been operational since October 2003.

In 2005, the system has been enhanced and expanded to cover more applications. Many workflows and Web-applications have been developed to improve operational work and employee self-services. Some management reports have been completed this year. The next phase of the project will be emphasized more on management level by developing the Manager Self Services (MSS) which is expected to be completed in 2006.

In addition, e-Learning project has been completed. The initial training courses provided in the e-Learning system are the "Central Bank Business", "How to provide a good service" and some soft-skill courses. Moreover, the Plant Maintenance and ERP production projects have been completed and operational since 2005.

Program 6 & 7: IT Transformation & Performance Support Excellence

These programs promote internal use of information technology and improve IT services and infrastructure to enable efficiency and enhance overall performance of the BOT employees.

During the past year, other than the Technology Infrastructure Improvement project, the Quality Management project has been deployed to improve some IT internal processes and services. Information and network security assessment has been done by a third party assessor and the Disaster Recovery Center has been under construction. Document management systems have been deployed to serve some departments' requirements. The BOT WebSite and IVR systems have also been improved this year.

Program 8: Supervision Excellence

This program aims to improve the

efficiency of IT system management in the Supervision group by leveraging information technology to enhance operational work in the group. The highlighted projects in this program are outlined below:

The Financial Institution Supervision system project aims to support supervision process including preparation, onsite examination, analysis, and reports. The system in the area of risk credit information

has been deployed since June 2005.

The Financial Institution Applications System project aims to develop a system to handle various requests from financial institutions. The first phase of this project including the management information has been operational since September 2006. Furthermore, the Branch Registration System has been improved to serve the level-upgrades and merging for Financial Institutions.

Bank of Thailand Regional Offices

Northern Region Office

According to the Bank of Thailand's regulation on July 11, 2005, the structure of the Northern Region Office has been divided into 4 sections namely: 1) Operations Office including Banking Division, Administration Team and Accounting Team; 2) Financial Business Investigation Division; 3) Economic Research Division; and 4) Human Resource Team. The functional performances are as follows:

1. Banking Business Facilities

Banking division is responsible for the provision of current account and clearing service to the financial institutions and government agencies, financial assistance to priority economic sectors, foreign exchange control, management of government bonds and carrying out public relations.

1.1 Funds Deposit and Funds Withdrawal

The amounts of funds deposited to and withdrawn from current accounts were B15,798.9 million and B14,940.7 million, respectively, decreasing from the previous year by 97.7 and 97.9 percent. The decrease was due to the transfer of the Finance Ministry's transactions to Krung Thai Bank.

The BOT's funds deposit and withdrawal at provincial treasury offices registered only a small amount as the provincial treasury offices has stopped their

operations as the BOT representatives since February 11, 2005.

1.2 Financial Assistance to Priority Economic Sectors

In 2005, the financial assistance of B13,014.5 million was provided, through financial institutions to 482 businesses in the north, owing to borrowing loan from Head Office of some commercial banks for assistance to SMEs and financial assistance to poultry breeder entrepreneurs affected by the outbreak of avian influenza. The outstanding by the end of 2005 was at B3,086.0 million.

1.3 Government Bonds Agent

In 2005, The number of privileged bondholders totaled 18,697 amounting to B26,574 million. There were 1,815 transactions of related bonds activities, while bond distribution and redemption were B166.6 million and B704.8 million, respectively.

1.4 Cheque Clearing

In 2005, the volume of provincial processed cheques by clearing houses in northern region were 3.7 million issues, decreasing from the previous year by 2.9 percent, while total value were B425,156 million, increasing 18.5 percent from the previous year. The volume of provincial returned cheques were 60,755 issues, decreasing by 7.1 percent while total value were B4,039.4 million, increasing by 12.0 percent. The ratio

of returned cheques to processed cheques were 1.6 percent by volume and 1.0 percent by value.

1.5 Foreign Exchange Monitoring

In 2005, total foreign currencies sold and purchased by 38 authorized money changers are of the same amount at US\$12.9 million, an increase by 19.4 percent from 2004.

2. Financial Business Investigation

The division is responsible for regulating, supervising, examining and analyzing non-bank financial business. It also collects data of informal financial business in the northern region, monitors the performance of financial business, particularly non-bank, as well as encourages debt restructuring. There are 3 main functions of the division as follows:

2.1 Analyzing and Monitoring Financial Business

- Survey leasing business and personal lending business, particularly
- Carry out public relations for non-bank supervisory regulation
- Develop database for non-bank supervision

2.2 Analyzing and Monitoring Financial Health

Information on major debtors of commercial banks are analyzed to monitor the probable impact on the commercial banks' performance.

2.3 Corporate Debt Restructuring

At the end of 2005, a total of 606 debtors with credit outstanding of B2,189 million voluntarily participated in the corporate debt restructuring program. The results of

which are as follows: 241 cases with credit outstanding of B1,044 million were successfully resolved, 24 cases with credit outstanding B271 million remained under the restructuring process, and 341 cases with B1,504 million were unresolved.

3. Economic Research

The division is responsible for monitoring and analyzing economic conditions in the northern region, neighbouring countries, following up the Greater Mekong Sub-region (GMS) progress and disseminating information to public through an economic condition report, a neighbouring countries economic and GMS report, a business report, a real estate survey report and a press release on a regular basis both in Thai and English.

There were 5 research projects namely: (1) Trend of mortgage debt and housing tenure in Thailand, (2) Thai-China FTA : an analysis of longan exporters, (3) Land and housing price index in the northern region, (4) Quarterly report on real estate market, and (5) Role of Thai baht currency on trade and investment in Myanmar

In 2005, the division also organized a seminar, a focus group conference, and academic disseminations for the public in order to exchange views among the BOT officials and entrepreneurs in the northern region, namely : (1) "Thailand economic conditions in 2006 : financial market, capital market and energy sector outlook", (2) "Changing Macroeconomic Environment and Financial Landscape: Challenges to the Banking Sector", (3) "Improving Financial Resilience of the Thai Economy Against Exchange Rate Risk".

Northeastern Region Office

1. Banking Business Facilities

1.1 Funds Deposit and Funds Withdrawal

In 2005, funds deposited to and withdrawn from current accounts were 1,093 transactions, totaling B20,231.7 million, and 859 transaction, totaling B21,592.7 million, respectively.

1.2 Financial Assistance to Priority Economic Sectors

Northeastern Region Office provided financial assistance credit via financial institutions to SMEs and poultry breeder entrepreneurs affected by the outbreak of avian influenza totaled B18,455.6 million and received a return from these assistant credits totaled B19,510.5 million, an increase by 6.8 and 15.9 percent, respectively. The outstanding of credit at 31 December 2005 stood at B1,952.3 million, a decrease by 35.1 percent from the previous year.

1.3 Government Bonds Agent

In 2005, the number of privileged bondholders totaled 13,696 amounting to B19,252.8 million, increased by 17.4 and 2.3 percent from last year. Sums of the interest payment totaled B1,045.5 million, while bond redemption for 185 bondholders totaled B380.3 million.

1.4 Cheque Clearing

In 2005, total volume of provincial cheques processed by clearinghouses in northeastern region were 3.5 million issues, totaling B506,216.1 million, increased by 2.1 and 19.9 percent, respectively. Volume of returned cheques were 73.2 thousand issues, decreased by 2.7 percent while total value were B11,980.8 million, increased by 61.2 percent. The ratio of volume and value of returned cheques to processed cheques were 2.1 percent and 2.4 percent, respectively, compared to 2.2 percent and 2.3 percent last year.

1.5 Foreign Exchange Monitoring

In 2005, foreign currencies sold and purchased by 14 authorized money changers and a fund transfer institute were totaled US\$320,532 equivalent, increased by 14.8 percent from last year.

2. Financial Business Investigation

2.1 Studying and Inspecting Financial Business The division duties include the hire purchasing/leasing and personal loan business in the northeast region. In 2005, the division conducted the reports to serve the BOT's organization and private capitalist, namely : 1) the study of non-financial institution loan of hire purchased car and motorcycle in the Muang district of Khon Kaen, Nakhon Ratchasima, Roi-Et, Udon Thani, Ubon Ratchathani; 2) the study of personal loan of non-financial institution in Khonkaen.

In addition, the division also surveyed the non-financial institution loans' names and locations in each district, including 18 provinces in the Northeast region, in order to set up the database.

2.2 Controlling, Verifying and Analyzing Personal Loan Business The duty consists of promoting the rules, methods, and the conditions of doing a personal loan business under the new regulation effective since 1 July 2005, including observing the illegal personal loan business in Muang district in northeast region.

2.3 Analyzing and Monitoring Financial Business The division studies and analyzes business matter and the condition of the important borrower in the Northeast region, including car business, real estate, rice mill, sugar factory, hotel, and modify starch factory. In 2005, the division conducted survey on the accommodation business in Muang district of Khonkaen, set up the real estate database in northeast region, and released the report on real estate of Khonkaen district on quarterly basis for members.

2.4 Corporate Debt Restructuring

In 2005, there were 76 completely restructured cases with total value of B1,030 million, and 67 unsuccessfully restructured cases with total value of B504 million. There were 19 cases with total value of B128 million remained under the restructuring process.

3. Economic Research

3.1 Studying the Economic Situation on Northeastern Region

The Economic Research Division is responsible for monitoring, analysis, and evaluation the economic situation on northeastern region and key regional economic issues, and release the report on northern region economic conditions for both public and the BOT Monetary Policy Group own use on monthly, quarterly and annually basis.

3.2 Studying the Economic Situation on the Border Countries. The research division studies and releases the report on economic conditions in neighbor countries (Loas PDR, Cambodia and Vietnam) to the public, and conducted many projects with neighbor countries by cooperation with Monetary Policy Group and Financial Markets Group such as;

(1) The development in the payment system for trading and investing between Thailand-Laos PDR project on the 2 cross border points between Mukdahan and Suvannakhate, and between Chiang khong and Bo kaew,

(2) The promotion of Kip-Baht market,

(3) The study in trade and payment system of the retailer in Baan-laem Chanthaburi and komriang Pratabong, Cambodia,

(4) The cooperation of The EXIM Bank of Thailand and BCEL of Laos in oder to enhance cooperation and fund, etc.

3.3 Research Studies

There were 2 special researchs, namely :

(1) “The potential of Trade Payment and business in Thailand and Laos PDR cross-border 8 points”, by cooperation with Bank of Laos PDR

(2) “The Role of Local currencies in Thailand and Laos PDR border”

In addition, the division organized the symposium, namely :

- “The Hom Mali Rice Marketing in Northeastern Region”,

- “The Attitude of household to debt and saving in Northeastern Region”,

- “The Behavior of Payment on cross-border between Thailand and Laos PDR, and cross-border between Thailand and Cambodia”

- “Non-Resident Baht Deposit in Northeastern Region”

3.4 Others such as

(1) organizing a academic seminar on the occasion of the 37th anniversary of the Office, “the Financial Economic contest with Bank of Thailand 2005” for the secondary schools in Northeastern Region, and “Bank of Thailand’s Book Corner”,

(2) Joining the conferences, seminars, and lecturers from other institutions.

Southern Region Office

The Bank of Thailand, Southern Region Office undertakes as follows : banking business facility, financial business investigation, and economic research.

The functional performances in 2005 are summarized as follows:

1. Banking Business Facilities

1.1 Funds Deposit and Funds Withdrawal

In 2005, funds deposited to current accounts decreased from the previous year by 92.8 percent to B48,042.9 million. At the

same time, funds withdrew from the current accounts also decreased by 94.5 percent to B36,410.6 million.

1.2 Financial Assistance to Priority Economic Sector

In 2005, Southern Region Office provided financial assistance to SMEs through financial institutions totaling B8,243.7 million, increased from the previous year by 11.4 percent. Moreover, the BOT also allocated financial assistance for entrepreneurs affected by tidal waves in the six southern provinces amounting to B13,725.1 million, and B23,781.8 million for the violence in the three southern border provinces. The total credit outstanding by the end of 2005 was B13,192.1 million, amounting from the three southern border provinces B5,893.8 million and from tidal waves in the six southern provinces B5,756.0 million, significantly.

1.3 Government Bond Agent

At the end of 2005, the number of privileged bondholder totaled 13,204 amounting to B14,629.3 million. The amount of interest payment of Government Bonds totaled B773.3 million was paid to 20,974 bondholders, while bond redemption totaled B507.3 million to 386 bondholders.

1.4 Cheque Clearing

In 2005, total volume of provincial cheques processed by 17 of clearinghouses in southern region were 4.4 million issues, dropped from 2004 by 1.5 percent while those value were B576,281.4 million, increased by 7.5 percent. Similarly, provincial returned cheques were 76,737 issues and totaled value were B5,047.8 million. The proportion of returned cheques volume and value to processed cheques were 1.7 and 0.8 percent, respectively

1.5 Foreign Exchange Monitoring

At the end of 2005, there were 163 authorized money changers. The purchase of foreign currencies from customers totaled

US\$ 2.75 million, an increase of 12.0 percent from the previous year, whereas the sale totaled US\$ 2.57 million, an increase of 5.2 percent.

2. Financial Business Investigation

2.1 Analyzing and Monitoring Non-bank

One of the main functions of the division is to analyze and monitor the operation of non-bank in leasing businesses and personal loan, as well as to promote the regulation of non-bank to the public. Moreover, the division also surveys and collects data of informal financial business in the southern region.

2.2 Analyzing and Monitoring Financial Health

The division analyzes and monitors the performance of the dominant debtor that impacted on the financial health and financial institutions position.

2.3 Corporate Debt Restructuring

At the end of 2005, a total of 600 debtors with credit outstanding of B2,182.2 million willingly participated in the Trouble Debt Restructuring Process. Of 362 cases with credit outstanding of B1,225.0 million were successfully resolved.

3. Economic Research

3.1 Analyzing and Monitoring Economic Condition

In 2005, the Economic Research Division monitored and analyzed economic conditions of the southern region and key regional economic issues on a continual basis for contributing into Monetary Policy Group's monthly macroeconomic meetings, for press releasing on a monthly basis, and for disseminating information to the public. Moreover, the division also monitored and analyzed economic conditions of 14 provinces under the responsibilities and handles the business report under the Economic/Business Information Exchange Program.

As for promoting economic knowledge to public, the seminar was held at Songkhla province. Some economic seminars among the BOT, government agent and prominent entrepreneurs also were held, aiming to exchanging information and sharing knowledge among participants.

Strategic Planning

In 2005, the BOT continued improving its strategic planning process as well as budgeting management and corporate performance management for more efficiency and effectiveness. The improvement of those functions was considered crucial for a leading organization to adapt in changing environments and for reaching the corporate goal.

1. In strategic planning process, the Court of Directors of the Bank of Thailand played a role in providing additional perspectives to the Top Management Committee in determining the BOT's direction and policies. Furthermore, the BOT emphasized the communication of the direction and policies to all management and staff levels to create understanding and alignment.

3.2 Research Projects

In this year, there were 2 special researches, namely : “An analysis of cause-effect development of the Thai's rubber wood industry”; and “ The possibility study of the rubber's trading center in Thailand.

2. The BOT has amended its budgeting regulations for standardized references in related operations. It has also continued improving the cost management system for more awareness in actual operating costs and the most efficient allocation and utilization of resources. Besides the implementation of SAP system for budget management and control, in 2005 the BOT developed SAP Business Warehouse as an efficient tool to analyze data, provide reports, and disseminate information on the internal portal website.

3. In developing corporate performance management system, the BOT set annual key performance indicators, measured performances and reported to the Court of Directors and the Audit Committee as scheduled throughout the year.

Risk Management

1. Financial Risk Management

1.1 Risk Management of International Reserves

1.1.1 Benchmark Revisions

In 2005, the BOT reviewed and adjusted the neutral benchmark for the Investment Portfolio to ensure its suitability and consistency with current global financial market conditions. In the construction of the neutral benchmark, the modified Black-Litterman asset allocation model was applied. However, forecasts of future market movements were not incorporated, unlike in the construction of strategic benchmarks where market forecasts were also used to determine benchmark allocations.

Likewise, the BOT reviewed and revised the benchmarks for the Yen Liability Portfolio, Liquidity Portfolio, and Exchange Equalisation Fund Portfolio. At the same time, the BOT maintained systems to monitor and control market risks that could arise from deviations of actual investments from the aforementioned benchmarks.

1.1.2 Risk Management Framework and Investment Guidelines

The BOT has taken into account market, credit and liquidity risks in setting up the framework for investment in assets and currencies, including allowable financial instruments so as to manage risks that could

arise from portfolio management of both internally managed portfolios and portfolios managed by external fund managers.

During 2005, the BOT adjusted and widened its investment universe and risk management concepts as follows:

(1) Modification of Investment Guidelines for External Fund Managers

The BOT expanded the investment universe for external fund managers to enhance risk diversification and widen investment opportunities. In this regard, the BOT carried out studies regarding risk measurement and risk calculation as well as adjusted investment restrictions for external fund managers with a purpose to keep financial risks within the previous accepted limits. The BOT also carried out stress test analyses to ensure that the modified investment guidelines were appropriate and that the distribution of returns of portfolio, measured in terms of skewness and kurtosis, was unchanged from previously.

(2) Risk Budgeting Tool

The BOT developed a risk budgeting tool to facilitate the decision-making process regarding investment in the foreign exchange and bond markets. At the same time, global fixed income risk attributions were carried out, where risks for each portfolio must be maintained within the approved limits.

(3) Managing Extreme Event Risks

The BOT studied two approaches to reduce extreme event risks, i.e., risks of extreme losses with low probability of occurrence.

(3.1) Risk Diversification. The BOT explored the possibility of expanding investment in gold as well as in Asian bonds and currencies. The analysis suggested that investment in gold entailed high risks over a one-year investment horizon, while its long-term returns were close to the inflation rate, with particularly high returns during

crises. Therefore, investment in gold should be for the long-term horizon to protect against the risks of rising global inflation or in the situation with high probability of extreme event risks. As for Asian bonds and currencies, though there were risk diversification benefits, especially if regional currencies were to appreciate significantly in the future, but investment channels were still limited and their risk-adjusted returns were not very attractive.

(3.2) The reduction of investment exposure in countries susceptible to high extreme event risks should be done only when there was a clear and present danger of extreme loss. The reason was that a premature move to reduce investment exposure in such countries could be costly and result in sub-optimal portfolio allocations.

1.2 Management and Evaluation of Risks from Policy Implementation through the Domestic Financial Markets

The BOT has set a framework to evaluate the effectiveness of and to manage risks from policy implementation through the foreign exchange and bond markets as follows.

1.2.1 Framework for the Management of Credit Risks from FX Operations

In 2005, the BOT added guidelines for the management of credit risks from foreign exchange transactions. In particular, a regular monitoring of such risks and warning levels were implemented.

1.2.2 Risk Assessment and Evaluation of Market Operations for Policy Purposes.

The BOT conducted financial risk assessments of monetary and foreign exchange operations on a regular basis as well as assessed their impact on the markets and market expectations. In addition, the BOT evaluated the effectiveness and suitability of currency stabilisation measures to provide feedbacks for the deliberation of monetary and foreign exchange policy.

1.3 Integrated Risk Management

The implication of inadequate or negative capital of central banks on the central bank's credibility and independence of monetary policy has been studied. The study incorporated the analyses of the BOT's balance sheets, provided policy recommendations and an integrated framework for financial risk management that could be applied to avoid or to mitigate the adverse impact of financial instability which might occur in the future and marked the launch of integrated risk management concept at the BOT.

2. Operational Risk Management

In 2005, The BOT reorganized the structure by eliminating Risk Management Department. Operational risk management function has been transferred to Strategic Services Department while financial risk management function transferred to Financial Risk Management and Operations Department. Operational Risk Management function in 2005 progressed as follows;

2.1 The Control Self-Assessment: (CSA)

In 2005, Risk Management Department together with business units have conducted CSA process under the COSO (Committee of Sponsoring Organization of the Tradeway Commission) framework in 10 business units;

Northern region office, Northeastern region office, Litigation department, Accounting department, Data management department, Banknote management department, Human resources department, Organization development department, Bank of Thailand Museum and Library and Archives. The BOT plans to cover all business units by the end of 2006.

2.2 Strategic Risk Management

Top BOT executives jointly reviewed overall key risks and obstacles that might prevent the BOT from achieving the desired strategic objectives/strategies. Appropriate risk mitigation and control options were determined and developed to be part of BOT annual strategic and budgeting plans.

2.3 Contingency Plan for Disaster

In 2005, the BOT tested its contingency plan for disaster with scenario that its main office and computer center at Bang khun-prom office were destroyed and inaccessible. The testing also included tests for preparedness of BOT's critical system at the back up site. Moreover, Contingency plan testing at banknote operation center was also conducted at Nakhonratchasima Banknote Operation Center to set guidelines for other banknote operation centers in order to provide reasonable assurance that the BOT prepared for disaster events.

**THE REPORT OF THE CHAIRMAN OF THE
AUDIT COMMITTEE**

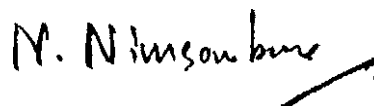
Audit Committee Report

The Bank of Thailand's Court of Directors appointed Mr. Nontaphon Nimsomboon - non-executive member of the Bank of Thailand's Court of Directors and Audit Committee member - as the Chairman of Audit Committee, Professor Thavach Phusitphoykai and Mr. Chetthavee Charoenpitaks as members of the Audit Committee, effective from October 1, 2005. In addition, the tenure of committee member has also been extended to 3 years from 2 years with the Senior Director of Internal Audit Department, Mr. Krish Follett, as the secretary of the Audit Committee.

During the past year since commencing the duty, the committee convened 5 meetings altogether with the intention to function as working parts of the Court of Directors to improve the effectiveness of risk management, internal control, good corporate governance and internal auditing processes, aimed at assisting the management in overseeing the bank's operations toward achieving its objectives.

The Audit Committee reviews the Bank of Thailand's financial report to reasonably assure its accuracy and reliability, employing appropriate accounting policy and sufficient disclosure in accordance with the generally accepted accounting standards. Moreover, the committee occasionally holds meetings with The Office of the Auditor General of Thailand, acting as an external auditor to the Bank of Thailand. The purpose is to consider significant issues and suggestions regarding accounting, internal control and management of bank operation resulting from audit engagement. The Audit Committee as well enhances the independence of the external auditor and upholds internal auditor's work of being independent, truthful and in line with applicable international standard. It also gives fair support to coordination among bank management, external auditor and Internal Audit Department.

In an attempt to fulfill its objectives, The Audit Committee has committed itself to carrying out the duty, through providing independent and impartial suggestion to bank management and the Court of Directors, in order to maintain the Bank of Thailand's vision - being the reputable organization commanding trust and respect.



(Mr. Nontaphon Nimsomboon)
Chairman, Audit Committee
28 February 2006

**REPORT OF THE AUDITORS
AND
BANK OF THAILAND
FINANCIAL STATEMENTS
FOR THE YEARS 2005 AND 2004**



Report of the Auditors

To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2005 and 2004, the Profit and Loss Account, and the Statements of Changes in Capital and Cash Flows for each year then ended of the Bank of Thailand. These financial statements are the responsibility of the Bank of Thailand's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we 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 the Bank of Thailand's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2005 and 2004, the results of operations, the changes in capital, and the cash flows for each year then ended of the Bank of Thailand, in accordance with generally accepted accounting principles.

(signed)

(Khunying Jaruvan Maintaka)
Auditor General

(signed)

(Ms. Pongchan Laosutiwong)
Auditor In-charge

Office of the Auditor General
March 10, 2006

Bank of Thailand
Balance Sheet
As of December 31, 2005 and 2004

	Notes	2005 Baht	2004 Baht
ASSETS			
Cash and Deposits			
Cash		16,233,047,845	44,835,767,085
Balance at the Treasury		-	2,216,720
Foreign Deposits		<u>213,868,026,175</u>	<u>140,889,192,614</u>
		<u>230,101,074,020</u>	<u>185,727,176,419</u>
Reserve Tranche and Holdings of			
Special Drawing Rights	3	<u>7,749,476,253</u>	<u>6,504,842,057</u>
Investments	4		
Domestic Securities		116,053,971,938	114,097,917,856
Foreign Securities		<u>468,794,986,313</u>	<u>333,434,188,225</u>
		<u>584,848,958,251</u>	<u>447,532,106,081</u>
Securities Purchased under Resale Agreements	5	591,705,846,516	309,282,654,866
Loans	6	97,996,994,927	54,267,541,562
Premises and Equipment, net	7	4,306,589,098	4,212,789,016
Other Assets	8	67,939,094,734	<u>70,137,826,421</u>
Total Assets		<u>1,584,648,033,799</u>	<u>1,077,664,936,422</u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Balance Sheet
As of December 31, 2005 and 2004

	Notes	2005 Baht	2004 Baht
LIABILITIES AND CAPITAL			
Deposits			
Government		12,903,172,627	52,236,344,633
Financial Institutions		59,456,683,625	55,210,672,270
Others	9	<u>14,167,875,533</u>	<u>6,522,772,310</u>
		86,527,731,785	113,969,789,213
Allocations of Special Drawing Rights	10	4,969,203,456	5,135,827,415
Securities Sold under Repurchase Agreements	5	610,023,786,504	382,747,740,309
Bank of Thailand Bonds	11	593,457,768,399	270,020,653,144
Other Liabilities	12	<u>260,484,466,169</u>	<u>252,835,008,298</u>
Total Liabilities		<u>1,555,462,956,313</u>	<u>1,024,709,018,379</u>
Capital			
Initial Capital		20,000,000	20,000,000
General Reserve	13	9,429,978,660	4,222,697,954
Reserve for Stabilization of Profit Payable to the Government		624,075,747	624,075,747
Revaluation Deficit on Investments		(6,454,181,418)	(47,909,609)
Retained Earnings		27,307,931,128	27,307,931,128
Net Profit (Loss) for the Year		<u>(1,742,726,631)</u>	<u>20,829,122,823</u>
Total Capital		<u>29,185,077,486</u>	<u>52,955,918,043</u>
Total Liabilities and Capital		<u>1,584,648,033,799</u>	<u>1,077,664,936,422</u>

The accompanying notes form part of these financial statements.

(M.R. Pridiyathorn Devakula)

Governor

(Mrs. Swangchit Chaiyawat)

Deputy Governor, Corporate Support Services

(Ms. Charinya Kaewmanee)

Director, Accounting Department

Bank of Thailand
Profit and Loss Account
For the Year Ended December 31, 2005 and 2004

	Notes	2005 Baht	2004 Baht
Revenues			
Interest Income		36,775,973,215	20,729,107,479
Commission		419,346,816	477,847,724
Net Gains on Foreign Exchange		-	12,037,771,518
Others		<u>350,640,037</u>	<u>425,480,811</u>
Total Revenues		<u>37,545,960,068</u>	<u>33,670,207,532</u>
Expenses			
Interest Expenses	11	26,684,184,561	8,733,367,192
Net Losses on Foreign Exchange		7,943,110,268	-
Personnel Expenses		3,009,078,548	2,870,434,691
Others		<u>1,652,313,322</u>	<u>1,237,282,826</u>
Total Expenses		<u>39,288,686,699</u>	<u>12,841,084,709</u>
Net Profit (Loss)		<u>(1,742,726,631)</u>	<u>20,829,122,823</u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Changes in Capital
For the Year Ended December 31, 2005 and 2004

	Initial Capital	General Reserve	Reserve for Stabilization Profit Payable to the Government	Revaluation Surplus (Deficit) on Investments	Retained Earnings	Net Profit (Loss) for the Year	Baht Total
Balance as of January 1, 2004	20,000,000	2,973,449,575	624,075,747	(1,045,363,560)	27,307,931,128	4,996,993,516	34,877,086,406
Changes during the Year							
Net Profit Transferred to General Reserve	-	1,249,248,379	-	-	-	(1,249,248,379)	-
Payment of Net Profit to the Government	-	-	-	-	-	(3,747,745,137)	(3,747,745,137)
Revaluation Surplus on Investments	-	-	-	997,453,951	-	-	997,453,951
Net Profit for the Year	-	-	-	-	-	<u>20,829,122,823</u>	<u>20,829,122,823</u>
Balance as of December 31, 2004	20,000,000	4,222,697,954	624,075,747	(47,909,609)	27,307,931,128	20,829,122,823	52,955,918,043
Changes during the Year							
Net Profit Transferred to General Reserve	-	5,207,280,706	-	-	-	(5,207,280,706)	-
Payment of Net Profit to the Government	-	-	-	-	-	(15,621,842,117)	(15,621,842,117)
Revaluation Deficit on Investments	-	-	-	(6,406,271,809)	-	-	(6,406,271,809)
Net Loss for the Year	-	-	-	-	-	<u>(1,742,726,631)</u>	<u>(1,742,726,631)</u>
Balance as of December 31, 2005	<u>20,000,000</u>	<u>9,429,978,660</u>	<u>624,075,747</u>	<u>(6,454,181,418)</u>	<u>27,307,931,128</u>	<u>(1,742,726,631)</u>	<u>29,185,077,486</u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Cash Flows
For the Year Ended December 31, 2005 and 2004

	2005 Baht	2004 Baht
Cash Flow from Operating Activities		
Net Profit (Loss)	(1,742,726,631)	20,829,122,823
Adjustments to Reconcile Net Profit (Loss) to		
Net Cash Flow from Operating Activities:		
Depreciation and Amortization Expenses	261,975,958	268,836,782
Gain on Disposal of Premises and Equipment	(3,050,688)	(2,517,522)
(Gain) Loss on Foreign Exchange	(7,907,267,922)	9,810,833,934
Amortization of Premiums on Securities	5,967,616,741	1,080,682,486
Net Increase in Accrued Revenues	(736,206,755)	(2,937,194,737)
Net Increase in Accrued Expenses	1,125,484,019	50,302,210
Profit (Loss) from Operation before Changing in		
Operating Assets/Liabilities	(3,034,175,278)	29,100,065,976
(Increase) Decrease in Operating Assets		
Foreign Deposits	(67,297,909,166)	(72,923,704,303)
Reserve Tranche and Holdings of Special Drawing Rights	13,510,874	(23,806,319)
Securities Purchased under Resale Agreements	(283,074,436,037)	53,377,461,348
Loans	(43,729,453,365)	(20,594,501,249)
Other Assets	(414,107,968)	(356,942,822)
Increase (Decrease) in Operating Liabilities		
Deposits	(27,443,460,171)	13,523,859,597
Securities Sold under Repurchase Agreements	226,682,733,653	(18,439,546,550)
Bank of Thailand Bonds	318,005,573,688	90,467,516,546
Other Liabilities	10,134,530,003	104,761,579,185
Net Cash Flow from Operating Activities	129,842,806,233	178,891,981,409

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Cash Flows
For the Year Ended December 31, 2005 and 2004

	2005 Baht	2004 Baht
Cash Flow from Investing Activities		
Net Increase in Investments in Domestic Securities	(2,140,836,387)	(2,659,221,325)
Net Increase in Investments in Foreign Securities	(135,120,959,151)	(166,295,695,262)
Net Increase in Premises and Equipment	(285,718,637)	(357,920,719)
Net Increase in Investments in Other Organizations	(169,410,481)	-
Net Cash Flow from Investing Activities	<u>(137,716,924,656)</u>	<u>(169,312,837,306)</u>
Cash Flow from Financing Activities		
Payment of Net Profit to the Government	(15,621,842,117)	(3,747,745,137)
Net Cash Flow from Financing Activities	<u>(15,621,842,117)</u>	<u>(3,747,745,137)</u>
Effects of Foreign Exchange Changes on Cash	(4,649,546)	(88,467,299)
Net Cash Flow from All Activities	(23,500,610,086)	5,742,931,667
Cash as of January 1	50,296,853,538	44,553,921,871
Cash as of December 31	<u>26,796,243,452</u>	<u>50,296,853,538</u>
Supplementary Information for Cash Flows		
Cash Paid during the Year		
Interest Expenses	20,119,021,183	7,996,555,622
Cash and Cash Equivalents		
Cash	16,233,047,845	44,835,767,085
Balance at the Treasury	-	2,216,720
Foreign Deposits (at call)	10,563,195,607	5,458,869,733
Total	<u>26,796,243,452</u>	<u>50,296,853,538</u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Notes to Financial Statements
For the Year Ended December 31, 2005 and 2004

1. Form of Presentation of Accounts

The financial statements of the Bank of Thailand (BOT) have been prepared in compliance with Chapter 5 of the Royal Decree Regulating the Affairs of the Bank of Thailand B.E. 2485, which are the accounts of the Banking Department excluding those of the Issue Department, the Currency Reserve, the Exchange Equalization Fund and the Financial Institutions Development Fund (FIDF).

2. Summary of Significant Accounting Policies

2.1 Revenues Recognition

Interest revenue is recognized on a time proportion basis that takes into account the effective yield on the asset. Other revenues are accounted for on an accrual basis.

2.2 Expenses Recognition

Expenses are accounted for on an accrual basis.

2.3 Investments

Domestic securities are held for the purpose of monetary policy implementation and are stated at cost after amortization of premiums or discounts.

Foreign securities are held for the purpose of the international reserve management and are stated at fair value. Unrealized gains and losses from revaluation are shown as a separate component of capital, and are recognized in the profit and loss account on disposal.

2.4 Loans

Loans are stated at carrying balances of principals.

2.5 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost after depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, as follows:

Buildings	20	years
Temporary Buildings and Improvements	5	years
Equipment	3 -15	years

The cost of fixed assets jointly used by the Banking Department, the Issue Department, the Currency Reserve, the Exchange Equalization Fund and the FIDF is allocated to each department according to an asset usage proportion basis.

2.6 Intangible Assets

Intangible assets are stated at cost after amortization. The amortization is allocated by the straight-line method over five years.

2.7 Foreign Currency Transactions

All transactions in foreign currencies are recorded in baht at the preceding month-end exchange rates. Discrepancies of the actual and the book exchange rates are recorded in the profit and loss account.

At year-end, the balances of foreign assets and liabilities are converted into baht at new exchange rates prevailing on the balance sheet date. Unrealized gains and losses from conversion are also recorded in the profit and loss account.

2.8 Provision for Contingent Loss on Forward Exchange Contracts

At year-end, commitments under forward exchange contracts with government agencies and state enterprises are valued by comparing the year-end exchange rates with the contracted rates. The difference, which is a contingent loss, has been fully provided by the BOT. This provision is calculated from the contracts with contingent loss only.

2.9 Pension Fund and Provident Fund

2.9.1 Pension Fund

The BOT's Rules and Regulations for Pension Fund B.E. 2539 including the amendments state that the employees who joined the BOT before December 1, 1996 and are not the members of the "Provident Fund" have the rights to receive pension according to the stipulated conditions and calculation basis. The BOT has maintained provisions in accordance with these rules and regulations.

2.9.2 Provident Fund

The BOT's Rules and Regulations for Provident Fund B.E. 2539 state that the BOT and the employees who are the members of the Provident Fund have to make contributions to the Provident Fund according to the stipulated conditions. This Provident Fund has already been registered under the Provident Fund Act B.E. 2530.

3. Reserve Tranche and Holdings of Special Drawing Rights

	Unit : Million baht	
	2005	2004
Quota Subscribed to International Monetary Fund (IMF)	63,509.2	65,638.8
<u>Less: IMF Current Account No.1</u>	(31,089.2)	(33,246.8)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes payable to IMF	(24,695.6)	(25,926.9)
Reserve Tranche	7,724.4	6,465.1
Holdings of Special Drawing Rights	25.1	39.7
Total	<u>7,749.5</u>	<u>6,504.8</u>

Reserve Tranche is classified as the international reserves, calculated from the Quota Subscribed to IMF after deduction of the baht balances existing in the form of IMF Current Account No.1, and Non-Negotiable with Non-Interest Bearing Promissory Notes payable to IMF.

“Quota Subscribed to IMF-Baht” is presented in “Other Assets” (Note 8). The aforementioned IMF Current Account No. 1, and Non-Negotiable with Non-Interest Bearing Promissory Notes, and IMF Current Account No. 2 for administrative expenses are stated under “Other Liabilities” (Note 12).

Holdings of Special Drawing Rights are also classified as the international reserves.

4. Investments

	Unit : Million baht	
	<u>2005</u>	<u>2004</u>
Domestic Securities		
Cost after amortization of premiums or discounts	116,054.0	114,097.9
Foreign Securities		
Cost after amortization of premiums or discounts	475,249.2	333,482.1
<u>Less</u> : Revaluation Deficit on Investments	<u>(6,454.2)</u>	<u>(47.9)</u>
	<u>468,795.0</u>	<u>333,434.2</u>
Total	<u>584,849.0</u>	<u>447,532.1</u>

As of December 31, 2005, Foreign Securities include US\$342.0 million (equivalent to B14,500.7 million) of the investment in the Asian Bond Fund (ABF), which is an initiative of the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) to promote the development of Asian bond markets. The BOT has invested US\$120.0 million (equivalent to B5,378.9 million) in ABF phase 1, which was launched in 2003 and invested in US dollar-denominated bonds issued by the governments and the quasi-governments of 8 EMEAP economies. The BOT's investment in ABF phase 2 amounted to US\$222.0 million (equivalent to B9,121.8 million), comprising of US\$111.0 million investment in the Pan-Asian Bond Index Fund (PAIF) and US\$111.0 million investment in the Fund of Bond Funds (FoBF). Launched in 2005, the ABF phase 2 invests in local-currency bonds issued by the governments and the quasi-governments of 8 EMEAP economies.

5. Securities Purchased under Resale Agreements and Securities Sold under Repurchase Agreements

	Unit : Million baht	
	<u>2005</u>	<u>2004</u>
Securities Purchased under Resale Agreements		
Domestic Securities	281,902.0	274,394.0
Foreign Securities	<u>309,803.8</u>	<u>34,888.7</u>
Total	<u>591,705.8</u>	<u>309,282.7</u>
Securities Sold under Repurchase Agreements		
Domestic Securities	297,356.0	347,860.0
Foreign Securities	<u>312,667.8</u>	<u>34,887.7</u>
Total	<u>610,023.8</u>	<u>382,747.7</u>

6. Loans

	Unit : Million baht	
	2005	2004
Programs guaranteed by the Ministry of Finance	19,877.9	19,824.9
Programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions	<u>78,119.1</u>	<u>34,442.6</u>
Total	<u>97,997.0</u>	<u>54,267.5</u>

As of December 31, 2005, the outstanding of loans represents 11 lending programs to financial institutions in order to finance priority economic sectors. These included 7 programs guaranteed by the Ministry of Finance and 4 programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions.

7. Premises and Equipment, net

	Unit : Million baht			
	Balance	Changing in Book Value		Balance
	Dec 31, 2004	Increase	Decrease	Dec 31, 2005
Land	2,464.0	1.0	(0.2)	2,464.8
Buildings	1,836.8	-	-	1,836.8
Temporary Buildings and Improvements	116.3	77.0	(2.5)	190.8
Equipment	627.5	128.0	(2.2)	753.3
Assets under Construction	707.2	475.6	(388.6)	794.2
Total	5,751.8	681.6	(393.5)	6,039.9
<u>Less: Accumulated Depreciation</u>	<u>(1,539.0)</u>	<u>(195.0)</u>	<u>0.7</u>	<u>(1,733.3)</u>
Premises and Equipment, net	<u>4,212.8</u>	<u>486.6</u>	<u>(392.8)</u>	<u>4,306.6</u>
Depreciation for the year	236.8			195.0

The new head office building is currently under construction according to the BOT's Master Plan which aimed to develop the overall land and buildings utilization. The Master Plan, with the total budget of B2,706.1 million, was started in August 2001 and scheduled for completion in May 2007. As of December 31, 2005, B705.9 million or 26.09 percent of the total budget was spent.

8. Other Assets

	Unit : Million baht	
	2005	2004
Quota Subscribed to IMF - Baht	55,784.9	59,173.7
Investment in Other Organizations	1,926.8	1,820.0
Staff Loans	2,227.3	2,041.9
Intangible Assets	338.7	169.0
Others	<u>7,661.4</u>	<u>6,933.2</u>
Total	<u>67,939.1</u>	<u>70,137.8</u>

9. Other Deposits

The outstanding balance of other deposits as of December 31, 2005 was B14,167.9 million. This included B9,411.4 million of the “Account for Amortization of the Principal to Fiscalize the Financial Institutions Development Fund Losses” which was set up in accordance with the Emergency Decree Empowering the Ministry of Finance to Borrow Money and Manage the Borrowed Money for the Financial Institutions Development Fund, Phase 2, B.E. 2545. In 2005, assets amounting to B26,591.0 million were transferred to the account and B17,179.6 million was later used for FIDF bond redemption as stipulated in the decree.

10. Allocations of Special Drawing Rights

International Monetary Fund (IMF) member countries are allocated Special Drawing Rights in proportion to their subscriptions to the IMF. For the year ended 2005, the BOT was allocated the balance of SDR84.7 million, an equivalent of B4,969.2 million.

11. Bank of Thailand Bonds

	Unit : Million baht	
	<u>2005</u>	<u>2004</u>
Maturity date less than 1 year	518,826.8	270,020.7
Maturity date more than 1 year (due in 2007)	74,631.0	-
Total	<u>593,457.8</u>	<u>270,020.7</u>

The BOT, with the consent of the Ministry of Finance, has issued the BOT bonds in order to use as an instrument of monetary policy implementation. The interest paid on the bonds amounting to B11,693.4 million was included in the interest expenses.

12. Other Liabilities

	Unit : Million baht	
	<u>2005</u>	<u>2004</u>
Payable to the Currency Reserve for Notes Issuance	200,000.0	190,000.0
IMF Current Accounts No. 1 and 2	31,089.7	33,247.3
Promissory Notes Payable to IMF	24,695.6	25,926.9
Others	4,699.2	3,660.8
Total	<u>260,484.5</u>	<u>252,835.0</u>

The Payable to the Currency Reserve for Notes Issuance represents transactions between the Banking Department and the Currency Reserve occurring when issued banknotes are backed up by assets from the Special Reserve Account of the Currency Reserve. This is in accordance with the Emergency Decree Amending the Currency Act B.E. 2501 (No.2) B.E.2545.

13. General Reserve

The General Reserve is accumulated from the net profit distribution of each year, in accordance with Chapter 2 of the Bank of Thailand Act B.E. 2485. Movements in the General Reserve are set out in the Statement of Changes in Capital.

14. Commitments and Contingencies

As of December 31, 2005, the BOT had outstanding forward contracts and legal claims as follows:

14.1 The BOT had net position of outstanding dollar-baht forward contracts to buy US\$3,840.0 million due in 2006. By comparing the forward rate to the 2005 year-end rate, the BOT would have a contingent gain of B103.5 million, which would be recorded in the profit and loss account when the contracts become due.

14.2 The BOT had net position of outstanding cross currency forward contracts to buy Yen 56,488.7 million and Pound Sterling 220.8 million and to sell US\$712.5 million and Euro 135.7 million due in 2006. After applying the 2005 prevailing year-end rate, the BOT would have a contingent loss of B495.5 million, which would be recorded in the profit and loss account when the contracts become due.

14.3 As of December 31, 2005, the BOT, in the normal course of business, has been taken legal action at the amount of the claims totaling B22,848.7 million. However, since the cases are in process of court trial, it is unable for BOT to anticipate the exact amount of compensation.

15. Risk Management at the Bank of Thailand

15.1 Financial Risk Management

The BOT's key financial risks come from the investment of international reserves in foreign assets. This results in three types of financial risks: market risks, credit risk and liquidity risk. Notably, the BOT's credit risk and liquidity risk are much lower than its market risk due to the BOT's policy to invest only in liquid assets with high credit ratings.

The main objectives of financial risk management of international reserves consist of:

- i. Preserving the value of international reserves in terms of the SDR, which is considered to be the most stable and diversified currency numeraire compared to other major currencies.
- ii. Ensuring an acceptable and well-diversified level of financial risks of international reserves.

Financial risks of the reserves are managed in accordance to the following approach:

(i) Market Risk

Market risk, comprising of interest rate risk and foreign exchange rate risk, is the risk of loss due to changes in the market value of assets or currencies that have an effect on the BOT's income and net worth.

The BOT manages market risk through benchmarking, which involves setting asset and currency allocations in accordance with the objectives of each portfolio and the BOT's risk tolerance. The BOT sets out the benchmarks based on the probability of non-negative returns, and the Black-Litterman Asset Allocation Model is applied in the benchmark construction process. In addition, the BOT performs risk analysis by carrying out stress tests to estimate potential impacts of various market scenarios on the reserves. The BOT carries out benchmark reviews on an annual basis.

The BOT also has systems to monitor and control market risk to prevent excessive risk incurred from the deviation of actual investment position from the aforementioned benchmarks. The risks from deviations from the benchmarks are called tracking errors. The

BOT keeps these risks within acceptable levels by setting tracking error limits of each portfolio.

(ii) Credit Risk

Credit risk is the risk that the BOT's counterparties or the issuers of the securities held by the BOT default or are unable to fulfil their financial obligations with the BOT.

The BOT's controls credit risk by using the following approaches:

a) Minimum Credit Rating, set for counterparties and issuers to limit the credit value-at-risk to a very low level.

b) Aggregate Credit Exposure Limit, set for counterparties and issuers in the form of deposit equivalent exposure based on the credit rating and number of counterparties.

c) Sovereign Credit Limit, set based on country credit ratings. Sovereign credit limits are used as constraints in benchmark construction.

(iii) Liquidity Risk

Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable cost within the specified time period.

The management of liquidity risk focuses on setting appropriate levels for illiquid assets such as term deposits based on the BOT's liquidity needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.

15.2 Enterprise-Wide Risk Management

The enterprise-wide risk management framework at BOT is categorized into three levels, as follows:

1. Organization Risks: Risks of failure to achieve BOT's strategic objectives are identified by the Top Management Committee. These risks are taken into consideration annually in the formulation process of BOT's strategies.

2. Strategic Risks: Evaluation of risks that result from the group level's failure to carry out BOT's strategic plans. The head of each group has the responsibility of annually determining these risks and setting countermeasures.

3. Procedure Risks: Procedure risks are risks that result from the departments' incapability to achieve the main objectives of each procedure. The executives and officials of each department identify the risks and formulate mitigation plans through CSA (Control Self Assessment) process under the COSO framework. Follow-up reports on control implementation are submitted to the State Audit Commission every year.

The BOT also has put in place contingency plans for disaster for its critical systems, which are tested annually to ensure the staff's capability in handling emergencies and to ensure that the plans are effective and efficient in real situations. The risk management framework is being supervised by the BOT's Top Management Committee, the Audit Committee, and the Court of Directors, respectively.

16. Financial Restatements

Financial statements for the year ended December 31, 2004 have been restated in line with the presentation of financial statements for the year 2005 without causing an effect on net income presented herein.

MANAGEMENT AND PERSONNEL

Organizational Structure and Working System

Due to rapid growth in global emerging market economies, the Bank of Thailand has constructively changed its organizational structure throughout the year with the intention to promote economic and financial stability. The details of the organizational realignment are as follows:

1. Monetary Stability

(1) Realigning the structure of Monetary Policy Group by expanding the work scope of some business units to closely monitor regional and global economic conditions. Changes were also made to business units that are responsible for following up and analysing the domestic economy. These changes would help the Bank of Thailand in formulating and implementing the economic policies that are appropriate with the dynamic regional and world economic situations.

(2) Increasing the efficient use of the Economic Research Department (formerly “Department of Central Bank Studies”) by enlarging the scale of research to bank-wide. Then the department was separated from Monetary Policy Group for its independence in management function and authority.

(3) Establishing 2 new teams in the Financial Markets and Reserve Management Department: one to study, analyse and implement investment policies which help the Bank of Thailand conduct monetary and foreign exchange policies more efficiently and manage Thailand’s reserves in active style; and another one to monitor the domestic and international money market situations. This will finally increase investment channels and enhance the domestic and external stability.

(4) Separating Treasury Services Department from Financial Markets Operation Group and integrating with the Financial Risk

Management Division which was formerly under Risk Management Department. Consequently the name of the department was changed to Financial Risk Management and Operations Department. This department will be an independent check-and-balance unit to observe the operations of Financial Markets and Reserve Management Department.

2. Financial Institutions Stability

Establishing a new team in Financial Institutions Policy Group with the responsibility of studying, monitoring, and analysing international standards of financial institutions supervisory in corporation with other international supervisory organizations to ensure that the operations of the financial institutions in Thailand meet internationally accepted standards. This will finally strengthen the financial institutions system.

3. Payment System

Reorganizing the structure of Payment System Department by setting up a team with assigned responsibility in supervising the payment system and the electronic payment service system to comply with the Electronic Transactions Act BE 2544 (2001).

4. Banknotes Issuance

The Bank of Thailand is in the process of merging Note Printing Works with Bank Note Management Department. Consequently, the whole process of banknote’s life cycle would be integrated from production to destruction. This change would strengthen the efficiency of banknote management and remove the redundancy in supporting works.

5. Other Supporting Works

(1) Transferring Operational Risk Management Division to Strategic Services

Department with the aim to promote Control Self Assessment in every business unit.

(2) Setting up one more team in Security Department to deal with counterfeit notes.

6. Work Process Improvement

The Bank of Thailand also recognizes the quality of work life of its staff and conducts the policy of work life balance. Therefore, many efficient approaches to improve work process have been implemented; for instance, removing non-value added tasks, applying flexi working hours, etc.

Workforce Status and Distribution

As of December 31, 2005, the BOT had in total 4,288 employees, a decrease of 151 employees or 3 percent of the entire workforce compared to the same period of last year.

Of the 151 employees, 96 resigned of their own volition under the Bank's mutual separation plan, 31 reached their retirement age, 18 resigned, 1 early retired, and 6 passed away.

Of the existing workforce, there are 2,005 male and 2,283 female employees, or the ratio of 47:53. Regarding levels of education, 3,449 employees or 80% hold bachelor's degrees or higher. Of this, 2,211 or 52% had a bachelor's degree, 1,186 or 28% a master's and 52 or 1% a doctorate degree.

Human Resources Management

The BOT's Human Resources Management has set the following goals: to support BOT to become a quality organization with good public image, corporate governance and management system; to improve the efficiency of the work flows through application of modern technology; to maintain service minded staff with high caliber and work ethics; and to provide comprehensive, easy-to-use corporate database which will contribute to making the organization lean by the year 2007. In line with these objectives, the BOT has implemented the following programmes

over the past year as follows:

1. Good governance and management system The BOT has continued several initiatives implemented in 2004 which aimed at enhancing the day-to-day management and resource utilization, i.e., to increase the efficiency of the work flow and cut down on certain unnecessary workload, to save on energy and minimize any superfluous expenditure. In 2005, the BOT emphasized the development of staff's work ethics in accordance with the principle of good governance with the goal that each and every employee will have a service mind, value the public interests over their own, maximize the use of organizational resources, and comply with the bank's rules and regulations. The BOT has monitored and evaluated the performance of all employees on a regular basis.

2. Improvement of the work flow through the use of modern technology The BOT has developed support programs of the Enterprise Resources Portal (ERP) which should enhance human resources management as well as enable all levels of management to have comprehensive and easy-to-use corporate database. Some of the support programs developed include Employee Self Service (ESS); Performance Evaluation System; Debt & Credit Information System; and Time Attendance System.

3. Human Resources Development The BOT has assigned all levels of management to be active in supporting the development of their staff in accordance with the Competency Based Approach. Each employee will undergo relevant evaluation procedure and human resources development process which should empower them to better perform their current duties and/ or be prepared for their future work responsibility. The BOT has been supporting its staff to constantly develop themselves through application of information technology and self-initiated e-Learning programs. The BOT has explored and developed various modern human resource schemes, and

in 2005, hosted The Central Bank's HR Directors Meeting 2005 which served as a forum for senior-level management from ten countries in Asia and the Pacific to exchange their knowledge and experiences in the human resource field.

4. Long-term manpower planning To meet the rapidly changing environment, the BOT has set up several long-term manpower plans including analyses of existing works, capability of the current employees, future organizational needs, in-house personnel development and recruitment of outside talents. The results of these analyses show that the BOT is still in need of personnel in particular fields and age groups. In 2005, the BOT thus introduced The BOT Talent's

Opportunity Program, with the goal of screening newly graduated staff to ensure that it will have enough competent people to work for the organization in the future.

5. Programs to enhance employee's health. The BOT is aware of the quality of life of its staff, and has thus organized various activities to enhance their physical and mental health and personal life management. Some of the programs include provision of information on healthcare, exhibitions and lectures on how to keep good mental health, online counseling service, and training on personal finance management. Employees' health, physical and mental, is considered a key factor in enabling them to work and meet the goals of the organization.

Court of Directors
As of 31 December 2005

Chairman	M.R. Pridiyathorn Devakula
Vice Chairman	Mrs. Tarisa Watanagase
	Mr. Bandid Nijathaworn
	Mrs. Swangchit Chaiyawat
Director	Mr. Borwornsak Uwanno
	Mr. Prasit Kovilaikool
	Mr. Karun Kittisataporn
	Mr. Naris Chaiyasoot
	Mr. Ampon Kittiampon
	Mr. Somchai Kusansombat
	Mr. Nontaphon Nimsomboon

Executives of The Bank of Thailand

As of 31 December 2005

Governor	M.R. Pridiyathorn Devakula
Deputy Governor, Financial Institutions Stability	Mrs. Tarisa Watanagase
Deputy Governor, Monetary Stability	Mr. Bandid Nijathaworn
Deputy Governor, Corporate Support Services	Mrs. Swangchit Chaiyawat
Assistant Governor, Supervision Group	Mr. Samart Buranawanachoke
Assistant Governor, Strategic Capabilities Group	Mrs. Nopamart Manoleehagul
Assistant Governor, Financial Institutions Policy Group	Mr. Krirk Vanikkul
Assistant Governor, Management Assistance Group	Mrs. Thanya Suraswadi
Assistant Governor, FIDF Management and Debt Restructuring Group	(Vacant).....
Assistant Governor, Monetary Policy Group	Mrs. Atchana Waiquamdee
Assistant Governor, Information Technology Group	Mr. Chim Tantiyaswasdikul
Assistant Governor, Financial Markets Operations Group	Ms. Nitaya Pibulratanagit
Assistant Governor, Operations Group	Sub.Lt. Yodchai Choosri
Deputy Governor, Monetary Stability	Mr. Bandid Nijathaworn
Assistant Governor, Monetary Policy Group	Mrs. Atchana Waiquamdee
Senior Director, Domestic Economy Department	Mrs. Suchada Kirakul
Director, International Economics Department	Mrs. Chantavarn Sucharitakul
Director, Monetary Policy Department	Mrs. Amara Sriphayak
Director, Office of Macroeconomic Policy and Analysis	Mr. Mathee Supapongse
Assistant Governor, Financial Markets Operations Group	Ms. Nitaya Pibulratanagit
*(A) Senior Director, Financial Markets and Reserve Management Department	Mrs. Pongpen Ruengvirayudh
Director, Financial Markets Office	Mrs. Supawadee Punsri
Director, Reserve Management Office	Ms. Wongwatoe Potirat
Director, Exchange Control and Credits Department	Mr. Suchart Sakkankosone
Overseas Representative Offices	
Chief, New York Representative Office	Ms. Vachira Arromdee
Chief, London Representative Office	Mr. Singhachai Boonyayothin
Director, Financial Risk Management and Operations	Ms. Nopawan Mahamusik
Director, Economic Research Department	Mr. Pichit Patrawimolpon

*(A) Acting Senior Director

Deputy Governor, Financial Institutions Stability**Mrs. Tarisa Watanagase****Assistant Governor, Financial Institutions Policy Group****Mr. Krirk Vanikkul**

Senior Director, Financial Institutions Strategy Department

Mr. Paiboon Kittisrikangwan

Director, Financial Analysis and International Strategy Office

Ms. Nawaporn Maharagkaga

Senior Director, Prudential Policy Department

Mrs. Tong-u-rai Limpiti

Director, Risk Management Policy Office

Mrs. Niramom Asavamanee

Assistant Governor, Supervision Group**Mr. Samart Buranawanachoke**Senior Director, Financial Institutions Monitoring
and Analysis Department

Mr. Sorasit Soontornkes

Senior Director, Onsite Examination Department 1

Mrs. Salinee Wangtal

Senior Director, Onsite Examination Department 2

Ms. Pimpa Thawarayut

Senior Director, Risk Management and Information
System Examination Department

Mr. Preecha Poramapojn

Director, Financial Institution Applications and
Special Examination Department

Ms. Saly Nantayapongrunsi

Director, Planning and Development Department

Mr. Ronadol Numnonda

Deputy Governor, Corporate Support Services**Mrs. Swangchit Chaiyawat****Assistant Governor, Operations Group****Sub.Lt.Yodchai Choosri**

Director, Deposits and Debt Instruments Department

Mrs. Soisukon Niyomvanich

Senior Director, General Administration Department

Mrs. Suwannee Jenpanichkarn

Director, Building Construction and Maintenance Office

Mr. Montree Weerawong

Director, Accounting Department

Ms. Charinya Kaewmanee

Director, Security Department

Mr. Niruth Raksaseree

Senior Director, Northern Region Office

Mr. Oubaur Kruthanooh

Director, Operations Department

Mr. Prapas Sothornnopabutr

Senior Director, Southern Region Office

Mr. Phong-Adul Kristnaraj

Director, Operations Department

Mr. Somkid Lamart

Senior Director, Northeastern Region Office

Mr. Tanin Mukdaprakorn

Director, Operations Department

Mr. Adisak Chanpawat

Director, Library and Archives

Mr. Wichai Hirunwong

Assistant Governor, Information Technology Group**Mr. Chim Tantiyaswasdikul**

Senior Director, Payment Systems Department

Mr. Sayan Pariwat

Director, Payment Systems Policy and Oversight Office

Mr. Ronasak Ruengvirayudh

Director, Payment Operations Office

Mrs. Wantana Hengsakul

Senior Director, Data Management Department

Ms. Prangtip Busayasiri

Director, Statistics Office	Mrs. Pusadee Ganjarende
Director, Strategic Planning and System Support Office	Ms. Chalalai Jiwasukapimat
Senior Director, Information Technology Department	Ms. Sibporn Thavornchan
Director, Business Integration Office	Mrs. Bhusadi Muhpayak
Director, Business Solution Delivery Office 1	Mrs. Tipavan Nookhwun
Director, Business Solution Delivery Office 2	Mr. Permsuk Sutthinoon
Director, Technical Management and Operation Office	Mrs. Jintana Tinburanakul
Senior Director, Banknote Management Department	Ms. Duengdao Sombutsiri
Director, Banknote Operation-Bangkok Office	Mr. Paisarn Piyabunditgul
Director, Banknote Operation-Regional Office	Mrs. Jongruk Leerasetthakorn
Director, Banknote Planning and Controlling Office	Mr. Tumrongkiat Nakaprawing
Director, Product Development and Technical Support Office	Mr. Priyavat Chainuvat
Managing Director, Note Printing Works	Mr. Nopporn Pramojaney
Director, Second Note Printing Works Project	Mr. Somchai Sringkarrinkul
Director, Production Office	Mr. Anuchart Chotimongkol
Director, Administration Office	Mrs. Juntana Chanpawat
Assistant Governor, FIDF Management and Debt Restructuring Group	(Vacant).....
Senior Director, Fund Operation Department	Mr. Vichand Amorojanavong
Director, Business and Financial Operation Office	Mrs. Povongtip Poramapojn
Director, Legal and Asset Collection Office	Mr. Satorn Topothai
Senior Director, Project and Assets Management Department	Mr. Phairoj Hengsakul
Director, Project Management Office	Mrs. Ruchukorn Sangsubhan
Director, Corporate Debt Restructuring Advisory Department	Mr. Tumnong Dasri
Assistant Governor, Management Assistance Group	Mrs. Thanya Suraswadi
Senior Director, Management Assistance Department	Mrs. Chittima Duriyaprapan
Director, Office of the Governor	Mrs. Nual-anong Angsurat
Director, Communications and Relations Office	Mr. Yongyudh Amatayakul
Senior Director, Legal Department	Mr. Sermsingh Sinhaseni
Director, Legal Department	Mr. Chanchai Boonritchaisri
Specialised Chief Legal Officer	Mr. Pruettipons Srimachand
Senior Director, Litigation Department	Mr. Arkabus Kraitriksh
Director, Legal Proceedings Office	Mr. Weerachat Sribunma
Director, Bank of Thailand Museum	Mr. Praneet Chotikirativech

Assistant Governor, Strategic Capabilities Group

Senior Director, Human Resources Department
Director, Human Resources Development Office
Director, Human Resources Management Office
Director, Human Resources Shared Services Office
Director, Strategic Services Department
Director, Organization Development Department

Mrs. Nopamart Manoleehagul

Ms. Duangmanee Vongpradhip
Ms. Wanna Piyasirinond
Mr. Somchai Setakornnukul
Mrs. Sarida Sangchant
Mrs. Soontara Pussayanavin
Mrs. Piengta Dattanonda

Senior Director, Internal Audit Department

Director, Office of Internal Audit and
Development Work Audit

Director, Office of IT Audit

Advisor to the Governor

Mr. Krish Follett

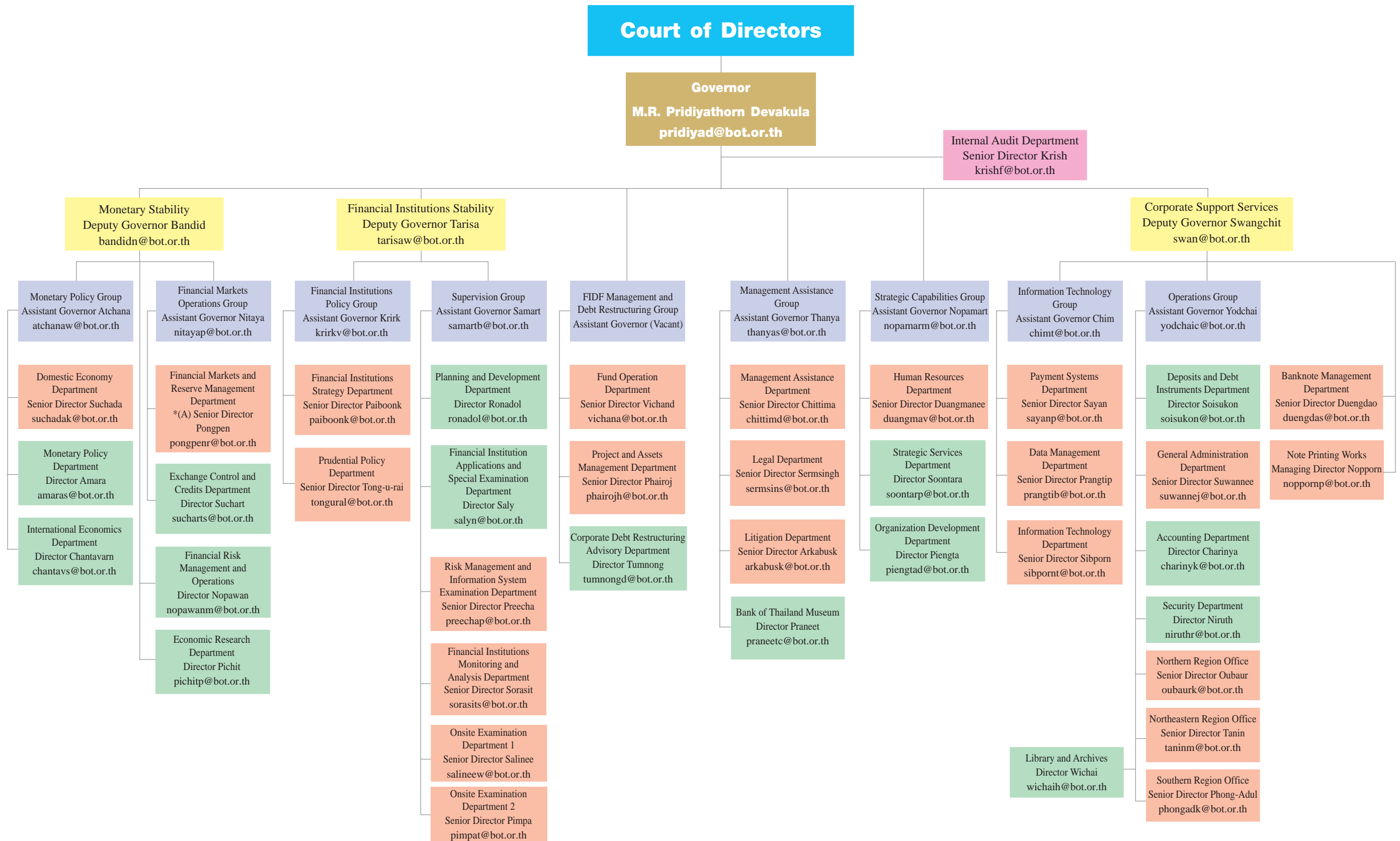
Ms. Panida Oonyawong

Mr. Sukhum Tantrachin

Mr. Senesiri Siriwattanakul

**BANK OF THAILAND'S
ORGANIZATION CHART**

Bank of Thailand's Organization Chart as of 31 December 2005



*(A) Acting Senior Director