

Thanachart Bank Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2011

Report of Independent Auditor

To the Shareholders of Thanachart Bank Public Company Limited

I have audited the accompanying consolidated statement of financial position of Thanachart Bank Public Company Limited and its subsidiaries as at 31 December 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and have also audited the separate financial statements of Thanachart Bank Public Company Limited for the same period. These financial statements are the responsibility of the management of the Bank and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Bank Public Company Limited and its subsidiaries and of Thanachart Bank Public Company Limited as at 31 December 2011, and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 4 to the financial statements. During the current year, the Bank and its subsidiaries adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of the financial statements.

The consolidated financial statements of Thanachart Bank Public Company Limited and its subsidiaries and the separate financial statements of Thanachart Bank Public Company Limited as at 31 December 2010 and for the year then ended were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 24 February 2011. However, the Bank has restated the consolidated financial statements regarding the allocation cost of business combination from the purchase of investment in a subsidiary company within the period for measurement allowed by the related accounting standard as described in Note 2.3 to the financial statements. I have audited the adjustment and believed that it is correctly and appropriately recorded.

Phuphun Charoensuk
Certified Public Accountant (Thailand) No. 4950

Ernst & Young Office Limited
Bangkok: 23 February 2012

Thanachart Bank Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
			(Restated)		
Assets					
Cash		16,005,678	15,298,105	16,004,051	3,733,489
Interbank and money market items - net	8	63,201,206	85,060,091	62,963,184	28,427,950
Derivatives assets	9	1,536,490	3,117,370	1,532,331	927,751
Investments - net	10	148,344,800	140,021,676	114,540,693	49,758,732
Investments in subsidiary and associated companies - net	11	1,423,339	2,177,314	40,841,867	73,121,367
Loans to customers and accrued interest receivables	12				
Loans to customers		675,021,253	639,320,239	654,451,435	358,727,116
Accrued interest receivables		962,799	923,792	924,925	272,080
Total loans to customers and accrued interest receivables		675,984,052	640,244,031	655,376,360	358,999,196
Less: Deferred revenue		(39,801,128)	(32,469,290)	(37,738,871)	(32,178,121)
Allowance for doubtful accounts	13	(25,897,903)	(25,789,301)	(12,485,712)	(7,431,429)
Revaluation allowance for debt restructuring	14	(381,719)	(459,963)	(381,719)	(37,741)
Net loans to customers and accrued interest receivables		609,903,302	581,525,477	604,770,058	319,351,905
Customers' liability under acceptances		90,531	72,156	90,531	-
Property foreclosed - net	16	6,761,904	7,850,667	3,653,106	639,782
Land, premises and equipment - net	17	8,758,841	8,986,185	8,365,341	1,690,163
Intangible assets - net	18	4,709,082	4,804,990	4,650,449	485,475
Goodwill	19	15,749,643	15,749,643	15,739,527	-
Receivables from purchase and sale of securities and derivatives		858,326	2,870,279	64,929	1,732,965
Prepaid corporate income tax		1,019,680	6,730	1,011,958	-
Reinsurance assets		2,573,393	532,773	-	-
Other assets - net	20	5,123,388	5,129,331	3,825,298	2,193,641
Total assets		886,059,603	873,202,787	878,053,323	482,063,220

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
			(Restated)		
Liabilities and equity					
Deposits	21	436,039,579	532,656,130	471,617,573	242,791,035
Interbank and money market items	22	60,150,845	40,544,594	59,282,708	29,705,720
Liability payable on demand		2,130,716	3,126,945	2,130,716	2,326,457
Derivatives liabilities	9	2,885,848	941,073	2,876,790	434,206
Debt issued and borrowings	23	254,296,521	174,948,957	257,503,221	132,092,201
Banks' liability under acceptances		90,531	72,156	90,531	-
Provisions	24	2,823,534	899,690	2,620,953	113,284
Payable from purchase and sale of securities and derivatives		851,388	4,053,940	267,638	1,733,060
Insurance contract liabilities	25	36,154,060	29,773,671	-	-
Other liabilities	26	15,103,017	13,792,197	10,778,836	6,130,602
Total liabilities		810,526,039	800,809,353	807,168,966	415,326,565
Equity					
Share capital	27				
Registered					
5,934,619,272 ordinary shares of Baht 10 each		59,346,193	59,346,193	59,346,193	59,346,193
Issued and paid-up share capital					
5,513,664,903 ordinary shares of Baht 10 each		55,136,649	55,136,649	55,136,649	55,136,649
Share premium		2,100,694	2,100,694	2,100,694	2,100,694
Other components of equity	28	612,902	1,147,783	211,106	169,512
Retained earnings					
Appropriated - statutory reserve	29	989,326	655,945	989,326	655,945
Unappropriated		16,008,739	13,141,827	12,446,582	8,673,855
Equity attributable to owner of the company		74,848,310	72,182,898	70,884,357	66,736,655
Non-controlling interests of the subsidiaries		685,254	210,536	-	-
Total equity		75,533,564	72,393,434	70,884,357	66,736,655
Total liabilities and equity		886,059,603	873,202,787	878,053,323	482,063,220

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

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Directors
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Thanachart Bank Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
Profit or loss					
Interest income	32	44,213,744	34,781,263	29,547,478	21,397,458
Interest expenses	33	(19,797,303)	(11,565,745)	(14,958,709)	(7,375,390)
Net interest income		24,416,441	23,215,518	14,588,769	14,022,068
Fees and service income		3,857,939	3,368,918	2,904,042	2,030,464
Fees and service expenses		(499,958)	(518,588)	(144,272)	(45,055)
Net fees and service income	34	3,357,981	2,850,330	2,759,770	1,985,409
Gains on trading and foreign exchange transactions	35	890,895	569,670	563,565	144,001
Gains (loss) on investments	36	712,193	313,838	59,843	147,524
Share of profit from investments accounted for under equity method		156,064	206,711	-	-
Insurance/Life insurance income		12,853,319	11,186,879	-	-
Dividend income		707,542	461,284	1,590,458	575,941
Brokerage fee from securities/derivatives		1,167,668	1,407,762	-	-
Income on supporting service		44,708	55,984	1,062,319	278,092
Other operating income		1,430,155	1,239,248	1,135,592	868,822
Total operating income		45,736,966	41,507,224	21,760,316	18,021,857
Insurance expenses		(10,725,745)	(8,834,326)	-	-
Net operating income		35,011,221	32,672,898	21,760,316	18,021,857
Other operating expenses					
Employee's expenses		10,735,944	8,458,418	6,626,964	3,855,982
Directors' remuneration	37	43,223	44,866	26,888	17,891
Premises and equipment expenses		3,474,246	3,148,053	1,833,460	1,531,862
Taxes and duties		898,439	618,432	406,770	181,826
Other expenses		6,725,454	4,553,979	4,776,988	3,142,638
Total other operating expenses		21,877,306	16,823,748	13,671,070	8,730,199
Impairment losses of loans and debt securities	38	2,504,008	2,148,604	1,421,636	1,279,692
Profit before income tax		10,629,907	13,700,546	6,667,610	8,011,966
Income tax	39	(2,948,049)	(4,548,121)	-	(2,293,437)
Profit for the year		7,681,858	9,152,425	6,667,610	5,718,529
Other comprehensive income	40				
Gains (losses) on changes in value of available-for-sale investments					
Share of other comprehensive income (loss) of associates		(355,528)	688,370	41,594	(44,182)
		(180,370)	204,123	-	-
Total other comprehensive income (loss)		(535,898)	892,493	41,594	(44,182)
Total comprehensive income		7,145,960	10,044,918	6,709,204	5,674,347

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht except earnings per share expressed in Baht)

Note	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit attributable to:				
The Bank	7,671,425	8,776,543	6,667,610	5,718,529
Non-controlling interests	10,433	375,882		
	<u>7,681,858</u>	<u>9,152,425</u>		
Total comprehensive income attributable to:				
The Bank	7,136,544	9,664,436	6,709,204	5,674,347
Non-controlling interests	9,416	380,482		
	<u>7,145,960</u>	<u>10,044,918</u>		
Earnings per share of the Bank				
		41		
Basic earnings per share				
Profit attributable to the Bank (Baht per share)	<u>1.39</u>	<u>1.92</u>	<u>1.21</u>	<u>1.25</u>
Number of ordinary shares (shares)	<u>5,513,664,903</u>	<u>4,562,521,270</u>	<u>5,513,664,903</u>	<u>4,562,521,270</u>

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2011 and 2010

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit before income tax	10,629,907	13,700,546	6,667,610	8,011,966
Adjustments to reconcile profit before income tax to net cash received (paid) from operating activities:				
Share of profit from investments accounted for under equity method	(156,064)	(206,711)	-	-
Depreciation and amortisation	1,715,216	1,309,796	768,191	573,110
Impairment losses of loans and debt securities	2,504,008	2,148,604	1,421,636	1,279,692
Increase (decrease) in provisions	(346,472)	102,912	1,195,615	2,569
Amortisation of premiums (discounts) on investment in debt securities	364,504	561,197	(69,123)	94,827
Gain from disposal of investments in subsidiary companies	(65,751)	(24,224)	-	(21,625)
Gain from disposal of investment in an associated company	(22,276)	-	-	-
Increase (decrease) in allowance for impairment of investments	(40,978)	(20,549)	4,463	(18,037)
Increase in allowance for change in value of investments	49,226	6,065	1,825	3,428
Increase (decrease) in allowance for impairment of property foreclosed	443,562	(40,387)	29,079	13,762
Increase (decrease) in allowance for impairment of land, premises and equipment	93,470	60	-	(1,190)
Increase in allowance for impairment of intangible asset	26,843	-	24,816	-
Interest income and other income from the assets transferred for debt repayment	(1,967)	(16,618)	(1,967)	(16,618)
Loss (gain) on disposal of equipment	(7,923)	4,033	(2,632)	4,353
Loss from written-off of other assets	-	5,469	-	-
Gain from written-off of other liabilities	-	(9,315)	-	-
Unrealised (gain) loss on exchange	(1,536,625)	647,046	(1,536,625)	(153,991)
Decrease in allowance for impairment of other assets	(270,482)	(32,059)	(2,011)	(57,982)
Increase in other income receivable	(156,200)	(108,922)	(75,977)	(9,002)
Decrease in fees and rental received in advance	(46,437)	(42,592)	(46,437)	(42,592)
Decrease in deferred income	(4,708)	(5,703)	(4,708)	(5,699)
Increase (decrease) in accrued expenses	1,077,288	(142,045)	1,453,301	132,628
Amortisation of discounts on long-term borrowings	810	6,288	-	767
	14,248,951	17,842,891	9,827,056	9,790,366
Net interest income	(24,781,755)	(23,783,003)	(14,519,646)	(14,117,662)
Dividend income	(707,542)	(461,284)	(1,590,458)	(575,941)
Cash received from interest income	40,114,752	31,108,643	27,553,999	19,673,174
Cash payment for interest expenses	(11,936,018)	(7,944,427)	(8,303,265)	(4,492,833)
Cash paid for corporate income tax	(3,555,117)	(4,331,947)	(1,970,980)	(2,432,349)
Income from operating activities before changes in operating assets and liabilities	13,383,271	12,430,873	10,996,706	7,844,755

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2011 and 2010

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Decrease (increase) in operating assets				
Interbank and money market items	23,183,890	42,647,210	33,785,015	35,579,111
Investments in trading securities	(12,792,593)	3,010,869	(4,780,207)	688,682
Derivatives assets	2,094,487	(680,785)	300,643	869,688
Loans and receivables	(22,441,973)	(50,543,824)	(52,904,541)	(49,502,317)
Property foreclosed	3,963,047	4,493,962	3,403,850	4,064,796
Receivables from purchase and sale of securities and derivatives	2,011,953	(1,602,244)	1,677,045	(1,423,075)
Reinsurance assets	(2,040,620)	(101,158)	-	-
Other assets	(220,462)	1,686,656	2,693,151	(431,483)
Increase (decrease) in operating liabilities				
Deposits	(96,616,551)	(41,943,638)	(27,141,638)	(23,936,288)
Interbank and money market items	9,892,160	(22,028,919)	18,330,999	7,526,302
Liability payable on demand	(996,229)	120,125	(973,984)	214,645
Derivatives liabilities	652,276	245,789	661,248	(24,228)
Payable from purchase and sale of securities and derivatives	(3,202,552)	2,298,262	(1,465,422)	1,423,172
Liabilities under insurance/ life insurance	6,380,389	4,217,902	-	-
Other liabilities	(1,963,750)	745,696	(2,982,791)	456,684
Net cash flows used in operating activities	(78,713,257)	(45,003,224)	(18,399,926)	(16,649,556)
Cash flows from investing activities				
Cash payment for the entire business transfer	-	-	(39,253,886)	-
Decrease (increase) in investments in securities held for investment	4,964,042	19,603,730	(10,547,385)	9,631,746
Cash paid for acquire investment in subsidiaries	(16,446)	(59,291,064)	(2,681,425)	(68,835,299)
Cash received from disposal of investments in subsidiary companies	366,304	212,756	-	212,766
Cash received from disposal of investment in an associated company	113,750	-	-	-
Capital returned from a subsidiary	-	-	16,922,510	4,671
Cash received from interest on investments	4,533,638	4,301,842	1,984,309	1,803,609
Cash received from dividend	824,488	602,433	1,590,487	576,466
Cash paid for purchase of equipment	(852,070)	(579,042)	674,382	(262,296)
Cash received from disposal of equipment	39,767	17,713	4,106	7,940
Cash paid for dividend to non-controlling interests	(42,588)	(33,516)	-	-
Net cash flows from (used in) investing activities	9,930,885	(35,165,148)	(31,306,902)	(56,860,397)

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash flows from financing activities				
Cash received from issued additional share capital	-	35,790,456	-	35,790,456
Cash received from borrowings	1,181,760,489	525,897,163	990,764,061	460,836,327
Cash paid for borrowings	(1,103,304,035)	(465,956,560)	(920,720,557)	(419,681,093)
Cash paid for interest from borrowings	(6,758,720)	(2,901,428)	(5,860,648)	(2,338,590)
Cash paid for dividend	(2,205,466)	(1,083,387)	(2,205,466)	(1,083,387)
Cash paid to non-controlling interests for capital refund	(2,323)	-	-	-
Net cash flows from financing activities	69,489,945	91,746,244	61,977,390	73,523,713
Net increase in cash	707,573	11,577,872	12,270,562	13,760
Cash at beginning of the year	15,298,105	3,720,233	3,733,489	3,719,729
Cash at end of the year	16,005,678	15,298,105	16,004,051	3,733,489

Supplemental cash flows information

Non-cash transactions

Transfer of properties foreclosed from receivables for

debt settlement 3,307,890 3,941,135 3,137,524 3,812,704

Accounts payable for purchase of fixed assets 159,024 139,067 112,184 33,884

Bad debt written-off 1,479,108 1,181,569 618,108 593,531

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Consolidated financial statements									
	Other components of equity									
	Issued and fully paid-up share capital	Share premium	Surplus from business combination under common control		Surplus on changes in value of investments	Share of other comprehensive income (loss) of associates	Retained earnings		Non-controlling interests	Total
			Appropriated - statutory reserve	Unappropriated						
Balance as at 1 January 2010	19,346,193	2,100,694	(123,379)	264,125	119,144	370,019	5,734,597	60,691	27,872,084	
Increase in share capital (Note 27)	35,790,456	-	-	-	-	-	-	-	35,790,456	
Dividend paid (Note 31)	-	-	-	-	-	-	(1,083,387)	-	(1,083,387)	
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	(230,637)	(230,637)	
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	-	285,926	(285,926)	-	-	
Total comprehensive income for the year	-	-	-	683,770	204,123	-	8,776,543	380,482	10,044,918	
Balance as at 31 December 2010	55,136,649	2,100,694	(123,379)	947,895	323,267	655,945	13,141,827	210,536	72,393,434	
Balance as at 1 January 2011 - as previously reported	55,136,649	2,100,694	(123,379)	947,895	323,267	655,945	13,141,827	208,955	72,391,853	
The allocation of cost of business combination adjustment (Note 2.3)	-	-	-	-	-	-	-	1,581	1,581	
Balance as at 1 January 2011 - as restated	55,136,649	2,100,694	(123,379)	947,895	323,267	655,945	13,141,827	210,536	72,393,434	
Cumulative effect of change in accounting policy for employee benefits (Note 4)	-	-	-	-	-	-	(2,265,666)	(6,472)	(2,272,138)	
Dividend paid (Note 31)	-	-	-	-	-	-	(2,205,466)	-	(2,205,466)	
Increase in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	471,774	471,774	
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	-	333,381	(333,381)	-	-	
Total comprehensive income for the year	-	-	-	(354,511)	(180,370)	-	7,671,425	9,416	7,145,960	
Balance as at 31 December 2011	55,136,649	2,100,694	(123,379)	593,384	142,897	989,326	16,008,739	685,254	75,533,564	

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in equity (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements					Total
	Issued and fully paid-up share capital	Share premium	Other components of equity		Unappropriated	
			Surplus on changes in value of			
			investments	Retained earnings Appropriated - statutory reserve		
Balance as at 1 January 2010	19,346,193	2,100,694	213,694	370,019	4,324,639	26,355,239
Increase in share capital (Note 27)	35,790,456	-	-	-	-	35,790,456
Dividend paid (Note 31)	-	-	-	-	(1,083,387)	(1,083,387)
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	285,926	(285,926)	-
Total comprehensive income for the year	-	-	(44,182)	-	5,718,529	5,674,347
Balance as at 31 December 2010	55,136,649	2,100,694	169,512	655,945	8,673,855	66,736,655
Balance as at 1 January 2011	55,136,649	2,100,694	169,512	655,945	8,673,855	66,736,655
Cumulative effect of change in accounting policy for employee benefits (Note 4)	-	-	-	-	(356,036)	(356,036)
Dividend paid (Note 31)	-	-	-	-	(2,205,466)	(2,205,466)
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	333,381	(333,381)	-
Total comprehensive income for the year	-	-	41,594	-	6,667,610	6,709,204
Balance as at 31 December 2011	55,136,649	2,100,694	211,106	989,326	12,446,582	70,884,357

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

Thanachart Bank Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2011 and 2010

1. General information

Thanachart Bank Public Company Limited (“Thanachart Bank” or “the Bank”) was incorporated as a public limited company under Thai laws and its parent company is Thanachart Capital Public Company Limited (herein after referred to as “the Parent company”), a public limited company also existing under Thai laws. The Parent company holds 50.96 percent of the Bank issued shares and Scotia Netherlands Holding BV, a company registered in Netherland, holds 49.00 percent of the Bank issued shares. The Bank’s registered address is 900, Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok. The Bank has 676 operational branches (2010: 256 operational branches).

All subsidiaries are registered limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries businesses include commercial bank, non-performing assets management business, securities business, leasing and hire purchase business, non-life insurance business, life insurance business, fund management business and others.

2. Thanachart Bank’s project to purchase Siam City Bank Plc.’s ordinary shares with the purpose of transferring Siam City Bank’s entire business to the Bank

2.1 The purchase of the ordinary shares of Siam City Bank Plc. from the Financial Institutions Development Fund

On 11 March 2010, Thanachart Bank entered into a share purchase agreement with the Financial Institutions Development Fund (“FIDF”) to purchase 1,005,330,950 shares of Siam City Bank Plc. (“SCIB”), or 47.58 percent of the total issued and paid-up share capital, at a price of Baht 32.50 per share, or for total of Baht 32,673 million. On 9 April 2010, Thanachart Bank paid FIDF for SCIB’s shares, with the approval of the 2010 Annual General Meeting of the Bank’s shareholders, and the Bank of Thailand (“BOT”). The BOT also approved the Bank to hold the shares of SCIB in accordance with certain specified conditions, i.e. SCIB is to continue operating as commercial bank but has to return its banking license within 31 December 2011, the requirements on capital funds calculation, the structure of the financial business group, and holdings in companies in the financial business group.

The Share Purchase Agreement between Thanachart Bank as “the Purchaser” and the FIDF as “the Seller”, dated 11 March 2010, states that the obligations, guarantees, liabilities or indemnities of the Seller to SCIB under any arrangements, agreements or documents in connection with the merger between SCIB and Bangkok Metropolitan Bank Public Company Limited (“BMB”) (the “Seller’s Obligations”) including funds deposited in accounts opened and maintained with SCIB to compensate for any losses or damages suffered or incurred by SCIB arising out of or in connection with the merger between SCIB and BMB will continue in full force and effect after completion of the sale and purchase of SCIB’s shares. Rights and obligations of SCIB related to the Seller’s Obligation, including funds deposited in the accounts opened and maintained with SCIB, will be transferred to and/or assumed by Thanachart Bank, with effect from the completion date of the entire business transfer from SCIB to Thanachart Bank. In addition, in case of the liquidation of the Seller, the Seller’s Obligations will be transferred and/or assumed by another government agency.

2.2 Additional tender offer for common shares of SCIB in 2010

During June 2010, Thanachart Bank made an additional tender offer to the minority shareholders of SCIB, at the same price as it paid to purchase shares of SCIB at auction from FIDF. Other shareholders sold 1,091,439,949 shares, or for a total of Baht 35,472 million, or 51.66 percent of the issued and paid-up shares of SCIB as a result of the tender offer, and combined with its existing holding, Thanachart Bank shareholding in SCIB reached 99.24 percent.

During November 2010, Thanachart Bank acquired 14,907,658 additional shares of SCIB for a total of Baht 484 million, increasing its shareholding to 99.95 percent of the issued and paid-up shares of SCIB. The Stock Exchange of Thailand announced the voluntary delisting of SCIB’s shares on 13 December 2010.

2.3 Allocating the cost of business combination

Thanachart Bank acquired 47.58 percent of SCIB's shares in April 2010 and on the same day, management of Thanachart Bank were assigned as directors of SCIB in a number that gave Thanachart Bank voting control over SCIB. Because Thanachart Bank had control over SCIB through shareholding and management, it has treated SCIB's shares as investment in a subsidiary company since then. As a result of purchasing of additional shares to increase its shareholding in SCIB to 99.24 percent in June 2010 and 99.95 percent in November 2010, the total cost of investment in SCIB was Baht 68,801 million in the consolidated financial statements (including expenses in business combination and after deducting intercompany transactions). On 9 April 2010, Thanachart Bank's management preliminarily estimated the fair value of each asset and liability of SCIB for the purpose of allocating the cost of business combination and recognised the difference between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to its shareholding as goodwill from business combination in the consolidated financial statements.

However, after the purchase, Thanachart Bank adjusted the estimated fair value of the assets and liabilities because of additional information that was received. This is in line with the related financial reporting standard that allows the purchaser to adjust the fair value for up to one year from the purchase date. The revised fair values of assets and liabilities are as follows:

1. Assets and liabilities in SCIB and its subsidiaries' accounts were valued and noted that the fair value of assets and liabilities as at investment payment date were totaled of Baht 48,635 million, which was Baht 4,264 million higher than book value.
2. Intangible assets are assets that will generate future economic benefits. Thanachart Bank estimated the fair value of the intangible assets of SCIB at Baht 4,100 million, comprised of (a) Core Deposit Intangibles which are evaluated using the incremental cash-flows from low cost deposit, and considering the cost saving from current and saving deposits; and (b) Customer Relationships which are valued on the base of future revenues that will be earned from SCIB's existing customers.

3. For liabilities specify at acquisition date and contingent liabilities, Thanachart Bank estimated these and concluded that no additional contingent liabilities need to be recognised.

Differences between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to the shareholding, amounting to Baht 15,740 million, are recognised as goodwill from business combination in the consolidated financial statements. The Bank has retrospectively adjusted the comparative financial information in the previous year's financial statements as if the accounting records for business combination had completed since the acquisition date.

The fair value of the assets and liabilities of SCIB and its subsidiaries and the carrying value of each significant account as at the date Thanachart Bank assumed control over SCIB are as follow:

(Unit: Million Baht)

	Book value	Fair value	
		Previous balance	Revised
Intangible assets	293	4,393	4,393
Other assets	435,702	437,016	439,966
Total liabilities	391,495	391,495	391,495
Non-controlling interests of the subsidiaries	129	129	129
Net assets value	44,371	49,785	52,735
Cost of business combination		68,801	68,801
Goodwill		18,688	15,740

In allocating the purchase price, Thanachart Bank did not recognise deferred tax liabilities of Baht 2,466 million arising from the adjustment of assets to fair value (If the Bank recognised deferred tax liabilities on the date of business combination, the balance of such liabilities as at 31 December 2011 would be decreased to Baht 1,644 million, calculated using the tax rates enacted at the year-end date), and did not recognise the employee benefits of SCIB and its subsidiaries payable under labour law, amounting to Baht 1,804 million, since the two relevant accounting standards are not yet effective for the year of business combination.

Since the fair value adjustment of assets and liabilities mentioned above and the recalculation of goodwill, Thanachart Bank has retrospectively adjusted the comparative financial information in the previous year's financial statements as if the Bank has completely accounted for the business combination on the acquisition date, resulted in the following revisions to the consolidated comparative financial statements as of 31 December 2010:

	(Unit: Million Baht)	
	31 December 2010	31 December 2010
	Before adjustment	After adjustment
Net investment	137,959	140,022
Properties foreclosed	6,964	7,850
Intangible assets	4,805	4,805
Goodwill	18,698	15,750
Non - controlling interests of the subsidiaries	209	210

2.4 Key operation after the tender offer for SCIB's shares in 2011

On 10 March 2011, BOT approved Thanachart Bank's proposed plan for an entire business transfer of SCIB's business to the Bank. The significant conditions of such approval are that SCIB must complete the entire business transfer and return the banking licenses and banking authorisations to the Ministry of Finance within 31 December 2011, and promptly proceed with the liquidation process, and that obligations between the Bank and FIDF are to comply with the Share Purchase Agreement dated 11 March 2010.

On 7 April 2011, the 2011 Annual General Meeting of the Shareholders of SCIB and Thanachart Bank passed resolutions approving the transfer of SCIB's entire business to Thanachart Bank, and the BOT has already approved this transaction. The Meetings also delegated the related authorities to SCIB's Board of Directors and Thanachart Bank's Board of Directors for further arrangement. On 30 June 2011, a meeting of the Bank's Board of Directors passed a resolution to perform the entire business transfer from SCIB to the Bank on 1 October 2011 (EBT date).

On 30 September 2011, Thanachart Bank entered into the Entire Business Transfer Agreement, legally effective on 1 October 2011, to transfer SCIB's business to Thanachart Bank. The transferred business consisted of the assets, liabilities and commitment of SCIB as of 1 October 2011 and/or contingent liabilities that may arise in the future, with the parties agreeing a transfer price of Baht 50,134 million. The transfer price was set in accordance with the guidelines for setting transfer prices of financial assets among companies in the Thanachart group, and an independent financial advisor opined that it was fair value. SCIB recognised gain on the entire business transfer of Baht 5,299 million which has been eliminated in the consolidated financial statements.

Significant guidelines of the transfer price of assets and liabilities are as follows:

- Loans: The transfer values were based on the outstanding loan balances net of related allowance for doubtful accounts.
- Investments: The fair values of marketable securities were based on the latest bid price, the fair value of debt securities were determined using the yield rate quoted by the Thai Bond Market Association, and the fair values of other investments were determined from expected future cash flows, expected dividend to be received or net book value.
- Property foreclosed: The fair values were based on the values appraised by independent appraisers in accordance with BOT guidelines, after deduction of a discount determined on the basis of past selling experience.
- Deposit/debt issued and borrowings: Almost of deposits and short-term borrowings have floating interest rate and therefore the fair value is deemed to be closed to the book value. Long-term deposits and borrowings have interest yields that approximate market interest rate, and therefore fair value is deemed to be closed to the book value.
- Other assets/liabilities: The fair value approximates the book value.
- Off-balance items and commitments under various exchange contracts are transferred at book value.

Significant assets and liabilities at the transfer date are as follow:

	(Unit: Million Baht)
Interbank and money market items - net	67,649
Net investment	47,852
Loans to customer and accrued interest receivables - net	236,689
Property foreclosed	3,303
Land, premises and equipment	7,830
Other assets	17,754
Deposits	255,968
Debt issued and borrowings	58,366
Other liabilities	16,609
Entire business transfer price - net	<u>50,134</u>

Effective 1 October 2011, SCIB discontinued its operations. On 1 November 2011, the Board of Directors of SCIB passed a resolution to pay an interim dividend at Baht 7.50 per shares to its shareholders, totaling Baht 15,846 million. In November 2011, Thanachart Bank purchased additional shares of SCIB from the minority shareholders, to give those minority shareholders a chance to sell their shares before SCIB's dissolution. Minority shareholders sold a total of 696,865 shares, at Baht 16 million, Thanachart Bank therefore holds 2,112,375,422 shares, or 99.98% of the total shares in issue.

On 6 December 2011, the Extraordinary Meeting of SCIB's shareholders approved the change of Siam City Bank's name to "SCIB Plc.". On 8 December 2011, SCIB returned its banking license and banking authorisations to the Ministry of Finance, and registered the change in its company's name as "SCIB Plc.". SCIB registered the company's dissolution on 9 December 2011.

2.5 Transfer business of subsidiaries in the group

Siam City Securities Co., Ltd.

On 28 October 2010, the Boards of Directors of Thanachart Bank and SCIB passed resolutions to approve a plan for a business combination between Thanachart Securities Plc. ("Thanachart Securities") and Siam City Securities Co., Ltd. ("SCIB Securities"), which is a subsidiary in the Group, by means of a partial business transfer of the assets of SCIB Securities to Thanachart Securities. The price of the transfer was to be not less than the book value, with reference to the latest adjusted book value before the transaction date. In November 2010, an extraordinary meeting of SCIB Securities' shareholders approved the partial business transfer. On 30 December 2010, SCIB Securities entered into agreements to transfer assets relating to the securities business and obligations relating to the investment banking business, amounting to Baht 11 million, effective from 31 December 2010, while transfers of claims under agreements appointing an agent and/or broker for securities trading, including securities business receivables and payables with a net balance of Baht 206 million, and cash collateral for settlements amounting to Baht 216 million, were effective on 1 January 2011. SCIB Securities also transferred certain employees to Thanachart Securities on the same day.

SCIB Securities temporary discontinue of its operations since 1 January 2011. The Annual General Meeting of the shareholders of SCIB Securities, held on 27 April 2011, approved the reduction of the registered and paid-up share capital of SCIB Securities from Baht 2,000 million to Baht 900 million. SCIB Securities registered the shares reduction on 7 June 2011.

In August 2011, SCIB disposed investment in common shares of SCIB Securities at a price of Baht 168 million and recognised gains on the disposal of Baht 40 million in the consolidated financial statements of Thanachart Bank. This disposal was in accord with the approval by the Board of Directors of SCIB on 23 June 2011.

Siam City Asset Management Co., Ltd.

On 27 January 2011, the Board of Directors of SCIB passed a resolution to approve an offer to purchase and/or to sell shares of Siam City Asset Management Co., Ltd. to Government Pension Fund, a former shareholder. During May 2011, SCIB disposed all of its shares to the purchaser at a price of Baht 198 million and recognised gain on the disposal of Baht 26 million in the consolidated financial statements of Thanachart Bank.

Siam City Bank Plc./ TS Asset Management Co., Ltd.

During the year 2011, SCIB and TS Asset Management Co., Ltd. ("TS") (The new company, which was licensed by the Bank of Thailand, set up to receive the transfer of SCIB's non-performing assets including non-performing loans and property foreclosed, for further management) entered into an agreement to transfer rights in loan receivables and property foreclosed from SCIB to TS as follows:

	Fair value
	(Million Baht)
- Non-performing loans	9,062
- Property foreclosed	3,083

The transfer of such financial assets was treated as a true sale in both financial statements of the transferee and the transferor since the transferor surrendered control over the assets. The selling prices were mutually agreed among companies in Thanachart Group with reference to what in the opinions of a financial advisor were fair values. Compensation for this transfer will be considered the fair value when recognising the selling price and the values of the transferred assets, which are as follows:

- For non-performing loans, the fair values are referred to the outstanding loan balance net of related allowance for doubtful accounts.
- For property foreclosed, the fair values are referred to the value appraised by independent appraisers in accordance with the BOT guidelines, after deduction by an amount determined on the basis of past selling experience.

Under the conditions of the agreement, the transferee is entitled to claim compensation if conditions specified in the agreement are breached within the specified period. However, gains (losses) from transfers of assets and the intercompany balances are eliminated when preparing the consolidated financial statements of Thanachart Bank because the transfers are intercompany transactions.

Siam City Insurance Co., Ltd.

On 27 July 2011, the Board of Directors of SCIB passed a resolution approving the disposal of investment in common shares of Siam City Insurance Co., Ltd. to other party. SCIB subsequently sold all the shares to purchasers on 19 August 2011 at a total price of Baht 113.75 million.

3. Basis of preparation of the financial statements

3.1 Basis of preparation of the financial statements

The financial statements have been prepared in accordance with accounting standard enunciated under the Accounting Professions Act B.E. 2547 with reference to accounting practice of “Transferring/Transferred of financial assets” and the principles stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 3 December 2010. Hence, the Bank reclassified certain items of the comparative financial statements.

The financial statements in Thai language are the official financial statements of the Bank. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3.2 Basis of preparation of the consolidated financial statements

- a) The consolidated financial statements included the financial statements of the Bank and the following subsidiary companies (“the subsidiaries”).

	Percentage of holding by the Bank		Percentage of holding by the subsidiaries	
	2011	2010	2011	2010
<u>Subsidiaries directly held by the Bank</u>				
SCIB Plc. (Formerly known as “Siam City Bank Plc.”)	99.98	99.95	-	-
Thanachart Securities Plc.	100.00	100.00	-	-
Thanachart Insurance Co., Ltd.	100.00	100.00	-	-
Thanachart Life Assurance Co., Ltd.	100.00	100.00	-	-
Thanachart Fund Management Co., Ltd.	75.00	75.00	-	-
Thanachart Broker Co., Ltd.	100.00	100.00	-	-
Thanachart Group Leasing Co., Ltd.	100.00	100.00	-	-
Thanachart Management and Services Co., Ltd	100.00	100.00	-	-
Thanachart Legal and Appraisal Co., Ltd.	100.00	100.00	-	-
Thanachart Training and Development Co., Ltd.	100.00	100.00	-	-
TS Asset Management Co., Ltd.	100.00	-	-	-
Ratchthani Leasing Plc.	65.18	-	-	-
<u>Subsidiaries indirectly held by the Bank</u>				
National Leasing Co., Ltd.	100.00	-	100.00	100.00
Siam City Securities Co., Ltd.	-	-	-	99.79
Siam City Life Assurance Co., Ltd.	100.00	-	100.00	100.00
Siam City Asset Management Co., Ltd.	-	-	-	60.00
SCIB Service Co., Ltd.	100.00	-	100.00	100.00

- b) Total assets and total income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 31 December 2011 and 2010 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Total income for the year	
	2011	2010	2011	2010
SCIB Plc.	-	406,974	9,044	9,945
Thanachart Life Assurance Co., Ltd.	20,402	19,917	1,964	1,471
Siam City Life Assurance Co., Ltd.	11,195	11,008	(89)	482
Thanachart Insurance Co., Ltd.	7,176	5,189	1,975	1,523
Thanachart Securities Plc.	3,877	3,958	1,377	1,357
TS Asset Management Co., Ltd.	11,361	-	296	-
Ratchthani Leasing Plc.	12,033	-	175	-

- c) The Bank has additionally invested in TS Asset Management Co., Ltd. which was newly set up during March 2011, and holds 100 percent.
- d) In October 2011, the Bank received the investments in 437,250,000 ordinary shares of Ratchthani Leasing Plc. from SCIB for Baht 536 million, in accordance with the terms of the entire business transfer agreement. As a result, the Bank's interest in Ratchthani was 48.35 percent. On 1 November 2011, the Bank also purchased 437,486,500 additional shares at Baht 1.52 per share, or for a total of Baht 665 million, resulting in the Bank's shareholding increasing to 65.18 percent of the total shares in issued. The investment was therefore treated as investment in subsidiary.

Such purchase of additional ordinary shares is deemed to be a step acquisition. Under the Financial Reporting Standard, the Bank had to assess the value of the investment at equity held on the date before the business combination, using the fair value at the purchase date, and the Bank realised the gain of Baht 33 million in profit or loss in the statements of comprehensive income.

	Amount
	(Million Baht)
Fair value of investment at equity as at the purchase date before business combination	556
Less: Investment value at equity before business combination	(523)
Gain on revaluation of investment recognised in profit or loss	33

In addition, under the business combination, the Bank has to estimate the fair value of each asset and liability for the purpose of allocating the cost of business combination. The fair value of the assets and liabilities of Ratchthani Plc. (“THANI”) and the carrying value of each significant account as at the date the Bank obtained control over THANI is as follow:

	(Unit: Million Baht)	
	Book value	Fair value
Loans	11,842	11,576
Land, premises and equipment	45	62
Other assets	1,502	1,512
Total liabilities	11,278	11,278
Net assets value	2,111	1,872
Cost of business combination		1,221

In allocating the purchase price, the cost of business combination does not differ from the net adjusted book value of the assets and liabilities at the purchase date, at the purchase portion, and thus no goodwill arose from this business combination. In addition, the Bank did not recognise deferred tax assets of Baht 72 million arising from the adjustment of assets to fair value since this accounting standard is not yet effective in the year of business combination. However, if the Bank had applied such standard on that date, deferred tax assets as at 31 December 2011 would be decreased to Baht 48 million (effect from the tax rates enacted at the year-end date).

Therefore, the consolidated financial statements of the Bank included the statement of financial position of Ratchthani Leasing Plc. as at 31 December 2011, and the consolidated statements of comprehensive income included income and expenses from such company from 1 November 2011 (the date that Thanachart Bank assumed control) to 31 December 2011. The Bank recognised net loss from THANI totaling Baht 27 million from the date that the Bank assumed control, based on its shareholding interest.

For additional information to facilitate evaluation of the financial impact of the business combination, proforma consolidated total income and profit of the Bank and its subsidiaries for the year are presented below, inclusive of income and profit of Ratchthani Leasing Plc. as if business combination had occurred since the beginning of the year.

	(Unit: Million Baht)
	For the year ended
	31 December 2011
	<hr/>
Total income as if business combination occurred on 1 January 2011	66,947
Profit attributable to the Bank as if business combination occurred on 1 January 2011 (exclude elimination transactions before the purchase date)	7,700

- e) The consolidated statements of comprehensive income for the year ended 31 December 2010 include the operating results of SCIB and the subsidiaries held by SCIB from 9 April 2010 to 31 December 2010 because the Bank purchased the ordinary shares of SCIB and assumed control over SCIB in April 2010.
- f) In May 2011, SCIB disposed of investments in common shares of Siam City Asset Management Co., Ltd. to former shareholders for Baht 198 million. The gain on disposal of Baht 26 million was recognised in the consolidated financial statements. In addition in August 2011, SCIB disposed of investments in common shares of SCIB Securities Co., Ltd. for Baht 168 million, with gain on disposal of Baht 40 million recognised in the consolidated financial statements.
- g) The consolidated statements of comprehensive income for the year ended 31 December 2010 included the operating results of T Leasing Co., Ltd. from 1 January 2010 until 30 April 2010, the date of disposal of the investment, and the gain on such disposal of Baht 24 million was recognised in the consolidated financial statements.
- h) All subsidiaries are fully consolidated as from the acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date when such control ceases. However, the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of comprehensive income for the years ended 31 December 2011 and 2010 did not include the financial position and operating results of a subsidiary company, Chada Thong Properties Co., Ltd., in which the Bank has indirectly held by SCIB at 70 percent, because that subsidiary has ceased its operations and is in the process of being liquidated. SCIB has already made a full allowance for impairment in the value of its investment in that subsidiary. However, during the third quarter of 2011, SCIB sold out all of its investment.

- i) The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using the same significant accounting policies. In case where there are different accounting policies the Bank has adjusted the effect of these in the consolidated financial statements.
- j) The outstanding balances and significant intercompany transactions between the Bank and its subsidiaries have been eliminated from the consolidated financial statements. The investments in subsidiaries as recorded in the Bank's and subsidiaries' books of accounts have been eliminated against equity of the subsidiaries.
- k) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Bank and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

3.3 The separate financial statements, which present investments in subsidiary and associated companies under the cost method, have been prepared solely for the benefit of the public.

4. Adoption of new accounting standards during the year

During the current year, the Bank and its subsidiaries adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs

TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements for the current year, except for TAS 19 “Employee Benefits”.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Bank and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Bank and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the beginning balance of retained earnings of the Bank and its subsidiaries by Baht 2,266 million (Separate financial statements: decreasing retained earnings by Baht 356 million). The cumulative effect of the changes in accounting policy has been presented in “Cumulative effect of change in accounting policy for employee benefits” in the statements of changes in equity.

In addition, the change has the effect of decreasing the profit of the Bank and its subsidiaries for the year ended 31 December 2011 by Baht 184 million, or Baht 0.033 per share (Separate financial statements: decreasing profit by Baht 50 million or Baht 0.009 per share).

5. New accounting standards issued during the year not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Bank and its subsidiaries' management believe that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for TAS 12 “Income Taxes”.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset and liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management of the Bank and its subsidiaries is evaluating the impact on the financial statements in the year when this standard is adopted.

6. Significant accounting policies

6.1 Revenue recognition

a) Interest and discounts on loans

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase and financial lease is recognised on the effective interest rate.

For loans on which principal or interest payments have been defaulted for more than three months past the due date, the Bank and its subsidiaries cease accrual of interest income, and accrued interest already recorded is reversed from the Bank and its subsidiaries' accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received from the debtors.

Interest income on restructured loans is recognised as income on an accrual basis, with reference to the interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Bank and its subsidiaries recognise as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Bank and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the year based on the effective yield rate of the portfolio by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, interest income is recognised by the effective interest rate method for those receivables from which loan repayment was received during the year.

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

Interest income received in advance on hire purchase represents discounted on interest given to debtors by dealers, is recognised based on the effective interest method, in the same manner as interest income on hire purchase receivables.

b) Interest and dividends on investments

Interest on investments is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividends is established.

c) Brokerage fee income

Brokerage fees on trading of securities and derivatives are recognised as income on the transaction date.

d) Interest on margin loans for purchase of securities

Interest on margin loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary companies cease accruing interest for certain loans that fall under the conditions set by the Securities and Exchange Commission ("SEC").

e) Gains (losses) on investments and derivatives

Gains (losses) on investments and derivatives are recognised as income/ expenses on the transaction date.

f) Fees and service income

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

g) Insurance/life insurance premium income

Non-life insurance business

Insurance premium income on insurance policies is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income and expenses over the coverage period.

Insurance premium income is recognised after deducting unearned premium reserve.

Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

Life insurance business

Premium income is recognised as income on the date the insurance policy comes into effect, after deducting premium ceded and refunded. For renewal policy, premium income is recognised as income when the premium is due, only if the policy is still in force at the year-end date.

6.2 Expenses recognition

a) Interest expenses

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

b) Commission and expenses charged on hire purchase/financial leases

For hire purchase/financial lease contracts originating on or after 1 January 2007, initial direct expenses at the inception of a hire purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire purchase/financial leases is presented net of commission expenses and initial direct cost on the inception of the contracts.

c) Fees and service expenses

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

6.3 Investments

Investments in securities held for trading are stated at fair value. Changes in the fair value of the securities are recorded in profit or loss in the statements of comprehensive income.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income in the statements of comprehensive income, and will be recognised in profit or loss when the securities are sold.

Investments in held-to-maturity debt securities are recorded at amortised cost. Premiums/discounts on debt securities are amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).

The Bank and its subsidiaries do not treat investments in mutual funds, in which they hold not less than 20 percent of the units issued, as investments in subsidiary or associated companies because the Bank and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and are under the supervision of the Securities and Exchange Commission.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt securities is determined using the yield rates quoted by the Thai Bond Market Association, other markets, or yield rate of government bond adjusted by an appropriate risk factor. The fair value of unit trusts is determined from their net asset value.

The fair value of investments which have embedded derivatives was determined using an internal model because there is no active market. (2011: the fair value was determined using the fair value as estimated by the seller). The gains/losses arising from revaluation are recognised in profit or loss. This method of measurement is in compliance with the principles stipulated by the BOT.

The Bank and its subsidiaries recognised loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and other investments in part of profit or loss in the statements of comprehensive income.

In the event of the Bank and its subsidiaries' transfer investments to another category, the investments are valued at their fair value prevailing on the transfer date. Differences between the carrying amount of the investments and their fair value on that date are recorded as profit or loss in the statements of comprehensive income or surplus (deficit) from revaluation of investments, which is presented as a separate item in equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investment which is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in part of profit or loss in the statement of comprehensive income. In case of disposal partial of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

6.4 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense in part of profit or loss in the statements of comprehensive income.

In case that the receivables purchased enter into troubled debt restructuring agreements, they are transferred to loans and presented at fair value. The fair value is determined based on the outstanding balance of investments as at the transfer date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is determined based on the fair value, with reference to the collateral value.

6.5 Investments in subsidiary and associated companies

Investments in subsidiary and associated companies in the separate financial statements are accounted for under the cost method net of allowance for impairment (if any). Loss on impairment is recognised as expenses in part of profit or loss in the statements of comprehensive income.

Investments in associated companies in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable shares of the net income from the operations of the associated companies, in proportion to the investment.

6.6 Loans

Loans are stated at the principal balances, excluding accrued interest receivable, except for overdrafts which are presented at the principal balances plus accrued interest receivable. Unrecognised deferred income and discounts on loans are deducted from the loan balances.

Hire purchase receivables and financial lease receivables are stated at the contract value of the hire purchase receivables and financial lease receivables net of unearned income, which is presented after netting commission expenses and initial direct cost on the inception of the contracts.

Securities and derivatives business receivables comprise the net balances of securities business receivable and derivatives business receivables. Securities business receivable comprises receivable balances of credit balance accounts (for which the securities purchased are used as collateral), securities borrowing and lending receivables and guarantee deposit receivables (which comprise cash placed as guarantee for borrowers of securities or Thailand Securities Depository) as well as other receivables, such as overdue amounts in cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments. The receivable balance of cash accounts is presented as "Receivable from purchase and sale of securities and derivatives".

6.7 Allowances for doubtful accounts

- a) The Bank and its subsidiary companies that operate in banking and asset management business provide allowance for doubtful accounts in accordance with the Notifications of the BOT and adjust these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in an allowance for doubtful accounts is recognised as an expense during the year.

The Bank and its subsidiary companies set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) net of collateral value, as required by the BOT's guidelines. Collateral values include values of vehicles under hire purchase and finance lease contracts. For non-performing loans, provision is set at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline. However, non-performing hire purchase receivables and financial lease receivables are treated as uncollateralised.

- b) Subsidiaries engaged in securities business have provided an allowance for doubtful accounts based on a review of debtors' repayment capability, taking into consideration the risk of recovery and the value of collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notifications of the SEC.
- c) Subsidiaries engaged in hire purchase and leasing businesses have provided allowance for doubtful accounts at percentages of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances after net of collateral value for receivables overdue no more than 3 months, while provided based on the loans balance without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts of other receivables is based on the amount of debt that may not be collectible, determined from a review of the current status of the receivables as at the financial reporting date.
- e) The Bank writes off hire purchase receivables when full allowance for doubtful accounts has been made for such receivables. For other loans, the Bank and its subsidiaries will be written off when the relevant criteria under tax law are met. Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

6.8 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms, the fair value of the receivables after restructuring is based on the net present value of expected future cash flows, discounted by the market's minimum interest rate for credit to large customers as at the date of the debt restructuring. The differences between the fair values of receivables as of the restructuring date and their previous book values is recorded in "Revaluation allowance for debt restructuring", and recognised as an expense in part of profit or loss in the statements of comprehensive income in the restructuring period. The Bank and its subsidiaries review such revaluation allowance based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against bad debt and doubtful accounts.

In cases where the troubled debt restructuring involves the transfer of assets or equity, the Bank and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtor (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as interest income in part of profit or loss in the statement of comprehensive income.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised in part of profit or loss in the statement of comprehensive income when incurred.

6.9 Recognition and amortisation of customers' assets

Assets which customers have placed with the subsidiary companies for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading, are recorded as assets and liabilities of the subsidiary companies for internal control purpose. As at the reporting date, the subsidiary companies write off those amounts which there are no guarantee obligations from both assets and liabilities and present only those assets which belong to the subsidiary companies.

6.10 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value, providing this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses, adjusts these in accordance with the BOT's guideline and taking into consideration the type and the nature of the assets.

Gains on disposal of property foreclosed are recognised in part of profit or loss in the statements of comprehensive income on the disposal date, unless the purchase is made with a loan from the Bank. In such cases, gains are recognised in accordance with the BOT's guideline. Losses on disposal and impairment losses are recognised as expenses in part of profit or loss in the statements of comprehensive income.

6.11 Land, premises and equipment and depreciation

- a) Land and assets under installation are stated at cost, and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated by reference to their cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20 - 30	years
Buildings improvement	-	5 - 10	years
Furniture, fixtures and equipment	-	3 - 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

- c) Land, premises and equipment are derecognised upon disposal or when no future economic benefits are expected from their use. Any gain or loss arising on disposal of these assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the statements of comprehensive income.

6.12 Intangible assets and amortisation

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Bank and its subsidiaries amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense and loss on impairment are recognised as expenses in part of profit or loss in the statements of comprehensive income.

The intangible assets with finite useful lives have useful lives of approximately 3 - 10 years.

No amortisation for computer software under development.

6.13 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation. Leasehold rights are amortised on a straight-line basis over the lease periods and the amortisation amounts are recognised as expenses in part of profit or loss in the statements of comprehensive income.

6.14 Business combination and goodwill

Business combination accounted for under purchase method.

Goodwill is initially recorded at cost, which equals the excess of the cost of business combination over the fair value of the net assets acquired. Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

6.15 Receivables from/payable to Clearing House

Receivables from/payable to Clearing House comprises the net balance receivable/payable in respect of securities and derivatives trades. These include amounts pledged with the Derivatives Clearing House as security for derivatives trading.

6.16 Securities purchased under resale agreements/securities sold under repurchased agreements

The Bank and its subsidiaries enter into agreements with private entities to purchase/sell securities whereby there is an agreement to resell/repurchase the securities at certain dates and at fixed price. Amounts paid for the securities purchased are presented as assets under the caption of interbank and money market items or loans, depending on the counter party, and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement at the amounts received are presented as liabilities under the caption of interbank and money market items and the underlying securities are treated as collateral.

6.17 Premium due and uncollected and allowance for doubtful accounts

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

6.18 Reinsurance assets and liabilities

Reinsurance assets represent balances due from reinsurance companies, deposits placed for reinsurance and insurance reserve to recover from reinsurers. Insurance reserve to recover from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies, and are in accordance with the related reinsurance contracts.

Reinsurance liabilities represent balances due to reinsurance companies and deposits for reinsurance held by the subsidiaries. The amounts payable on reinsurance are estimated in a manner consistent with the related reinsurance contracts.

6.19 Unearned premium/life insurance premium reserve

Non-life insurance contract

The subsidiaries set up gross unearned premium reserve in accordance with the followings:

Marine and transportation (cargo)	- Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	- Net premium written for the last thirty days
Others	- Monthly average basis (the one-twenty fourth basis)

In 2011, the Office of the Insurance Commission (“OIC”) has required that insurers allocate an additional gross unexpired risk reserve in an amount not less than the difference between gross unexpired risk reserve and unearned premium reserve, in cases where gross unexpired risk reserve is higher than unearned premium reserve. Gross unexpired risk reserve is calculated based on an actuarial method using a best estimate of expected claims over the remainder of the insured period, based on historical data.

Life insurance contract

Life assurance policy reserve represents the accumulated total liabilities for estimated future claims under all policies in force as at the financial statement date.

Subsidiaries determine life assurance policy reserve under long-term policies by using the higher of the net level premium valuation method (NPV) and the gross premium valuation method (GPV).

Life assurance policy reserve under NPV method is a type of actuarial method with the main assumptions used relating to mortality rate, morbidity rate, longevity and discount rates.

Calculation of life assurance policy reserve under GPV method is another type of actuarial method with main assumptions used relating to lapse rate or surrender rate, selling and administrative expenses, mortality and morbidity rate, discount rates and non-guaranteed dividend rate. This calculation method is in compliance with the bases stipulated in the OIC’s notification regarding valuation of assets and liabilities of life insurance company (2011).

6.20 Loss reserve and outstanding claims/Benefits payment to life policy

Non-life insurance contract

Outstanding claims are recorded at the actual amount to be paid. Loss reserve is recorded upon the receipt of the claims advice from the insured based on the number of claims notified by the insured and estimates made by a subsidiary's management. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, in 2011, the OIC changed the method to be used for setting additional reserve for incurred but not reported (IBNR) claims. The reserve is calculated using an international standard actuarial method, based on the best estimated of claims expected to be paid in the future for losses occurring before or as at the financial statement date, including both reported and unreported claims, net of loss reserve already recorded (Formerly, the subsidiary set up additional provision for IBNR at the higher of the reserve calculated using actuarial method minus the recorded amount or outstanding claims, and 2.5 percent of total net premiums written in the previous twelve months).

Life insurance contract

Benefits paid under life policies are provided for upon receipt of the claims advices from the insured or in accordance with the conditions of the policy.

6.21 Long-term leases

Leases that transfer substantially all the risks and rewards of ownership to the Bank and its subsidiaries are classified as financial leases. Financial leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to profit or loss in the statement of comprehensive income over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Lease not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Advance payments made under operating leases is recorded as leasehold rights, and then amortise as expenses over the term of the leases on the straight - line basis. Moreover, payments made under operating leases are recognised as expenses over the term of the leases on the straight-line basis.

6.22 Sales of commercial paper

The Bank and its subsidiary company which operates in banking business recorded commercial paper with an aval by the Bank, or without an aval or acceptance which is sold with recourse, as a liability under the caption of “Liabilities under commercial paper sold”. Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of “Contingent liabilities”.

6.23 Financial derivatives

The Bank and its subsidiaries have entered into off-balance transactions involving derivative financial instruments in order to manage risk of the Bank and its subsidiaries and in response to customer needs.

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance items. Gains or losses arising from changes in the fair value of the contracts are recognised as part of profit or loss in the statement of comprehensive income.

Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts which were not originated for trading purposes are recorded as off-balance items, and presented on an accrual basis. Foreign currency components are translated at the year-end exchange rate, in the same manner as the hedged items, with unrealised gains or losses on translation recognised as part of profit or loss in the statement of comprehensive income. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets or liabilities, with gains or losses recorded to interest income and interest expense over the terms of the contracts. Receivables and payables under exchange contracts are presented at the net amount in the statement of financial position.

The subsidiaries record obligations in respect of futures contracts made for trading purposes as off-balance items. Gains or losses from changes in the fair value of financial derivatives contracts are recorded in profit of loss. Fair value is determined based on the daily settlement price quoted by Thailand Futures Exchanges Public Company Limited. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined by a technical and valuation model, in which the variables used, will be derived from the observable markets.

6.24 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank and its subsidiaries, whether directly or indirectly, or which are under common control with the Bank and its subsidiaries.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Bank and its subsidiaries that give them significant influence over the Bank and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Bank's and its subsidiaries' operations.

6.25 Impairment of assets

The Bank and its subsidiaries assess at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank and its subsidiaries realise loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell reflects the amount that the Bank and its subsidiaries could obtain at the financial reporting date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Bank and its subsidiaries recognise impairment losses as expenses in part of profit or loss in the statement of comprehensive income.

In assessing impairment of asset other than goodwill, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Bank and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss for assets other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in part of profit or loss in the statement of comprehensive income.

6.26 Employee benefits

a) Short-term employee benefits

The Bank and its subsidiaries recognised short-term employee benefits, such as salary, wages, bonuses, contributions to the social security fund, and vacation, as expenses when incurred.

b) Post-employment benefits (Defined contribution plans)

The Bank, its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank and its subsidiaries. The fund's assets are held in a separate trust fund, and the Bank and its subsidiaries's contributions are recognised as expenses when incurred.

c) Post-employment benefits (Defined benefit plans)

The Bank and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Bank and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method.

Actuarial gains and losses arising from post employment benefits are recognized immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Bank and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

6.27 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment outstanding on the financial reporting date have been translated into Baht at the rates ruling at the financial reporting date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

6.28 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

6.29 Provisions

Provisions are recognised when the Bank and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

7. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

7.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

7.2 Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables

Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables are intended to adjust the value of loans for probable credit losses. The management uses the BOT's and SEC's regulations regarding the provision of allowance for doubtful accounts and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

7.3 Allowance for impairment of investments in securities

The Bank and its subsidiaries review an impairment of investments in securities when indication of impairment exists. The determination of what is indication of impairment requires the management's judgment.

7.4 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercised judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

7.5 Allowance for impairment of property foreclosed

The Bank and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses the BOT's regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

7.6 Land, premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and salvage values of the premises and equipment, and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review impairment of land, premises and equipment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying amounts. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

7.7 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to exercise judgment as to the recoverable amount to be generated by the asset, using the discounted cash flows method, and including the selection of a suitable discount rate in order to determine the present value of that cash flow. The estimated cash flows may differ as a result of competitive forces, or changes in revenue trends, cost structures, and the discount rate, industry circumstances or related market conditions. In addition, the management estimates the useful life of those assets which have finite useful lives and revises such useful lives if there are any changes.

7.8 Finance lease/Operating lease

When entering into lease agreement, the management is required to access and consider the scope of significant risk and rewards of ownership of the leased assets. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases.

7.9 Loss sharing from transfer of non-performing loans to TAMC

In estimating losses arising from the transfer of non-performing loans to the Thai Asset Management Corporation (“TAMC”), the Bank uses the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from debtors’ collateral value. The management uses judgment in determining the assumptions as to the percentage on the amount expected to be recovered from the debt restructuring agreement, or as to collateral value. The management considers these assumptions to be appropriate given the current available information and current situation

7.10 Unearned premium/Life insurance premium reserve

Unexpired risk reserve is calculated under an actuarial method, which reflects the best estimate of losses expected to be incurred over the remaining period of the insurance. Estimating these reserves requires management to exercise judgment, with reference made to historical data and current best estimates at that time.

Life assurance policy reserve is calculated under an actuarial method, and adjusted upwards to reflect risk factors and deviations. The main assumptions used relate to policy termination or surrender rates, selling and administrative expenses, mortality rate, morbidity rate, longevity, expenses and discount rates. Estimating these reserves requires management to exercise judgments with reference made to historical data and current best estimates at that time.

7.11 Loss reserve and outstanding claims

At each reporting date, subsidiaries estimate loss reserves and outstanding claims in two parts; loss incurred for which the claims advice has been received from the insured, and loss incurred but not yet reported (IBNR). The IBNR reserve is calculated by using an international standard actuarial method. The main assumptions underlying these techniques relate to historical claims experience, including development of estimates of paid and incurred losses, average costs per claim, and claim numbers. Estimating these reserves requires management to exercise judgment reflecting the best estimates available at that time.

7.12 Post-employment benefits under defined benefit plans

Obligations under the defined benefit plan are determined by using actuarial technique. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates, based on their best knowledge of current situation.

7.13 Litigation and contingent liabilities

The Bank and its subsidiaries have contingent liabilities as a result of litigation and contingent liabilities as a result of transfer of business and transfer of non-performing assets. The management has used judgment to assess the results of the litigation, and in case where they believe that there will be no losses, they will provide no provisions and contingent liabilities as at the end of reporting period.

8. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,492	2,000	7,492	4,821	26,000	30,821
Commercial banks	549	8,518	9,067	854	21,022	21,876
Specialised financial institutions	39	8,238	8,277	42	14,545	14,587
Other financial institutions	197	22,618	22,815	150	16,079	16,229
Total	6,277	41,374	47,651	5,867	77,646	83,513
Add: Accrued interest receivables	-	11	11	-	34	34
Less: Allowance for doubtful accounts	-	(193)	(193)	-	(162)	(162)
Total domestic items	6,277	41,192	47,469	5,867	77,518	83,385
Foreign						
US Dollar	1,449	13,470	14,919	776	169	945
Euro	119	-	119	119	-	119
Others	523	103	626	496	114	610
Total	2,091	13,573	15,664	1,391	283	1,674
Add: Accrued interest receivables	-	68	68	-	1	1
Total foreign items	2,091	13,641	15,732	1,391	284	1,675
Total	8,368	54,833	63,201	7,258	77,802	85,060

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,492	2,000	7,492	3,178	12,000	15,178
Commercial banks	393	8,340	8,733	109	10,820	10,929
Specialised financial institutions	27	8,200	8,227	30	-	30
Other financial institutions	196	22,769	22,965	115	1,570	1,685
Total	6,108	41,309	47,417	3,432	24,390	27,822
Add: Accrued interest receivables	-	9	9	-	6	6
Less: Allowance for doubtful accounts	-	(195)	(195)	-	-	-
Total domestic items	6,108	41,123	47,231	3,432	24,396	27,828
Foreign						
US Dollar	1,449	13,470	14,919	347	70	417
Euro	119	-	119	7	-	7
Others	523	103	626	61	114	175
Total	2,091	13,573	15,664	415	184	599
Add: Accrued interest receivables	-	68	68	-	1	1
Total foreign items	2,091	13,641	15,732	415	185	600
Total	8,199	54,764	62,963	3,847	24,581	28,428

As at 31 December 2011, the Bank had loan to a subsidiary company of Baht 150 million in the separate financial statements.

9. Derivatives

As at 31 December 2011 and 2010, the notional amount and the fair value of trading derivatives, and the adjustments made on an accrual basis for banking book derivatives were classified by type of risk as follow.

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Fair value/Adjustment on an accrual basis		Notional amount*	Fair value/Adjustment on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Type of risk						
Foreign exchange rate						
Derivatives for trading	858	820	63,491	509	295	53,139
Derivatives for banking book	-	1,706	31,788	3	5	3,488
Interest rate						
Derivatives for trading	64	60	5,957	72	67	5,657
Derivatives for banking book	-	-	3,967	-	-	13,681
Foreign exchange rate and interest rate						
Derivatives for trading	29	9	2,212	959	235	8,533
Derivatives for banking book	585	291	15,445	1,574	339	21,529
Others						
Derivatives for trading	-	-	641	-	-	-
Total	1,536	2,886	123,501	3,117	941	106,027

* Disclosed only in case that the Bank and its subsidiaries have an obligation to pay

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	Fair value/Adjustment on an accrual basis		Notional amount*	Fair value/Adjustment on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Type of risk						
Foreign exchange rate						
Derivatives for trading	854	811	63,491	109	90	20,853
Derivatives for banking book	-	1,706	31,788	3	5	3,488
Interest rate						
Derivatives for trading	64	60	5,957	-	-	-
Derivatives for banking book	-	-	3,667	-	-	12,532
Foreign exchange rate and interest rate						
Derivatives for trading	29	9	2,212	-	-	-
Derivatives for banking book	585	291	15,445	816	339	13,479
Total	1,532	2,877	122,560	928	434	50,352

* Disclosed only in case that the Bank and its subsidiaries have an obligation to pay

Derivatives for banking book are obligations under contracts which are not held for trading, and are measured on an accrual basis. Gain (loss) on exchange at the end of the year is presented under derivatives assets/derivatives liabilities. Accrued interest receivables (payables) per the contracts are recorded as receivables and payables in other assets/liabilities.

Below are the proportions of trading derivatives transactions classified by counterparty, determined based on the notional amount, as at 31 December 2011 and 2010.

Counterparties	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	Percent	Percent	Percent	Percent
Financial institutions	80.01	73.91	79.83	86.29
Companies within Thanachart Group	-	-	0.89	-
Third parties	19.99	26.09	19.28	13.71
Total	100.00	100.00	100.00	100.00

10. Investments

10.1 Classified by type of investment

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2011		2010		2011		2010	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading securities								
Government and state enterprises securities	10,508	10,479	44	45	3,174	3,179	44	45
Private debt securities	4,770	4,758	21	21	1,661	1,660	21	21
Foreign debt securities	642	637	3,015	3,023	642	637	-	-
Domestic marketable equity securities	34	38	74	80	-	-	-	-
	15,954	15,912	3,154	3,169	5,477	5,476	65	66
Add: Allowance for change in value	(42)		15		(1)		1	
Net	15,912		3,169		5,476		66	
Available-for-sale securities								
Government and state enterprises securities	40,877	41,003	52,685	52,604	38,431	38,554	15,764	15,708
Private debt securities	18,389	18,533	9,898	10,064	13,529	13,600	2,945	2,981
Foreign debt securities	25,516	25,425	12,704	12,920	25,516	25,425	6,128	6,342
Domestic marketable equity securities	7,483	7,983	7,752	8,530	6,099	6,241	476	546
	92,265	92,944	83,039	84,118	83,575	83,820	25,313	25,577
Add: Allowance for change in value	683		1,083		245		264	
Less: Allowance for impairment	(4)		(4)		-		-	
Net	92,944		84,118		83,820		25,577	
Held-to-maturity debt securities								
Government and state enterprises securities	26,876	27,771	36,138	36,849	17,642	18,096	18,986	19,426
Private debt securities	6,592	6,689	5,874	6,070	1,600	1,647	-	-
Foreign debt securities	1,500	1,488	5,705	5,720	1,500	1,488	4,800	4,819
Investment in receivables purchased	12	12	29	29	12	12	-	-
	34,980	35,960	47,746	48,668	20,754	21,243	23,786	24,245
Other investment								
Investment in property fund	671		845		671		234	
Domestic non-marketable equity securities	3,794		4,064		3,776		97	
Foreign non-marketable equity securities	84		84		84		3	
	4,549		4,993		4,531		334	
Less: Allowance for impairment	(40)		(4)		(40)		(4)	
Net	4,509		4,989		4,491		330	
Total investment - net	148,345		140,022		114,541		49,759	

10.2 Classified by due date of debt securities

(Unit: Million Baht)

	Consolidated financial statements							
	2011				2010			
	Due within				Due within			
	Less than 1 year	Over 1 - 5 years	Over 5 years	Total	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprises securities	20,031	20,828	18	40,877	31,162	21,492	31	52,685
Private debt securities	1,557	14,836	1,996	18,389	4,175	5,600	123	9,898
Foreign debt securities	19,021	6,495	-	25,516	904	11,800	-	12,704
Total	40,609	42,159	2,014	84,782	36,241	38,892	154	75,287
Add: Allowance for change in value	35	103	41	179	15	278	8	301
Net	40,644	42,262	2,055	84,961	36,256	39,170	162	75,588
Held-to-maturity debt securities								
Government and state enterprises securities	5,157	15,659	6,060	26,876	3,650	11,032	21,456	36,138
Private debt securities	3,990	2,288	314	6,592	1,346	3,063	1,465	5,874
Foreign debt securities	1,500	-	-	1,500	4,800	905	-	5,705
Investment in receivables	8	4	-	12	18	11	-	29
Total	10,655	17,951	6,374	34,980	9,814	15,011	22,921	47,746
Total debt securities	51,299	60,213	8,429	119,941	46,070	54,181	23,083	123,334

(Unit: Million Baht)

	Separate financial statements							
	2011				2010			
	Due within				Due within			
	Less than 1 year	Over 1 - 5 years	Over 5 years	Total	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprises securities	18,399	20,014	18	38,431	10,302	5,462	-	15,764
Private debt securities	975	12,554	-	13,529	2,076	781	88	2,945
Foreign debt securities	19,021	6,495	-	25,516	602	5,526	-	6,128
Total	38,395	39,063	18	77,476	12,980	11,769	88	24,837
Add: Allowance for change in value	32	71	-	103	10	179	5	194
Net	38,427	39,134	18	77,579	12,990	11,948	93	25,031
Held-to-maturity debt securities								
Government and state enterprises securities	4,938	12,704	-	17,642	3,201	7,316	8,469	18,986
Private debt securities	800	650	150	1,600	-	-	-	-
Foreign debt securities	1,500	-	-	1,500	4,800	-	-	4,800
Investment in receivables	8	4	-	12	-	-	-	-
Total	7,246	13,358	150	20,754	8,001	7,316	8,469	23,786
Total debt securities	45,673	52,492	168	98,333	20,991	19,264	8,562	48,817

10.3 As at 31 December 2011, the Bank and its subsidiaries have a revaluation deficit arising from transfers of investments in debt securities, of which the current balances of Baht 3 million in the consolidated financial statements and Baht 34 million in the separate financial statements. These are presented in equity caption. (2010: Revaluation deficit of Baht 71 million in the consolidated financial statements, and revaluation deficit of Baht 94 million in the separate financial statements).

10.4 As at 31 December 2011, investments in held-to-maturity debt securities included non-transferable promissory notes amounting to Baht 4 million, which were received as a result of the transfer of non-performing loans to Thai Asset Management Corporation (“TAMC”) (2010: Baht 296 million). However, the agreed transfer price received in the form of promissory notes could be revised up or down after TAMC reviews the price, assesses the collateral or adjusts the price.

As at 31 December 2011, the Bank is still unable to assess the exact amount of such losses since TAMC has been dissolved and is in the process of liquidation. However, the Bank estimated the contingent losses arising from the management of non-performing assets at approximately Baht 89 million (2010: Baht 89 million). Such amount has been shown as a part of provisions for liabilities.

In addition, the Bank also shares joint responsibility with TAMC for future profits or losses arising from TAMC’s management of the non-performing assets as mentioned in Note 46.2 to the financial statements.

10.5 Investments in securities in which the Bank and its subsidiaries hold not less than 10 percent of the equity of the investee

As at 31 December 2011 and 2010, investments in companies which the Bank and its subsidiaries hold not less than 10 percent of the equity of the investee, but which are not treated as subsidiaries or associated companies, separated by industry as follow:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Banking and finance sector	761	1,307	600	234

The investments mentioned above include investments in unit trusts in which the Bank and its subsidiaries hold not less than 20 percent of the units issued. The Bank and its subsidiaries do not treat these investments as investments in subsidiaries or associates because the Bank and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by fund managers in accordance with the details of each fund project, and are under the supervision of the SEC. The Bank and its subsidiaries therefore record them as available-for-sale or other investments, based on their investment objectives.

Securities	Consolidated financial statements				Separate financial statements			
	2011		2010		2011		2010	
	Net book value	Percentage of holding	Net book value	Percentage of holding	Net book value	Percentage of holding	Net book value	Percentage of holding
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
The Thai Business Fund 3	144	60.00	355	60.00	144	60.00	158	26.67
Sub Thawee Property Fund	36	56.00	76	56.00	36	56.00	76	56.00
Business Strategic Fund	278	67.33	278	67.33	278	67.33	-	-
Thanachart Long Term Fixed Income Fund	62	27.79	60	27.79	-	-	-	-
Thanachart Fixed Income FIF 51	50	22.63	50	22.63	-	-	-	-

11. Investments in subsidiary and associated companies

11.1 Separate financial statements

As at 31 December 2011 and 2010, investments in subsidiary companies and an associated company in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following companies:

(Unit: Million Baht)

		Separate financial statements							
Company's name	Nature of business	Paid-up		Percentage		Value of investment		Dividend income	
		share capital		of holding (Percent)		under the		for the years	
		2011	2010	2011	2010	2011	2010	2011	2010
<u>Subsidiary companies</u>									
SCIB Plc. (Formerly known as "Siam City Bank Plc.")	Dissolution	21,128	21,128	99.98	99.95	32,542	68,835	260	-
TS Asset Management Co., Ltd.	Asset management	2,000	-	100	-	2,000	-	-	-
Thanachart Securities Plc.	Securities business	1,500	1,500	100	100	1,858	1,858	345	210
Thanachart Life Assurance Co., Ltd.	Life - insurance	500	500	100	100	936	936	250	-
Thanachart Insurance Co., Ltd.	Non-life insurance	740	740	100	100	867	867	300	-
Thanachart Group Leasing Co., Ltd.	Hire purchase	360	360	100	100	400	400	203	148
Ratchthani Leasing Plc.	Hire-purchase and leasing business	1,342	-	65.18	-	1,201	-	-	-
Thanachart Broker Co., Ltd.	Non-life insurance broker	100	100	100	100	104	104	65	65
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75	75	97	97	97	83
Thanachart Legal and Appraisal Co., Ltd.	Dissolution	10	10	100	100	13	13	-	-
Thanachart Management and Services Co., Ltd.	Services	6	6	100	100	6	6	-	12
Thanachart Training and Development Co., Ltd.	Training services	5	5	100	100	5	5	12	12
SCIB Service Co., Ltd.	Services	10	-	100	-	5	-	-	-
Siam City Life Assurance Co., Ltd.	Life - insurance	700	-	100	-	761	-	-	-
Total investments in subsidiary companies						40,795	73,121	1,532	530
<u>Associated company</u>									
Siam Samsung Life Insurance Co., Ltd.	Life - insurance	500	-	25	-	47	-	-	-
Total investments in an associated company						47	-	-	-
Total investments in subsidiary and associated companies - net						40,842	73,121	1,532	530

After the entire business transfer from SCIB to Thanachart Bank, the Bank recognised intangible assets arising from the business combination of Baht 3,613 million and goodwill arising from the business combination of Baht 15,740 million in the separate financial statements by deducting them from the cost of investment in SCIB. This presentation is to reflect the business combination transactions in the separate financial statements. In addition, the Bank received a partial of capital return on investment in the form of dividend income.

The Bank additional invested in TS Asset Management Co., Ltd., which was established in March 2011, with a shareholding of 100 percent.

In October 2011, the Bank received the transfer of 437,250,000 shares in Ratchthani Leasing Plc. from SCIB, for a total of Baht 536 million. The Bank also purchased 437,486,500 additional shares from THANI at Baht 1.52 per share or for a total of Baht 665 million. As a result, the Bank's shareholding increased from 48.35 percent to 65.18 percent and the status of Ratchthani Leasing Plc. was changed from an associated company to a subsidiary company.

11.2 Consolidated financial statements

As at 31 December 2011 and 2010, investments in associated companies in the consolidated financial statements consist of investments in ordinary shares of the following companies which operate in Thailand:

Company's name	Paid-up share capital		Percentage of holding		Value of investment				Dividend income for the years		Share of income (loss) for the periods ended 31 December	
	2011	2010	2011	2010	Cost method		Equity method		2011	2010	2011	2010
					2011	2010	2011	2010				
MBK Plc. (operating in property rental, hotel and services business)	1,886	1,886	9.90	9.90	984	984	1,389	1,530	93	89	132	160
Siam Samsung Life Insurance Co., Ltd. (operating in life insurance business)	500	500	25.00	25.00	104	104	34	81	-	-	(46)	(24)
Siam City Insurance Co., Ltd. (operating in non-life insurance business)	-	40	-	45.50	-	92	-	109	10	-	(8)	17
Ratchthani Leasing Plc. (operating in hire-purchase and leasing business)	-	823	-	48.35	-	403	-	457	12	-	78	54
Total investments in associated companies					<u>1,088</u>	<u>1,583</u>	<u>1,423</u>	<u>2,177</u>	<u>115</u>	<u>89</u>	<u>156</u>	<u>207</u>

The Bank and its subsidiaries classified investment in MBK Plc. as investments in an associated company, since the Parent company, the Bank and its subsidiaries had significant influence in that company.

In August 2011, SCIB disposed of all of investments in ordinary shares of Siam City Insurance Co., Ltd.

11.3 Cash flow information of an asset management company that is a subsidiary

Cash flow information of TS Asset Management Company Limited, a subsidiary, for the year ended 31 December 2011 is as follows:

	(Unit: Million Baht)
Cash flows from operating activities	
Profit before income tax	321
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities	
Reversal of bad debt and doubtful account	(221)
Increase in allowance for impairment of property foreclosed	12
Interest income - net	(188)
Cash received from interest income	232
Cash paid for interest expense	(83)
	<hr/>
Income from operating activities before changes in operating assets and liabilities	73
Increase in operating assets	
Loans	(8,010)
Property foreclosed	(3,093)
Other assets	(47)
Increase in operating liabilities	
Interbank and money market items	9,822
Other liabilities	123
	<hr/>
Net cash flows used in operating activities	(1,132)
	<hr/>
Cash flows from investing activities	
Cash received from interest income from investments	4
	<hr/>
Net cash flows from investing activities	4
	<hr/>
Cash flows from financing activities	
Paid-up share capital	2,000
	<hr/>
Net cash flows from financing activities	2,000
	<hr/>
Net increase in cash and cash equivalents	872
Cash and cash equivalents at beginning of the year	-
	<hr/>
Cash and cash equivalents at end of the year	872
	<hr/>

11.4 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 30 September 2011 and 2010 and for the years then ended are as follows:

(Unit: Million Baht)

Paid-up share capital		Total assets		Total liabilities		Total income		Net income	
						for the periods ended		for the periods ended	
30 September		30 September		30 September		30 September		30 September	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1,886	1,886	27,409	28,752	13,916	14,006	8,582	8,548	1,338	2,477

The share of income of MBK Plc. recognised in the current year is determined based on financial statements of MBK Plc. prepared for a different period, as a result of limitations on the availability of information. The financial information used was based on the statements of financial position as at 30 September 2011 and 2010 and the statements of profit or loss for the years then ended as prepared by the Bank's management, with reference to the financial statements as reviewed by its auditor and adjusted for the effect of the differences in accounting policies. The Bank's management believes that the net income for the year ended 30 September 2011 is not material different from that income for the year ended 31 December 2011.

- b) Summarised financial information of Siam Samsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 31 December 2011 and 2010 and for the periods then ended are as follows:

(Unit: Million Baht)

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income for the years		Net income (loss) for the years	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Siam Samsung Life Insurance Co., Ltd.	500	500	1,989	2,073	1,854	1,766	1,170	911	(184)
Siam City Insurance Co., Ltd.	-	40	-	932	-	689	414	632	(17)	37
Ratchthani Leasing Plc.	-	823	-	9,549	-	8,270	913	695	160	112

Income, profit or loss and shares of profit (loss) of investments in associated companies were determined based on the financial statements of those companies for the period starting from the date that the Bank and/or the subsidiaries invested in such companies, in proportion to the shareholding interest, and until the Bank disposed of such investment or its status was changed to a subsidiary company.

11.5 As at 31 December 2011 and 2010, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand is as follows

(Unit: Million Baht)

Company's name	2011	2010
MBK Plc.	1,649	1,887
Ratchthani Leasing Plc.	-	616

12. Loans to customers and accrued interest receivables

12.1 Classified by loan type

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Loans to customers</u>				
Overdrafts	23,358	24,562	23,358	3,243
Loans	271,129	275,232	250,290	58,324
Notes receivable	49,984	62,171	68,048	24,985
Hire purchase receivables	325,976	271,851	310,595	269,834
Financial lease receivables	2,104	2,392	1,926	2,341
Others	234	429	234	-
Less: Deferred revenues	(39,801)	(32,469)	(37,739)	(32,178)
Total loans to customers net of deferred revenues	632,984	604,168	616,712	326,549
Add: Accrued interest receivables	963	924	925	272
Total loans to customers net of deferred revenues and accrued interest receivables	633,947	605,092	617,637	326,821
Less: Allowance for doubtful accounts				
- BOT's minimum requirement provision	(25,197)	(23,917)	(12,102)	(7,056)
- Excess provision	(396)	(534)	(383)	(375)
Less: Revaluation allowance for debt restructuring	(382)	(460)	(382)	(38)
Loans to customer and accrued interest receivables - net	607,972	580,181	604,770	319,352
<u>Securities business receivables</u>				
Credit balances receivables	1,926	1,341	-	-
Other receivables	310	1,342	-	-
Total securities business receivables	2,236	2,683	-	-
Less: Allowance for doubtful accounts	(305)	(1,338)	-	-
Securities business receivables - net	1,931	1,345	-	-
Loans to customer and accrued interest receivables - net	609,903	581,526	604,770	319,352

12.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	624,935	450	625,385	590,382	4,794	595,176
US Dollar	5,740	3,386	9,126	7,468	3,835	11,303
Other currencies	284	425	709	372	-	372
Total*	630,959	4,261	635,220	598,222	8,629	606,851

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	602,308	450	602,758	322,533	380	322,913
US Dollar	7,282	5,853	13,135	2,803	800	3,603
Other currencies	395	424	819	33	-	33
Total*	609,985	6,727	616,712	325,369	1,180	326,549

* Total loans net of deferred revenues

12.3 Classified by type of business and loan classification

(Unit: Million Baht)

Consolidated financial statements								
2011								
The Bank and a subsidiary company which are financial institutions								
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	Subsidiary companies	Consolidated
Agricultural and mining	10,452	27	95	104	148	10,826	4	10,830
Manufacturing and commerce	60,956	4,364	3,363	6,741	6,484	81,908	59	81,967
Real estate and construction	42,730	1,463	577	736	2,454	47,960	12	47,972
Public utilities and services	49,553	3,317	921	1,529	3,060	58,380	61	58,441
Personal consuming								
Housing loans	68,632	1,503	552	1,221	1,728	73,636	-	73,636
Securities business	-	-	-	-	-	-	2,236	2,236
Hire purchase	242,023	27,443	664	648	2,241	273,019	13,342	286,361
Others	48,357	2,076	673	763	2,095	53,964	116	54,080
Others	18,927	177	178	14	382	19,678	19	19,697
Total*	541,630	40,370	7,023	11,756	18,592	619,371	15,849	635,220

* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
2010								
The Bank and a subsidiary company which are financial institutions								
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	Subsidiary companies	Consolidated
Agricultural and mining	8,124	2,432	194	71	136	10,957	-	10,957
Manufacturing and commerce	73,796	8,663	1,697	8,459	4,768	97,383	1	97,384
Real estate and construction	45,690	1,958	1,549	644	2,552	52,393	13	52,406
Public utilities and services	55,570	4,490	1,210	1,659	3,112	66,041	6	66,047
Personal consuming								
Housing loans	72,939	1,890	581	813	1,413	77,636	-	77,636
Securities business	-	-	-	-	-	-	2,683	2,683
Hire purchase	218,478	15,416	782	606	2,589	237,871	1,740	239,611
Others	15,474	842	428	169	909	17,822	54	17,876
Others	40,270	778	204	192	783	42,227	24	42,251
Total*	530,341	36,469	6,645	12,613	16,262	602,330	4,521	606,851

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
2011						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agricultural and mining	10,452	27	69	15	25	10,588
Manufacturing and commerce	60,956	4,364	583	672	2,725	69,300
Real estate and construction	42,730	1,463	295	333	1,323	46,144
Public utilities and services	48,218	3,317	545	1,255	1,773	55,108
Personal consuming						
Housing loans	68,627	1,503	493	738	692	72,053
Hire purchase	242,023	27,443	664	648	2,241	273,019
Others	48,356	2,076	654	616	1,596	53,298
Others	36,991	177	5	2	27	37,202
Total*	558,353	40,370	3,308	4,279	10,402	616,712

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
2010						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agricultural and mining	3,639	1	1	-	8	3,649
Manufacturing and commerce	20,751	193	65	130	450	21,589
Real estate and construction	18,434	104	254	163	439	19,394
Public utilities and services	18,110	17	8	197	77	18,409
Personal consuming						
Housing loans	4,998	466	162	107	285	6,018
Hire purchase	218,478	15,416	782	606	2,589	237,871
Others	7,554	651	248	169	908	9,530
Others	10,064	25	-	-	-	10,089
Total*	302,028	16,873	1,520	1,372	4,756	326,549

* Total loans net of deferred revenues

12.4 Non-performing loans

As at 31 December 2011 and 2010, the Bank and its subsidiaries (banking, securities and asset management) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Non-performing loans (excluding accrued interest receivables)				
Banking business	17,989	35,520	17,989	7,648
Securities business	306	1,339	-	-
Asset management	19,382	-	-	-

The above definition of non-performing loans does not include overdue loans which have been already restructured and are now qualified for classification as Normal or Special mention debt.

Additionally, the Bank and its subsidiaries (banking and securities business) had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Banking business	16,558	44,046	16,558	7,538
Securities business	306	1,339	-	-

The subsidiary company engaged in the asset management business recognises income from loan on a cash basis.

12.5 Debt restructuring

During the years 2011 and 2010, the Bank and its subsidiaries have entered into debt restructuring agreements as follows:

Type of restructuring	consolidated financial statements			
	For the years ended 31 December			
	Number of	Outstanding	Outstanding	Fair value of
	debtors	loans balance	loans balance	assets to be
	before	after	Type of assets	transferred under
	restructuring ⁽¹⁾	restructuring ⁽¹⁾	to be	transferred under
	Million Baht	Million Baht	transferred	agreement
				Million Baht
2011				
Modification of repayment conditions	38,676	16,553	16,553	
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	9	627	627	Land 190
Total	38,685	17,180	17,180	
2010				
Transfer of assets	1	6	6	Land and premise 6
Modification of repayment conditions	5,908	10,616	10,616	
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	4	154	154	Land 127
Total	5,913	10,776	10,776	

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivable).

Separate financial statements					
For the years ended 31 December					
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring ⁽¹⁾	Outstanding loans balance after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2011					
Modification of repayment conditions	38,353	13,163	13,163		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	6	14	14	Land	15
Total	38,359	13,177	13,177		
2010					
Modification of repayment conditions	4,978	1,949	1,949		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	4	154	154	Land	127
Total	4,982	2,103	2,103		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivable).

Counting from the end of the year, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2011 and 2010, are summarised below.

Consolidated financial statements				
For the years ended 31 December				
Periods	2011		2010	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	1,261	1,734	1,299	582
Due within the year	908	1,504	670	618
Less than 5 years	27,984	8,645	2,096	1,563
5 - 10 years	8,498	5,213	1,609	7,295
10 - 15 years	13	45	112	458
Over 15 years	21	39	127	260
Total	38,685	17,180	5,913	10,776

Periods	Separate financial statements			
	For the years ended 31 December			
	2011		2010	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	1,169	841	1,247	438
Due within the year	812	168	663	130
Less than 5 years	27,947	8,098	1,947	505
5 - 10 years	8,422	4,029	1,102	977
10 - 15 years	5	31	9	13
Over 15 years	4	10	14	40
Total	38,359	13,177	4,982	2,103

Supplemental information for the years 2011 and 2010 relating to restructured loan is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Interest incomes recognised in the statements of comprehensive income	1,292	1,080	543	487
Cash repayment from receivables	4,985	4,331	2,288	1,594
Properties foreclosed received for debts settlement	58	309	58	303
Loss on debt restructuring	40	77	15	123

As at 31 December 2011 and 2010, the Bank and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables							
	Total number of outstanding receivables		Number of receivables		Outstanding balances		Outstanding balances, net of collateral	
	2011	2010	2011	2010	2011	2010	2011	2010
					Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Bank Plc.	1,378,861	944,313	52,289	13,944	25,803	5,324	9,350	2,414
Siam City Bank Plc.	-	358,647	-	6,247	-	22,871	-	9,560
Thanachart Securities Plc.	886	395	3	3	35	35	35	35
TS Asset Management Co., Ltd.	2,459	-	1,630	-	12,978	-	5,173	-

12.6 Hire purchase/Financial lease receivables

As at 31 December 2011, net hire purchase/financial lease receivables of the Bank and its subsidiaries amounting to Baht 283,038 million were recorded in the consolidated financial statements, with Baht 270,015 million recorded in the separate financial statements. These mostly comprise hire purchase agreements or financial lease agreements for cars and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates.

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2011				
Amounts due under lease agreements				
Less than				
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	98,530	218,233	11,317	328,080
Less: Unearned finance income	(15,589)	(23,687)	(515)	(39,791)
Present value of minimum lease payments receivable	82,941	194,546	10,802	288,289
Allowance for doubtful accounts				(5,251)
Hire purchase/Financial lease receivables - net				283,038

* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2010				
Amounts due under lease agreements				
Less than				
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	89,288	177,763	7,192	274,243
Less: Unearned finance income	(13,967)	(18,248)	(242)	(32,457)
Present value of minimum lease payments receivable	75,321	159,515	6,950	241,786
Allowance for doubtful accounts				(5,137)
Hire purchase/Financial lease receivables - net				236,649

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2011

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	96,982	204,671	10,868	312,521
Less: Unearned finance income	(15,423)	(21,881)	(425)	(37,729)
Present value of minimum lease payments receivable	81,559	182,790	10,443	274,792
Allowance for doubtful accounts				(4,777)
Hire purchase/Financial lease receivables - net				270,015

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2010

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	88,359	176,636	7,180	272,175
Less: Unearned finance income	(13,827)	(18,105)	(242)	(32,174)
Present value of minimum lease payments receivable	74,532	158,531	6,938	240,001
Allowance for doubtful accounts				(4,925)
Hire purchase/Financial lease receivables - net				235,076

* Included non-performing receivables

12.7 Classified by classification

As at 31 December 2011 and 2010, the Bank and its financial institution subsidiaries (banking and asset management business) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Consolidated financial statements ⁽¹⁾						
	Net balance used in made				Minimum percentage (Percent)	Allowance for doubtful	
	Loans and accrued interest receivables	allowance for doubtful accounts ⁽²⁾				accounts	
	2011	2010	2011	2010	2011	2010	
Normal	542,456	531,104	201,301	189,131	1	3,970	2,082
Special mention	40,447	36,539	18,289	16,944	2	722	2,249
Substandard	7,031	6,663	3,870	2,805	100	3,870	2,898
Doubtful	11,763	12,620	7,507	8,199	100	7,507	8,277
Doubtful of loss	18,631	16,323	8,208	8,180	100	8,348	8,199
Total	620,328	603,249	239,175	225,259		24,417	23,705
Additional allowance for possible uncollectability debts						383	534
Total						24,800	24,239

(1) Only the Bank and subsidiary companies subject to BOT's regulations; and after deducting intragroup transactions.

(2) The net balance used in setting allowance for doubtful accounts for loans classified as Normal and Special mention is the principal balance net of deferred revenues, excluding accrued interest receivables, and after deducting collaterals values, while for loans classified as Substandard, Doubtful and Doubtful of loss, it is the principal balance net of deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

(Unit: Million Baht)

	Separate financial statements						
	Net balance used in made				Minimum percentage (Percent)	Allowance for doubtful	
	Loans and accrued interest receivables	allowance for doubtful accounts ⁽¹⁾				accounts	
	2011	2010	2011	2010	2011	2010	
Normal	559,184	302,266	218,024	103,855	1	2,812	1,155
Special mention	40,447	16,887	18,289	8,414	2	721	168
Substandard	3,309	1,523	1,500	1,070	100	1,500	1,070
Doubtful	4,279	1,372	1,791	775	100	1,791	775
Doubtful of loss	10,418	4,773	5,138	3,888	100	5,278	3,888
Total	617,637	326,821	244,742	118,002		12,102	7,056
Additional allowance for possible uncollectability debts						383	375
Total						12,485	7,431

(1) The net balance used in setting allowance for doubtful accounts for loans classified as Normal and Special mention is the principal balance net of deferred revenues, excluding accrued interest receivables, and after deducting collaterals values, while for loans classified as Substandard, Doubtful and Doubtful of loss, it is the principal balance net of deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

From July to December 2011, there was widespread flooding in Thailand. The floods may affect the business of certain debtors. The Bank has provided support to its customers in accordance with the policy of the BOT by relaxing principal and/or interest payments, extending the repayment schedule, maintaining the status of each debtor as it was before such floods occurred, and not treating the related receivables as non-performing loans. As at 31 December 2011 a total of 27,783 debtors with total balances of Baht 22,096 million had received relaxations of terms due to the flooding. However, the Bank's management believes that no further significant damage will be incurred as a result of this situation.

12.8 Loan to companies which have settlement problems

As at 31 December 2011 and 2010, loans of the Bank and its subsidiaries in the consolidated financial statements and the separate financial statements included debts due from companies with weak financial positions and poor operating results, as follows:

	Consolidated financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2011	2010	2011	2010	2011	2010	2011	2010
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	6	6	857	425	67	67	790	359
2. Non - listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	9	11	585	750	334	753	236	275
3. Companies which have loan settlement problems or have defaulted on the repayment	1,130	1,102	24,337	30,827	11,760	13,545	13,213	13,708

	Separate financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2011	2010	2011	2010	2011	2010	2011	2010
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	3	2	169	122	31	-	138	122
2. Non - listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	9	11	585	750	334	753	236	275
3. Companies which have loan settlement problems or have defaulted on the repayment	737	432	8,042	931	5,323	580	2,726	392

12.9 Classification of securities business receivables in accordance with the Notification of the Securities and Exchange Commission

As at 31 December 2011 and 2010, subsidiary companies operating in the securities business classified securities business receivables and accrued interest receivables, and provided related allowance for doubtful accounts, in accordance with the Notification of the Securities and Exchange Commission (SEC), as follows:

(Unit: Million Baht)

	Receivable balances		Allowance for doubtful accounts		Debt balance net of allowance for doubtful accounts	
	2011	2010	2011	2010	2011	2010
	Normal	1,930	1,344	-	-	1,930
Substandard	3	4	2	3	1	1
Doubtful	303	1,335	303	1,335	-	-
Total	2,236	2,683	305	1,338	1,931	1,345

Allowance for doubtful accounts for substandard loans set aside by subsidiaries is higher than the minimum amount required by the SEC, and takes into account uncertainties as to collateral value and the risk from collection of such receivables.

12.10 Hire purchase receivables/financial lease receivables of subsidiaries classified by aging

As at 31 December 2011 and 2010, hire purchase and financial lease receivables balances of subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

(Unit: Million Baht)

	2011	2010
Current or overdue not over 90 days	12,863	1,590
Overdue 91 - 365 days	363	40
Overdue more than 1 year	66	48
Debtors under legal actions	205	107
Total	13,497	1,785
Allowance for doubtful accounts provided in the accounts	792	212

12.11 As at 31 December 2011 and 2010, the Bank has loans to subsidiary companies as follows:

Company's name	Type of credit	Contract period as at 31 December 2011	Interest rate as at 31 December 2011	Outstanding balances	
				2011 Million Baht	2010 Million Baht
<u>Subsidiary companies</u>					
Thanachart Group Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	353	932
National Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	22	52
Ratchthani Leasing Plc.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	7,867	-
TS Asset Management Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	9,822	-
Total				<u>18,064</u>	<u>984</u>

13. Allowance for doubtful accounts

(Unit: Million Baht)

	Consolidated financial statements								
	2011								
	The Bank and a subsidiary company which are financial institutions							Subsidiary companies	Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total		
Balance - beginning of the year	2,082	2,249	2,898	8,277	8,199	534	24,239	1,550	25,789
Beginning balance of the subsidiaries acquired during the year	-	-	-	-	-	-	-	542	542
Balance of a subsidiary company disposed during the year	-	-	-	-	-	-	-	(1,023)	(1,023)
Increase (decrease) during the year	1,888	(1,527)	992	(571)	1,826	(151)	2,457	91	2,548
Bad debts recovery	-	-	-	253	156	-	409	11	420
Bad debts written-off	-	-	(20)	(452)	(933)	-	(1,405)	(73)	(1,478)
Reversal from disposal of loans	-	-	-	-	(900)	-	(900)	-	(900)
Balance - end of the year	<u>3,970</u>	<u>722</u>	<u>3,870</u>	<u>7,507</u>	<u>8,348</u>	<u>383</u>	<u>24,800</u>	<u>1,098</u>	<u>25,898</u>

(Unit: Million Baht)

Consolidated financial statements									
2010									
The Bank and a subsidiary company which are financial institutions									
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	895	188	968	1,181	4,258	214	7,704	659	8,363
Beginning balance of the subsidiaries acquired during the year	971	2,854	1,346	4,745	6,244	-	16,160	1,074	17,234
Balance of a subsidiary company disposed during the year	-	-	-	-	-	-	-	(64)	(64)
Increase (decrease) during the year	216	(793)	584	2,595	(858)	320	2,064	(29)	2,035
Bad debts recovery	-	-	-	223	56	-	279	16	295
Bad debts written-off	-	-	-	(467)	(594)	-	(1,061)	(106)	(1,167)
Reversal from disposal of loans	-	-	-	-	(907)	-	(907)	-	(907)
Balance - end of the year	<u>2,082</u>	<u>2,249</u>	<u>2,898</u>	<u>8,277</u>	<u>8,199</u>	<u>534</u>	<u>24,239</u>	<u>1,550</u>	<u>25,789</u>

(Unit: Million Baht)

Separate financial statements							
2011							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	1,155	168	1,070	775	3,888	375	7,431
Increase (decrease) during the year	10	138	(775)	729	1,278	8	1,388
Increase for receivables which were transferred from SCIB during the year	1,647	415	1,205	287	1,474	-	5,028
Bad debts recovery	-	-	-	-	156	-	156
Bad debts written-off	-	-	-	-	(618)	-	(618)
Reversal from disposal of loans	-	-	-	-	(900)	-	(900)
Balance - end of the year	<u>2,812</u>	<u>721</u>	<u>1,500</u>	<u>1,791</u>	<u>5,278</u>	<u>383</u>	<u>12,485</u>

(Unit: Million Baht)

Separate financial statements							
2010							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	909	188	968	1,181	4,258	214	7,718
Increase (decrease) during the year	246	(20)	102	(406)	1,076	161	1,159
Bad debts recovery	-	-	-	-	55	-	55
Bad debts written-off	-	-	-	-	(594)	-	(594)
Reversal from disposal of loans	-	-	-	-	(907)	-	(907)
Balance - end of the year	<u>1,155</u>	<u>168</u>	<u>1,070</u>	<u>775</u>	<u>3,888</u>	<u>375</u>	<u>7,431</u>

14. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Balance - beginning of the year	460	33	38	33
Beginning balance of the subsidiaries				
acquired during the year	-	472	-	-
Additional allowance for receivables				
received during the year	-	-	369	-
Increase (decrease) during the year	(35)	(40)	15	7
Amortised during the year	(43)	(5)	(40)	(2)
Balance - end of the year	<u>382</u>	<u>460</u>	<u>382</u>	<u>38</u>

15. Classification of assets

As at 31 December 2011 and 2010, the quality of assets of the Bank and its subsidiaries classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2011					
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	39,364	542,456	-	-	162	581,982
Special mention	-	40,447	-	-	108	40,555
Substandard	-	7,031	-	-	4	7,035
Doubtful	-	11,763	-	-	4	11,767
Doubtful of loss	-	18,631	238	197	237	19,303
Total	<u>39,364</u>	<u>620,328</u>	<u>238</u>	<u>197</u>	<u>515</u>	<u>660,642</u>

(Unit: Million Baht)

Consolidated financial statements

	2010					
	Loans to customer and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	51,777	531,104	-	-	192	583,073
Special mention	-	36,539	-	-	84	36,623
Substandard	-	6,663	-	-	8	6,671
Doubtful	-	12,620	-	-	14	12,634
Doubtful of loss	-	16,323	89	56	503	16,971
Total	51,777	603,249	89	56	801	655,972

(Unit: Million Baht)

Separate financial statements

	2011					
	Loans to customer and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	39,514	559,184	-	-	162	598,860
Special mention	-	40,447	-	-	108	40,555
Substandard	-	3,309	-	-	4	3,313
Doubtful	-	4,279	-	-	4	4,283
Doubtful of loss	-	10,418	238	148	237	11,041
Total	39,514	617,637	238	148	515	658,052

(Unit: Million Baht)

Separate financial statements

	2010					
	Loans to customer and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	12,510	302,266	-	-	179	314,955
Special mention	-	16,887	-	-	82	16,969
Substandard	-	1,523	-	-	5	1,528
Doubtful	-	1,372	-	-	4	1,376
Doubtful of loss	-	4,773	89	56	16	4,934
Total	12,510	326,821	89	56	286	339,762

16. Property foreclosed

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	6,472	-	108	(1,079)	114	5,615
Internal appraiser	233	-	16	(38)	(114)	97
Movable assets	289	4	3,184	(3,112)	-	365
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	673	-	93	(63)	4	707
Internal appraiser	72	-	7	(11)	(4)	64
Assets awaiting disposal						
External appraiser	168	-	(52)	-	-	116
Total property foreclosed	7,907	4	3,356	(4,303)	-	6,964
Less: Allowance for impairment	(56)	-	(528)	382	-	(202)
Property foreclosed - Net	7,851	4	2,828	(3,921)	-	6,762

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2010						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	353	6,657	205	(639)	(104)	6,472
Internal appraiser	110	16	17	(14)	104	233
Movable assets	428	-	3,733	(3,872)	-	289
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	-	577	119	(24)	1	673
Internal appraiser	65	7	13	(12)	(1)	72
Assets awaiting disposal						
External appraiser	-	168	-	-	-	168
Total property foreclosed	956	7,425	4,087	(4,561)	-	7,907
Less: Allowance for impairment	(44)	-	(186)	174	-	(56)
Property foreclosed - Net	912	7,425	3,901	(4,387)	-	7,851

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2011						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	111	2,367	-	(33)	119	2,564
Internal appraiser	230	-	16	(38)	(119)	89
Movable assets	283	4	3,122	(3,064)	-	345
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	1	636	-	(17)	4	624
Internal appraiser	71	-	7	(11)	(4)	63
Assets awaiting disposal						
External appraiser	-	116	-	-	-	116
Total property foreclosed	696	3,123	3,145	(3,163)	-	3,801
Less: Allowance for impairment	(56)	(63)	(165)	136	-	(148)
Property foreclosed - Net	640	3,060	2,980	(3,027)	-	3,653

(Unit: Million Baht)

Separate financial statements					
For the year ended 31 December 2010					
	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	353	186	(324)	(104)	111
Internal appraiser	110	17	(1)	104	230
Movable assets	410	3,610	(3,737)	-	283
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	-	-	-	1	1
Internal appraiser	65	12	(5)	(1)	71
Total property foreclosed	938	3,825	(4,067)	-	696
Less: Allowance for impairment	(43)	(167)	154	-	(56)
Property foreclosed - Net	895	3,658	(3,913)	-	640

16.1 As at 31 December 2011 and 2010, property foreclosed received in settlement of receivables that are subject to restrictions can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Immovable assets subject to buyback options or first refusal rights	739	522	739	221

16.2 As at 31 December 2011, the Bank and its subsidiaries have agreements with clients to purchase or sell property foreclosed amounting to approximately Baht 966 million (at cost) in the consolidated financial statements and Baht 926 million in the separate financial statements that are currently being settled in installments or through transfer of ownership. The Bank and its subsidiaries have therefore not recognised gains on the sales, and the assets continue to be recorded as property foreclosed of the Bank and its subsidiaries.

17. Land, premises and equipment

(Unit: Million Baht)

	Consolidated financial statements					Total
	For the year ended 31 December 2011					
	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	
<u>Cost</u>						
31 December 2010	4,649	2,652	3,916	155	134	11,506
Increase from purchase of subsidiary company	12	37	6	7	-	62
Decrease from disposal of a subsidiary company	-	-	(107)	(13)	-	(120)
Additions	43	54	428	11	327	863
Transfers/disposals	-	(277)	(10)	(84)	(315)	(686)
31 December 2011	4,704	2,466	4,233	76	146	11,625
<u>Accumulated depreciation</u>						
31 December 2010	-	201	2,258	60	-	2,519
Decrease from disposal of a subsidiary company	-	-	(95)	(13)	-	(108)
Transfer/disposals	-	(270)	(310)	(74)	-	(654)
Depreciation for the years	-	216	756	42	-	1,014
31 December 2011	-	147	2,609	15	-	2,771
<u>Allowance for impairment</u>						
31 December 2010	-	-	1	-	-	1
Increase (decrease) during the period	68	26	1	-	-	95
Decrease from disposal of a subsidiary company	-	-	(1)	-	-	(1)
31 December 2011	68	26	1	-	-	95
<u>Net book value</u>						
31 December 2011	4,636	2,293	1,623	61	146	8,759
Depreciation charge for the year						1,014

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2010						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2009	426	390	3,057	168	18	4,059
Increase from purchase of subsidiary companies	4,173	2,142	704	62	134	7,215
Decrease from disposal of a subsidiary company	-	-	(6)	(1)	-	(7)
Additions	54	56	380	20	90	600
Transfers/disposals	(4)	64	(219)	(94)	(108)	(361)
31 December 2010	4,649	2,652	3,916	155	134	11,506
<u>Accumulated depreciation</u>						
31 December 2009	-	42	1,710	95	-	1,847
Decrease from disposal of a subsidiary company	-	-	(2)	(1)	-	(3)
Transfer/disposals	-	(3)	(244)	(94)	-	(341)
Depreciation for the year	-	162	794	60	-	1,016
31 December 2010	-	201	2,258	60	-	2,519
<u>Allowance for impairment</u>						
31 December 2009	1	-	-	-	-	1
Increase from purchase of subsidiary companies	-	-	-	-	-	-
Increase (decrease) during the year	(1)	-	1	-	-	-
31 December 2010	-	-	1	-	-	1
<u>Net book value</u>						
31 December 2010	4,649	2,451	1,657	95	134	8,986
Depreciation charge for the year						1,016

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2011						
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2010	475	371	2,572	105	13	3,536
Received from Entire Business Transfer	4,100	1,921	756	8	114	6,899
Additions	43	22	197	5	50	317
Transfers/disposals	-	-	15	(8)	(33)	(26)
31 December 2011	4,618	2,314	3,540	110	144	10,726
<u>Accumulated depreciation</u>						
31 December 2010	-	48	1,736	62	-	1,846
Transfers/disposals	-	-	(17)	(8)	-	(25)
Depreciation for the year	-	52	470	18	-	540
31 December 2011	-	100	2,189	72	-	2,361
<u>Net book value</u>						
31 December 2011	4,618	2,214	1,351	38	144	8,365
Depreciation charge for the year						540

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2010						
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2009	426	331	2,456	101	17	3,331
Additions	54	40	127	15	13	249
Transfers/disposals	(5)	-	(11)	(11)	(17)	(44)
31 December 2010	475	371	2,572	105	13	3,536
<u>Accumulated depreciation</u>						
31 December 2009	-	31	1,295	54	-	1,380
Transfers/disposals	-	-	(20)	(11)	-	(31)
Depreciation for the year	-	17	461	19	-	497
31 December 2010	-	48	1,736	62	-	1,846
<u>Allowance for impairment</u>						
31 December 2009	1	-	-	-	-	1
Decrease during the year	(1)	-	-	-	-	(1)
31 December 2010	-	-	-	-	-	-
<u>Net book value</u>						
31 December 2010	475	323	836	43	13	1,690
Depreciation charge for the year						497

As at 31 December 2011, the Bank and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 39 million. In addition, the Bank and its subsidiaries have office equipment and vehicles which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss, amounting to approximately Baht 1,330 million (separate financial statements: Baht 31 million and Baht 1,016 million, respectively).

18. Intangible assets

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2011				
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total
<u>Cost</u>					
31 December 2010	4,100	905	4	163	5,172
Increase from purchase of a subsidiary company	-	2	-	6	8
Decrease from disposal of a subsidiary company	-	(22)	-	-	(22)
Additions	-	341	-	233	574
Transfers/disposals	-	(36)	3	(222)	(255)
31 December 2011	4,100	1,190	7	180	5,477
<u>Accumulated amortisation</u>					
31 December 2010	137	227	3	-	367
Decrease from disposal of a subsidiary company	-	(4)	-	-	(4)
Disposals	-	(258)	3	-	(255)
Amortisation for the year	465	169	1	-	635
31 December 2011	602	134	7	-	743
<u>Allowance for impairment</u>					
31 December 2010	-	-	-	-	-
Increase during the period	-	27	-	-	27
Decrease from disposal of a subsidiary company	-	(2)	-	-	(2)
31 December 2011	-	25	-	-	25
<u>Net book value</u>					
31 December 2011	3,498	1,031	-	180	4,709
Amortisation expenses for the year					635
Remaining amortisation period (years)	8.3 years	0-10 years	0-1 years	-	

(Unit: Million Baht)

Consolidated financial statements					
For the year ended 31 December 2010					
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total
<u>Cost</u>					
31 December 2009	-	492	7	116	615
Increase from purchase of subsidiary companies	-	253	1	39	293
Additions/increase due to business combination	4,100	65	-	109	4,274
Transfer	-	101	-	(101)	-
Disposals	-	(6)	(4)	-	(10)
31 December 2010	4,100	905	4	163	5,172
<u>Accumulated amortisation</u>					
31 December 2009	-	134	5	-	139
Increase from purchase of subsidiary companies	-	-	-	-	-
Disposals	-	(5)	(4)	-	(9)
Amortisation for the year	137	98	2	-	237
31 December 2010	137	227	3	-	367
<u>Net book value</u>					
31 December 2010	3,963	678	1	163	4,805
Amortisation expenses for the year					237

(Unit: Million Baht)

	Separate financial statements			
	For the year ended 31 December 2011			
	Intangible assets from business combination	Computer software	Computer software under development	Total
<u>Cost</u>				
31 December 2010	-	501	99	600
Increase from Entire Business Transfer	3,613	238	-	3,851
Additions	-	300	225	525
Transfer	-	160	(160)	-
31 December 2011	3,613	1,199	164	4,976
<u>Accumulated amortisation</u>				
31 December 2010	-	115	-	115
Amortisation for the year	115	71	-	186
31 December 2011	115	186	-	301
<u>Allowance for impairment</u>				
31 December 2010	-	-	-	-
Increase during the year	-	25	-	25
31 December 2011	-	25	-	25
<u>Net book value</u>				
31 December 2011	3,498	988	164	4,650
Amortisation expenses for the year				186
Remaining amortisation period (years)	8.3 years	0 – 9.9 years	-	

(Unit: Million Baht)

	Separate financial statements		
	For the year ended 31 December 2010		
	Computer software	Computer software under development	Total
<u>Cost</u>			
31 December 2009	390	113	503
Additions	27	70	97
Transfer	84	(84)	-
31 December 2010	501	99	600
<u>Accumulated amortisation</u>			
31 December 2009	72	-	72
Amortisation for the year	43	-	43
31 December 2010	115	-	115
<u>Net book value</u>			
31 December 2010	386	99	485
Amortisation expenses for the year			43

As at 31 December 2011, the Bank and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 40 million (separate financial statement: Baht 7 million).

19. Goodwill

As at 31 December 2011 and 2010, goodwill stated in the consolidated financial statements are as follows.

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Goodwill - beginning of the year	15,750	10	-	-
Increase during the year 2010	-	15,740	15,740	-
Goodwill - ending of the year	15,750	15,750	15,740	-

20. Other assets

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Accrued premium insurance income	440	444	-	-
Other receivables	1,553	949	1,547	281
Accrued interest and dividend income				
receivables	1,052	1,024	725	311
VAT refundable	57	676	48	670
Prepaid leasehold rights	392	411	388	208
Other receivables - VAT paid in advance				
for customers	197	172	184	172
Suspense accounts between head office				
and branches	-	326	-	183
Deposit	276	331	255	173
Estimated insurance claims recoveries	264	187	-	-
Receivable from clearing house	25	391	-	-
Deposit from derivative contracts	357	148	357	100
Others	817	645	578	125
Total	5,430	5,704	4,082	2,223
Less: Allowance for impairment	(307)	(575)	(257)	(29)
Other assets - Net	5,123	5,129	3,825	2,194

21. Deposits

21.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Current	7,129	7,222	7,227	2,487
Saving	169,196	181,350	170,386	87,765
Promissory notes	61	61	61	61
Certificates of deposit	2	5,297	2	-
Fixed deposits				
- Less than 6 months	52,172	154,231	86,450	68,894
- 6 months and up to 1 year	133,560	39,394	133,560	16,737
- Over 1 year	73,920	145,101	73,932	66,847
Total deposits	436,040	532,656	471,618	242,791

21.2 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	435,796	1	435,797	532,253	1	532,254
US Dollar	84	20	104	160	25	185
Other currencies	22	117	139	90	127	217
Total	435,902	138	436,040	532,503	153	532,656

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	471,374	1	471,375	242,614	-	242,614
US Dollar	84	20	104	24	13	37
Other currencies	22	117	139	35	105	140
Total	471,480	138	471,618	242,673	118	242,791

22. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	-	3,065	3,065	1,427	2,601	4,028
Commercial banks	700	10,032	10,732	174	4,823	4,997
Specialised financial institutions	3,100	7,234	10,334	24	3,206	3,230
Other financial institutions	17,015	9,705	26,720	14,361	6,635	20,996
Total domestic items	20,815	30,036	50,851	15,986	17,265	33,251
Foreign						
US Dollar	3	8,599	8,602	81	6,832	6,913
Euro	-	-	-	-	24	24
Baht currency	241	457	698	95	262	357
Total foreign items	244	9,056	9,300	176	7,118	7,294
Total	21,059	39,092	60,151	16,162	24,383	40,545

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	-	3,064	3,064	-	2,600	2,600
Commercial banks	681	8,779	9,460	19	2,450	2,469
Specialised financial institutions	3,100	7,234	10,334	-	3,206	3,206
Other financial institutions	17,420	9,705	27,125	11,176	3,885	15,061
Total domestic items	21,201	28,782	49,983	11,195	12,141	23,336
Foreign						
US Dollar	3	8,599	8,602	61	5,928	5,989
Euro	-	-	-	-	24	24
Baht currency	241	457	698	95	262	357
Total foreign items	244	9,056	9,300	156	6,214	6,370
Total	21,445	37,838	59,283	11,351	18,355	29,706

As at 31 December 2011, a subsidiary company has loans from financial institutions that require it to comply with certain conditions, as summarised follows.

- (a) A long-term loans amounting to Baht 773 million, repayable in 48 monthly installments from the date of loan drawdown, with interest charged at the average MLR less a fixed percentage per annum, payable monthly. The loans are secured by the assignment of collection rights over hire purchase receivables of the subsidiary company with a value of not less than 125 percent of the loan balances, and the transfer of ownership of the vehicles for which collection rights are assigned, as well as the assignment of collection rights over deposit accounts and related interest of the subsidiary company. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1 and to maintain non-performing receivables at not more than 10 percent of total hire purchase receivables.
- (b) A long-term loans amounting to Baht 275 million, repayable in 36 monthly installments from the date of loan drawdown, with interest charged at fixed interest rate per annum, payable monthly. The loan is secured by the assignment of collection rights over hire purchase/financial lease receivables of the subsidiary company, and the transfer of ownership of vehicles, with a value of not less than 110 percent of the loan balances that were drawn down. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1.
- (c) A long-term loans amounting to Baht 6 million, repayable in 42 monthly installments from the date of loan drawdown, with interest charged at the average MLR less a fixed percentage per annum, payable monthly. The loans are secured by the assignment of collection rights over hire purchase receivables of the subsidiary company with a value of not less than 125 percent of the loan balances, and the transfer of ownership of the vehicles for which collection rights are assigned, as well as the assignment of collection rights over deposit accounts and related interest of the subsidiary company. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1 and to maintain non-performing receivables at not more than 10 percent of total hire purchase receivables.

23. Debt issued and borrowings

As at 31 December 2011 and 2010, the balance of debt issued and domestic borrowings, which stated in Baht, are as follows:

Type of borrowings	Interest rate		Consolidated		Separate	
	per annum (as at		financial statements		financial statements	
	31 December 2011)	Maturity date	2011	2010	2011	2010
Perpetual subordinated hybrid bonds issued under Tier I (a)	8.60 percent	Dissolution	7,130	7,130	7,130	7,130
Subordinated hybrid bonds issued under Tier II (b)	5.25 percent	2019 and 2024	5,000	5,000	5,000	5,000
Subordinated debentures issued under Tier II (c - f)	5.00 - 5.50 and 6.00 percent	2015 - 2020	23,000	23,000	23,000	13,000
Bills of exchange	0 - 3.25 percent	At call	57	11	56	1
Bills of exchange	0.50 - 4.65 percent	2012 - 2013	217,999	139,574	222,148	106,961
Promissory note	4.75 percent	At call	942	-	-	-
Borrowings - Department of Alternative Energy Development and Efficiency	0 - 0.50 percent	2012 - 2017	169	234	169	-
Total debt issued and borrowings			254,297	174,949	257,503	132,092

- (a) On 22 April 2010, the Bank issued 7,130,000 name registered of perpetual, non-cumulative, subordinated, hybrid Tier 1 bonds, with a face value of Baht 1,000 each, and sold them to two major shareholders of the Bank. The bonds mature upon dissolution or liquidation of the Bank. The bonds are unsecured and non-convertible and bear interest at a rate equal to the highest interest rate for a six-month fixed deposit plus 6 percent per annum, payable semi-annually. The Bank has a call option to early redeem the bonds at par if the condition specified are met.
- (b) On 24 July 2009, the Bank issued 5,000,000 name registered subordinated hybrid bonds, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. Of these, 3.5 million units mature in 2019 and bear interest at rate of 5.25 percent per annum for the first five years, and 5.5 percent per annum for the sixth to tenth years, while 1.5 million units mature in 2024 and bear interest at rate of 5.25 percent per annum for the first five years, 6.0 percent per annum for the sixth to tenth years and 6.5 percent per annum for the eleventh to fifteenth years, payable quarterly. The Bank has a call option to early redeem these debentures at par and has option to postpone principal and/or interest payment date if the conditions as specified are met.

- (c) On 9 May 2008, the Bank issued 5,000,000 name registered subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2015 and bear interests at rate of 5.1 percent per annum for the first three years, and 6 percent per annum for the fourth to seventh years, payable quarterly.
- (d) On 3 April 2009, the Bank issued 2,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interest at fixed interest rates of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years, and 6.5 percent per annum for the eighth to tenth years, payable quarterly. The Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (e) On 2 April 2010, the Bank issued 6,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2020 and bear interests at fixed interest rate of 5 percent per annum for the first five years and 5.5 percent per annum for the sixth to tenth years, payable quarterly. The Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (f) On 19 June 2009, SCIB issued 10,000,000 unsecured subordinated debentures with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interests at fixed interest rates of 5.50 percent per annum for the first three years, 6.00 percent per annum for the fourth to seventh years, and 6.50 percent per annum for the eighth to tenth years. Interest is payable quarterly. SCIB has a call option to early redeem these debentures at par if the conditions specified are met. On 20 June 2011, SCIB early redeemed all debentures at par value with no gain (loss) on the transaction. Thanachart Bank has issue debentures to replace these SCIB's debentures with the same interest rates, terms, and conditions. The BOT has given approval in principle to counting such subordinated debentures as Tire II of Thanachart Bank when the entire business transfer between Thanachart Bank and SCIB is completed. This is in accordance with the BOT's letter for the entire business of SCIB.

24. Provisions

(Unit: Million Baht)

Consolidated financial statement					
For the year ended 31 December 2011					
	Loss from litigation	Employee benefits	Obligations of off-balance	Others	Total
Balance as at 1 January 2011	89	43	285	483	900
The cumulative effect of the changes in the accounting policy for employee benefits	-	2,272	-	-	2,272
Increase from purchase of subsidiary company	-	3	-	-	3
Increase during the year	2	360	39	90	491
Decrease from disposal of a subsidiary company	(1)	(3)	-	-	(4)
Utilised	(1)	(387)	-	(57)	(445)
Reversal of provisions	(4)	(335)	(54)	-	(393)
Balance as at 31 December 2011	85	1,953	270	516	2,824

(Unit: Million Baht)

Consolidated financial statement				
For the year ended 31 December 2010				
	Loss from litigation	Obligations of off- balance	Others	Total
Balance as at 1 January 2010	18	-	9	27
Increase from purchase of subsidiary company	60	420	290	770
Increase during the year	11	-	297	308
Utilised	-	-	(10)	(10)
Reversal of provisions	-	(135)	(60)	(195)
Balance as at 31 December 2010	89	285	526	900

(Unit: Million Baht)

	Separate financial statement				Total
	For the year ended 31 December 2011				
	Loss from litigation	Employee benefits	Obligations of off-balance	Others	
Balance as at 1 January 2011	19	2	-	92	113
The cumulative effect of the changes in the accounting policy for employee benefits	-	356	-	-	356
Employee benefits for staff transferred from SCIB	-	1,395	-	-	1,395
Increase from entire business transfer	64	259	231	402	956
Increase during the year	1	50	39	18	108
Utilised	-	(54)	-	-	(54)
Reversal of provisions	-	(253)	-	-	(253)
Balance as at 31 December 2011	84	1,755	270	512	2,621

(Unit: Million Baht)

	Separate financial statement		
	For the year ended 31 December 2010		
	Loss from litigation	Others	Total
Balance as at 1 January 2010	18	4	22
Increase during the year	1	94	95
Utilised	-	(4)	(4)
Balance as at 31 December 2010	19	94	113

Employee Benefits

Employee benefits under defined benefit plans recognised in part of profit or loss in the statements of comprehensive income for the year ended 31 December 2011 consist of the followings:

	(Unit: Million Baht)	
	Consolidated financial statement	Separate financial statement
	2011	2011
Current service cost	149	82
Interest cost	81	41
Loss on curtailment	(160)	-
Termination benefits	337	-
Actuarial gain	(47)	(73)
Total employee benefits	360	50

The principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

	(Percent per annum)	
	Consolidated financial statement	Separate financial statement
	2011	2011
Discount rate	4.07 - 4.70	4.09
Future salary increase rate	6.00 - 6.50	6.00
Average staff turnover rate (depending on age)	0.00 - 42.11	0.85 - 21.51
Inflation rate	3.00	-

During the year 2011, Thanachart Bank received the transfer of 6,368 employees from SCIB, this accorded with a resolution passed by a Board of Directors' meeting of Thanachart Bank and is approved by the BOT. SCIB also transferred employee benefits liabilities related to the transferred employees amounting to Baht 1,395 million to Thanachart Bank, together with another Baht 337 million of accrued employee expenses. Under the employee transfer agreement, rights and benefits of employees will be determined counting consecutively from their existing length of service.

25. Insurance contract liabilities

	(Unit: Million Baht)			
	Consolidated financial statement		Separate financial statement	
	2011	2010	2011	2010
Life policy reserve	29,831	25,961	-	-
Loss reserve and outstanding claims	3,441	1,141	-	-
Unearned premium reserve	2,659	2,461	-	-
Other liabilities under insurance policies	223	211	-	-
Total	36,154	29,774	-	-

Subsidiaries presented life policy reserve under long-term insurance contracts at the higher amount of the net level premium reserve method (NPV) and the gross level premium method (GPV). As a result of this change, life insurance policy reserve liabilities of a subsidiary company as at 31 December 2011 was increased by Baht 649 million, which was recognised in profit or loss.

From July to December 2011, there was widespread flooding in Thailand. The floods have an effect to the parties insured by the subsidiary companies. However, the subsidiary companies have assessed and recorded the impact of this situation in their financial statements. They believe that no further significant loses will be incurred.

26. Other liabilities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Other payables	1,253	912	1,038	249
Suspense cash received from account receivables	435	731	435	731
Insurance premium payable	69	83	208	196
Unearned income from hire purchase	300	163	300	163
Deposit from derivative contracts	-	1,762	-	348
Provision for income tax	330	568	330	568
Accrued interest payable	3,267	1,852	3,413	1,084
Corporate income tax payable	2,431	2,327	-	999
Accrued expense	3,855	3,137	3,078	1,421
Payable from clearing house	306	98	-	-
Others	2,857	2,159	1,977	372
Total other liabilities	15,103	13,792	10,779	6,131

27. Share capital

During 8 - 19 April 2010, the Bank called up additional paid-up share capital of 3,579,045,631 shares with a par value of Baht 10 totaling Baht 35,790,456,310 and registered an additional share capital on 30 April 2010, and as a result the Bank had issued and paid-up share capital equals to Baht 55,136,649,030. The parent company exercised both its own entitlement and the unexercised entitlement of the minority shareholders, and as a result the parent company increased its shareholding from 50.92 percent to 50.96 percent.

28. Other components of equity

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Surplus from business combination under common control	(123)	(123)	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	364	399	287	254
Equity instruments	488	742	143	70
Total	852	1,141	430	324
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(252)	(119)	(184)	(60)
Equity instruments	(4)	(3)	(1)	-
Held-to-maturity investments (transfer from available-for-sale investments)	(3)	(71)	(34)	(94)
Total	(259)	(193)	(219)	(154)
Total revaluation surplus (deficit) on investments	593	948	211	170
Share of other comprehensive income of associates	143	323	-	-
Total	613	1,148	211	170

29. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

As at 31 December 2011, the Bank allocated Baht 333.4 million of net income for the year 2011 to the statutory reserve (2010: Baht 285.9 million).

30. Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking business B.E. 2551.

As at 31 December 2011 and 2010, capital funds of the Bank consist of the following:

	(Unit: Million Baht)	
	2011	2010
<u>Tier I</u>		
Issued and fully paid up share capital	55,137	55,137
Share premium	2,101	2,101
Perpetual subordinated hybrid bonds (Hybrid Tier I)	7,130	7,130
Statutory reserve	968	537
Retained earnings - unappropriated	12,042	6,430
Total	<u>77,378</u>	<u>71,335</u>
Less: goodwill	<u>(15,740)</u>	<u>-</u>
Total	<u>61,638</u>	<u>71,335</u>
<u>Tier II</u>		
Subordinated debentures	26,000	17,000
Reserve for assets classified as normal	3,391	1,532
Total	<u>29,391</u>	<u>18,532</u>
Total Tier I and Tier II	91,029	89,867
Add: Net revaluation surplus on investment in equity securities	64	31
Total capital funds	<u>91,093</u>	<u>89,898</u>

On 25 August 2011, the Board of Directors' meeting of Thanachart Bank passed a resolution to allocate Baht 312 million of net income for the six-month period ended 30 June 2011 amounting to statutory reserve. The remaining net income of such period, amounting Baht 5,930 million, was allocated as capital funds of the Bank.

In addition, the BOT granted a waiver for Thanachart Bank to hold more SCIB's shares than permitted by law, for the purposes of the business transfer. The BOT also permitted the Bank not to include SCIB in the financial business group until the date of completion of liquidation, while the computation of the ratio of the capital to risk assets and contingent liabilities includes the assets and contingent liabilities of SCIB until the date of SCIB return its banking license.

As at 31 December 2011 and 2010, the Bank's capital ratios, calculated based on the BOT's regulation relating to the calculation of capital funds announced by the BOT, and including additional permission from the BOT, are as follows:

	2011		2010	
	Capital ratio of the Bank	Minimum requirement by BOT	Capital ratio of the Bank	Minimum requirement by BOT
Total capital to risk assets (percent)	13.72	8.50	14.75	8.50
Total Tier I to risk assets (percent)	9.28	4.25	11.71	4.25

The Bank will disclose qualitative and quantitative information regarding capital maintenance as at 31 December 2011 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at www.thanachartbank.co.th, within April 2012. In addition, the Bank had disclosed the latest capital maintenance information as at 30 June 2011 on its website since October 2011.

31. Dividends

Dividends	Approved by	Total dividends	Dividend per share
		Million Baht	Baht
Dividends on net income for the year 2010	Annual General Meeting of the Shareholders on 7 April 2011	2,205	0.40
Dividends on net income for the year 2009	Annual General Meeting of the Shareholders on 7 April 2010	1,083	0.56

32. Interest income

Interest income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2011	2010	2011	2010
Interbank and money market items	2,237	1,054	1,365	403
Investments and trading transactions	78	82	24	13
Investments in debt securities	4,114	3,653	2,023	1,708
Loans	20,774	14,760	9,413	4,336
Hire purchase and financial lease	17,011	15,232	16,722	14,937

Total interest income	<u>44,214</u>	<u>34,781</u>	<u>29,547</u>	<u>21,397</u>
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33. Interest expenses

Interest expenses for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Deposits	8,973	5,960	5,766	3,512
Interbank and money market items	1,289	506	1,555	293
Contribution fee to the Deposit Protection Agency	1,955	1,914	1,132	1,034
Issues debt instruments				
- Subordinated debentures	2,145	1,727	1,889	1,312
- Others	5,432	1,455	4,606	1,217
Borrowings	1	3	-	-
Fees and services expense on borrowing	3	1	11	7
Total interest expenses	<u>19,798</u>	<u>11,566</u>	<u>14,959</u>	<u>7,375</u>

34. Fees and service income

Fees and service income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Fees and service income				
Acceptance, aval and guarantees	271	228	102	46
ATM and electronic banking services	669	575	161	104
Hire purchase fee income	901	857	875	830
Insurance brokerage fee income	222	226	982	733
Management fees	479	533	6	5
Credit card fee	698	395	366	96
Others	618	555	412	216
Total fees and service income	<u>3,858</u>	<u>3,369</u>	<u>2,904</u>	<u>2,030</u>
Fees and service expenses	<u>(500)</u>	<u>(519)</u>	<u>(144)</u>	<u>(45)</u>

Net fees and service income	<u>3,358</u>	<u>2,850</u>	<u>2,760</u>	<u>1,985</u>
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35. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Foreign exchange and derivatives				
relating to foreign exchange	871	360	518	132
Foreign exchange and derivatives				
relating to interest rate	1	1	-	-
Debt securities	21	(6)	46	12
Equity securities	(5)	211	-	-
Others	3	4	-	-
Total	<u>891</u>	<u>570</u>	<u>564</u>	<u>144</u>

36. Gains (losses) on investments

Gains (losses) on investments for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Gains (losses) on disposal				
Available-for-sale securities	182	267	81	108
Held-to-maturity securities	(1)	2	-	-
Other investments	80	-	(17)	-
Investments in associated and subsidiary companies	87	24	-	22
Gain on revaluation of investment at equity from business combination	33	-	-	-
Reversal of impairment on general investments (losses)	(41)	21	(4)	18
Gain on transfer of investments	372	-	-	-

Total	712	314	60	148
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During the year, a subsidiary company has transferred investment which classified as held-to-maturity debt securities amounting to Baht 8,439 million to be trading in order to comply with the measurement of liabilities reserve for long-term insurance contracts of which the value of the liabilities reserve is depend on the changes in discounted market interest rate. As a result of this transfer, a gain of Baht 329 million was recognised in profit or loss. The subsidiary company also transferred investments classified as available-for-sale securities amounting to Baht 2,000 million to be trading with a gain on transfer of Baht 43 million.

37. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Bank and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to Baht 19 million to the Bank's and its subsidiaries' directors, which was approved by the Annual General Meeting of Shareholders of the Bank and its subsidiaries.

38. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Bad debts and doubtful accounts				
Loans to customers	2,548	2,035	1,388 ⁽¹⁾	1,159
Interbank and money market items	31	38	59 ⁽¹⁾	-
Amortisation of revaluation allowance for				
debts restructured during the year	(40)	(2)	(40)	(2)
Loss from debt restructuring (reversal)	(35) ⁽²⁾	78	15	123
Total	2,504	2,149	1,422	1,280

⁽¹⁾ Net of gain on revaluation adjustment on the receivables which were transferred from SCIB after deduction of additional allowance for doubtful accounts for those receivables.

⁽²⁾ Net of gain on revaluation adjustment on the receivables which were transferred from SCIB after deduction of additional loss on debt restructuring for those receivables.

39. Income tax expense

Corporate income tax was calculated on profit for the year, after adding back and deducting with expenses and provisions which are disallowable for tax computation purposes and deducting income which is exempted for tax computation purposes.

The Bank has no corporate income tax liability for the year 2011 since after adding back and deducting expenses and/or income which are disallowed for tax computation purposes, there is a net loss. Therefore, corporate income tax that was paid during the year 2011 will be presented as "Prepaid corporate income tax" in the statement of financial position.

40. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2011 and 2010 of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Other comprehensive income				
Available-for-sale investments:				
Unrealised gains (losses) during the year	(495)	421	(40)	(152)
Less: Reclassification of adjustment for the realised losses that included in profit or loss	182	267	81	108
Gain from reclassified type of investments	(43)	-	-	-
	(356)	688	41	(44)
Share of other comprehensive income in associated companies (loss)	(180)	204	-	-
Other comprehensive income (loss) for the year	(536)	892	41	(44)

41. Earnings per share

Basic earnings per share is calculated by dividing profit for the years attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

	For the years ended 31 December			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the period (Million Baht)	7,671	8,777	6,668	5,719
Weighted average number of shares (Million shares)	5,514	4,563	5,514	4,563
Earnings per share (Baht/share)	1.39	1.92	1.21	1.25

42. Provident fund

The Bank, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 3 -10 percent of their basic salaries, and the Bank and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the year 2011, the Bank and its subsidiaries contributed Baht 443 million to the fund (separate financial statements: Baht 253 million).

43. Related party transactions

During the years, the Bank and its subsidiaries had significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Bank and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2011)
	Consolidated		Separate		
	financial statements		financial statements		
	2011	2010	2011	2010	
<u>Transactions occurred during the years</u>					
Parent company					
Purchase of investment in subsidiary company	-	3,411	-	3,411	
Purchase of debt securities	158	15,463	158	15,417	At market price
Sales of debt securities (Related gain)	13,792	38,856	13,792	38,856	At market price
	1	3	1	3	
Purchase of subordinated debentures	-	3,057	-	3,057	
Sales of subordinated debentures	-	3,636	-	3,636	
Purchase of fixed assets and other assets	100	109	100	109	At the rate agreed under the contract which based on appraisal value
Interest income	4	6	-	-	At interest rate of 4.7 - 9.15 percent per annum
Fee and service income	1	14	-	2	
Insurance/Life insurance income	-	1	-	-	
Income on supporting service	26	39	26	39	At the rate agreed under the service contract
Other income	2	10	-	-	
Interest expenses	300	262	300	262	At interest rate of 0.75 - 2.90 and 8.00 percent per annum
Rental expenses	115	152	93	127	At the rate agreed under the rental contracts
Other expenses	48	43	44	41	
Dividend payment	1,124	552	1,124	552	As declared

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2011)
	Consolidated		Separate		
	financial statements		financial statements		
	2011	2010	2011	2010	
<u>Transactions occurred during the years (continued)</u>					
Subsidiary companies					
Purchase of debt securities	35,358	58,436	7,057	4,953	At market price
Sales of debt securities	35,736	58,234	28,188	51,688	At market price
(Related gain (loss))	(9)	18	41	4	
Purchase of investments in equity instruments	143	-	143	-	At market price
Purchase/sales of forward exchange contracts	6,147	1,227	6,147	1,227	At market price
(Related gain)	21	-	21	-	
Purchase of fixed assets and other assets	-	14	-	3	
Sales of fixed assets	-	14	-	-	
Consulting fee on purchase of investment in subsidiary	-	-	-	34	
Interest income	-	-	196	80	At interest rate of 2.45 – 4.10 and 6.13 – 7.90 percent per annum
Dividend income	-	-	1,532	525	As declared
Fee and service income	-	-	153	53	At the rate agreed under the service contract
Discount income on insurance premium	-	-	888	658	
Income on supporting service	-	-	1,018	222	At the rate agreed under the service contract
Other income	-	-	-	8	
Interest expenses	-	-	661	40	At interest rate of 0.25 – 4.40 percent per annum
Fee and service expenses	-	-	10	3	At the rate agreed under the service contracts
Rental expenses	-	-	7	6	At the rate agreed under the rental contracts
Other expenses	-	-	167	164	

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2011)
	Consolidated		Separate		
	financial statements		financial statements		
	2011	2010	2011	2010	
<u>Transactions occurred during the years (continued)</u>					
Associated companies					
Purchase of investment in subsidiary company	-	161	-	161	
Purchase of debt securities	80	350	-	350	At market price
Sales of debt securities	360	17,046	300	16,492	At market price
Sales of investment in a subsidiary company	-	213	-	213	
(Related gain)	-	24	-	22	
Interest income	369	199	59	-	At interest rate of 2.25 - 3.25 and 3.75 - 7.25 percent per annum
Fee and service income	7	14	-	-	At the rate agreed under the service contract
Non-life insurance/Life insurance income	-	1	-	-	
Other income	-	2	-	-	
Interest expenses	82	70	81	69	At interest rate of 0.25 - 2.80 and 5.25 percent per annum
Rental expenses	13	11	12	11	At the rate agreed under the rental contracts
Insurance premium/life insurance premium expenses	1	4	-	-	At the rate agreed under the contract
Other expenses	12	12	8	9	
Related companies					
Purchase of investment in subsidiary company	-	6,228	-	6,228	
Purchase of debt securities	1,139	3,229	1,139	3,229	
Sales of debt securities	18,447	3,937	18,447	3,937	At market price
(Related gain)	2	1	2	1	
Purchase/sales of forward exchange contracts	443,693	179,266	437,552	179,266	At market price
(Related loss)	(114)	(9)	(59)	(9)	
Sales of fixed assets and other assets	-	58	-	58	
(Related gain)	-	12	-	12	
Sales of property foreclosed	-	373	-	373	
(Related gain)	-	37	-	37	

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2011)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2011	2010	2011	2010	
<u>Transactions occurred during the years (continued)</u>					
Related companies (continued)					
Interest income	658	286	241	113	At interest rate of 2.00 - 7.90 percent per annum
Dividend income	33	47	2	3	As declared
Fee and service income	7	19	-	-	At the rate agreed under the service contract
Insurance/Life insurance income	4	-	-	-	
Income on supporting service	17	17	17	17	At the rate agreed under the service contract
Other income	24	33	2	2	
Interest expenses	431	297	355	262	At interest rate of 0.125 – 6.10, 7.40 , 8.00 and 8.60 percent per annum
Rental expenses	125	96	88	58	At the rate agreed under the rental contracts
Insurance premium/life insurance premium expenses	-	125	-	-	
Fee and service expenses	1	91	-	-	At the rate agreed under the contract
Other expenses	17	46	8	31	
Dividend payment	1,113	558	1,081	531	As declared

In addition to the transactions mentioned above, during the year ended 31 December 2011, SCIB transferred non-performing loans amounting to Baht 9,062 million and properties foreclosed amounting to Baht 3,083 million to TS Asset Management Co., Ltd., a subsidiary company. The transfer prices are mutually agreed with reference to financial advisors have opinion that they are fair values.

The outstanding balances of the above transactions during the years ended 31 December 2011 and 2010 have been shown at the average balance at the end of each month as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Parent company</u>				
Loans to customers	19	22	-	-
Deposits	161	442	161	441
Debt issued and borrowings	3,896	5,901	3,896	5,901
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	397	3,931
Loans to customers	-	-	4,470	1,760
Deposits	-	-	3,646	466
Interbank and money market items (liabilities)	-	-	18,045	626
Debt issued and borrowings	-	-	2,179	1,010
<u>Associated companies</u>				
Loans to customers	7,512	5,757	2,434	-
Deposits	297	386	166	253
Debt issued and borrowings	2,265	1,723	2,019	1,477
<u>Related companies</u>				
Interbank and money market items (assets)	1,626	2,874	435	287
Loans to customers	17,481	9,131	6,745	3,538
Deposits	1,266	4,536	1,087	4,269
Interbank and money market items (liabilities)	7,581	6,598	6,922	6,478
Debt issued and borrowings	6,936	3,846	6,586	3,340

As at 31 December 2011 and 2010, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements									
2011									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Parent company									
Thanachart Capital Plc.	-	-	17	24	71	-	3,644	87	-
Associated companies									
MBK Plc.	-	-	-	8	93	-	1,500	-	-
Siam Samsung Life									
Insurance Co., Ltd.	-	-	-	-	26	-	100	-	-
Related companies									
Seacon Development Plc.	-	-	591	1	-	-	-	-	-
Thai Hua Rubber Plc.	-	-	1,993	-	195	-	150	1	10
Synphaet Co., Ltd.	-	-	796	-	9	-	-	-	-
The Bank of Nova Scotia	1,122	-	-	26	-	7,933	3,494	102	2,580
Sriithai Superware Plc.	-	-	577	-	15	-	-	-	76
Krungthai Card Plc.	-	582	3,533	-	7	-	-	-	-
Chaimongkol Refinery									
Co., Ltd.	-	-	2,471	-	-	-	-	-	3
Other related companies	-	-	1,324	194	851	35	932	317	305
	1,122	582	11,302	253	1,267	7,968	9,820	507	2,974

Consolidated financial statements

	2010								
	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Parent company									
Thanachart Capital Plc.	-	45	21	24	61	-	3,636	71	-
Associated companies									
MBK Plc.	-	-	-	9	144	-	1,800	10	30
Ratchthani Leasing Plc.	-	-	6,503	-	37	-	-	-	-
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	98	-	-	-	-
Siam City Insurance Co., Ltd.	-	-	-	-	98	-	-	-	-
Related companies									
Seacon Development Plc.	-	-	736	1	1	-	-	-	58
Thai Hua Rubber Plc.	-	-	1,777	-	191	-	150	1	1,359
Krung Thai IBJ Leasing Co., Ltd.	-	-	593	-	-	-	-	-	-
Advanced Info Service Plc.	-	244	24	6	2,041	-	200	39	19
Synphaet Co., Ltd.	-	-	654	-	9	-	-	-	28
Government Savings Bank	4,056	-	-	1	-	30	500	224	-
The Bank of Nova Scotia	435	-	-	3	-	6,853	3,494	76	1,458
Krungthai Card Plc.	-	964	9,344	9	4	-	-	-	-
Wangkanai Sugar Co., Ltd.	-	-	1,658	-	15	-	-	-	48
Chaimongkol Refinery Co., Ltd.	-	-	2,840	-	95	-	-	-	3
Other related companies	320	175	1,575	302	1,076	37	780	18	227
	<u>4,811</u>	<u>1,428</u>	<u>25,725</u>	<u>355</u>	<u>3,870</u>	<u>6,920</u>	<u>10,560</u>	<u>439</u>	<u>3,230</u>

Separate financial statements

	2011								
	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Parent company									
Thanachart Capital Plc.	-	-	-	19	71	-	3,643	86	-
Subsidiary companies									
Siam City Bank Plc.	-	-	-	-	34,298	-	-	85	-
Thanachart Group Leasing Co., Ltd.	-	-	353	-	6	-	-	-	-
Thanachart Securities Plc.	150	-	-	3	-	55	-	7	737
Thanachart Insurance Co., Ltd.	-	-	-	95	241	-	1,124	170	10
Thanachart Life Assurance Co., Ltd.	-	-	-	57	-	215	2,000	62	-
Thanachart Broker Co., Ltd.	-	-	-	-	114	-	140	-	-
TS Asset Management Co., Ltd.	-	-	9,824	12	872	-	-	46	-
Siam City Life Assurance Co., Ltd.	-	-	-	2	-	131	885	20	-
Ratchthani Leasing Plc.	-	-	7,870	-	24	-	-	-	17
Other subsidiary companies	-	-	22	22	56	5	-	67	-
Associated company									
MBK Plc.	-	-	-	8	93	-	1,500	11	-
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	26	-	100	-	-
Related companies									
Seacon Development Plc.	-	-	591	1	-	-	-	-	-
Thai Hua Rubber Plc.	-	-	1,993	-	195	-	150	1	10
Synphaet Co., Ltd.	-	-	796	-	9	-	-	-	-
Krungthai Card Plc.	-	582	3,533	-	7	-	-	-	-
Srithai Superware Plc.	-	-	577	-	15	-	-	-	76
The Bank of Nova Scotia	1,122	-	-	21	-	7,933	3,494	89	2,580
Other related companies	-	-	751	157	851	34	932	115	84
	<u>1,272</u>	<u>582</u>	<u>26,310</u>	<u>397</u>	<u>36,878</u>	<u>8,373</u>	<u>13,968</u>	<u>759</u>	<u>3,514</u>

Separate financial statements									
2010									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Parent company									
Thanachart Capital Plc.	-	-	-	622	60	-	3,636	70	-
Subsidiary companies									
Siam City Bank Plc.	25	-	-	-	-	9	-	-	-
Thanachart Group Leasing Co., Ltd.	-	-	934	-	9	-	-	-	-
Thanachart Securities Plc.	-	-	-	2	-	624	-	13	30
Thanachart Insurance Co., Ltd.	-	-	-	46	173	-	166	116	10
Thanachart Life Assurance Co., Ltd.	-	-	-	218	-	443	-	51	-
Thanachart Broker Co., Ltd.	-	-	-	100	127	-	-	-	-
Other subsidiary companies	-	-	52	2	45	19	-	61	-
Associated company									
MBK Plc.	-	-	-	8	139	-	1,800	10	30
Related companies									
Seacon Development Plc.	-	-	736	1	1	-	-	-	58
Thai Hua Rubber Plc.	-	-	1,677	-	153	-	150	-	1,358
Advanced Info Service Plc.	-	4	23	-	2,039	-	200	3	19
Synphaet Co., Ltd.	-	-	654	-	9	-	-	-	28
Krungthai Card Plc.	-	-	2,013	-	4	-	-	-	-
The Bank of Nova Scotia	430	-	-	3	-	5,948	3,494	76	1,458
Other related companies	11	-	810	274	900	38	780	223	11
	<u>466</u>	<u>4</u>	<u>6,899</u>	<u>1,276</u>	<u>3,659</u>	<u>7,081</u>	<u>10,226</u>	<u>623</u>	<u>3,002</u>

As at 31 December 2011 and 2010, the Bank has loans to subsidiary companies as mentioned in Note 12.11 to the financial statements.

As at 31 December 2011, the Bank and its subsidiaries have investments amounting to Baht 672 million (Baht 252 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2010: Baht 596 million in the consolidated financial statements and Baht 62 million in the separate financial statements).

As at 31 December 2011 and 2010, the Bank and its subsidiaries have the following related parties transactions with executive employees of the Bank and companies within Thanachart Group from management level up, including related persons who together with these employees:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Loans	49	59	45	24
Deposits	535	487	535	386

Directors and management's remuneration

During the years 2011 and 2010 the Bank and its subsidiaries paid the following benefits to their key management personnel, including directors, totaled 147 persons and 177 persons respectively (the separate financial statements: 50 persons and 34 persons respectively):

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Short-term employee benefits	597	495	254	162
Post-employment benefits	10	-	3	-
Termination benefits	26	-	-	-
	<u>633</u>	<u>495</u>	<u>257</u>	<u>162</u>

44. Financial information by segment

44.1 Financial position and results of operations classified by business activity

The financial position as at 31 December 2011 and 2010, and the results of operations for the years ended 31 December 2011 and 2010, classified by domestic and foreign operations, are as follow:

(Unit: Million Baht)

	Consolidated financial statements			
	2011			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	986,181	15,245	(115,366)	886,060
Interbank and money market items (assets)	106,642	8,066	(51,507)	63,201
Investments	145,222	7,132	(4,009)	148,345
Investments in subsidiary and associated companies	42,552	-	(41,129)	1,423
Loans to customers and accrued interest receivables	628,174	-	(18,271)	609,903
Deposits	471,618	-	(35,578)	436,040
Interbank and money market items (liabilities)	78,910	15,010	(33,769)	60,151
Debt issued and borrowings	258,446	-	(4,149)	254,297

(Unit: Million Baht)

	Consolidated financial statements			
	2010			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	928,250	10,758	(66,005)	873,003
Interbank and money market items (assets)	98,005	196	(13,141)	85,060
Investments	126,284	10,505	3,233	140,022
Investments in subsidiary and associated companies	77,219	-	(75,042)	2,177
Loans to customers and accrued interest receivables	582,595	-	(1,069)	581,526
Deposits	532,974	-	(318)	532,656
Interbank and money market items (liabilities)	43,894	10,291	(13,640)	40,545
Debt issued and borrowings	175,115	-	(166)	174,949

(Unit: Million Baht)

Consolidated financial statements				
2011				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	45,076	218	(1,080)	44,214
Interest expenses	(20,661)	(37)	900	(19,798)
Net interest income	24,415	181	(180)	24,416
Net fee and service income (losses)	4,727	(4)	(1,365)	3,358
Net insurance/Life insurance income	897	-	1,231	2,128
Other operating income	12,824	39	(7,754)	5,109
Other operating expenses	(21,909)	-	32	(21,877)
Impairment loss of loans and debt securities	(2,525)	-	21	(2,504)
Corporate income tax	(2,948)	-	-	(2,948)
Income before non-controlling interests	15,481	216	(8,015)	7,682

(Unit: Million Baht)

Consolidated financial statements				
2010				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	35,056	274	(549)	34,781
Interest expenses	(11,695)	(47)	176	(11,566)
Net interest income	23,361	227	(373)	23,215
Net fee and service income (losses)	3,992	-	(1,142)	2,850
Net insurance/Life insurance income	1,447	-	905	2,352
Other operating income	5,774	15	(1,534)	4,255
Other operating expenses	(17,272)	(3)	452	(16,823)
Impairment loss of loans and debt securities	(2,130)	-	(19)	(2,149)
Corporate income tax	(4,548)	-	-	(4,548)
Income before non-controlling interests	10,624	239	(1,711)	9,152

(Unit: Million Baht)

	Separate financial statements			
	2011			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	877,959	15,245	(15,151)	878,053
Interbank and money market items (assets)	70,048	8,066	(15,151)	62,963
Investments	107,409	7,132	-	114,541
Investments in subsidiary and associated companies	40,842	-	-	40,842
Loans to customers and accrued interest receivables	604,770	-	-	604,770
Deposits	471,618	-	-	471,618
Interbank and money market items (liabilities)	59,424	15,010	(15,151)	59,283
Debt issued and borrowings	257,503	-	-	257,503

(Unit: Million Baht)

	Separate financial statements			
	2011			
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	29,519	40	(11)	29,548
Interest expenses	(14,959)	(11)	11	(14,959)
Net interest income	14,560	29	-	14,589
Net fee and service income	2,760	-	-	2,760
Other operating income	4,412	-	-	4,412
Other operating expenses	(13,671)	-	-	(13,671)
Impairment loss of loans and debt securities	(1,422)	-	-	(1,422)
Income before non-controlling interests	6,639	29	-	6,668

The financial position as at 31 December 2010 and the results of operations for the year then ended, per separate financial statements are the result of domestic operations only.

44.2 Financial positions and results of operations classified by business type

The Bank and its subsidiaries' business operations involve 6 principal segments: (1) Banking business; (2) Securities business; (3) Life insurance business; (4) Non-life insurance business; (5) Asset management business; and (6) Hire purchase and finance lease business. Below is the consolidated financial information of the Bank and its subsidiaries by segment.

(Unit: Million Baht)

	For the year ended 31 December 2011								
	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset managemen t business	Hire purchase/ finance lease business	Other busines s	Eliminations	Consolidated
Interest income	43,225	194	1,143	122	273	175	125	(1,043)	44,214
Interest expenses	(20,440)	(17)	-	-	(85)	(98)	(21)	863	(19,798)
Net interest income	22,785	177	1,143	122	188	77	104	(180)	24,416
Net fee and service income (losses)	3,946	504	(16)	(5)	-	9	285	(1,365)	3,358
Net insurance income	-	-	(317)	1,214	-	-	-	1,231	2,128
Other operating income	10,682	1,359	501	43	32	12	234	(7,754)	5,109
Other operating expenses	(18,897)	(1,397)	(467)	(636)	(119)	(28)	(365)	32	(21,877)
Impairment loss of loans and debt securities	(2,706)	-	-	-	220	(37)	(2)	21	(2,504)
Corporate income tax	(1,873)	(170)	(426)	(255)	(141)	(21)	(62)	-	(2,948)
Income before non-controlling interest	13,937	473	418	483	180	12	194	(8,015)	7,682

(Unit: Million Baht)

	For the year ended 31 December 2010						
	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	33,961	129	829	60	304	(502)	34,781
Interest expenses	(11,652)	(5)	-	-	(38)	129	(11,566)
Net interest income	22,309	124	829	60	266	(373)	23,215
Net fee and service income (losses)	3,242	547	(120)	(4)	327	(1,142)	2,850
Net insurance income	-	-	579	868	-	905	2,352
Other operating income	3,703	1,504	312	52	218	(1,534)	4,255
Other operating expenses	(14,579)	(1,438)	(379)	(474)	(405)	452	(16,823)
Impairment loss of loans and debt securities	(2,159)	-	-	-	29	(19)	(2,149)
Corporate income tax	(3,576)	(216)	(442)	(208)	(106)	-	(4,548)
Income before non-controlling interests	8,940	521	779	294	329	(1,711)	9,152

(Unit: Million Baht)

As at 31 December 2011

	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Hire purchase/ finance lease business	Other business	Eliminations	Consolidated
Interbank and money market items	97,346	376	359	233	872	50	321	(36,356)	63,201
Investments	114,541	223	32,814	4,776	-	-	-	(4,009)	148,345
Investments in subsidiary and associated companies	40,842	667	678	303	-	-	62	(41,129)	1,423
Loans to customers and accrued interest receivable - net	604,770	1,953	99	-	8,267	12,176	909	(18,271)	609,903
Land, premises and equipment - net	8,365	54	155	106	-	45	17	17	8,759
Other assets	46,572	966	798	3,290	3,128	77	65	(467)	54,429
Total assets	912,436	4,239	34,903	8,708	12,267	12,348	1,374	(100,215)	886,060

(Unit: Million Baht)

As at 31 December 2010

	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interbank and money market items	84,277	1,684	1,263	296	197	(2,657)	85,060
Investments	103,227	767	28,794	3,801	200	3,233	140,022
Investments in subsidiary and associated companies	75,271	763	776	347	62	(75,042)	2,177
Loans to customers and accrued interest receivable - net	579,541	1,345	58	-	1,651	(1,069)	581,526
Land, premises and equipment - net	8,731	79	128	19	29	-	8,986
Other assets	31,498	2,033	703	926	58	20,014	55,232
Total assets	882,545	6,671	31,722	5,389	2,197	(55,521)	873,003

45. Encumbrance of assets

As at 31 December 2011 and 2010, the Bank and its subsidiaries have the following assets, presented at book value, which are subject to restriction.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Investment in securities				
Guarantee placed with the registrar	7,448	6,214	-	-
Placed with court for stay of execution	20	283	20	20
Collateral for derivatives agreements	-	190	-	190
Security for electricity usage	-	13	-	-
Property foreclosed				
Immovable assets subject to buyback options or first refusal rights	739	522	739	221
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	963	1,554	923	31
	<u>9,170</u>	<u>8,776</u>	<u>1,682</u>	<u>462</u>

46. Commitments and contingent liabilities

As at 31 December 2011 and 2010, significant commitments and contingent liabilities consisted of:

46.1 Commitments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Aval to bills	386	654	386	238
Guarantees of loans	1,230	422	1,230	2
Liability under unmatured import bills	1,105	571	1,105	120
Letter of credits	2,626	2,456	2,626	672
Other obligations				
Committed (but not draw) overdraft	28,548	45,740	28,548	5,757
Others	21,405	24,234	21,385	5,266
Total	<u>55,300</u>	<u>74,077</u>	<u>55,280</u>	<u>12,055</u>

In addition, the Bank and its subsidiaries have commitments in respect of foreign exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts and gold futures, as mentioned in Note 9 to the financial statements.

46.2 During the years 2001 and 2002, the Bank entered into agreements to transfer non-performing loans and receivables of approximately Baht 296 million to TAMC. The Bank is still jointly liable for a share of the gains and losses arising from TAMC's management of these non-performing assets to be calculated at the end of the fifth year and tenth year, counting from 1 July 2001. If there are losses, the Bank is liable for all initial losses up to 20 percent of the transfer price, while further losses of up to another 20 percent of the transfer price are to be shared equally between the Bank and TAMC, and TAMC is liable for all remaining losses. Such gains and losses will be determined based on the accumulated value of collections made on the assets at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the loans and receivables. The gain or loss cannot be estimated at this stage, but as at 31 December 2011, the Bank has estimated its share of the losses which may arise from the management of the non-performing assets at approximately Baht 89 million. This amount has been presented as a part of provisions in the statements of financial position.

46.3 The Bank has entered into agreements to sell housing loans/transfer rights to the Secondary Mortgage Corporation, under which it is committed to compensate the Corporation for losses from uncollected housing loans up to a maximum of 20 percent of the valuation of the said receivables. As at 31 December 2011, its maximum obligation is Baht 2 million.

46.4 As at 31 December 2011, the Bank and its subsidiaries have commitments to pay the service fees in relation to property foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term rental contracts, as follow:

(Unit: Million Baht)

Year	Consolidated		Separate		
	financial statements		financial statements		
	Other parties	Parent company	Other parties	Parent company	Subsidiary companies
2012	1,675	69	1,613	52	47
2013	1,253	9	1,196	2	-
2014 onward	4,043	1	3,609	1	-

In addition, the Bank has obligations to pay an administrative fee to a subsidiary company, determined at actual cost plus a margin, for the period stipulated in the agreement.

46.5 Commitments of SCIB from transfer of business from Bangkok Metropolitan Bank Public Company Limited and transfer of non-performing assets to Sukhumvit Asset Management Company Limited

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of FIDF to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from FIDF. As at 31 December 2011, outstanding obligations are summarised below.

- a) There was an outstanding difference of Baht 93 million, as a result of the transfer of assets to SAM. These comprised receivables awaiting collection and the difference is presented under the caption of “Differences as a result of assets transferred to SAM” in the statements of financial position. Such amounts mainly relate to transfers of guarantee claims, for which there are pending issues with regard to proof the rights of claim or the assets transferred being qualified in accordance with the conditions set out in the transfer agreements. Such differences are now being examined and/or negotiated among Thanachart Bank, SAM and the FIDF for final resolution.

As at 31 December 2011, such differences consist of (i) Baht 10 million of transactions incurred directly by SCIB, for which full allowance for doubtful debts has been set aside, and (ii) Baht 83 million of transactions incurred by BMB. If losses arise on the latter and collection cannot be made from SAM, the FIDF will consider compensating for all losses from (ii). Thanachart Bank’s management believes that no significant further losses will arise since the transfers of those assets corresponded to the principles of the agreements made among SCIB, BMB and SAM and the agreement given by FIDF.

- b) SAM is re-examining certain previously transferred assets (both of SCIB and BMB) in order to determine whether to transfer the assets back, to request price adjustments or to request settlement together with interest. The major pending issue relates to the proof of rights of claim over these assets.

As at 31 December 2011, the transferred assets which SAM is re-examining totaling Baht 370 million consist of (i) Baht 28 million of transactions incurred directly by SCIB, for which full allowance for doubtful loss has set aside under the caption of "Provision for liabilities" in the statements of financial position, and (ii) Baht 342 million of transactions incurred by BMB. If losses arise from (ii), Thanachart Bank will receive compensation for loss from FIDF and any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 258 million. In addition, SAM is now negotiating with Thanachart Bank to request interest payment on the assets transferred back, or a price adjustment.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to approximately Baht 11,280 million, as disclosed under contingent liabilities in Note 47 to the financial statements.
- d) Outstanding letters of guarantee.

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in the FIDF's account. Such deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if such losses are actually incurred due to the outstanding issues described in a), b), c) and d) above. As at 31 December 2011, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 791 million. In addition, there is a memorandum of agreement concerning conditions for additional loss compensation if Thanachart Bank incurs losses in relation to the two lawsuits discussed in c), with claims totaling Baht 9,965 million.

However, Thanachart Bank and SAM had a meeting and mutually agreed a resolution to such pending issues. Thanachart Bank believes that no significant further losses will be incurred, other than losses for which it has already set aside full allowance for doubtful debts and/or amount that will compensate by FIDF.

46.6 Commitments arising from sale of ordinary shares of Siam City Securities

As a result of the sale of all ordinary shares of Siam City Securities in August 2011, SCIB is obligated to pay compensation to indemnify the buyer from pending lawsuits including litigation in which Siam City Securities is pursuing collection of debt amounts and/or future litigation which made claims against its debtor that arose before the disposal date of such shares. Moreover, SCIB undertakes to compensate the buyer for any expenses incurred whenever the buyer or Siam City Securities provide SCIB with written notification of reasons for such compensation, together with evidence, for up to 3 years from the share transfer date. Such commitment of SCIB has transferred to Thanachart Bank at the date of the entire business transfer. However, Thanachart Bank's management believes that no further losses will be incurred.

47. Litigation

As at 31 December 2011, the Bank and its subsidiaries have contingent liabilities amounting to approximately Baht 24,026 million (separate financial statements: Baht 22,940 million) in respect of litigation. However, the Bank and its subsidiaries' management have already made certain provision for contingency losses, and for the remaining portion the management believes that no losses will result and therefore no liabilities are currently recorded.

Part of the contingent liabilities of the litigation mentioned above amounting to Baht 22,446 million represents claims filed against SCIB as defendant or co-defendant in lawsuits. These comprise both lawsuits directly involving SCIB and obligations arising as a result of the transfer of business from BMB; (i) Baht 11,166 million relates to SCIB's own lawsuits, with Baht 8,594 million of this amount relating to a tort case in which the actual loss is only Baht 202 million. The Court of First Instance has already ordered the case be dismissed and it is in the process of being reviewed by the Supreme Court. The total sum of claims in cases relating directly to SCIB's business, after deducting this tort case, is thus Baht 2,572 million; and (ii) The remaining portion of Baht 11,280 million represents cases in which SCIB is involved as a result of the transfer of business from BMB, and for which SCIB is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF (Baht 9,586 million of this amount relates a single case brought by a debtor that BMB had already transferred to SAM before SCIB received the transfer of business from BMB, and SCIB believes that the lawsuit has been brought against the wrong party, and not SCIB's responsibility, SCIB's management believes that SCIB has no liability in respect of such case.). As at 31 December 2011, SCIB had already made provisions for contingent liabilities totaling Baht 62 million for those lawsuits under (i) above where the Court of First Instance has already judged in favor of the plaintiff. SCIB's management believes that there will be no significant future losses as a result of the remaining cases. However, all contingent liabilities and provisions for contingent liabilities were transferred from SCIB to Thanachart Bank on the date of the entire business transfer.

In addition, SCIB was requested to make restitution as a result of a person forging SCIB's documents and using such counterfeit documents. However, SCIB has already filed a complaint against the person who produced and used counterfeit documents so as to proceed with a legal action. SCIB believes that no liability will arise from such restitution claim.

48. Letter of guarantees

As at 31 December 2011, the Bank and its subsidiaries had letter of guarantees issued by the Bank and its subsidiaries, amounting approximately Baht 24 million, placed for electricity usage of the branches (separate financial statements: Baht 23 million).

49. Financial instruments

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

49.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill an obligation, causing the Bank and its subsidiaries to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statements of financial position and the risk of commitments from avals, guarantees of loans, other guarantees and derivative contracts.

In addition, the Bank and its subsidiaries manage credit risk by the means of careful consideration of credit approval process, analysis of risk factors and, the ability to service debt of customers, and a credit review process, which examines and reviews the quality of the loan portfolio so as to prevent and provide a remedy for problem loans in the future.

49.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Bank and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

a) Interest rate risk

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

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

As at 31 December 2011 and 2010, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)				
Consolidated financial statements				
2011				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	16,006	16,006
Interbank and money market items	23,000	32,178	8,137	63,315
Derivatives assets	-	-	1,536	1,536
Investments	12	135,851	11,885	147,748
Investments in associated companies	-	-	1,423	1,423
Loans to customers ⁽¹⁾	313,265	321,747	208	635,220
Receivable from purchase and sale securities and derivatives	-	-	858	858
Other assets - receivable from clearing house	-	-	25	25
<u>Financial liabilities</u>				
Deposits	174,519	255,821	5,700	436,040
Interbank and money market items	7,419	51,274	1,458	60,151
Liabilities payable on demand	-	-	2,131	2,131
Derivatives liabilities	-	-	2,886	2,886
Debt issued and borrowings	-	254,297	-	254,297
Payable from purchase and sale securities and derivatives	-	-	851	851
Other liabilities - payable from clearing house	-	-	306	306

⁽¹⁾ The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued

(Unit: Million Baht)

Consolidated financial statements				
2010				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	15,298	15,298
Interbank and money market items	1,166	77,559	6,462	85,187
Derivatives assets	-	-	3,117	3,117
Investments	5,840	121,092	12,000	138,932
Investments in associated companies	-	-	2,177	2,177
Loans to customers ⁽¹⁾	253,297	353,273	281	606,851
Receivable from purchase and sale securities and derivatives	-	-	2,870	2,870
Other assets - receivable from clearing house	-	-	391	391
<u>Financial liabilities</u>				
Deposits	185,346	341,372	5,938	532,656
Interbank and money market items	7,175	31,398	1,972	40,545
Liabilities payable on demand	-	-	3,127	3,127
Derivatives liabilities	-	-	941	941
Debt issued and borrowings	3,996	170,930	23	174,949
Payable from purchase and sale securities and derivatives	-	-	4,054	4,054
Other liabilities - payable from clearing house	-	-	98	98

⁽¹⁾ The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued

(Unit: Million Baht)

Transactions	Separate financial statements			Total
	2011			
	Floating interest rate	Fixed interest rate	Non- interest bearing	
<u>Financial assets</u>				
Cash	-	-	16,004	16,004
Interbank and money market items	22,966	32,113	8,002	63,081
Derivatives assets	-	-	1,532	1,532
Investments	12	103,875	10,450	114,337
Investments in subsidiary and associated companies	-	-	40,842	40,842
Loans to customers ⁽¹⁾	308,348	308,229	135	616,712
Receivable from purchase and sale securities and derivatives	-	-	65	65
<u>Financial liabilities</u>				
Deposits	175,709	290,112	5,797	471,618
Interbank and money market items	6,496	51,274	1,513	59,283
Liabilities payable on demand	-	-	2,131	2,131
Derivatives liabilities	-	-	2,877	2,877
Debt issued and borrowings	-	257,503	-	257,503
Payable from purchase and sale securities and derivatives	-	-	268	268

⁽¹⁾ The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued

Transactions	Separate financial statements			Total
	2010			
	Floating interest rate	Fixed interest rate	Non-interest bearing	
Financial assets				
Cash	-	-	3,733	3,733
Interbank and money market items	115	24,574	3,732	28,421
Derivatives assets	-	-	928	928
Investments	-	48,897	601	49,498
Investments in subsidiary and associated companies	-	-	73,121	73,121
Loans to customers ⁽¹⁾	42,707	283,667	175	326,549
Receivable from purchase and sale securities and derivatives	-	-	1,733	1,733
Financial liabilities				
Deposits	91,918	149,844	1,029	242,791
Interbank and money market items	3,809	25,190	707	29,706
Liabilities payable on demand	-	-	2,326	2,326
Derivatives liabilities	-	-	434	434
Debt issued and borrowings	-	132,092	-	132,092
Payable from purchase and sale securities and derivatives	-	-	1,733	1,733

⁽¹⁾ The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued

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

Transactions	Consolidated financial statements						Weighted average interest rates Percent
	2011						
	At call	Repricing or maturity date				Total	
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	29,523	2,655	-	-	32,178	1.27-2.49
Investments	-	14,772	46,447	57,851	16,781	135,851	3.19-4.47
Loans to customers	3,626	22,243	15,445	212,320	68,113	321,747	8.10-9.82
Financial liabilities							
Deposits	89	169,399	77,929	8,404	-	255,821	3.12
Interbank and money market items	13,458	32,220	5,379	217	-	51,274	2.29
Debt issued and borrowings	999	133,517	103,060	16,700	21	254,297	4.06-4.75

(Unit: Million Baht)

Consolidated financial statement							
2010							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	147	76,912	500	-	-	77,559	1.75 – 2.21
Investments	-	23,980	26,872	47,241	22,999	121,092	3.18 – 3.33
Loans to customers	6,968	48,134	40,693	198,372	59,106	353,273	5.48 – 7.60
Financial liabilities							
Deposits	53	193,904	125,726	21,689	-	341,372	1.65 – 1.98
Interbank and money market items	7,015	19,901	3,076	1,406	-	31,398	1.52 – 1.55
Debt issued and borrowings	1	109,296	38,415	23,185	33	170,930	2.63 – 2.83

(Unit: Million Baht)

Separate financial statements							
2011							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	29,546	2,567	-	-	32,113	3.24
Investments	-	13,136	42,218	47,283	1,238	103,875	3.19
Loans to customers	3,473	22,197	14,921	199,900	67,738	308,229	8.10
Financial liabilities							
Deposits	89	203,677	77,942	8,404	-	290,112	3.01
Interbank and money market items	13,458	32,220	5,379	217	-	51,274	0.25
Debt issued and borrowings	56	135,642	105,084	16,700	21	257,503	4.05

(Unit: Million Baht)

Separate financial statement							
2010							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	24,574	-	-	-	24,574	1.75
Investments	-	7,477	18,319	14,542	8,559	48,897	3.33
Loans to customers	3,595	11,225	17,886	193,959	57,002	283,667	7.58
Financial liabilities							
Deposits	1	82,136	61,182	6,525	-	149,844	1.98
Interbank and money market items	6,835	16,365	602	1,388	-	25,190	1.53
Debt issued and borrowings	1	87,700	31,391	13,000	-	132,092	2.63

In addition, the average balances of the financial assets and liabilities of the Bank and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2011			2010		
Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)	
<u>Interest bearings financial assets</u>						
Interbank and money market items	65,402	2,237	3.42	76,969	1,054	1.67
Investments and trading operations	4,950	78	1.58	5,164	82	2.04
Investment in debt securities	133,575	4,114	3.08	132,140	3,653	3.18
Loans/hire purchase and finance leases	667,896	37,785	5.66	537,667	29,992	6.22
<u>Interest bearings financial liabilities</u>						
Deposits	447,955	10,928	2.44	538,925	7,874	1.67
Interbank and money market items	56,551	1,289	2.28	47,226	506	1.27
Debt issued and borrowings	215,485	7,581	3.52	132,292	3,186	2.58

(Unit: Million Baht)

	Separate financial statements					
	For the years ended 31 December					
	2011			2010		
Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)	
<u>Interest bearings financial assets</u>						
Interbank and money market items	29,786	1,365	4.58	30,968	403	1.30
Investments and trading operations	1,755	24	1.35	565	13	2.36
Investment in debt securities	61,702	2,023	3.28	54,488	1,708	3.13
Loans/hire purchase and finance leases	400,397	26,135	6.53	289,939	19,273	6.65
<u>Interest bearings financial liabilities</u>						
Deposits	266,850	6,898	2.16	248,617	4,546	1.83
Interbank and money market items	56,340	1,555	2.76	26,629	293	1.10
Debt issued and borrowings	176,696	6,506	3.68	98,284	2,536	2.58

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the Bank and its subsidiaries have foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Bank and its subsidiaries have a policy to mitigate this foreign exchange exposure through management of its net exchange position and operation in accordance with a risk management policy which has been approved by their Board of Directors and is in strict accordance with BOT guidelines.

The status of the Bank and its subsidiaries' foreign currency balances as at 31 December 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2011					
	US Dollar	Euro	Yen	Won	Yuan	Others
<u>Foreign currency in the statements of financial position</u>						
Cash	618	395	292	-	1	381
Interbank and money market items	14,987	119	128	-	6	492
Investments	11,192	599	3,035	549	12,327	38
Loans to customers	13,186	234	486	-	-	101
Other assets	463	1	17	-	49	-
Total assets	40,446	1,348	3,958	549	12,383	1,012
Deposits	104	21	1	-	-	117
Interbank and money market items	8,602	-	-	-	-	-
Other liabilities	14	-	-	-	-	-
Total liabilities	8,720	21	1	-	-	117
Net	31,726	1,327	3,957	549	12,383	895
<u>Foreign currency commitments</u>						
Guarantees of loans	920	-	310	-	-	-
Liability under unmatured import bills	368	34	118	-	-	5
Letter of credits	2,376	100	92	-	-	22
Others	984	48	1	-	-	27

(Unit: Million Baht)

Consolidated financial statements

	2010					
	US Dollar	Euro	Yen	Won	Yuan	Others
<u>Foreign currency in the statements of financial position</u>						
Cash	234	213	119	1	-	191
Interbank and money market items	3,312	119	151	33	-	427
Investments	14,724	571	1,376	4,800	-	37
Loans to customers	11,350	289	30	-	-	54
Other assets	306	8	9	22	-	9
Total assets	29,926	1,200	1,685	4,856	-	718
Deposits	185	72	2	-	-	143
Interbank and money market items	8,119	24	-	-	-	-
Liability payable on demand	-	-	1	-	-	-
Other liabilities	1,803	-	9	-	-	-
Total liabilities	10,107	96	12	-	-	143
Net	19,819	1,104	1,673	4,856	-	575
<u>Foreign currency commitments</u>						
Guarantees of loans	36	22	-	-	-	-
Liability under unmatured import bills	305	29	56	-	-	32
Letter of credits	2,134	112	103	-	-	28
Others	4,505	25	-	-	-	19

(Unit: Million Baht)

Separate financial statements

	2011					
	US Dollar	Euro	Yen	Won	Yuan	Others
<u>Foreign currency in the statements of financial position</u>						
Cash	619	395	292	-	1	381
Interbank and money market items	14,987	119	128	-	6	492
Investments	11,192	599	3,035	549	12,327	38
Loans to customers	13,183	234	486	-	-	101
Other assets	458	1	17	-	49	-
Total assets	40,439	1,348	3,958	549	12,383	1,012
Deposits	104	21	1	-	-	117
Interbank and money market items	8,602	-	-	-	-	-
Total liabilities	8,706	21	1	-	-	117
Net	31,733	1,327	3,957	549	12,383	895
<u>Foreign currency commitments</u>						
Guarantees of loans	920	-	310	-	-	-
Liability under unmatured import bills	368	34	118	-	-	5
Letter of credits	2,376	100	92	-	-	22
Others	984	48	1	-	-	27

(Unit: Million Baht)

	Separate financial statements					
	2010					
	US Dollar	Euro	Yen	Won	Yuan	Others
<u>Foreign currency in the statements of financial position</u>						
Cash	134	36	88	-	-	55
Interbank and money market items	417	7	28	33	-	115
Investments	5,383	570	178	4,800	-	-
Loans to customers	3,609	30	-	-	-	3
Other assets	160	1	-	22	-	-
Total assets	9,703	644	294	4,855	-	173
Deposits	37	7	-	-	-	133
Interbank and money market items	7,195	24	-	-	-	-
Other liabilities	348	-	-	-	-	-
Total liabilities	7,580	31	-	-	-	133
Net	2,123	613	294	4,855	-	40
<u>Foreign currency commitments</u>						
Guarantees of loans	-	2	-	-	-	-
Liability under unmatured import bills	111	7	-	-	-	-
Letter of credits	625	44	-	-	-	-
Others	665	-	-	-	-	2

In addition, the Bank and its subsidiaries have commitments from foreign currency exchange contracts, cross currency and interest rate swap contracts and interest rate swap contracts which have to pay or received repayment in foreign currency that the Bank and its subsidiaries made for trading transactions or hedging transactions (banking book) as follow:

	Consolidated financial statements					
	2011					
	US Dollar	Euro	Yen	Won	Yuan	Others
Foreign exchange contracts						
- Bought	32,441	1,002	386	-	-	552
- Sold	52,246	1,757	1,509	-	10,828	1,467
Cross currency and interest rate swap contracts						
- Bought	1,347	-	-	-	-	-
- Sold	11,235	615	2,834	548	1,611	-
Interest rate swap contracts						
- Bought	1,453	-	-	-	-	-
- Sold	1,453	-	-	-	-	-

(Unit: Million Baht)

Consolidated financial statements						
2010						
US Dollar	Euro	Yen	Won	Yuan	Others	
Foreign exchange contracts						
- Bought	23,624	145	194	-	-	404
- Sold	30,779	754	721	-	-	1,090
Cross currency and interest rate swap contracts						
- Bought	6,874	-	-	-	-	-
- Sold	21,091	599	1,187	4,786	-	-
Interest rate swap contracts						
- Bought	916	-	-	-	-	-
- Sold	916	-	-	-	-	-

(Unit: Million Baht)

Separate financial statements						
2011						
US Dollar	Euro	Yen	Won	Yuan	Others	
Foreign exchange contracts						
- Bought	31,805	1,002	386	-	-	552
- Sold	52,883	1,757	1,509	-	10,828	1,467
Cross currency and interest rate swap contracts						
- Bought	1,347	-	-	-	-	-
- Sold	11,235	615	2,834	548	1,611	-
Interest rate swap contracts						
- Bought	1,453	-	-	-	-	-
- Sold	1,453	-	-	-	-	-

(Unit: Million Baht)

Separate financial statements						
2010						
US Dollar	Euro	Yen	Won	Yuan	Others	
Foreign exchange contracts						
- Bought	12,770	30	105	-	-	249
- Sold	11,292	124	448	-	-	407
Cross currency and interest rate swap contracts						
- Bought	4,476	-	-	-	-	-
- Sold	8,094	599	-	4,786	-	-
Interest rate swap contracts						
- Bought	302	-	-	-	-	-
- Sold	302	-	-	-	-	-

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities which will result in fluctuations in revenue and the value of financial assets.

The Bank and its subsidiaries have a policy to manage market risk by setting manageable limits on transactions, such as position limit and loss limits. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the Board of Directors, related business unit and related management, in order to facilitate responsive risk management, under the supervision of the Investment Portfolio Committee.

49.3 Liquidity risk

Liquidity risk is the risk that the Bank and its subsidiaries will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Bank and its subsidiaries incurring a financial loss.

The Bank and its subsidiaries manage liquidity risk by means of appropriate structuring of short-term and long-term sources of capital. In addition, the Bank and its subsidiaries have a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements, under the supervision of the Asset and Liability Management Committee.

Counting from the financial position date, the periods to maturity of financial instruments held as at 31 December 2011 and 2010 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	16,006	-	-	-	16,006
Interbank and money market items ⁽¹⁾	8,368	54,827	120	-	63,315
Derivatives assets	-	1,536	-	-	1,536
Investments	1	67,445	68,908	11,394	147,748
Investments in associated companies	-	-	-	1,423	1,423
Loans to customers ⁽²⁾	47,672	193,205	394,343	-	635,220
Receivable from purchase and sale securities and derivatives	-	858	-	-	858
Other assets - receivable from clearing house	-	25	-	-	25
<u>Financial liabilities</u>					
Deposits	176,616	249,835	9,589	-	436,040
Interbank and money market items	21,081	35,306	3,764	-	60,151
Liability payable on demand	2,131	-	-	-	2,131
Derivatives liabilities	-	2,886	-	-	2,886
Debt issued and borrowings	999	217,447	28,721	7,130	254,297
Payable from purchase and sale securities and derivatives	-	851	-	-	851
Other liabilities - payable from clearing house	-	306	-	-	306
<u>Commitments</u>					
Aval to bill	1	342	43	-	386
Guarantees of loans	-	1,230	-	-	1,230
Liability under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	2,540	-	-	2,626
Other commitments	41,732	6,138	2,061	2	49,933

(1) The outstanding balances of interbank and money market items at call included the item for which have defaulted on the repayment.

(2) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Consolidated financial statements					
2010					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	15,298	-	-	-	15,298
Interbank and money market items ⁽¹⁾	7,405	77,662	120	-	85,187
Derivatives assets	-	3,117	-	-	3,117
Investments	-	48,826	83,891	6,215	138,932
Investments in associated companies	-	-	-	2,177	2,177
Loans to customers ⁽²⁾	62,566	183,319	360,966	-	606,851
Receivable from purchase and sale securities and derivatives	-	2,870	-	-	2,870
Other assets - receivable from clearing house	-	391	-	-	391
<u>Financial liabilities</u>					
Deposits	188,806	318,019	25,831	-	532,656
Interbank and money market items	16,162	22,917	1,466	-	40,545
Liability payable on demand	3,127	-	-	-	3,127
Derivatives liabilities	-	941	-	-	941
Debt issued and borrowings	11	134,903	32,905	7,130	174,949
Payable from purchase and sale securities and derivatives	-	4,054	-	-	4,054
Other liabilities - payable from clearing house	-	98	-	-	98
<u>Commitments</u>					
Aval to bill	13	585	56	-	654
Guarantees of loans	354	57	11	-	422
Liability under unmatured import bills	156	415	-	-	571
Letter of credits	156	2,280	20	-	2,456
Other commitments	56,107	9,407	2,513	1,947	69,974

(1) The outstanding balances of interbank and money market items at call included the item for which have defaulted on the repayment.

(2) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	16,004	-	-	-	16,004
Interbank and money market items	8,199	54,762	120	-	63,081
Derivatives assets	-	1,532	-	-	1,532
Investments	1	51,378	52,999	9,959	114,337
Investments in subsidiary and associated companies	-	-	-	40,842	40,842
Loans to customers ⁽¹⁾	43,701	192,374	380,637	-	616,712
Receivable from purchase and sale securities and derivatives	-	65	-	-	65
<u>Financial liabilities</u>					
Deposits	177,903	284,126	9,589	-	471,618
Interbank and money market items	21,466	34,600	3,217	-	59,283
Liability payable on demand	2,131	-	-	-	2,131
Derivatives liabilities	-	2,877	-	-	2,877
Debt issued and borrowings	57	221,595	28,721	7,130	257,503
Payable from purchase and sale securities an derivatives	-	268	-	-	268
<u>Commitments</u>					
Aval to bill	1	342	43	-	386
Guarantees of loans	-	1,230	-	-	1,230
Liability under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	2,540	-	-	2,626
Other commitments	41,732	6,138	2,061	2	49,933

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2010				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	3,733	-	-	-	3,733
Interbank and money market items	3,847	24,574	-	-	28,421
Derivatives assets	-	928	-	-	928
Investments	-	21,046	27,892	560	49,498
Investments in subsidiary and associated companies	-	-	-	73,121	73,121
Loans to customers ⁽¹⁾	9,847	106,319	210,383	-	326,549
Receivable from purchase and sale securities and derivatives	-	1,733	-	-	1,733
<u>Financial liabilities</u>					
Deposits	90,432	141,692	10,667	-	242,791
Interbank and money market items	11,351	16,907	1,448	-	29,706
Liability payable on demand	2,326	-	-	-	2,326
Derivatives liabilities	-	434	-	-	434
Debt issued and borrowings	1	105,469	19,492	7,130	132,092
Payable from purchase and sale securities an derivatives	-	1,733	-	-	1,733
<u>Commitments</u>					
Aval to bill	3	179	56	-	238
Guarantees of loans	-	2	-	-	2
Liability under unmatured import bills	2	118	-	-	120
Letter of credits	76	576	20	-	672
Other commitments	6,140	2,751	185	1,947	11,023

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

49.4 Fair value

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

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets are presented at the amount stated in the statement of financial position, including cash, interbank and money market items, derivatives assets, receivable from purchase and sale securities and derivatives, receivables from clearing house and loans. These financial assets have their fair value approximate to their respective carrying value since the values of these financial instruments are predominantly subject to market interest rates. Financial instruments with standard terms and conditions which are traded on an active and liquid market, such as investments, have their fair values determined by the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, liabilities payable on demand, derivatives liabilities, debt issued and borrowings, payable from purchase and sale securities and derivatives, and payable to clearing house are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2011 and 2010, the book value and fair value of financial instruments of the Bank and its subsidiaries are as follow.

(Unit: Million Baht)

	Consolidated financial statements			
	2011		2010	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	16,006	16,006	15,298	15,298
Interbank and money market items	63,201	63,201	85,060	85,060
Derivatives assets	1,536	1,536	3,117	3,117
Investments	148,345	149,325	140,022	140,944
Investments in associated companies	1,423	1,423	2,177	2,177
Loans to customers	609,903	609,903	581,526	581,526
Receivables from purchase and sale securities and derivatives	858	858	2,870	2,870
Other assets - receivable from clearing house	25	25	391	391
<u>Financial liabilities</u>				
Deposits	436,040	436,040	532,656	532,656
Interbank and money market items	60,151	60,151	40,545	40,545
Liabilities payable on demand	2,131	2,131	3,127	3,127
Derivatives liabilities	2,886	2,886	941	941
Debt issued and borrowings	254,297	254,297	174,949	174,949
Payable from purchase and sale securities and derivatives	851	851	4,054	4,054
Other liabilities - payable from clearing house	306	306	98	98

(Unit: Million Baht)

	Separate financial statements			
	2011		2010	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	16,004	16,004	3,733	3,733
Interbank and money market items	62,963	62,963	28,428	28,428
Derivatives assets	1,532	1,532	928	928
Investments	114,541	115,030	49,759	50,218
Investments in subsidiary and associated companies	40,842	40,842	73,121	73,121
Loans to customers	604,770	604,770	319,352	319,352
Receivables from purchase and sale securities and derivatives	65	65	1,733	1,733
<u>Financial liabilities</u>				
Deposits	471,618	471,618	242,791	242,791
Interbank and money market items	59,283	59,283	29,706	29,706
Liabilities payable on demand	2,131	2,131	2,326	2,326
Derivatives liabilities	2,877	2,877	434	434
Debt issued and borrowings	257,503	257,503	132,092	132,092
Payable from purchase and sale securities and derivatives	268	268	1,733	1,733

49.5 Financial derivatives

The Bank and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk and to meet their clients' needs. These financial derivatives include foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and gold futures contracts.

The Bank and its subsidiaries have set a policy and limit to mitigate related risk, and require risk reporting for the various types of risk, as a control over financial derivative activities. The Bank and its subsidiaries manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, and so the Bank and its subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2011 and 2010, the Bank and its subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
- Bought	34,381	-	34,381	24,367	-	24,367
- Sold	67,807	-	67,807	33,344	-	33,344
Cross currency and interest rate swap contracts						
- Bought	824	523	1,347	6,393	481	6,874
- Sold	9,598	7,245	16,843	14,574	13,089	27,663
Interest rate swap contracts						
- Paid fixed interest rate	2,692	3,954	6,646	500	15,480	15,980
- Paid floating interest rate	325	2,954	3,279	-	3,359	3,359
- Received fixed interest rate	325	2,954	3,279	-	3,359	3,359
- Received floating interest rate	2,692	3,954	6,646	500	15,480	15,980
Gold future contracts						
- Sold	641	-	641	-	-	-

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
- Bought	33,745	-	33,745	13,154	-	13,154
- Sold	68,444	-	68,444	12,271	-	12,271
Cross currency and interest rate swap contracts						
- Bought	824	523	1,347	4,476	-	4,476
- Sold	9,598	7,245	16,843	9,262	4,217	13,479
Interest rate swap contracts						
- Paid fixed interest rate	2,692	3,954	6,646	-	12,302	12,302
- Paid floating interest rate	25	2,954	2,979	-	230	230
- Received fixed interest rate	25	2,954	2,979	-	230	230
- Received floating interest rate	2,692	3,954	6,646	-	12,302	12,302

50. Reclassification

The Bank and its subsidiaries have reclassified certain amounts in the financial statements as at 31 December 2010 and for year then ended to conform to the current year's classifications, in accordance with the revised format stipulated by the BOT, with no effect to previously reported net income or equity.

(Unit: Million Baht)

	31 December 2010			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Net investment	140,022	139,933	49,759	49,670
Receivables from clearing house	-	391	-	-
Derivatives assets	3,117	-	928	-
Financial derivatives assets	-	3,117	-	928
Prepaid corporate income tax	7	-	-	-
Reinsurance assets	533	-	-	-
Other assets - net	5,129	4,820	2,194	2,194
Payable to clearing house	-	99	-	-
Derivatives liabilities	941	-	435	-
Provisions for liabilities	900	770	113	24
Financial derivatives liabilities	-	941	-	435
Accrued interest payable	-	1,852	-	1,084
Corporate income tax payable	-	2,327	-	999
Accrued expenses	-	3,271	-	1,421
Unearned premium reserve	-	1,882	-	-
Life insurance premium reserve	-	26,348	-	-
Insurance contract liabilities	29,774	-	-	-
Other liabilities	13,792	7,370	6,130	2,626

(Unit: Million Baht)

For the year ended 31 December 2010

	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	34,781	-	21,397	-
Interest and dividend income	-	34,974	-	21,973
Interest expenses	11,566	9,651	7,375	6,334
Contribution fee to the Deposit Protection Agency	-	1,915	-	1,034
Fee and service income	3,369	3,592	2,030	2,030
Fee and service expenses	519	237	45	45
Gains on trading and foreign exchange transactions	570	-	144	-
Gains on investments	314	519	148	160
Gains on foreign exchange and financial derivatives	-	376	-	132
Other operating income	3,164	-	1,723	-
Non-interest income	-	2,680	-	1,124
Gains on disposal of property foreclosed and other assets	-	116	-	48
Premises and equipment expenses	3,148	3,390	1,532	1,606
Other expenses	4,554	4,653	3,143	3,101
Impairment loss of loans and debt securities	2,149	-	1,280	-
Bad debts and doubtful accounts	-	2,072	-	1,157
Loss on debt restructuring	-	77	-	123

51. Events after the reporting period

On 23 February 2012, the Board of Directors of the Bank passed a resolution to propose the payment of a dividend of Baht 0.35 per share to the ordinary shareholders in respect of the operating results for the year 2011, or a total of Baht 1,929.7 million, to the Annual General Meeting of Shareholders.

52. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 23 February 2012.