

Thanachart Bank Public Company Limited
and its subsidiaries
Report and interim financial statements
30 June 2009

Report of Independent Auditor

To the Shareholders of Thanachart Bank Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Bank Public Company Limited and its subsidiaries as at 30 June 2009 and 31 December 2008, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2009 and 2008, and I have also audited the separate financial statements of Thanachart Bank Public Company Limited. These financial statements are the responsibility of the management of the Bank as to their correctness and the completeness of the presentation. My responsibility is to report on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits 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 audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Bank Public Company Limited and its subsidiaries and of Thanachart Bank Public Company Limited as at 30 June 2009 and 31 December 2008, the results of their operations and cash flows for the six-month periods ended 30 June 2009 and 2008, in accordance with generally accepted accounting principles.

I have also reviewed the consolidated and the separate income statements for the three-month periods ended 30 June 2009 and 2008. I conducted my reviews in accordance with the auditing standard applicable to review engagements which provides less assurance than an audit conducted in accordance with generally accepted audit standards. Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 26 August 2009

Thanachart Bank Public Company Limited and its subsidiaries

Balance sheets

As at 30 June 2009 and 31 December 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2009	31 December 2008	30 June 2009	31 December 2008
Assets					
Cash		2,597,878,806	4,017,954,398	2,597,375,070	4,017,430,303
Interbank and money market items	6				
Domestic					
Interest bearing		23,295,826,967	40,959,771,517	22,189,247,037	39,046,395,525
Non-interest bearing		2,326,183,309	3,875,410,865	2,160,607,183	3,776,554,928
Foreign					
Interest bearing		28,507,410,981	20,372,080,617	28,507,410,981	20,372,080,617
Non-interest bearing		176,128,144	495,714,325	176,128,144	495,714,325
Total interbank and money market items - net		54,305,549,401	65,702,977,324	53,033,393,345	63,690,745,395
Investments					
Current investments - net	7	12,208,082,227	6,927,882,970	7,929,818,393	4,276,135,274
Long-term investments - net	7	24,836,326,581	22,700,626,160	17,662,694,540	17,828,463,614
Investments in subsidiary companies	8	-	-	4,481,643,114	4,481,643,114
Investments in an associated company	9	960,496,858	1,083,135,083	-	-
Net investments		38,004,905,666	30,711,644,213	30,074,156,047	26,586,242,002
Receivables from clearing house		690,112,932	50,185,586	-	-
Loans and accrued interest receivables	10				
Loans		271,660,472,392	274,034,052,128	270,729,599,122	272,925,468,442
Securities business receivables		2,392,640,485	2,107,940,234	-	-
Total loans and receivables		274,053,112,877	276,141,992,362	270,729,599,122	272,925,468,442
Accrued interest receivables		274,157,503	287,850,610	282,036,317	302,482,037
Total loans and accrued interest receivables		274,327,270,380	276,429,842,972	271,011,635,439	273,227,950,479
Less: Allowance for doubtful accounts	11	(8,969,571,195)	(7,066,943,508)	(8,143,281,928)	(6,365,168,503)
Revaluation allowance for debt restructuring	12	(19,722,072)	(19,963,190)	(19,722,072)	(19,963,190)
Net loans and accrued interest receivables		265,337,977,113	269,342,936,274	262,848,631,439	266,842,818,786
Property foreclosed - net	14	1,232,873,647	1,600,485,678	1,190,915,375	1,541,311,290
Land, premises and equipment - net	15	2,342,511,191	2,310,543,615	2,055,123,622	2,014,653,535
Intangible assets - software - net	16	428,632,923	416,748,531	389,094,441	377,231,891
Value added tax receivables		246,439,241	398,585,716	233,484,649	387,623,893
Financial derivatives assets		1,492,165,912	1,369,064,034	1,492,165,912	1,369,064,034
Other assets - net	17	2,842,395,814	2,426,164,851	1,591,938,698	1,445,364,792
Total assets		369,521,442,646	378,347,290,220	355,506,278,598	368,272,485,921

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

Thanachart Bank Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 30 June 2009 and 31 December 2008

(Unit: Baht)

Note	Consolidated		Separate		
	financial statements		financial statements		
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	
Liabilities and shareholders' equity					
Deposits	18				
Deposits in Baht		254,006,563,332	270,092,868,130	254,493,954,762	270,761,410,331
Deposits in foreign currencies		95,847,913	70,367,617	95,847,913	70,367,617
Total deposits		254,102,411,245	270,163,235,747	254,589,802,675	270,831,777,948
Interbank and money market items	19				
Domestic					
Interest bearing		22,270,066,653	6,677,346,941	22,769,651,706	7,030,389,032
Non-interest bearing		760,689,026	607,106,923	800,495,637	631,885,020
Foreign					
Interest bearing		1,701,200,000	-	1,701,200,000	-
Non-interest bearing		6,796,273	6,450,786	6,796,273	6,450,786
Total interbank and money market items		24,738,751,952	7,290,904,650	25,278,143,616	7,668,724,838
Payable to clearing house		-	294,804,300	-	-
Securities business payable		2,062,515,693	854,589,048	-	-
Liability payable on demand		1,362,524,447	1,316,693,276	1,362,524,447	1,316,693,276
Borrowings	20				
Short-term borrowings		34,865,267,957	47,079,799,561	35,383,267,957	47,928,299,561
Long-term borrowings		11,000,000,000	14,070,000,000	11,240,000,000	14,360,000,000
Total borrowings		45,865,267,957	61,149,799,561	46,623,267,957	62,288,299,561
Accrued interest payable		1,016,604,944	1,720,880,715	1,024,839,782	1,735,303,962
Unearned premium reserve		1,333,220,856	1,465,630,973	-	-
Life premium reserve		10,118,656,052	7,821,623,453	-	-
Corporate income tax payable		435,906,521	125,290,774	254,212,604	-
Accrued expenses		1,055,863,961	1,057,044,647	579,459,542	594,392,205
Financial derivatives liabilities		42,938,334	296,261,316	42,938,334	296,261,316
Other liabilities	21	3,610,186,566	3,449,435,007	2,282,512,891	2,270,662,998
Total liabilities		345,744,848,528	357,006,193,467	332,037,701,848	347,002,116,104

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

Thanachart Bank Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 30 June 2009 and 31 December 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2009	31 December 2008	30 June 2009	31 December 2008
Shareholders' equity					
Share capital	22				
Registered					
1,934,619,292 ordinary shares of Baht 10 each					
(31 December 2008 : 2,134,619,292 ordinary shares					
of Baht 10 each)		<u>19,346,192,920</u>	<u>21,346,192,920</u>	<u>19,346,192,920</u>	<u>21,346,192,920</u>
Issued and paid-up share capital					
1,934,619,272 ordinary shares of Baht 10 each					
(31 December 2008 : 1,734,619,292 ordinary shares					
of Baht 10 each)		19,346,192,720	17,346,192,920	19,346,192,720	17,346,192,920
Share premium		2,100,694,232	2,100,694,232	2,100,694,232	2,100,694,232
Revaluation surplus on investments	23	242,950,750	321,677,996	160,184,419	242,692,625
Revaluation deficit on investments	23	(920,901,566)	(1,387,121,442)	(336,957,450)	(537,861,364)
Surplus from business combination under					
common control		(123,378,934)	(123,378,934)	-	-
Retained earnings					
Appropriated - statutory reserve	24	192,648,978	192,648,978	192,648,978	192,648,978
Unappropriated		<u>2,893,631,502</u>	<u>2,827,480,089</u>	<u>2,005,813,851</u>	<u>1,926,002,426</u>
Equity attributable to the Bank's shareholders		23,731,837,682	21,278,193,839	23,468,576,750	21,270,369,817
Minority interest - equity attributable to minority					
shareholders of subsidiaries		<u>44,756,436</u>	<u>62,902,914</u>	-	-
Total shareholders' equity		<u>23,776,594,118</u>	<u>21,341,096,753</u>	<u>23,468,576,750</u>	<u>21,270,369,817</u>
Total liabilities and shareholders' equity		<u>369,521,442,646</u>	<u>378,347,290,220</u>	<u>355,506,278,598</u>	<u>368,272,485,921</u>
		-	-	-	-
Off-balance sheet items - commitments	36.1				
Aval to bills		145,051,247	118,025,575	145,051,247	118,025,575
Liability under unmatured import bills		104,104,046	442,517,702	104,104,046	442,517,702
Letter of credits		1,039,387,459	664,174,238	1,039,387,459	664,174,238
Other commitments		93,161,483,904	86,515,586,525	92,506,733,904	85,870,136,525

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

Thanachart Bank Public Company Limited and its subsidiaries

Income statements

For the three-month periods ended 30 June 2009 and 2008

(Unit: Baht)

Note	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
	(Unaudited but reviewed)	(Unaudited but reviewed)	(Unaudited but reviewed)	(Unaudited but reviewed)
Interest and dividend income				
Loans	950,136,219	972,425,125	966,210,184	1,006,436,575
Interbank and money market items	234,238,548	344,627,687	227,998,098	329,646,897
Hire purchase and financial lease	3,736,307,054	3,401,640,077	3,576,601,839	3,222,075,483
Investments	349,932,265	242,817,785	659,389,058	324,633,653
Total interest and dividend income	5,270,614,086	4,961,510,674	5,430,199,179	4,882,792,608
Interest expenses				
Deposits	1,215,215,259	1,526,061,872	1,218,280,339	1,532,252,329
Interbank and money market items	17,715,173	55,405,620	23,229,224	59,458,459
Short-term borrowings	233,903,943	382,017,405	237,153,924	382,349,915
Long-term borrowings	166,963,658	165,344,171	170,360,575	168,741,089
Total interest expenses	1,633,798,033	2,128,829,068	1,649,024,062	2,142,801,792
Net interest and dividend income	3,636,816,053	2,832,681,606	3,781,175,117	2,739,990,816
Bad debts and doubtful accounts	(1,447,835,456)	(1,022,149,775)	(1,323,901,308)	(920,786,986)
Loss on debt restructuring	(16,531,087)	-	(16,531,087)	-
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	2,172,449,510	1,810,531,831	2,440,742,722	1,819,203,830
Non-interest income				
Brokerage fees	244,873,612	224,325,779	-	-
Gain (loss) on investments	(44,709,871)	27,798,229	(8,845,317)	6,437,328
Share of income from investments accounted for under equity method	33,682,960	36,282,172	-	-
Fees and service income				
Acceptances, aval and guarantees	9,588,595	8,149,949	9,588,595	8,149,949
Discounted income on insurance premium	77,378,354	155,732,625	142,338,188	194,179,985
Others	392,444,662	382,443,302	274,159,369	220,004,364
Gain on exchanges and financial derivatives contracts	14,156,659	11,665,315	14,156,659	11,665,315
Gain (loss) on disposal of property foreclosed and other assets	18,735,398	(6,179,631)	16,745,214	(6,041,739)
Insurance premium/Life insurance premium income	2,781,349,838	1,960,302,731	-	-
Income on supporting service	11,059,736	33,461,588	44,616,008	65,685,325
Other income	178,111,411	94,214,883	146,024,778	81,656,550
Total non-interest income	3,716,671,354	2,928,196,942	638,783,494	581,737,077

Thanachart Bank Public Company Limited and its subsidiaries

Income statements (continued)

For the three-month periods ended 30 June 2009 and 2008

(Unit: Baht)

Note	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
	(Unaudited but reviewed)	(Unaudited but reviewed)	(Unaudited but reviewed)	(Unaudited but reviewed)
Non-interest expenses				
Personnel expenses	1,051,906,035	878,065,672	800,640,642	653,039,313
Premises and equipment expenses	436,651,031	353,496,095	368,531,105	274,986,077
Taxes and duties	50,364,705	45,740,163	47,291,897	43,248,490
Fees and charges	111,072,406	66,672,473	14,468,749	13,288,682
Directors' remuneration	13,369,794	9,752,463	9,429,794	8,732,463
Contribution fee to the Financial Institutions				
Development Fund/Deposit Protection Fund	254,370,237	191,928,247	254,370,237	191,928,247
Insurance/Life insurance expenses	2,210,115,221	1,513,172,133	-	-
Other expenses	787,956,122	802,274,513	696,721,574	683,811,316
Total non-interest expenses	4,915,805,551	3,861,101,759	2,191,453,998	1,869,034,588
Income before corporate income tax	973,315,313	877,627,014	888,072,218	531,906,319
Corporate income tax	31 (318,142,363)	(263,032,979)	(175,565,307)	(61,888,343)
Corporate income tax refundable	31 -	101,889,524	-	101,889,524
Net income for the period	655,172,950	716,483,559	712,506,911	571,907,500
Net income attributable to				
The Bank	648,921,360	707,679,130	712,506,911	571,907,500
Minority interests of the subsidiaries	6,251,590	8,804,429	-	-
	<u>655,172,950</u>	<u>716,483,559</u>	<u>712,506,911</u>	<u>571,907,500</u>
Earnings per share				
Basic earnings per share	32 <u>0.36</u>	<u>0.41</u>	<u>0.39</u>	<u>0.33</u>
Weighted average number of ordinary shares (shares)	<u>1,807,146,757</u>	<u>1,734,619,292</u>	<u>1,807,146,757</u>	<u>1,734,619,292</u>

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

Thanachart Bank Public Company Limited and its subsidiaries

Income statements

For the six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Interest and dividend income					
Loans		1,910,126,808	1,925,087,444	1,952,018,635	1,996,215,270
Interbank and money market items		648,439,682	759,009,265	630,335,276	733,014,519
Hire purchase and financial lease		7,453,316,034	6,645,420,044	7,121,965,803	6,285,377,326
Investments		683,761,024	501,701,324	915,661,879	499,886,666
Total interest and dividend income		10,695,643,548	9,831,218,077	10,619,981,593	9,514,493,781
Interest expenses					
Deposits		2,966,550,807	3,093,727,624	2,972,257,057	3,100,775,514
Interbank and money market items		45,236,205	79,867,816	55,140,525	84,205,390
Short-term borrowings		530,731,704	795,621,293	539,819,061	786,973,696
Long-term borrowings		329,699,178	305,947,214	336,455,685	312,741,049
Total interest expenses		3,872,217,894	4,275,163,947	3,903,672,328	4,284,695,649
Net interest and dividend income		6,823,425,654	5,556,054,130	6,716,309,265	5,229,798,132
Bad debts and doubtful accounts	27	(2,681,111,284)	(1,819,035,235)	(2,411,413,626)	(1,684,553,013)
Loss on debt restructuring		(17,427,588)	(2,543)	(17,427,588)	(2,543)
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring		4,124,886,782	3,737,016,352	4,287,468,051	3,545,242,576
Non-interest income					
Brokerage fees		355,312,141	438,131,595	-	-
Gain (loss) on investments	28	(148,642,909)	66,802,135	(44,819,126)	21,050,501
Share of income from investments accounted for under equity method		74,414,075	78,290,095	-	-
Fees and service income					
Acceptances, aval and guarantees		18,841,573	15,654,817	18,841,573	15,654,817
Discounted income on insurance premium		200,673,977	312,219,074	293,135,133	388,042,936
Others		809,948,601	720,815,036	573,408,936	431,127,219
Gain on exchanges and financial derivatives contracts		60,796,581	145,795,492	60,796,581	145,843,588
Gain (loss) on disposal of property foreclosed and other assets	29	104,329,617	(19,476,781)	102,120,155	(19,908,133)
Insurance premium/Life insurance premium income		5,056,868,717	3,817,080,370	-	-
Income on supporting service		38,481,022	71,480,965	116,377,247	145,525,058
Other income		310,376,174	194,347,578	248,285,632	150,932,574
Total non-interest income		6,881,399,569	5,841,140,376	1,368,146,131	1,278,268,560

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

Thanachart Bank Public Company Limited and its subsidiaries

Income statements (continued)

For the six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Non-interest expenses					
Personnel expenses		2,074,369,964	1,611,599,552	1,602,899,482	1,142,715,962
Premises and equipment expenses		849,555,798	700,256,481	703,508,610	549,103,710
Taxes and duties		102,389,397	87,960,217	96,196,876	82,386,891
Fees and charges		169,202,258	124,994,619	25,279,491	28,885,363
Directors' remuneration	30	16,190,594	12,466,463	10,717,594	10,411,463
Contribution fee to the Financial Institutions					
Development Fund/Deposit Protection Fund		508,740,475	383,955,609	508,740,475	383,955,609
Insurance/Life insurance expenses		4,150,848,952	3,060,435,684	-	-
Other expenses		1,565,279,124	1,457,431,883	1,362,576,658	1,272,063,085
Total non-interest expenses		9,436,576,562	7,439,100,508	4,309,919,186	3,469,522,083
Income before corporate income tax		1,569,709,789	2,139,056,220	1,345,694,996	1,353,989,053
Corporate income tax	31	(520,298,635)	(588,996,599)	(294,496,767)	(246,322,318)
Corporate income tax refundable	31	-	101,889,524	-	101,889,524
Net income for the period		1,049,411,154	1,651,949,145	1,051,198,229	1,209,556,259
Net income attributable to					
The Bank		1,037,538,217	1,633,884,802	1,051,198,229	1,209,556,259
Minority interests of the subsidiaries		11,872,937	18,064,343	-	-
		<u>1,049,411,154</u>	<u>1,651,949,145</u>	<u>1,051,198,229</u>	<u>1,209,556,259</u>
Earnings per share					
Basic earnings per share	32	<u>0.59</u>	<u>0.94</u>	<u>0.59</u>	<u>0.70</u>
Weighted average number of ordinary shares (shares)		<u>1,771,083,377</u>	<u>1,734,619,292</u>	<u>1,771,083,377</u>	<u>1,734,619,292</u>

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Consolidated financial statements								
	Issued and paid-up share capital	Share premium	Revaluation surplus on investments	Revaluation deficit on investments	Surplus from business combination under common control	Retained earnings		Minority interest	Total
						Appropriated -			
						statutory reserve	Unappropriated		
Balance - as at 1 January 2008	17,346,192,920	2,100,694,232	100,168,306	(397,022,334)	(123,378,934)	127,432,979	1,769,082,216	57,054,997	20,980,224,382
Increase in revaluation surplus on investments	-	-	22,998,193	-	-	-	-	-	22,998,193
Increase in revaluation deficit on investments	-	-	-	(358,762,679)	-	-	-	-	(358,762,679)
Total transactions unrealised in income statement	-	-	22,998,193	(358,762,679)	-	-	-	-	(335,764,486)
Net income for the period	-	-	-	-	-	-	1,633,884,802	18,064,343	1,651,949,145
Dividend paid (Note 26)	-	-	-	-	-	-	(745,886,296)	(25,048,240)	(770,934,536)
Balance - as at 30 June 2008	17,346,192,920	2,100,694,232	123,166,499	(755,785,013)	(123,378,934)	127,432,979	2,657,080,722	50,071,100	21,525,474,505
									-
Balance - as at 1 January 2009	17,346,192,920	2,100,694,232	321,677,996	(1,387,121,442)	(123,378,934)	192,648,978	2,827,480,089	62,902,914	21,341,096,753
Increase in share capital (Note 22)	1,999,999,800	-	-	-	-	-	-	-	1,999,999,800
Decrease in revaluation surplus on investments	-	-	(78,727,246)	-	-	-	-	-	(78,727,246)
Decrease in revaluation deficit on investments	-	-	-	466,219,876	-	-	-	-	466,219,876
Total transactions unrealised in income statement	-	-	(78,727,246)	466,219,876	-	-	-	-	387,492,630
Net income for the period	-	-	-	-	-	-	1,037,538,217	11,872,937	1,049,411,154
Dividend paid (Note 26)	-	-	-	-	-	-	(971,386,804)	(30,019,415)	(1,001,406,219)
Balance - as at 30 June 2009	19,346,192,720	2,100,694,232	242,950,750	(920,901,566)	(123,378,934)	192,648,978	2,893,631,502	44,756,436	23,776,594,118
									-

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Separate financial statements						
	Issued and paid-up share capital	Share premium	Revaluation surplus on investments	Revaluation deficit on investments	Retained earnings		Total
				Appropriated - statutory reserve	Unappropriated		
Balance - as at 1 January 2008	17,346,192,920	2,100,694,232	70,775,754	(382,732,553)	127,432,979	1,432,784,729	20,695,148,061
Decrease in revaluation surplus on investments	-	-	(41,007,816)	-	-	-	(41,007,816)
Increase in revaluation deficit on investments	-	-	-	(62,928,530)	-	-	(62,928,530)
Total transactions unrealised in income statement	-	-	(41,007,816)	(62,928,530)	-	-	(103,936,346)
Net income for the period	-	-	-	-	-	1,209,556,259	1,209,556,259
Dividend paid (Note 26)	-	-	-	-	-	(745,886,296)	(745,886,296)
Balance - as at 30 June 2008	<u>17,346,192,920</u>	<u>2,100,694,232</u>	<u>29,767,938</u>	<u>(445,661,083)</u>	<u>127,432,979</u>	<u>1,896,454,692</u>	<u>21,054,881,678</u>
Balance - as at 1 January 2009	17,346,192,920	2,100,694,232	242,692,625	(537,861,364)	192,648,978	1,926,002,426	21,270,369,817
Increase in share capital (Note 22)	1,999,999,800	-	-	-	-	-	1,999,999,800
Decrease in revaluation surplus on investments	-	-	(82,508,206)	-	-	-	(82,508,206)
Decrease in revaluation deficit on investments	-	-	-	200,903,914	-	-	200,903,914
Total transactions unrealised in income statement	-	-	(82,508,206)	200,903,914	-	-	118,395,708
Net income for the period	-	-	-	-	-	1,051,198,229	1,051,198,229
Dividend paid (Note 26)	-	-	-	-	-	(971,386,804)	(971,386,804)
Balance - as at 30 June 2009	<u>19,346,192,720</u>	<u>2,100,694,232</u>	<u>160,184,419</u>	<u>(336,957,450)</u>	<u>192,648,978</u>	<u>2,005,813,851</u>	<u>23,468,576,750</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 six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income before corporate income tax	1,569,709,789	2,139,056,220	1,345,694,996	1,353,989,053
Adjustments to reconcile net income before corporate income tax to net cash received (paid) from operating activities:				
Share of income from investments accounted for under equity method	(74,414,075)	(78,290,095)	-	-
Depreciation and amortisation	317,039,157	244,971,114	264,949,255	197,167,893
Bad debt and doubtful accounts and loss from debt restructuring	2,698,538,872	1,819,037,778	2,428,841,214	1,684,555,556
Amortisation of premiums (discounts) on investment in debt securities	(15,868,465)	38,560,536	(7,663,648)	28,669,853
Decrease in allowance for impairment of investments	(145,396,706)	-	(73,887,852)	-
Increase (decrease) in allowance for change in value of investments	(1,333,555)	169,725	-	-
Increase (decrease) in allowance for impairment of property foreclosed	(98,552,570)	13,390,171	(94,838,025)	12,736,473
Interest income and other income from the assets transferred for debt repayment	(1,006,521)	(233,020)	(1,006,521)	(233,020)
Gain from disposal of investments in an associated company	(2,707,057)	-	-	-
Loss (gain) from disposal of equipment	1,457,382	9,009,075	(51,098)	8,739,952
Unrealised loss (gain) on exchange	545,503,793	(252,430,940)	545,503,793	(252,430,940)
Increase in unearned premium reserve/life insurance premium reserve	2,164,622,482	1,690,495,620	-	-
Increase in allowance for impairment of other assets	46,591,912	19,703,616	25,458,395	24,969,639
Decrease (increase) in other income receivable	158,320,664	(39,924,093)	(125,604,215)	(147,002,211)
Decrease in fees and rental received in advance	(18,381,010)	(13,985,598)	(18,381,010)	(13,985,598)
Decrease in deferred income	(2,026,912)	(190,120,115)	(2,026,912)	(190,120,115)
Decrease in accrued expenses	(1,180,686)	(67,345,523)	(14,932,663)	(20,761,042)
Amortisation of discounts on long-term borrowings	11,839,853	72,882	11,839,853	72,882
	7,152,756,347	5,332,137,353	4,283,895,562	2,686,368,375
Net interest income	(6,819,397,042)	(5,594,687,548)	(6,720,485,470)	(5,258,540,867)
Cash received from interest income	10,146,369,145	9,092,193,654	9,844,090,010	8,757,066,473
Cash payment for interest expenses	(3,384,398,134)	(3,211,125,226)	(3,400,737,752)	(3,222,547,924)
Income from operating activities before changes in operating assets and liabilities	7,095,330,316	5,618,518,233	4,006,762,350	2,962,346,057

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 six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Decrease (increase) in operating assets				
Interbank and money market items	10,538,469,562	2,935,533,615	9,799,862,628	2,823,604,093
Securities purchased under resale agreements	-	2,500,000,000	-	2,500,000,000
Receivables from clearing house	(639,927,346)	234,250,480	-	-
Loans and receivables	(2,050,796,409)	(29,463,271,854)	(1,601,659,734)	(28,915,677,719)
Property foreclosed	3,817,735,783	2,609,524,229	3,609,230,572	2,470,508,927
Other assets	(284,240,158)	(1,042,679,201)	283,602,535	(1,183,788,262)
Increase (decrease) in operating liabilities				
Deposits	(16,060,824,502)	22,468,780,826	(16,241,975,273)	22,551,151,258
Interbank and money market items	17,447,847,302	9,031,348,278	17,609,418,778	8,866,702,462
Payable to clearing house	(294,804,300)	70,915,407	-	-
Securities business payable	1,207,926,645	361,160,249	-	-
Liability payable on demand	45,831,171	(24,032,171)	45,831,171	(24,032,171)
Other liabilities	(150,288,562)	1,723,337,355	(308,002,812)	1,534,356,278
Cash flows from operating activities	20,672,259,502	17,023,385,446	17,203,070,215	13,585,170,923
Cash paid for corporate income tax	(204,002,352)	(297,755,101)	(34,061,994)	(32,742,528)
Cash received from corporate income tax refundable	-	101,889,524	-	101,889,524
Net cash flows from operating activities	20,468,257,150	16,827,519,869	17,169,008,221	13,654,317,919
Cash flows from investing activities				
Increase in investments in securities held				
for investment	(6,934,788,590)	(6,971,316,323)	(3,431,800,088)	(4,781,979,849)
Cash paid for acquire investment in subsidiaries	-	-	-	(191,140,884)
Capital returned from subsidiaries	-	-	-	222,157,368
Cash received from disposal of investments in				
an associated company	84,304,975	-	-	-
Cash received from interest on investments	587,981,317	384,359,495	476,295,068	269,338,522
Cash received from dividend	99,822,114	131,580,463	425,427,166	236,689,658
Cash paid for purchase of equipment	(247,397,259)	(196,476,277)	(207,703,453)	(159,589,164)
Cash received from disposal of equipment	3,219,959	5,893,410	1,976,923	1,305,323
Net cash flows used in investing activities	(6,406,857,484)	(6,645,959,232)	(2,735,804,384)	(4,403,219,026)

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 six-month periods ended 30 June 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Cash flows from financing activities				
Cash received from issued additional share capital	1,999,999,800	-	1,999,999,800	-
Cash received from borrowings	2,000,000,000	5,000,000,000	2,000,000,000	5,000,000,000
Cash paid for borrowings	(17,296,371,457)	(13,441,392,277)	(17,676,871,457)	(12,536,892,277)
Cash paid for interest from borrowings	(1,183,697,382)	(1,267,394,436)	(1,205,000,609)	(1,266,738,131)
Cash paid for dividend	(971,386,804)	(745,886,296)	(971,386,804)	(745,886,296)
Cash paid for dividend to minority interest	(30,019,415)	(25,048,240)	-	-
Net cash flows used in financing activities	(15,481,475,258)	(10,479,721,249)	(15,853,259,070)	(9,549,516,704)
Net decrease in cash	(1,420,075,592)	(298,160,612)	(1,420,055,233)	(298,417,811)
Cash at beginning of the period	4,017,954,398	3,274,606,674	4,017,430,303	3,274,344,083
Cash at end of the period	2,597,878,806	2,976,446,062	2,597,375,070	2,975,926,272
	-		-	
Supplemental cash flows information				
Non-cash transactions				
Transfer of properties foreclosed from receivables for debt settlement	3,346,984,982	2,894,387,070	3,159,410,431	2,715,176,081
Accounts payable for purchase of fixed assets	65,831,412	46,029,264	64,713,470	46,029,264
Bad debt written-off	816,540,958	364,190,900	664,014,340	363,870,417

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

Thanachart Bank Public Company Limited and its subsidiaries
Notes to interim financial statements
For the six-month periods ended 30 June 2009 and 2008

1. General information

1.1 The Bank's information

Thanachart Bank Public Company Limited ("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. As at 30 June 2009, the Parent Company holds 50.92 percent of the Bank issued shares (31 December 2008: holds 74.93 percent of the Bank issued shares. On 3 February 2009, the Parent Company sold additional ordinary shares of the Bank to the Bank of Nova Scotia. As a result, the Bank of Nova Scotia holds 48.998 percent and the Parent Company holds 50.92 percent of the Bank issued shares). The Bank's registered address is 900, Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok and the Bank had 244 operational branches.

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

1.2 Economic crisis

The financial crisis experienced by the United States over the current period has had a far reaching adverse effect on the global economy as evidenced by a tight squeeze on credit and failures of large foreign financial institutions. The governments of many countries have made continuous efforts to remedy the liquidity crisis, and financial institutions have increased their share capital in order to resolve the problem and to build confidence. However, the global economy remains uncertain. These financial statements have been prepared on the bases of facts currently known to the Bank and its subsidiaries and on estimates and assumptions currently considered appropriate. However, they could be affected by an array of future events.

2. Basis of preparation of financial statements

2.1 Basis of preparation of the interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2007) “Interim Financial Reporting”, with the Bank choosing to present condensed interim financial statements. However, the Bank has presented the balance sheets, and the statements of income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, with reference to the principles stipulated by the BOT. The presentation of the financial statements has been made in compliance with the Notification of the Bank of Thailand relating to the preparation and format of the financial statements of commercial banks and holding parent company of financial business groups, dated 3 August 2008.

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

2.2 Basis of preparation of the interim consolidated financial statements

- a) These interim consolidated financial statements include the financial statements of the Bank and the following subsidiaries (“the subsidiaries”):

	Percentage of holding	
	30 June 2009	31 December 2008
<u>Subsidiaries directly held by the Bank</u>		
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
T Leasing Co., Ltd.	100.00	100.00
<u>Subsidiaries indirectly held by the Bank</u>		
National Leasing Co., Ltd.	100.00	100.00

Total assets and total income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 30 June 2009 and 31 December 2008 and for the six-month periods ended 30 June 2009 and 2008, after eliminating significant inter company transactions, are as follows:

(Unit: Million Baht)

	Total assets		Total income for the six-month periods ended 30 June	
	30 June 2009	31 December 2008	2009	2008
	Thanachart Life Assurance Co., Ltd.	11,219	7,488	3,715
Thanachart Group Leasing Co., Ltd.	3,614	4,249	243	297
Thanachart Securities Plc.	3,832	3,087	438	545
Thanachart Insurance Co., Ltd.	2,761	2,663	1,405	1,248

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Bank obtains control.
 - c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies. In case where there are different accounting policies the Bank has adjusted the effect of these in the consolidated financial statements.
 - d) The outstanding balances and significant intercompany transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Bank's and subsidiaries' books of accounts have been eliminated against shareholders' equity of the subsidiaries.
 - e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Bank and are presented separately in the consolidated income statements and within equity in the consolidated balance sheet.
- 2.3** The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, regarding the renumbering of Thai Accounting Standards to match the corresponding International Accounting Standards. Therefore the numbers of Thai Accounting Standards as used in these financial statements are corresponded to those per this notification.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale
and Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standards and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management of the Bank and its subsidiaries have assessed the effect of these standards and believe that Accounting Treatment Guidance for Business Combination under Common Control and TFRS 5 (revised 2007) are not relevant to the business of the Bank and its subsidiaries, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007), and Accounting Treatment Guidance for leasehold right do not have any significant impact on the financial statements for the current period.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Bank has assessed that TAS 20 does not relevant to the business of the Bank and its subsidiaries, while TAS 24 (revised 2007) and TAS 40 will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 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.

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.

Deferred interest income 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 recognition 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 dividend is established.

c) Brokerage fee income

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

d) Interest on loans for purchase of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities 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 dates.

f) Fees and service income

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

g) Insurance/life insurance premium income

- Insurance premium income on insurance policies is recognised on the date the insurance policy comes into effect, after deducting premium ceded and cancelled 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.

- Life insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded.
- Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

4.2 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.

4.3 Unearned premium/life insurance premium reserve

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

Fire, marine (hull), motors and miscellaneous (except for traveling accident with coverage of not more than 6 months)	- Monthly average basis (the one-twenty fourth basis)
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

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

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

4.4 Investments

Investments in trading securities are determined at fair value. The Bank and its subsidiaries recognise changes in the value of the securities as income (loss) in the income statements.

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. The Bank and its subsidiaries recognise changes in the value of the securities as separate items in shareholders' equity until the securities are sold, when they are then included in determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method with the amortised 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 fund as being in associated or subsidiary companies because the Bank and its subsidiaries do not have control or influence over the financial and operating policy of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds 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 period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by The Thai Bond Market Association adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

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 the statements of income.

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

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 gains (losses) in determining income or surplus (deficit) from revaluation of investments, which is presented as a separate item in shareholders' equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investment which is reclassified.

4.5 Investments in subsidiary and associated companies

Investments in subsidiaries 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 the income statements.

Investments in an associated company 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 share of the income from the operations of the associated company, in proportion to the investment.

4.6 Goodwill

Goodwill has been initially measured at cost, which is the excess of the cost of the business combination over the Bank's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is carried at cost less any accumulated impairment losses, and is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Bank estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

4.7 Securities purchased under resale agreements

The Bank enters into agreements with a private company to purchase securities, whereby there is an agreement to resell the securities at certain dates and at a fixed price. Amounts paid for securities purchased are presented as assets under the caption of interbank and money market items or loan, depending on the counter party, and the underlying securities are treated as collateral to such receivables.

4.8 Receivables from/payable to Clearing House

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

4.9 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 securities receivable and derivatives business receivables. Securities business receivable comprise the net receivable balances of cash accounts and credit balance accounts (for which the securities purchased are used as collateral) 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.

4.10 Allowances for doubtful accounts

- a) The Bank provides allowances for doubtful accounts in accordance with the Notifications of the BOT and adjusts 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 debts is recognised as an expense during the period.

The Bank sets 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 included 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 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.

- b) A securities subsidiary has 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 balance sheet date.
- e) The Bank writes off hire purchase receivables when full allowance for doubtful accounts has been made for such receivables. Other loans are written off when the relevant criteria under tax law are met.
- f) The subsidiary companies write off receivables as bad debts when the relevant criteria under tax law are met.
- g) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

4.11 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 the income statements 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 the income statements. If assets are transferred under conditions whereby the debtor must repurchase or has the option to repurchase the assets at prices and within a period specified in the agreement, the Bank and its subsidiaries record the assets at the lower of the fair value or book value.

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

4.12 Recognition and amortisation of customers' assets

Assets which customers have placed with the subsidiary company 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 company for internal control purpose. As at the balance sheet date, the subsidiary company writes off those amounts which there are no guarantee obligations from both assets and liabilities and presents only those assets which belong to the subsidiary company.

4.13 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value less estimated selling expenses, 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.

In addition, the Bank and its subsidiaries have provided additional allowance for property foreclosed which was held for longer period in accordance with the principles stipulated by that guideline.

Gains on disposal of property foreclosed are recognised in the income statements on 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 are recognised as expenses in the income statement.

4.14 Land, premises and equipment and depreciation

- a) Land and assets in progress 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 with reference to cost on a straight-line basis over the following estimated useful lives:

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

Depreciation is included in determining income.

4.15 Intangible assets - software and amortisation

Intangible assets are carried at cost less accumulated amortisation and 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 charged to the income statement.

The intangible assets with finite useful lives have useful lives of approximately 5 - 10 years.

4.16 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 the income statements 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. The Bank and its subsidiaries record advance payments made under operating leases as leasehold rights, and amortise them as expenses in the income statement over the term of the leases on the straight - line basis.

4.17 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 balance sheet date.

4.18 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of the subsidiary in respect of its securities and derivatives business with the outside parties.

4.19 Sales of commercial paper

The Bank 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".

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

Outstanding claims have been provided for upon the receipt of claims advices from the insured/life insured. Loss reserve has been provided based on estimates made by independent appraiser or the relevant officers of the subsidiary company on a case by case basis. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, a subsidiary company engaged in the non-life insurance business, additionally sets aside provision for losses incurred but has not reported (IBNR) using the actuarial method or other international approaches with no less than 2.5 percent of the total net written premium on all types of risks in twelve months prior to the allocation date in compliance with the Notification of the Ministry of Commerce governing the allocation of the unearned premium reserve and loss reserves by the non-life insurance company.

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.

4.21 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 company, 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.

4.22 Impairment of assets

The Bank and its subsidiaries assess at each 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 balance sheet 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 in the income statement.

The Bank and its subsidiaries assess at each reporting date whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank and its subsidiaries estimate the asset's recoverable amount and the impairment loss recognised in prior periods for assets other than goodwill is reversed.

4.23 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.24 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 off-balance sheets transactions, which were outstanding on the balance sheet date, have been translated into Baht at the rates ruling at the balance sheet date.

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

4.25 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.

4.26 Income tax

Income tax is provided in the accounts based on taxable income determined in accordance with tax legislation.

4.27 Financial derivatives

The Bank and its subsidiaries have entered into off-balance sheet 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 sheet items, and presented at fair value. Gains or losses arising from changes in the fair value of the contracts are recognised in the income statement.

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 sheet 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 in the income statement. 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 forward exchange contracts and interest rate swap contracts are presented at the net amount in balance sheet.

5. 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. The significant accounting judgments and estimates are as follow:

5.1 Assessment of risk and rewards

When considering the recognition and derecognition of assets or liabilities, the management is required to use judgment in assessing risk and rewards. Although management uses its best knowledge of current events and actions in making such assessments, actual risks and rewards may ultimately differ.

5.2 Allowance for doubtful accounts for loans

Allowance for doubtful accounts for loans is intended to adjust the value of loans for probable credit losses. The management uses the Bank of Thailand's regulation 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. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

5.3 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. The input to the models used is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

5.4 Allowance for impairment of investments

The Bank and its subsidiaries review an impairment of investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires the management's judgment. The management uses judgment to establish reserves for estimated losses on investments based on an evaluation of the current status of each investment transaction.

5.5 Allowance for impairment of property foreclosed

The Bank and its subsidiaries assess allowance for impairment of property foreclosed when net realizable value falls below the book value. The management uses judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets. However, the use of different estimates and assumptions could affect the amounts of the allowance for impairment and adjustments to the allowances may therefore be required in the future.

5.6 Property, premise and equipment/Depreciation

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

5.7 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets requires the management to make judgment of the recoverable amount to be generated by the asset using the discounted cash flows method. 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.

5.8 Finance lease/Operating lease

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased assets have been transferred to the leasee. Leases that transfer substantially all the risks and rewards of ownership to the leasee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the leasee are classified as operating lease.

5.9 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 collateral value. The management uses judgment in developing the assumptions to be used in estimating the percentage of the outstanding balance under the debt restructuring agreement it is expected will be received, or the collateral value. The management considers these assumptions to be appropriate given the currently available information and current situation. However, the use of different estimates and assumptions could affect the loss sharing arising from the transfer of non-performing loans that the Bank has recorded.

5.10 Life insurance premium reserve

Life insurance premium reserve is calculated under the actuarial method, based on the current assumptions or on assumptions established at inception of the contract which reflect the best estimate at the time, increased with a margin for risk and adverse deviation. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

5.11 Loss reserve and outstanding claims

Part of loss reserve claims is estimated from claims advices from insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary company, depending on the particular case. The estimated value of losses is derived from actual losses but not more than the sum insured of the related insurance policies. The other part is for losses incurred but not yet reported (IBNR) and is estimated based on statistic of data and historical experience. However, actual results could differ from the estimates.

5.12 Litigation

The Bank and its subsidiaries have contingent liabilities as a result of litigation. The management has used judgment to assess of the results of the litigation case, and in case where they believe that there will be no losses, they will provide no contingent liabilities at the balance sheet date. However, actual results could differ from the estimates.

6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	1,991	13,700	15,691	3,422	35,800	39,222
Commercial banks	489	8,720	9,209	628	4,490	5,118
Other banks	57	50	107	112	50	162
Other financial institutions	490	147	637	18	300	318
Total	3,027	22,617	25,644	4,180	40,640	44,820
Add: Accrued interest receivables	1	5	6	1	40	41
Less: Allowance for doubtful accounts	(2)	(26)	(28)	-	(26)	(26)
Total domestic items	3,026	22,596	25,622	4,181	40,654	44,835
Foreign						
US Dollar	90	28,454	28,544	286	20,236	20,522
Euro	19	-	19	98	-	98
Others	67	-	67	112	-	112
Total	176	28,454	28,630	496	20,236	20,732
Add: Accrued interest receivables	-	53	53	-	136	136
Total foreign items	176	28,507	28,683	496	20,372	20,868
Total	3,202	51,103	54,305	4,677	61,026	65,703

(Unit: Million Baht)

	Separate financial statements					
	30 June 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	1,991	13,700	15,691	3,422	35,800	39,222
Commercial banks	132	8,000	8,132	251	3,200	3,451
Other banks	38	-	38	103	-	103
Other financial institutions	490	-	490	18	-	18
Total	2,651	21,700	24,351	3,794	39,000	42,794
Add: Accrued interest receivables	-	1	1	-	29	29
Less: Allowance for doubtful accounts	(2)	-	(2)	-	-	-
Total domestic items	2,649	21,701	24,350	3,794	39,029	42,823
Foreign						
US Dollar	90	28,454	28,544	286	20,236	20,522
Euro	19	-	19	98	-	98
Others	67	-	67	112	-	112
Total	176	28,454	28,630	496	20,236	20,732
Add: Accrued interest receivables	-	53	53	-	136	136
Total foreign items	176	28,507	28,683	496	20,372	20,868
Total	2,825	50,208	53,033	4,290	59,401	63,691

As at 30 June 2009, deposits of Baht 147 million of a subsidiary are loans to a financial institution that entered into the debt restructuring agreement and currently is in the process of repayment and conversion of debt to capital. The subsidiary has set aside allowance for doubtful accounts of 25 million for this amount (31 December 2008: Baht 300 million and Baht 25 million, respectively).

As at 30 June 2009, deposits of the Bank included deposits with BNS (the other major shareholder) of Baht 1,604 million (31 December 2008: Baht 7,754 million).

In addition, as at 30 June 2009, foreign currency deposits of Baht 24,929 million have been covered by forward exchange contracts, as presented in Note 36.1 to the financial statements (31 December 2008: Baht 20,098 million).

7. Investments

7.1 Classified by type of investment

	Consolidated financial statements				Separate financial statements			
	30 June 2009		31 December 2008		30 June 2009		31 December 2008	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
(Unit: Million Baht)								
Current investment								
Trading securities								
Government and state enterprises securities	1,253	1,252	-	-	-	-	-	-
Total	1,253	1,252	-	-	-	-	-	-
Less: Allowance for change in value	(1)		-		-		-	
Net	1,252		-		-		-	
Available-for-sale securities								
Government and state enterprises securities	4,017	4,024	4,264	4,290	2,002	2,008	1,956	1,977
Private debt securities	976	985	463	469	411	413	420	427
Foreign debt securities	341	340	-	-	341	340	-	-
Domestic marketable equity securities	129	129	49	49	-	-	-	-
Total	5,463	5,478	4,776	4,808	2,754	2,761	2,376	2,404
Add: Allowance for change in value	15		32		7		28	
Net	5,478		4,808		2,761		2,404	
Held-to-maturity debt securities								
- due within one year								
Government and state enterprises securities	1,240		1,495		1,016		1,348	
Private debt securities	85		101		-		-	
Foreign debt securities	4,153		524		4,153		524	
Total	5,478		2,120		5,169		1,872	
Total current investment - net	12,208		6,928		7,930		4,276	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2009		31 December 2008		30 June 2009		31 December 2008	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Long-term investment								
Available-for-sale securities								
Government and state enterprises								
securities	1,263	1,278	618	697	443	464	614	693
Private debt securities	7,325	7,481	4,618	4,800	5,385	5,500	2,714	2,838
Foreign debt securities	2,620	2,613	-	-	2,620	2,613	-	-
Domestic marketable equity								
securities								
Listed securities	1,876	1,311	2,380	1,194	396	270	575	253
Unit trusts	1,201	1,216	605	574	257	266	416	376
Total	14,285	13,899	8,221	7,265	9,101	9,113	4,319	4,160
Add (less): Allowance for change in value	(289)		(722)		36		(61)	
Less: Allowance for impairment	(97)		(234)		(24)		(98)	
Net	13,899		7,265		9,113		4,160	
Held-to-maturity debt securities								
Government and state enterprises								
securities	9,099		9,656		7,958		8,684	
Private debt securities	1,242		791		-		-	
Foreign debt securities	-		4,323		-		4,323	
Total	10,341		14,770		7,958		13,007	
Less: Allowance for impairment	(89)		(89)		(89)		(89)	
Net	10,252		14,681		7,869		12,918	
Other investment								
Investment in property fund	585		658		583		655	
Domestic non-marketable equity								
securities								
Investment in equity securities	99		99		99		99	
Unit trusts	20		28		18		18	
Foreign non-marketable equity								
securities								
Investment in equity securities	3		-		3		-	
Total	707		785		703		772	
Less: Allowance for impairment	(22)		(30)		(22)		(22)	
Net	685		755		681		750	
Total long-term investment - net	24,836		22,701		17,663		17,828	

7.2 Classified by due date of debt securities

(Unit: Million Baht)

	Consolidated financial statements							
	30 June 2009				31 December 2008			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprises securities	4,017	849	414	5,280	4,264	42	576	4,882
Private debt securities	976	7,237	88	8,301	463	4,318	300	5,081
Foreign debt securities	341	2,620	-	2,961	-	-	-	-
Total	5,334	10,706	502	16,542	4,727	4,360	876	9,963
Add: Allowance for change in value	15	142	22	179	32	162	99	293
Net	5,349	10,848	524	16,721	4,759	4,522	975	10,256
Held-to-maturity debt securities								
Government and state enterprises securities	1,240	8,614	485	10,339	1,495	9,452	204	11,151
Private debt securities	85	781	461	1,327	101	272	519	892
Foreign debt securities	4,153	-	-	4,153	524	4,323	-	4,847
Total	5,478	9,395	946	15,819	2,120	14,047	723	16,890
Less: Allowance for impairment	-	(89)	-	(89)	-	(89)	-	(89)
Net	5,478	9,306	946	15,730	2,120	13,958	723	16,801
Total debt securities	10,827	20,154	1,470	32,451	6,879	18,480	1,698	27,057

(Unit: Million Baht)

	Separate financial statements							
	30 June 2009				31 December 2008			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprises securities	2,002	29	414	2,445	1,956	39	575	2,570
Private debt securities	411	5,297	88	5,796	420	2,714	-	3,134
Foreign debt securities	341	2,620	-	2,961	-	-	-	-
Total	2,754	7,946	502	11,202	2,376	2,753	575	5,704
Add: Allowance for change in value	7	107	22	136	28	126	77	231
Net	2,761	8,053	524	11,338	2,404	2,879	652	5,935
Held-to-maturity debt securities								
Government and state enterprises securities	1,016	7,958	-	8,974	1,348	8,684	-	10,032
Foreign debt securities	4,153	-	-	4,153	524	4,323	-	4,847
Total	5,169	7,958	-	13,127	1,872	13,007	-	14,879
Less: Allowance for impairment	-	(89)	-	(89)	-	(89)	-	(89)
Net	5,169	7,869	-	13,038	1,872	12,918	-	14,790
Total debt securities	7,930	15,922	524	24,376	4,276	15,797	652	20,725

7.3 As at 30 June 2009, the Bank and its subsidiaries have a revaluation deficit arising from transfers of investments in debt securities, of which the current balances of Baht 212 million in the consolidated financial statements, and Baht 220 million in the separate financial statements are presented in shareholders' equity caption. (31 December 2008: Revaluation surplus of Baht 1 million and revaluation deficit of Baht 259 million, respectively, in the consolidated financial statements, and revaluation surplus of Baht 1 million and revaluation deficit of Baht 263 million, respectively, in the separate financial statements).

7.4 As at 30 June 2009, long-term investments in held-to-maturity debt securities include non-transferable promissory notes, with terms of 10 years counting from 16 September 2002 and 14 March 2003, amounting to Baht 292 million and Baht 4 million, respectively, which were received as a result of the transfer of non-performing loans of totaled Baht 296 million to Thai Asset Management Corporation (“TAMC”) (31 December 2008: Baht 296 million). However, the agreed transfer price received in the form of promissory notes could still be revised up or down after TAMC reviews the price or has the collateral assessed or the price adjusted.

As at 30 June 2009, the Bank is still unable to estimate the exact amount of such losses. However, the Bank has estimated its share of contingent losses arising from the management of non-performing assets at approximately Baht 89 million (31 December 2008: Baht 89 million). Such amount has been presented as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified based on the type of promissory note.

In addition, the Bank also share joint responsibility with TAMC for future profits or losses arising from TAMC’s management of the non-performing assets as mentioned in Note 36.2 to the financial statements.

7.5 As at 30 June 2009, investments in government and state enterprise bonds in the consolidated financial statements of Baht 1,641 million (at amortised cost) have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (31 December 2008: Baht 1,257 million).

7.6 As at 30 June 2009, foreign debt securities of the Bank amounting to Baht 5,854 million have been hedged through cross currency interest rate swap contracts. In addition, investments in private debt securities of the Bank amounting to Baht 500 million and of its subsidiaries amounting to Baht 300 million and investments in foreign debt securities of the Bank amounting to Baht 170 million have been hedged through interest rate swap contracts. All of these contracts are presented in Note 36.1 to the financial statements (31 December 2008: all foreign debt securities of the Bank amounting to Baht 4,847 million have been hedged through cross currency interest rate swap contracts, and investments in private debt securities of the Bank amounting to Baht 500 million and of its subsidiaries amounting to Baht 300 million have been hedged through interest rate swap contracts).

7.7 As at 30 June 2009 and 31 December 2008, investments in which the Bank and its subsidiaries hold not less than 10 percent of the equity of the investee are as follows:

Securities	Nature of business	Consolidated financial statements				Separate financial statements			
		30 June 2009		31 December 2008		30 June 2009		31 December 2008	
		Cost	Percentage of holding	Cost	Percentage of holding	Cost	Percentage of holding	Cost	Percentage of holding
		Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Public utilities and services									
Puen Pob Paet Co., Ltd.	Medical Clinic	-	10.00	-	10.00	-	10.00	-	10.00
Others									
The Thai Business Fund 3 ⁽¹⁾	Mutual Fund - property	297	26.67	340	26.67	297	26.67	340	26.67
Sub Thawee Property Fund ⁽¹⁾	Mutual Fund - property	136	56.00	156	56.00	136	56.00	156	56.00
Thanasarn Open-End Fund ⁽¹⁾	Mutual Fund - debt securities	266	24.22	267	28.99	266	24.22	267	28.99
Thi Ra Sombat Open-End Fund ⁽¹⁾	Mutual Fund - debt securities	150	21.80	40	5.09	-	-	-	-
The Krung Thai Dividend Fixed-Income Fund	Mutual Fund - debt securities	48	14.72	-	-	-	-	-	-
Thanachart Fixed-Income Fund ⁽¹⁾	Mutual Fund - debt securities	182	29.23	-	-	-	-	-	-

(1) The Bank and its subsidiaries do not treat these investments as associated or subsidiary companies because the Bank and its subsidiaries do not have control or influence over the financial and operating policy of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds are under the regulations of the Securities and Exchange Commission. Therefore, the Bank and its subsidiaries account for its long-term investments in these funds as available-for-sale securities or other investments depending on the objective of investment.

7.8 As at 30 June 2009 and 31 December 2008, investments in securities of the Bank and its subsidiaries included investments in the companies with weak financial position and poor operating results, are summarised below.

Consolidated financial statements									
Number of investment						Allowance for changes in value/impairment provided in the accounts			
30 June 2009		31 December 2008		Cost		Fair value		30 June 2009	
				30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Equity securities - common shares									
1. Companies whose auditors' reports cited going concern issues									
2	2	21	21	1	1	20	20		
2. Financial institutions that are in the process of debt restructuring									
1	1	1	8	1	-	-	8		

Separate financial statements									
Number of investment						Allowance for changes in value/impairment provided in the accounts			
30 June 2009		31 December 2008		Cost		Fair value		30 June 2009	
				30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Equity securities - common shares									
1. Companies whose auditors' reports cited going concern issues									
2	2	21	21	1	1	20	20		

8. Investments in subsidiary companies

8.1 As at 30 June 2009 and 31 December 2008, investments in subsidiary companies in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following subsidiary companies:

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements							
		Paid-up share capital		Percentage of holding		Value of investment under the cost method		Dividend income for the six-month periods ended	
		30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June	
								2009	2008
Thanachart Securities Plc.	Securities business	1,500	1,500	100	100	1,858	1,858	83	240
Thanachart Insurance Co., Ltd.	Non-life insurance	740	740	100	100	867	867	-	-
Thanachart Life Assurance Co., Ltd.	Life - insurance	500	500	100	100	936	936	-	-
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75	75	97	97	90	75
Thanachart Broker Co., Ltd.	Non-life insurance broker	100	100	100	100	104	104	93	47
Thanachart Group Leasing Co., Ltd.	Hire purchase	360	360	100	100	400	400	101	15
Thanachart Management and Services Co., Ltd.	Services	6	6	100	100	11	11	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100	100	13	13	-	-
Thanachart Training and Development Co., Ltd.	Training services	5	5	100	100	5	5	30	14
T Leasing Co., Ltd.	Hire purchase	180	180	100	100	191	191	-	-
Total investments in subsidiary companies						<u>4,482</u>	<u>4,482</u>	<u>397</u>	<u>391</u>

8.2 The consolidated balance sheet as at 31 December 2008 and income statement for the six-month period ended 30 June 2008 included assets, income and net income of Thanachart Life Assurance Co., Ltd. The auditor of this subsidiary company issued a qualified audit report on the financial statements of that company for the years ended 31 December 2008 and 2007 with respect to the effect on the financial statements of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. Such issue has been already corrected and adjusted in the current six-month period ended 30 June 2009. However, the results of such adjustments have no material effect on the current consolidated financial statements.

9. Investments in an associated company

9.1 As at 30 June 2009 and 31 December 2008, investments in an associated company in the consolidated financial statements included investment in MBK Plc., which was incorporated under Thai laws and engaged in property rental, hotel and services businesses, can be summarised as follows:

Company's name	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the six-month periods ended		Share of income for the six-month periods ended	
	30 June	31 December	30 June	31 December	Cost method		Equity method		30 June		30 June	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Consolidated financial statements												
MBK Plc.	1,886	1,886	9.90	10.76	984	1,066	960	1,083	41	41	74	78

The Bank and its subsidiaries classified such investments as investments in associated company, like its Parent Company, since the Parent Company had significant influence in that company.

During the six-month period ended 30 June 2009, a subsidiary company sold investments in an associated company of Baht 81 million with gain on disposal of Baht 3 million, and presented in the consolidated financial statements.

9.2 Summarised financial information of an associated company as at 31 March 2009 and 30 September 2008 and for the six-month periods ended 31 March 2009 and 2008 as follows:

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income for the six-month periods ended		Net income for the six-month periods ended	
	31 March	30 September	31 March	30 September	31 March	30 September	31 March		31 March	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
MBK Plc.	1,886	1,886	19,345	19,164	11,077	10,889	3,286	3,183	702	753

The share of income of that associated company recognised in each period is determined based on financial statements of that associated company prepared for a different period, as a result of limitations on the availability of information. The financial information used was based on the balance sheets as of 31 March 2009 and 30 September 2008 and income statement for the six-month periods ended 31 March 2009 and 2008, prepared by the Bank's management, with reference to the financial statements as reviewed by its auditor and adjusted to reflect differences in accounting policies. The Bank's management believes that the net income for the six-month period ended 31 March is not material different from that income for the six-month period ended 30 June.

9.3 Fair value of investment in an associated company which is listed in the Stock Exchange of Thailand as at 30 June 2009 was Baht 985 million (31 December 2008: Baht 1,005 million).

10. Loans and accrued interest receivables

10.1 Classified by loan type

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
<u>Loans</u>				
Overdrafts	2,505	2,511	2,505	2,511
Loans	44,906	39,992	44,903	39,990
Notes receivable	14,580	25,805	18,644	30,273
Hire purchases receivables	207,464	203,829	202,538	198,344
Financial leases receivables	2,205	1,897	2,140	1,807
Total loans	271,660	274,034	270,730	272,925
Add: Accrued interest receivables	274	288	282	303
Less: Allowance for doubtful accounts	(8,653)	(6,769)	(8,143)	(6,365)
Revaluation allowance for debt restructuring	(20)	(20)	(20)	(20)
Loans and accrued interest receivables - net	263,261	267,533	262,849	266,843
<u>Securities business receivables</u>				
Customers' accounts	1,331	1,095	-	-
Credit balances receivables	662	598	-	-
Other receivables	400	415	-	-
Total securities business receivables	2,393	2,108	-	-
Less: Allowance for doubtful accounts	(316)	(298)	-	-
Securities business receivables and accrued interest receivables - net	2,077	1,810	-	-
Loans and accrued interest receivables - net	265,338	269,343	262,849	266,843

10.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
At call*	6,699	13,867	9,623	17,302
Not over 1 year	22,397	23,640	19,498	22,116
Over 1 year	245,231	238,923	241,891	233,810
Total loans and accrued interest receivables	<u>274,327</u>	<u>276,430</u>	<u>271,012</u>	<u>273,228</u>

* Included expired contracts

10.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2009			31 December 2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	272,607	315	272,922	275,151	256	275,407
US Dollar	1,379	-	1,379	955	-	955
Other currencies	26	-	26	68	-	68
Total	<u>274,012</u>	<u>315</u>	<u>274,327</u>	<u>276,174</u>	<u>256</u>	<u>276,430</u>

(Unit: Million Baht)

	Separate financial statements					
	30 June 2009			31 December 2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	269,292	315	269,607	271,949	256	272,205
US Dollar	1,379	-	1,379	955	-	955
Other currencies	26	-	26	68	-	68
Total	<u>270,697</u>	<u>315</u>	<u>271,012</u>	<u>272,972</u>	<u>256</u>	<u>273,228</u>

10.4 Classified by type of business and loan classification

(Unit: Million Baht)

Consolidated financial statements						
30 June 2009						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent and related companies	395	-	-	-	-	395
Agricultural and mining	1,331	-	-	7	-	1,338
Manufacturing and commerce	9,553	90	31	288	647	10,609
Real estate and construction	13,045	618	99	40	632	14,434
Public utilities and services	14,193	45	35	7	92	14,372
Personal consuming						
Housing loans	6,311	293	128	335	83	7,150
Securities	2,065	-	3	315	-	2,383
Hire purchase	180,931	20,785	1,590	1,057	3,101	207,464
Others	6,601	457	226	399	574	8,257
Others	7,924	-	-	-	1	7,925
Total loans and accrued interest receivables	<u>242,349</u>	<u>22,288</u>	<u>2,112</u>	<u>2,448</u>	<u>5,130</u>	<u>274,327</u>

(Unit: Million Baht)

Consolidated financial statements						
31 December 2008						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent and related companies	8,563	-	-	-	-	8,563
Agricultural and mining	1,143	-	-	10	-	1,153
Manufacturing and commerce	11,273	647	14	372	523	12,829
Real estate and construction	13,369	430	219	25	612	14,655
Public utilities and services	11,663	1,240	71	14	56	13,044
Personal consuming						
Housing loans	6,430	545	67	110	241	7,393
Securities	1,595	-	4	295	-	1,894
Hire purchase	177,765	21,941	1,057	894	2,172	203,829
Others	6,508	709	249	282	605	8,353
Others	4,707	9	-	-	1	4,717
Total loans and accrued interest receivables	<u>243,016</u>	<u>25,521</u>	<u>1,681</u>	<u>2,002</u>	<u>4,210</u>	<u>276,430</u>

(Unit: Million Baht)

Separate financial statements						
30 June 2009						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent, subsidiaries and related companies	4,431	-	-	-	-	4,431
Agricultural and mining	1,331	-	-	7	-	1,338
Manufacturing and commerce	9,550	90	31	288	647	10,606
Real estate and construction	13,022	618	99	40	632	14,411
Public utilities and services	14,180	45	35	7	92	14,359
Personal consuming						
Housing loans	6,311	293	128	335	83	7,150
Hire purchase	177,574	19,691	1,427	966	2,880	202,538
Others	6,598	457	226	399	574	8,254
Others	7,924	-	-	-	1	7,925
Total loans and accrued interest receivables	<u>240,921</u>	<u>21,194</u>	<u>1,946</u>	<u>2,042</u>	<u>4,909</u>	<u>271,012</u>

(Unit: Million Baht)

Separate financial statements						
31 December 2008						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent, subsidiaries and related companies	12,815	-	-	-	-	12,815
Agricultural and mining	1,143	-	-	9	-	1,152
Manufacturing and commerce	11,263	647	14	372	523	12,819
Real estate and construction	13,339	430	219	25	612	14,625
Public utilities and services	11,633	1,241	71	14	56	13,015
Personal consuming						
Housing loans	6,430	545	67	110	241	7,393
Hire purchase	173,967	20,642	927	817	1,991	198,344
Others	6,505	709	249	282	605	8,350
Others	4,706	8	-	-	1	4,715
Total loans and accrued interest receivables	<u>241,801</u>	<u>24,222</u>	<u>1,547</u>	<u>1,629</u>	<u>4,029</u>	<u>273,228</u>

10.5 Non-performing loans

As at 30 June 2009 and 31 December 2008, the Bank and the securities company, a subsidiary, had non-performing loans (debtors classified as substandard, doubtful and doubtful of loss) classified in accordance with the Notification of the BOT and SEC as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Non-performing loans (excluding accrued interest receivables)				
The Bank	8,862	7,167	8,862	7,167
Securities business	317	299	-	-

The above definition of non-performing loans does not include overdue loans which have been restructured and meet the conditions for classification as Normal or Special Mention debt.

Additionally, the Bank and the subsidiary company, securities company, had loans for which income recognition under an accrual basis has been discontinued, as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
The Bank	8,827	7,251	8,827	7,251
Securities business	317	299	-	-

10.6 Unearned income/interest income received in advance

As at 30 June 2009 and 31 December 2008, the Bank and its subsidiaries had unearned interest income and interest income received in advance as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Unearned interest income	175	175	175	175
Unearned income from hire purchase/financial lease	31,138	31,095	30,072	29,872
Interest income received in advance	13	5	13	5

10.7 Hire purchases/Financial leases receivables

As at 30 June 2009, the Bank and its subsidiaries had hire purchase/financial lease receivables - net amounting to Baht 203,213 million in the consolidated financial statements and Baht 198,757 million in the separate financial statements and these mostly comprise hire purchase agreements/financial lease contracts for cars and motorcycles. The terms of the agreements are generally between 3 and 6 years and most carry interest at fixed rates.

(Unit: Million Baht)

	Consolidated financial statements as at 30 June 2009			
	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	81,260	154,977	4,570	240,807
Unearned finance income	(13,753)	(17,233)	(152)	(31,138)
Present value of minimum lease payments receivable	67,507	137,744	4,418	209,669
Allowance for doubtful accounts				6,456

* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008

	Amounts due under lease agreements			
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	76,238	155,435	5,148	236,821
Unearned finance income	(13,436)	(17,480)	(179)	(31,095)
Present value of minimum lease payments receivable	62,802	137,955	4,969	205,726
Allowance for doubtful accounts				4,761

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statements as at 30 June 2009

	Amounts due under lease agreements			
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	78,391	152,092	4,267	234,750
Unearned finance income	(13,168)	(16,770)	(134)	(30,072)
Present value of minimum lease payments receivable	65,223	135,322	4,133	204,678
Allowance for doubtful accounts				5,921

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statements as at 31 December 2008

	Amounts due under lease agreements			
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	73,318	151,912	4,793	230,023
Unearned finance income	(12,794)	(16,922)	(156)	(29,872)
Present value of minimum lease payments receivable	60,524	134,990	4,637	200,151
Allowance for doubtful accounts				4,328

* Included non-performing receivables

10.8 Troubled debt restructuring

During the six-month period ended 30 June 2009, the Bank has entered into debt restructuring agreements with 5,669 debtors. The total outstanding book balances of these debtors before restructuring amounted to approximately Baht 1,802 million (of which 26 debtors, representing a total of approximately Baht 146 million, had already entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements), without loss on restructuring.

Type of restructuring	Number of debtors	Outstanding loan balance before restructuring ⁽¹⁾ Million Baht	Outstanding loan balance after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Fair value of assets to be transferred per agreements Million Baht
<u>Consolidated and separate financial statements</u>					
Modification of repayment conditions	5,663	1,788	1,788		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	6	14	14	Land	14
Total	5,669	1,802	1,802		

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

Counting from the balance sheet date, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the period, are summarised below.

Periods	Consolidated and separate financial statements	
	Number of debtors	Outstanding loan balances after restructuring
		Million Baht
Past due after restructuring	1,556	564
Due within 2009	187	35
Less than 5 years	1,398	335
5 - 10 years	2,517	841
10 - 15 years	6	13
Over 15 years	5	14
Total	5,669	1,802

Supplemental information for the six-month period ended 30 June 2009 relating to restructured loan is as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statement	financial statement
Interest income recognised in income statement	51	48
Cash repayment from receivables	187	168
Properties foreclosed received for debts settlement	14	14
Loss on debt restructuring	18	18

As at 30 June 2009, the Bank and its subsidiaries have the following restructured receivables balance (principal and accrued interest receivable) as follows:

	Restructured receivables			
	Total number			Outstanding
	of outstanding	Number of	Outstanding	loans balances,
	receivables	receivables	loans balances	net of collateral
			Million Baht	Million Baht
Thanachart Bank Plc.	767,617	5,817	4,167	1,469
Thanachart Securities Plc.	2,375	6	118	118

10.9 As at 30 June 2009 and 31 December 2008, the Bank had loans to parent company, subsidiary and related companies within Thanachart Group as follows:

Company's name	Type of credit	Contract period as at 30 June 2009	Interest rate as at 30 June 2009	Outstanding balances	
				30 June 2009	31 December 2008
				Million Baht	Million Baht
<u>Parent company</u>					
Thanachart Capital Plc.	Promissory note			-	4,500
<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	3,247	3,645
T Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	728	824
National Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	78	-
Thanachart Legal and Appraisal Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	10	-
<u>Related company</u>					
NFS Asset Management Co., Ltd.	Promissory note			-	3,650
Total				4,063	12,619

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

As at 30 June 2009 and 31 December 2008, the Bank classified and made allowances against its loans (including loans to financial institutions which presented as part of interbank and money market items) in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Separate financial statements						
	Debt balance/ book value ⁽¹⁾		Debt balance net of collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	30	31	30	31	(Percent)	30	31
	June	December	June	December		June	December
	2009	2008	2009	2008		2009	2008
<u>Loans and accrued interest</u>							
<u>receivables (including interbank</u>							
<u>and money market items)</u>							
Normal	262,883	280,590	75,768	75,170	1	758	752
Special mention	21,175	24,186	8,229	8,905	2	164	178
Substandard	1,946	1,547	1,648	1,163	100	1,648	1,163
Doubtful	2,042	1,629	1,375	1,156	100	1,375	1,156
Doubtful of loss	4,909	4,029	4,004	3,019	100	4,004	3,019
Total	<u>292,955</u>	<u>311,981</u>	<u>91,024</u>	<u>89,413</u>		7,949	6,268
Additional allowance for possible uncollectability debts						196	97
Total						<u>8,145</u>	<u>6,365</u>

(1) Debt balance/book value for normal and special mention loans are excluded accrued interest receivables.

(2) Debt balance net of collateral for substandard, doubtful and doubtful of loss loans are debt balance remaining after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

10.11 Loan in companies which have settlement problems

As at 30 June 2009 and 31 December 2008, one part of the Bank and its subsidiaries' loans in the consolidated financial statements and the separate financial statements included debts due from companies with weak financial position and poor operating results:

		Consolidated financial statements							
		Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
		30	31	30	31	30	31	30	31
		June	December	June	December	June	December	June	December
		2009	2008	2009	2008	2009	2008	2009	2008
				Million	Million	Million	Million	Million	Million
				Baht	Baht	Baht	Baht	Baht	Baht
1.	Listed companies vulnerable to delisting from the SET	3	2	331	263	57	57	275	206
2.	Non - listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	14	13	851	858	815	809	285	284
3.	Companies which have loan settlement problems or have defaulted on the repayment	678	541	899	1,051	856	865	406	404

		Separate financial statements							
		Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
		30	31	30	31	30	31	30	31
		June	December	June	December	June	December	June	December
		2009	2008	2009	2008	2009	2008	2009	2008
				Million	Million	Million	Million	Million	Million
				Baht	Baht	Baht	Baht	Baht	Baht
1.	Listed companies vulnerable to delisting from the SET	3	2	331	263	57	57	275	206
2.	Non - listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	14	13	851	858	815	809	285	284
3.	Companies which have loan settlement problems or have defaulted on the repayment	543	415	873	959	856	746	379	387

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

As at 30 June 2009 and 31 December 2008, a subsidiary company operating in the securities business classified its 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 and accrued interest receivables		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	Doubtful	314	296	314	296	314
Substandard	3	4	-	-	2	2
Total	317	300	314	296	316	298

The above substandard receivables were the outstanding debt balance which equal to the pledged securities.

10.13 Hire purchase receivables/financial lease receivables of subsidiaries separate by aging

As at 30 June 2009 and 31 December 2008, loans in consolidated financial statements which included hire purchase and financial lease receivables of three 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)

	30 June 2009	31 December 2008
Current or overdue less than 90 days	4,516	5,187
Overdue 91 - 365 days	254	207
Overdue more than 1 year	61	45
Debtors under legal actions	160	136
Total	4,991	5,575
Allowance for doubtful accounts provided in the accounts	535	433

11. Allowance for doubtful accounts

(Unit: Million Baht)

For the six-month period ended 30 June 2009

	Separate financial statements									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Eliminations	Consolidated
	Balance - beginning									
of the period	752	178	1,163	1,156	3,019	97	6,365	731	(29)	7,067
Increase (decrease)										
during the period	4	(14)	485	219	1,626	99	2,419	266	4	2,689
Bad debts recovery	-	-	-	-	23	-	23	7	-	30
Bad debts written-off	-	-	-	-	(664)	-	(664)	(153)	-	(817)
Balance - end of the period	<u>756</u>	<u>164</u>	<u>1,648</u>	<u>1,375</u>	<u>4,004</u>	<u>196</u>	<u>8,143</u>	<u>851</u>	<u>(25)</u>	<u>8,969</u>

(Unit: Million Baht)

For the year ended 31 December 2008

	Separate financial statements									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Eliminations	Consolidated
	Balance - beginning									
of the year	626	123	964	901	1,558	350	4,522	543	(28)	5,037
Increase (decrease)										
during the period	126	55	199	255	3,158	(253)	3,540	393	(1)	3,932
Bad debts recovery	-	-	-	-	43	-	43	1	-	44
Bad debts written-off	-	-	-	-	(1,526)	-	(1,526)	(206)	-	(1,732)
Reversal from										
disposal of loans	-	-	-	-	(214)	-	(214)	-	-	(214)
Balance - end of the year	<u>752</u>	<u>178</u>	<u>1,163</u>	<u>1,156</u>	<u>3,019</u>	<u>97</u>	<u>6,365</u>	<u>731</u>	<u>(29)</u>	<u>7,067</u>

12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month	For the year	For the six-month	For the year
	period ended	ended 31	period ended	ended 31
	30 June 2009	December 2008	30 June 2009	December 2008
Balance - beginning of the period	20	10	20	10
Increase during the period	10	8	10	8
Add (less): Amortised during the period	(10)	2	(10)	2
Balance - end of the period	20	20	20	20

13. Classification of assets

As at 30 June 2009 and 31 December 2008, the quality of assets classified in accordance with the announcements of the BOT are as follows:

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued		Property						Total	
	interest receivables		Investments		foreclosed		Other assets			
	30	31	30	31	30	31	30	31	30	31
June	December	June	December	June	December	June	December	June	December	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
Normal	262,883	280,590	-	-	-	-	67	57	262,950	280,647
Special mention	21,175	24,186	-	-	-	-	59	68	21,234	24,254
Substandard	1,946	1,547	-	-	-	-	5	4	1,951	1,551
Doubtful	2,042	1,629	-	-	-	-	5	6	2,047	1,635
Doubtful of loss	4,909	4,029	252	484	60	155	109	84	5,330	4,752
Total	292,955	311,981	252	484	60	155	245	219	293,512	312,839

14. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the six-month period ended 30 June 2009				For the six-month period ended 30 June 2009			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debts								
Immovable assets	420	15	(1)	434	420	15	(1)	434
Movable assets	1,282	3,333	(3,810)	805	1,217	3,145	(3,601)	761
Assets foreclosed from purchase by bid on the open market								
Immovable assets	59	5	(8)	56	59	5	(8)	56
Total property foreclosed	1,761	3,353	(3,819)	1,295	1,696	3,165	(3,610)	1,251
Less: Allowance for impairment	(161)	(248)	347	(62)	(155)	(235)	330	(60)
Property foreclosed - net	1,600	3,105	(3,472)	1,233	1,541	2,930	(3,280)	1,191

15. Land, premises and equipment

(Unit: Million Baht)

	Consolidated financial statements					
	Land	Buildings and buildings improvement	Furniture and fixtures	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2008	398	241	2,740	162	95	3,636
Additions	28	66	116	8	95	313
Transfers/Disposals	-	52	49	(9)	(119)	(27)
30 June 2009	426	359	2,905	161	71	3,922
<u>Accumulated depreciation</u>						
31 December 2008	-	23	1,222	80	-	1,325
Transfer/Disposals	-	-	(14)	(9)	-	(23)
Depreciation for the period	-	9	254	14	-	277
30 June 2009	-	32	1,462	85	-	1,579
<u>Net book value</u>						
31 December 2008	398	218	1,518	82	95	2,311
30 June 2009	426	327	1,443	76	71	2,343
Depreciation charge included in the income statements for the six-month periods ended 30 June						
2008						220
2009						277

(Unit: Million Baht)

	Separate financial statements					Total
	Land	Buildings and building improvement	Furniture and fixtures	Vehicles	Assets under installation	
<u>Cost</u>						
31 December 2008	398	181	2,173	99	92	2,943
Additions	28	66	104	5	69	272
Transfers/Disposals	-	52	63	(6)	(119)	(10)
30 June 2009	426	299	2,340	98	42	3,205
<u>Accumulated depreciation</u>						
31 December 2008	-	16	867	45	-	928
Transfers/Disposals	-	-	(3)	(5)	-	(8)
Depreciation for the period	-	6	215	9	-	230
30 June 2009	-	22	1,079	49	-	1,150
<u>Net book value</u>						
31 December 2008	398	165	1,306	54	92	2,015
30 June 2009	426	277	1,261	49	42	2,055
Depreciation charge included in the income statements for the six-month periods ended 30 June						
2008						176
2009						230

As at 30 June 2009, the Bank and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 72 million. In addition, the Bank and its subsidiaries have office equipment and vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 313 million (separate financial statements: Baht 46 million and Baht 140 million, respectively).

16. Intangible assets - software

(Unit: Million Baht)

		Consolidated financial statements			
		For the six-month period ended 30 June 2009			
	Remaining	Balance -			Balance -
	useful life	beginning of	Additions	Disposals	end of
		the period			the period
Computer software	0 -10 years	505	34	-	539
Less: Amortisation		(88)	(22)	-	(110)
Intangible assets - net		<u>417</u>	<u>12</u>	<u>-</u>	<u>429</u>
Amortisation included in the income statement for the period					<u>22</u>

(Unit: Million Baht)

		Separate financial statements			
		For the six-month period ended 30 June 2009			
	Remaining	Balance -			Balance -
	useful life	beginning of	Additions	Disposals	end of
		the period			the period
Computer software	0-10 years	413	29	-	442
Less: Amortisation		(36)	(17)	-	(53)
Intangible assets - net		<u>377</u>	<u>12</u>	<u>-</u>	<u>389</u>
Amortisation included in the income statement for the period					<u>17</u>

As at 30 June 2009, 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 28 million (separate financial statements: Baht 6 million).

17. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Other receivables	622	578	651	447
Other receivables - VAT paid in advance for customers	183	176	183	176
Accrued premium insurance income	837	518	-	-
Withholding tax refundable	95	106	75	80
Prepaid leasehold rights	292	305	285	299
Accrued interest and dividend income receivables	272	232	190	176
Others	694	618	329	363
Total	2,995	2,533	1,713	1,541
Less: Allowance for impairment	(153)	(107)	(121)	(96)
Total other assets - Net	2,842	2,426	1,592	1,445

18. Deposits

18.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Current	561	616	599	657
Saving	90,208	72,870	90,520	73,153
Promissory notes	67	68	67	68
Fixed deposits				
- Less than 6 months	36,932	64,914	36,991	65,209
- 6 months and up to 1 year	38,241	82,947	38,301	82,967
- Over 1 year	88,093	48,748	88,112	48,778
Total deposits	254,102	270,163	254,590	270,832

18.2 Classified by the remaining period of contracts

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Not over 1 year *	237,544	268,749	238,032	269,418
Over 1 year	16,558	1,414	16,558	1,414
Total deposits	254,102	270,163	254,590	270,832

* Included expired contracts

18.3 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2009			31 December 2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	254,006	-	254,006	270,093	-	270,093
US Dollar	49	3	52	64	1	65
Other currencies	43	1	44	5	-	5
Total	254,098	4	254,102	270,162	1	270,163

(Unit: Million Baht)

	Separate financial statements					
	30 June 2009			31 December 2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	254,494	-	254,494	270,762	-	270,762
US Dollar	49	3	52	64	1	65
Other currencies	43	1	44	5	-	5
Total	254,586	4	254,590	270,831	1	270,832

As at 30 June 2009, Baht 6,000 million of deposits (31 December 2008: Baht 6,000 million) are covered by interest rate swap agreements, as presented in Note 36.1 to the financial statements.

19. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	10	6,854	6,864	61	-	61
Other banks	2,500	1,000	3,500	-	-	-
Finance companies and securities companies	5,633	1,823	7,456	3,921	493	4,414
Other financial institutions	3,814	1,397	5,211	2,005	804	2,809
Total domestic items	11,957	11,074	23,031	5,987	1,297	7,284
Foreign						
US Dollar	-	1,701	1,701	-	-	-
Baht currency	7	-	7	7	-	7
Total foreign items	7	1,701	1,708	7	-	7
Total	11,964	12,775	24,739	5,994	1,297	7,291

(Unit: Million Baht)

	Separate financial statements					
	30 June 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	10	6,854	6,864	11	-	11
Other banks	2,500	1,000	3,500	-	-	-
Finance companies and securities companies	5,670	1,870	7,540	3,946	493	4,439
Other financial institutions	4,016	1,650	5,666	2,106	1,106	3,212
Total domestic items	12,196	11,374	23,570	6,063	1,599	7,662
Foreign						
US Dollar	-	1,701	1,701	-	-	-
Baht currency	7	-	7	7	-	7
Total foreign items	7	1,701	1,708	7	-	7
Total	12,203	13,075	25,278	6,070	1,599	7,669

As at 30 June 2009, interbank and money market items (liabilities) included deposits from BNS (the other major shareholder) of Baht 1,710 million (31 December 2008: Baht 8 million).

20. Borrowings

As at 30 June 2009 and 31 December 2008, domestic borrowings are as follows:

(Unit: Million Baht)						
Type of borrowings	Interest rate per annum (as at 30 June 2009)	Maturity date	Consolidated financial statements		Separate financial statements	
			30 June 2009	31 December 2008	30 June 2009	31 December 2008
<u>Short-term borrowings</u>						
Promissory notes		Call	-	122	-	-
Bills of exchange	Fixed rate of 3.13 - 3.88 percent	Call	7	2	7	2
Bills of exchange	Fixed rate of 0.65 - 4.80 percent	2009 -2010	34,858	46,956	35,376	47,926
			34,865	47,080	35,383	47,928
<u>Long-term borrowings</u>						
Subordinated debentures issued under Tier II	6.18 percent	2013	3,000	3,000	3,000	3,000
Subordinated debentures issued under Tier II	5.1 percent	2015	5,000	5,000	5,000	5,000
Subordinated debentures issued under Tier II	5.25 percent	2019	2,000	-	2,000	-
Bills of exchange	Fixed rate of 4.64 - 4.70 percent	2010	1,000	6,070	1,240	6,360
			11,000	14,070	11,240	14,360
Total borrowings			45,865	61,150	46,623	62,288

On 8 December 2006, the Bank issued 3,000,000 units of subordinated, unsecured and unconvertible debentures, with a face value of Baht 1,000 each. The debenture mature in 2013 and bear interest at a fixed interest rate of 6.18 percent per annum, payable semi-annually. All debentures are held by the parent company.

On 9 May 2008, the Bank issued 5,000,000 units of subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2015 and bear interest at a fixed interest 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.

On 3 April 2009, the Bank issued 2,000,000 units of subordinated, in name certificate, unsecured, unconvertible debenture with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2019 and bear interest at a fixed interest rate 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.

In addition, as at 30 June 2009, borrowings amounting Baht 3,570 million are covered by interest rate swap agreements, as mentioned in Note 36.1 to the financial statements (31 December 2008: Baht 5,020 million).

21. Other liabilities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Other payables	344	277	254	219
Loss reserves and outstanding claims				
from insurance/life assurance	893	786	-	-
Suspense cash received from				
account receivables	843	750	843	750
Insurance premium payable	99	264	74	172
Unearned income from hire purchase	221	212	221	212
Provision for corporate income tax	484	421	484	421
Others	726	739	406	497
Total other liabilities	<u>3,610</u>	<u>3,449</u>	<u>2,282</u>	<u>2,271</u>

22. Share capital

On 8 January 2009, the Extraordinary Meeting of Shareholders of the Bank approved a decrease and increase in the Bank's registered share capital as follows:

- Approved a reduction of share capital from Baht 21,346,192,920 (2,134,619,292 shares with a par value of Baht 10) to Baht 17,346,192,920 (1,734,619,292 shares with a par value of Baht 10) by reduction 400,000,000 unissued ordinary shares with a par value of Baht 10. The Bank registered the decrease with the Ministry of Commerce on 15 January 2009.

- Approved an increase in the share capital from Baht 17,346,192,920 (1,734,619,292 shares with a par value of Baht 10) to Baht 19,346,192,920 (1,934,619,292 shares with a par value of Baht 10) by issuance of additional 200,000,000 shares with a par value of Baht 10. The Bank registered such increase with the Ministry of Commerce on 20 January 2009. The Bank called up and registered paid-up share capital of Baht 1,999,999,800 on 29 May 2009.

23. Revaluation surplus (deficit) on investments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	192	284	150	231
Equity instruments	51	37	10	11
Held-to-maturity investments (transfer from available-for-sale investments)				
	-	1	-	1
Total	243	322	160	243
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(24)	1	(14)	-
Equity instruments	(517)	(1,036)	(103)	(275)
Held-to-maturity investments (transfer from available-for-sale investments)				
	(212)	(259)	(220)	(263)
Deficit recognised for associated company - under equity method - net				
	(168)	(93)	-	-
Total	(921)	(1,387)	(337)	(538)
Revaluation deficit on investments	(678)	(1,065)	(177)	(295)

24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside a statutory reserve at least 5 percent of its net income 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.

25. 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.

	(Unit: Million Baht)	
	30 June 2009	31 December 2008
<u>Tier I</u>		
Issued and fully paid up share capital	19,346	17,346
Share premium	2,101	2,101
Statutory reserve	193	127
Retained earnings - unappropriated	955	687
Total	<u>22,595</u>	<u>20,261</u>
<u>Tier II</u>		
Subordinated debentures	9,400	7,400
Reserve for loans classified as normal	954	850
Total	<u>10,354</u>	<u>8,250</u>
Total Tier I and Tier II	32,949	28,511
Less: Net revaluation deficit on equity instruments	(93)	(264)
Total capital funds	<u><u>32,856</u></u>	<u><u>28,247</u></u>

As at 30 June 2009 and 31 December 2008, the Bank's capital ratios, calculated based on the BOT's regulation relating to the calculation of capital funds announced by the BOT, are as follows:

	30 June 2009		31 December 2008	
	Capital ratio of the Bank	Minimum requirement by BOT	Capital ratio of the Bank	Minimum requirement by BOT
Total capital to risk assets (percent)	12.94	8.50	11.18	8.50
Total Tier I to risk assets (percent)	8.90	4.25	8.02	4.25

26. Dividends

Dividends	Approved by	Total dividends	Dividend per share
		Million Baht	Baht
Annual dividends for 2008	Annual General Meeting of the Shareholders on 28 April 2009	971	0.56
Annual dividends for 2007	Annual General Meeting of the Shareholders on 23 April 2008	746	0.43

27. Bad debts and doubtful accounts

Bad debts and doubtful accounts in the statements of income for the six-month periods ended 30 June 2009 and 2008 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Bad debts and doubtful accounts of loans and interbank and money market items	2,691	1,816	2,421	1,681
Increase in revaluation allowance for restructured debts	-	4	-	4
Amortisation of revaluation allowance for restructured debts for the period	(10)	(1)	(10)	(1)
Total bad debts and doubtful accounts	<u>2,681</u>	<u>1,819</u>	<u>2,411</u>	<u>1,684</u>

28. Gain (loss) on investments

Gain (loss) on investments for the six-month periods ended 30 June 2009 and 2008 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Reversal of impairment of investments	137	-	74	-
Realised gain (loss) on disposals				
Trading securities	1	2	-	-
Available-for-sale securities	(290)	65	(119)	21
Investment in associated company	3	-	-	-
Other investment	1	-	-	-
Unrealised loss on change in value	(1)	-	-	-
Total gain (loss) on investments	<u>(149)</u>	<u>67</u>	<u>(45)</u>	<u>21</u>

29. Gain (loss) on property foreclosed and other assets

Gain (loss) on property foreclosed and other assets for the six-month periods ended 30 June 2009 and 2008 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Realised gain (loss) on disposal of property foreclosed and other assets	6	(6)	7	(7)
Reversal of allowance for impairment (Increase in allowance for impairment)	98	(13)	95	(13)
Total gain (loss) on property foreclosed and other assets	<u>104</u>	<u>(19)</u>	<u>102</u>	<u>(20)</u>

30. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Bank and a public subsidiary company in accordance with Section 90 of the Public Limited Companies Act, including the payment of remuneration amounting to approximately Baht 8 million to the Bank's directors, which was approved by the Annual General Meeting of Shareholders held on 28 April 2009, exclusive of salaries and related benefits payable to directors who hold executive positions.

31. Corporate income tax

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

From 1 January 2007, the Bank changed the method of recording property foreclosed - movable assets from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at the fair value (with reference to appraisal value less estimated selling expenses), providing this does not exceed the legal claim over such receivables. In this regard, the Bank restated the 2006 financial statements to reflect the change, of which the effect was to decrease corporate income tax of the year 2006 by Baht 102 million. In May 2008, the Bank received such tax refund from the Revenue Department and presented such amount under "Corporate income tax refundable" in the income statement.

32. Earnings per share

Basic earnings per share is calculated by dividing net income of the Bank's portion for the periods by the weighted average number of ordinary shares in issue during the period.

33. 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, the Bank and the subsidiaries contributed to the fund monthly at the rate of 5 percent of basic salary. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the six-month period ended 30 June 2009, approximately Baht 53 million has been contributed to the fund by the Bank and its subsidiaries (separate financial statements: Baht 40 million).

34. Related party transactions

During the periods, the Bank and its subsidiaries had significant business transactions with its related parties. These transactions have been concluded on commercial terms and based 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 three-month periods ended 30 June				Transfer pricing policy (For the period 2009)
	Consolidated financial statements		Separate financial statements		
	2009	2008	2009	2008	
<u>Transactions occurred during the periods</u>					
Parent company					
Sales of debt securities	486	4,054	-	-	At market price
Interest income	3	87	-	85	At interest rate of 2.74 – 5.25 percent per annum
Income on supporting service	10	31	10	31	At the rate agreed under the contract, determined with reference to cost
Other income	6	9	-	-	
Interest expenses	56	58	56	54	At interest rate 0.75 – 1.60, 5.25 and 6.18 percent per annum
Rental expenses	39	36	34	31	At the rate agreed under the rental contracts
Other expenses	6	5	6	5	
Dividend payment	495	559	495	559	As declared

(Unit: Million Baht)

	For the three-month periods ended 30 June				Transfer pricing policy (For the period 2009)
	Consolidated financial statements		Separate financial statements		
	2009	2008	2009	2008	
Transactions occurred during the periods					
Subsidiary companies					
Purchase of debt securities	6,595	9,043	15	243	At market price
Sales of debt securities	6,584	9,200	63	-	At market price
(2009: gain of Baht 3 million in consolidated financial statements and gain of Baht 1 million in separate financial statements)					
Purchase of investment in subsidiary company	-	-	-	191	
Interest and dividend income	-	-	425	216	At interest rate of 2.26 – 2.64 percent per annum and dividend as declared
Income on supporting services	-	-	33	32	At the rate agreed under the contract, determined with reference to cost
Other income	-	-	100	68	
Interest expenses	-	-	16	11	At interest rate of 0.5 - 0.85, 1.00 - 2.20 and 3.625 - 3.75 percent per annum
Rental expenses	-	-	2	-	At the rate agreed under the rental contracts
Other expenses	-	-	44	49	
Associated company					
Interest income	-	1	-	-	
Interest expenses	-	1	-	1	
Rental expenses	6	4	6	4	At the rate agreed under the rental contracts
Related companies					
Purchase of debt securities	-	3,784	-	97	
Sales of debt securities	835	5,234	-	-	At market price
Purchase/sales of forward exchange contracts	21,230	44,220	21,230	44,220	At market price
(2009: loss of Baht 4 million in consolidated and separate financial statements 2008: loss of Baht 39 million in consolidated and separate financial statements)					
Interest and dividend income	32	75	29	62	At interest rate of 1.12 - 2.60, 4.06 and 5.80 - 8.50 percent per annum and dividend as declared
Income on supporting services	1	2	1	2	At the rate agreed under the contract, determined with reference to cost
Other income	7	6	-	-	
Interest expenses	5	26	5	26	At interest rate of 0.23 - 0.75, 1.10 - 1.60 and 5.10 percent per annum
Rental expenses	13	8	6	2	At the rate agreed under the rental contracts
Other expenses	8	23	8	8	
Dividend payment	476	168	476	168	As declared

	For the six-month periods ended 30 June				Transfer pricing policy (For the period 2009)
	Consolidated		Separate		
	financial statements		financial statements		
	2009	2008	2009	2008	
Transactions occurred during the periods					
Parent company					
Sales of debt securities	11,226	6,452	-	-	At market price
Interest income	22	200	15	197	At interest rate of 2.74 - 5.25 percent per annum
Income on supporting services	35	67	35	67	At the rate agreed under the contract, determined with reference to cost
Other income	16	16	-	-	
Interest expenses	119	136	117	122	At interest rate of 0.75 - 2.30, 5.25 and 6.18 percent per annum
Rental expenses	77	71	67	61	At the rate agreed under the rental contracts
Other expenses	12	8	12	8	
Dividend payment	495	559	495	559	As declared
Subsidiary companies					
Purchase of debt securities	17,033	14,898	503	243	At market price
Sales of debt securities	16,953	15,054	187	101	At market price
	(2009: gain of Baht 19 million in consolidated financial statements and gain of Baht 15 million in separate financial statements 2008: gain of Baht 5 million in consolidated financial statements and gain of Baht 1 million in separate financial statements)				
Purchase of investment in subsidiary company	-	-	-	191	
Interest and dividend income	-	-	461	266	At interest rate of 2.26 - 3.55 percent per annum and dividend as declared
Income on supporting services	-	-	77	74	At the rate agreed under the contract, determined with reference to cost
Other income	-	-	161	138	
Interest expenses	-	-	34	26	At interest rate of 0.5 - 0.85, 1.00 - 2.20 and 3.625 - 3.875 percent per annum
Rental expenses	-	-	3	-	At the rate agreed under the rental contracts
Other expenses	-	-	88	113	

	For the six-month periods ended 30 June				Transfer pricing policy (For the period 2009)
	Consolidated		Separate		
	financial statements		financial statements		
	2009	2008	2009	2008	
Transactions occurred during the periods					
Associated company					
Interest income	-	3	-	2	
Other income	1	1	-	-	
Interest expenses	-	1	-	1	
Rental expenses	12	7	12	7	At the rate agreed under the rental contracts
Other expenses	1	-	-	-	
Related companies					
Purchase of debt securities	10	5,506	-	97	At market price
Sales of debt securities	3,667	9,607	-	607	At market price
(2008: gain of Baht 13 million in consolidated and separate financial statements)					
Purchase/sales of forward exchange contracts	70,991	70,837	70,991	70,837	At market price
(2009: loss of Baht 9 million in consolidated and separate financial statements)					
2008: loss of Baht 39 million in consolidated and separate financial statements)					
Purchase of fixed assets	68	-	68	-	At the rate agreed under the contracts
Interest and dividend income	84	140	77	123	At interest rate of 1.12 - 2.90, 4.06 and 5.80 - 8.50 percent per annum and dividend as declared
Income on supporting services	3	4	3	4	At the rate agreed under the contract, determined with reference to cost
Other income	13	15	-	-	
Interest expenses	13	50	13	50	At interest rate of 0.15 - 0.75, 1.10 - 1.60 and 5.10 percent per annum
Rental expenses	26	14	13	3	At the rate agreed under the rental contracts
Other expenses	18	37	15	15	
Dividend payment	476	168	476	168	As declared

The outstanding balances of the above transactions during the six-month periods ended 30 June 2009 and 2008 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
<u>Parent company</u>				
Loans	1,299	9,873	4,000	9,857
Deposits	461	662	461	662
Borrowings	5,700	4,732	5,650	4,164
<u>Subsidiary companies</u>				
Loans	-	-	4,321	4,515
Deposits	-	-	761	558
Interbank and money market items (liabilities)	-	-	1,492	375
Borrowings	-	-	996	687
<u>Associated company</u>				
Loans	238	61	228	61
Deposits	85	35	85	35
<u>Related companies</u>				
Interbank and money market items (assets)	5,680	164	5,680	30
Loans	1,519	5,417	1,440	5,334
Deposits	1,552	1,806	1,552	1,806
Interbank and money market items (liabilities)	1,090	1,310	1,090	1,265
Borrowings	181	647	181	647

The significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements										
30 June 2009										
Assets					Liabilities					Commitments
Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Interest payable	Other liabilities		
Parent company										
Thanachart Capital Plc.	-	240	14	64	510	-	5,500	15	9	30
Associated company										
MBK Plc.	-	-	-	7	28	-	-	-	-	65
Related companies										
NFS Asset Management Co., Ltd.	-	-	-	3	66	-	-	-	-	-
Advanced Info Service Plc.	-	728	42	13	137	-	-	-	4	-
The Bank of Nova Scotia	1,604	-	-	1	-	1,710	-	1	3	952
Other related companies	15	-	336	18	454	84	100	1	2	55
	<u>1,619</u>	<u>968</u>	<u>392</u>	<u>106</u>	<u>1,195</u>	<u>1,794</u>	<u>5,600</u>	<u>17</u>	<u>18</u>	<u>1,102</u>

(Unit: Million Baht)

Consolidated financial statements										
31 December 2008										
Assets					Liabilities					Commitments
Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Interest payable	Other liabilities		
Parent company										
Thanachart Capital Plc.	-	257	4,512	31	166	-	6,372	13	14	30
Associated company										
MBK Plc.	-	-	-	7	65	-	-	-	-	64
Related companies										
NFS Asset Management Co., Ltd.	-	-	3,859	2	23	-	-	-	-	-
Advanced Info Service Plc.	-	714	43	22	32	-	-	-	6	-
The Bank of Nova Scotia	7,754	-	-	3	-	8	-	-	4	1,228
Other related companies	-	-	147	19	814	94	212	11	1	58
	<u>7,754</u>	<u>971</u>	<u>8,561</u>	<u>84</u>	<u>1,100</u>	<u>102</u>	<u>6,584</u>	<u>24</u>	<u>25</u>	<u>1,380</u>

(Unit: Million Baht)

Separate financial statements										
30 June 2009										
Assets					Liabilities					Commitments
Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Interest payable	Other liabilities		
Parent company										
Thanachart Capital Plc.	-	-	-	59	510	-	5,500	15	8	30
Subsidiary companies										
Thanachart Group										
Leasing Co., Ltd.	-	-	3,253	8	54	-	-	-	-	-
T Leasing Co., Ltd.	-	-	729	3	13	-	-	-	-	-
Thanachart Securities										
Plc.	-	-	-	21	-	1,184	-	-	-	30
Thanachart Insurance										
Co., Ltd.	-	-	-	45	233	-	268	2	-	10
Thanachart Life										
Assurance Co., Ltd.	-	-	-	28	-	455	490	6	-	-
National Leasing										
Co., Ltd.	-	-	79	1	3	-	-	-	59	-
Thanachart Broker										
Co., Ltd.	-	-	-	7	182	-	-	-	-	-
Thanachart Legal and										
Appraisal Co., Ltd.	-	-	10	4	17	-	-	-	-	-
Thanachart Training and										
Development Co., Ltd.	-	-	-	1	10	-	-	-	7	-
Thanachart Management										
and Service Co., Ltd.	-	-	-	-	17	-	-	-	-	-
Thanachart Fund										
Management Co., Ltd.	-	-	-	12	-	10	-	-	-	-
Associated company										
MBK Plc.	-	-	-	7	28	-	-	-	-	65
Related companies										
Advanced Info Service										
Plc.	-	476	41	-	137	-	-	-	3	-
The Bank of Nova Scotia	1,604	-	-	1	-	1,710	-	1	3	952
Other related companies	15	-	319	12	520	84	100	1	1	55
	<u>1,619</u>	<u>476</u>	<u>4,431</u>	<u>209</u>	<u>1,724</u>	<u>3,443</u>	<u>6,358</u>	<u>25</u>	<u>81</u>	<u>1,142</u>

(Unit: Million Baht)

Separate financial statements										
31 December 2008										
	Assets				Liabilities				Commitments	
	Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Interbank and money market Deposits	items	Borrowings	Interest payable	Other liabilities	
Parent company										
Thanachart Capital Plc.	-	-	4,500	22	166	-	6,250	13	11	30
Subsidiary companies										
Thanachart Group										
Leasing Co., Ltd.	-	-	3,657	1	19	-	-	-	-	-
T Leasing Co., Ltd.	-	-	827	1	24	-	-	-	-	-
Thanachart Securities										
Plc.	-	-	-	2	-	418	-	-	-	30
Thanachart Insurance										
Co., Ltd.	-	-	-	12	285	-	170	3	2	10
Thanachart Life										
Assurance Co., Ltd.	-	-	-	11	-	403	1,090	11	31	-
National Leasing Co.,										
Ltd.	-	-	-	-	5	-	-	-	61	-
Thanachart Broker Co.,										
Ltd.	-	-	-	-	327	-	-	-	-	-
Thanachart Legal and										
Appraisal Co., Ltd.	-	-	-	-	10	-	-	-	-	-
Thanachart Training and										
Development Co., Ltd.	-	-	-	-	41	-	-	-	1	-
Thanachart Management										
and Services Co., Ltd.	-	-	-	-	10	-	-	-	-	-
Thanachart Fund										
Management Co., Ltd.	-	-	-	2	-	8	-	-	-	-
Associated company										
MBK Plc.	-	-	-	7	65	-	-	-	-	64
Related companies										
NFS Asset Management										
Co., Ltd.	-	-	3,650	-	23	-	-	-	-	-
Advanced Info Service										
Plc.	-	451	40	8	32	-	-	-	4	-
The Bank of Nova Scotia	7,754	-	-	3	-	8	-	-	4	1,228
Other related companies	-	-	141	11	814	93	212	11	-	58
	<u>7,754</u>	<u>451</u>	<u>12,815</u>	<u>80</u>	<u>1,821</u>	<u>930</u>	<u>7,722</u>	<u>38</u>	<u>114</u>	<u>1,420</u>

As at 30 June 2009 and 31 December 2008, the Bank has loans to parent company, subsidiary and related companies within Thanachart Group as mentioned in Note 10.9 to the financial statements.

As at 30 June 2009, the Bank and its subsidiaries have investments amounting to approximately Baht 243 million (Baht 30 million in the separate financial statements) in related companies to which they are related by means of members of their management being shareholders and/or directors of those companies (31 December 2008: Baht 220 million in the consolidated financial statements and Baht 62 million in the separate financial statements).

As at 30 June 2009 and 31 December 2008, the Bank and its subsidiaries have the following related parties transactions with executive employees of the Bank and companies within Thanachart Group from department manager level up, including related persons who together with these employees:

(Unit: Million Baht)

	Consolidated and separate financial statements	
	30 June 2009	31 December 2008
Loans	53	67
Deposits	50	496

Directors and management's remuneration

During the six-month period ended 30 June 2009, the Bank and its subsidiaries paid salary, meeting allowance and gratuities to their key management personnel, including directors, 69 persons totaling Baht 108 million (separate financial statements: 19 persons totaling Baht 33 million).

35. Financial information by segment

The Bank and its subsidiaries' business operations involve 4 principal segments: (1) Banking business; (2) Securities business; (3) Life insurance business; and (4) Non-life insurance business. These operations are carried on in Thailand. Below is the consolidated financial information of the Bank and its subsidiaries by segment.

(Unit: Million Baht)

For the three-month period ended 30 June 2009							
	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	2,441	38	99	22	15	(443)	2,172
Share of income from investments accounted for under equity method	-	-	-	-	-	34	34
Non-interest income	639	421	2,047	691	119	(234)	3,683
Non-interest expenses	(2,191)	(262)	(1,990)	(575)	(95)	197	(4,916)
Corporate income tax	(176)	(49)	(39)	(29)	(25)	-	(318)
Net income	713	148	117	109	14	(446)	655

(Unit: Million Baht)

For the three-month period ended 30 June 2008							
	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	1,819	51	91	28	52	(230)	1,811
Share of income from investments accounted for under equity method	-	-	-	-	-	36	36
Non-interest income	582	377	1,357	634	137	(195)	2,892
Non-interest expenses	(1,869)	(262)	(1,200)	(622)	(93)	185	(3,861)
Corporate income tax	(62)	(46)	(74)	(30)	(51)	-	(263)
Corporate income tax refundable	102	-	-	-	-	-	102
Net income	572	120	174	10	45	(204)	717

(Unit: Million Baht)

For the six-month period ended 30 June 2009

	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	4,287	39	180	39	25	(445)	4,125
Share of income from investments accounted for under equity method	-	-	-	-	-	74	74
Non-interest income	1,368	646	3,577	1,392	243	(419)	6,807
Non-interest expenses	(4,310)	(486)	(3,515)	(1,313)	(198)	385	(9,437)
Corporate income tax	(294)	(59)	(56)	(54)	(57)	-	(520)
Net income	<u>1,051</u>	<u>140</u>	<u>186</u>	<u>64</u>	<u>13</u>	<u>(405)</u>	<u>1,049</u>

(Unit: Million Baht)

For the six-month period ended 30 June 2008

	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	3,545	75	160	47	140	(230)	3,737
Share of income from investments accounted for under equity method	-	-	-	-	-	78	78
Non-interest income	1,278	716	2,660	1,226	293	(410)	5,763
Non-interest expenses	(3,469)	(511)	(2,407)	(1,232)	(222)	402	(7,439)
Corporate income tax	(246)	(79)	(124)	(54)	(86)	-	(589)
Corporate income tax refundable	102	-	-	-	-	-	102
Net income	<u>1,210</u>	<u>201</u>	<u>289</u>	<u>(13)</u>	<u>125</u>	<u>(160)</u>	<u>1,652</u>

(Unit: Million Baht)

As at 30 June 2009

	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Interbank and money							
market items	53,033	448	1,765	544	309	(1,793)	54,306
Investments - Net	30,074	733	9,455	2,246	65	(4,568)	38,005
Loans and accrued interest							
receivable - Net	262,849	2,288	3	-	4,544	(4,346)	265,338
Land, premises and							
equipment - Net	2,055	85	155	32	15	-	2,342
Other assets	7,495	825	836	511	123	(260)	9,530
Total assets	355,506	4,379	12,214	3,333	5,056	(10,967)	369,521

(Unit: Million Baht)

As at 31 December 2008

	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Interbank and money							
market items	63,691	626	2,838	477	442	(2,371)	65,703
Investments - Net	26,586	701	5,788	2,037	65	(4,465)	30,712
Loans and accrued interest							
receivable - Net	266,843	1,810	2	-	5,233	(4,545)	269,343
Land, premises and							
equipment - Net	2,014	107	139	34	16	-	2,310
Other assets	9,138	175	284	650	255	(223)	10,279
Total assets	368,272	3,419	9,051	3,198	6,011	(11,604)	378,347

36. Commitments and contingent liabilities

As at 30 June 2009 and 31 December 2008, significant commitments and contingent liabilities consisted of:

36.1

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2009			31 December 2008		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Aval to bills	145	-	145	118	-	118
Liability under unmatured import bills	1	103	104	69	374	443
Letter of credits	27	1,012	1,039	1	663	664
Other obligations						
Foreign exchange contracts						
- Bought	-	9,202	9,202	-	8,519	8,519
- Sold	-	43,370	43,370	-	36,161	36,161
Cross currency and interest rate swap contracts						
- Bought	-	5,035	5,035	-	5,169	5,169
- Sold	-	5,854	5,854	-	4,846	4,846
Interest rate swap contracts						
- Bought	10,370	170	10,540	12,270	-	12,270
- Sold	10,370	170	10,540	12,270	-	12,270
Committed (but not draw) overdraft	4,738	-	4,738	4,164	-	4,164
Others	3,848	34	3,882	3,083	34	3,117
Total	29,499	64,950	94,449	31,975	55,766	87,741

(Unit: Million Baht)

	Separate financial statements					
	30 June 2009			31 December 2008		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Aval to bills	145	-	145	118	-	118
Liability under unmatured import bills	1	103	104	69	374	443
Letter of credits	27	1,012	1,039	1	663	664
Other obligations						
Foreign exchange contracts						
- Bought	-	9,202	9,202	-	8,519	8,519
- Sold	-	43,370	43,370	-	36,161	36,161
Cross currency and interest rate swap contracts						
- Bought	-	5,035	5,035	-	5,169	5,169
- Sold	-	5,854	5,854	-	4,846	4,846
Interest rate swap contracts						
- Bought	10,070	170	10,240	11,970	-	11,970
- Sold	10,070	170	10,240	11,970	-	11,970
Committed (but not draw) overdraft	4,738	-	4,738	4,164	-	4,164
Others	3,794	34	3,828	3,037	34	3,071
Total	28,845	64,950	93,795	31,329	55,766	87,095

36.2 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 30 June 2009, the Bank has estimated its share of 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 allowance for impairment of long-term investments in debt securities (31 December 2008: estimated share of losses at Baht 89 million).

36.3 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 30 June 2009, its maximum obligation is Baht 3 million.

36.4 As at 30 June 2009, 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
2009	269	58	241	48	35
2010	366	86	328	66	12
2011 onward	541	60	484	31	-

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.

36.5 As at 30 June 2009, a subsidiary company has commitment under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on a quarterly basis at the rate specified in the agreement. The agreement will expire on 30 September 2009.

36.6 Under the agreements among the Parent Company, the Bank and BNSAL (BNSAL had transferred all rights and obligations under these agreements to BNS on 11 January 2008), the Parent Company and the Bank have to disclose information relating to the business, business performance, operations, and legal compliance of the Bank and the Bank's subsidiaries, and certify the correctness of the disclosed information, to assist BNS in deciding whether to purchase shares in the Bank. In the event that the Bank or its subsidiaries have to pay any damages, compensation or penalties to any other parties as a result of events or information that the Parent Company and the Bank did not disclose to BNS before BNS purchased the shares of the Bank, the Parent Company and the Bank will jointly compensate BNS for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescription period stipulated by Thai laws for each claim for damages.

In addition, under the Shareholders' Agreement between the Parent Company and BNS there are mutual agreements whereby the Parent Company, the Bank and the Bank's subsidiaries, and BNS have certain stipulated rights and obligations per the conditions therein with no expiry date. However, the management of the Bank and the Parent Company believe that the Bank and the Bank's subsidiaries, and the Parent Company operate their businesses under adequate supervision and therefore no material losses will result that would significantly affect the Parent Company, the Bank and its subsidiaries' financial positions.

37. Litigation

As at 30 June 2009, the Bank and its subsidiaries have contingent liabilities amounting to approximately Baht 545 million (separate financial statements: Baht 491 million) as a result of litigation. However, the Bank and its subsidiaries' management expect that no losses will result and therefore no liabilities are currently recorded.

38. 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.

38.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill the 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 balance sheet and the off-balance sheet transactions of avals, guarantees of loans, other guarantees and derivative contracts.

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

38.2 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 Liability Management Committee.

As at 30 June 2009 and 31 December 2008, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements							
	30 June 2009				31 December 2008			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets								
Cash	-	-	2,598	2,598	-	-	4,018	4,018
Interbank and money market items	701	51,071	2,502	54,274	305	60,876	4,371	65,552
Investments	-	34,300	4,188	38,488	-	27,547	4,208	31,755
Receivable from clearing house	-	-	690	690	-	-	50	50
Loans ⁽¹⁾	40,922	230,385	2,746	274,053	38,353	235,650	2,139	276,142
Financial liabilities								
Deposits	94,082	159,459	561	254,102	76,259	193,288	616	270,163
Interbank and money market items	11,196	12,775	768	24,739	5,330	1,347	614	7,291
Payment to clearing house	-	-	-	-	-	-	295	295
Securities business payable	-	-	2,063	2,063	-	-	855	855
Liabilities payable on demand	-	-	1,363	1,363	-	-	1,317	1,317
Borrowings	-	45,865	-	45,865	-	61,150	-	61,150

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

(Unit: Million Baht)

Transactions	Separate financial statements							
	30 June 2009				31 December 2008			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets								
Cash	-	-	2,597	2,597	-	-	4,017	4,017
Interbank and money market items	490	50,154	2,337	52,981	18	59,236	4,272	63,526
Investments	-	24,893	5,274	30,167	-	21,216	5,612	26,828
Loans ⁽¹⁾	39,861	229,612	1,257	270,730	37,340	234,675	910	272,925
Financial liabilities								
Deposits	94,394	159,597	599	254,590	76,543	193,632	657	270,832
Interbank and money market items	11,396	13,075	807	25,278	5,432	1,599	638	7,669
Liabilities payable on demand	-	-	1,363	1,363	-	-	1,317	1,317
Borrowings	-	46,623	-	46,623	-	62,288	-	62,288

(1) The outstanding balances of loans 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 balance sheet date to the repricing or maturity date (whichever is the earlier) are presented below:

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2009							
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		
<u>Financial assets</u>							
Interbank and money market items	3	31,432	19,636	-	-	51,071	1.44 - 2.40
Investments	-	5,787	9,176	17,819	1,518	34,300	4.01 - 4.16
Loans	948	4,261	11,155	177,591	36,430	230,385	8.10 - 9.99
<u>Financial liabilities</u>							
Deposits	1	57,135	87,609	14,714	-	159,459	1.97
Interbank and money market items	-	11,104	1,634	37	-	12,775	1.30
Borrowings	7	18,932	15,926	11,000	-	45,865	2.97

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008							
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		
<u>Financial assets</u>							
Interbank and money market items	129	60,547	200	-	-	60,876	2.59 - 3.89
Investments	-	3,525	8,438	13,986	1,598	27,547	4.18 - 4.59
Loans	9,012	6,330	12,239	166,172	41,897	235,650	7.97 - 9.99
<u>Financial liabilities</u>							
Deposits	4	107,810	85,432	42	-	193,288	3.49
Interbank and money market items	50	1,060	237	-	-	1,347	3.56
Borrowings	124	38,280	8,676	14,070	-	61,150	3.71

(Unit: Million Baht)

Separate financial statements as at 30 June 2009

Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 Years		
Financial assets							
Interbank and money market items	3	31,043	19,108	-	-	50,154	1.44
Investments	-	4,170	7,233	12,988	502	24,893	4.16
Loans	4,987	4,224	10,745	174,797	34,859	229,612	8.10
Financial liabilities							
Deposits	1	57,234	87,648	14,714	-	159,597	1.97
Interbank and money market items	-	11,153	1,885	37	-	13,075	1.30
Borrowings	7	19,060	16,316	11,240	-	46,623	2.97

(Unit: Million Baht)

Separate financial statements as at 31 December 2008

Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	129	59,107	-	-	-	59,236	2.59
Investments	-	1,877	7,448	11,316	575	21,216	4.59
Loans	13,463	6,276	11,880	162,548	40,508	234,675	7.97
Financial liabilities							
Deposits	4	108,104	85,482	42	-	193,632	3.49
Interbank and money market items	-	1,211	388	-	-	1,599	3.56
Borrowings	2	38,750	9,176	14,360	-	62,288	3.71

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 periods, and the average interest and dividend rate for the six-month periods ended 30 June 2009 and 2008 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the six-month periods ended 30 June					
	2009			2008		
	Average balances	Interest and dividend	Average rate (%)	Average balances	Interest and dividend	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	63,176	648	2.05	40,534	728	3.59
Securities purchased under resale agreements	-	-	-	1,929	31	3.23
Investments	32,175	684	4.25	24,293	502	4.13
Loans/hire purchase and finance leases	262,021	9,364	7.15	235,308	8,570	7.28
<u>Interest bearings financial liabilities</u>						
Deposits	271,162	2,967	2.19	213,315	3,094	2.90
Interbank and money market items	11,276	45	0.80	6,618	80	2.41
Borrowings	48,463	860	3.55	57,671	1,102	3.82

(Unit: Million Baht)

	Separate financial statements					
	For the six-month periods ended 30 June					
	2009			2008		
	Average balances	Interest and dividend	Average rate (%)	Average balances	Interest and dividend	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	61,174	630	2.06	38,831	702	3.61
Securities purchased under resale agreements	-	-	-	1,929	31	3.23
Investments	27,771	916	6.59	21,482	500	4.65
Loans/hire purchase and finance leases	260,342	9,074	6.97	233,088	8,282	7.11
<u>Interest bearings financial liabilities</u>						
Deposits	271,882	2,972	2.19	213,829	3,101	2.90
Interbank and money market items	11,601	55	0.95	6,589	84	2.56
Borrowings	49,350	877	3.55	57,890	1,100	3.80

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

The status of the Bank foreign currency balances as at 30 June 2009 and 31 December 2008 can be summarised as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements								
	30 June 2009				31 December 2008				
	Outstanding balance of financial instruments				Outstanding balance of financial instruments				
	US Dollar		Euro	Yen	Others	US Dollar		Euro	Yen
<u>In balance foreign currency</u>									
Cash	26	14	3	24	50	98	88	36	
Interbank and money market items	28,597	19	7	60	20,658	98	65	47	
Investments	3,134	-	-	3,983	699	-	-	4,148	
Loans	1,379	26	-	-	955	68	-	-	
Other assets	24	-	-	12	8	-	-	12	
Total assets	33,160	59	10	4,079	22,370	264	153	4,243	
Deposits	52	1	-	43	65	-	-	5	
Interbank and money market items	2,042	-	-	-	-	-	-	-	
Total Liabilities	2,094	1	-	43	65	-	-	5	
Net	31,066	58	10	4,036	22,305	264	153	4,238	
<u>Off balance foreign currency</u>									
Liability under unmatured									
import bills	27	-	76	-	291	-	83	-	
Letter of credits	758	254	-	-	472	165	-	26	
Foreign exchange contracts									
- Bought	7,572	1,207	361	62	8,393	10	27	89	
- Sold	41,400	1,309	419	242	35,239	398	281	243	
Cross currency and interest rate									
swap contracts									
- Bought	5,035	-	-	-	5,169	-	-	-	
- Sold	1,871	-	-	3,983	699	-	-	4,147	
Interest rate swap contracts									
- Bought	170	-	-	-	-	-	-	-	
- Sold	170	-	-	-	-	-	-	-	
Others	34	-	-	-	34	-	-	-	

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.

38.3 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 has a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 30 June 2009 and 31 December 2008 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements									
	30 June 2009					31 December 2008				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Cash	2,598	-	-	-	2,598	4,018	-	-	-	4,018
Interbank and money market items ⁽¹⁾	3,206	51,068	-	-	54,274	5,105	60,447	-	-	65,552
Investments	-	12,184	22,154	4,150	38,488	-	6,886	20,701	4,168	31,755
Receivable from clearing house	-	690	-	-	690	-	50	-	-	50
Loans ⁽²⁾	10,847	83,110	180,096	-	274,053	19,640	77,571	178,931	-	276,142
Financial liabilities										
Deposits	90,912	146,632	16,558	-	254,102	73,686	195,063	1,414	-	270,163
Interbank and money market items	11,964	12,738	37	-	24,739	5,994	1,297	-	-	7,291
Payable to clearing house	-	-	-	-	-	-	295	-	-	295
Securities business payable	-	2,063	-	-	2,063	-	855	-	-	855
Liability payable on demand	1,363	-	-	-	1,363	1,317	-	-	-	1,317
Borrowings	7	34,858	11,000	-	45,865	124	46,956	14,070	-	61,150
Off-balance sheet items										
Aval to bill	1	51	93	-	145	-	106	12	-	118
Liability under unmatured import bills	1	27	76	-	104	-	360	83	-	443
Letter of credits	2	1,037	-	-	1,039	48	616	-	-	664
Other contingencies	4,906	78,452	7,904	1,899	93,161	4,310	51,611	29,534	1,061	86,516

⁽¹⁾ The outstanding balances of interbank and money market items at call include the item for which revenue recognition has been discontinued.

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

Separate financial statements										
Transactions	30 June 2009					31 December 2008				
	At call	Less than	Over	Unspecified	Total	At call	Less than	Over	Unspecified	Total
		1 year	1 year				1 year	1 year		
Financial assets										
Cash	2,597	-	-	-	2,597	4,017	-	-	-	4,017
Interbank and money										
market items	2,830	50,151	-	-	52,981	4,419	59,107	-	-	63,526
Investments	-	7,923	17,007	5,237	30,167	-	4,248	17,008	5,572	26,828
Loans ⁽¹⁾	13,303	80,056	177,371	-	270,730	22,573	74,668	175,684	-	272,925
Financial liabilities										
Deposits	91,262	146,770	16,558	-	254,590	74,010	195,408	1,414	-	270,832
Interbank and money										
market items	12,203	13,038	37	-	25,278	6,070	1,599	-	-	7,669
Liability payable on										
demand	1,363	-	-	-	1,363	1,317	-	-	-	1,317
Borrowings	7	35,376	11,240	-	46,623	2	47,926	14,360	-	62,288
Off-balance sheet items										
Aval to bill	1	51	93	-	145	-	106	12	-	118
Liability under unmatured										
import bills	1	27	76	-	104	-	360	83	-	443
Letter of credits	2	1,037	-	-	1,039	48	616	-	-	664
Other contingencies	4,906	78,452	7,250	1,899	92,507	4,310	51,611	28,888	1,061	85,870

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

38.4 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 balance sheet, including cash, interbank and money market items, 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, payable to clearing house, securities business payable, liabilities payable on demand, and borrowings, are considered to approximate their respective carrying values for the same reasons as described above.

As at 30 June 2009, there are no material differences between the book value of financial instruments of the Bank and its subsidiaries and their fair value.

38.5 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 forward foreign currency contracts, cross currency and interest rate swap contracts, and interest rate swap contracts.

The Bank and its subsidiaries have a policy to hedge the risk limits by which it requires risk reporting and control procedures 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, so that the Bank and its subsidiaries are able to maintain risk at acceptable levels.

As at 30 June 2009 and 31 December 2008, the Bank and its subsidiaries have financial derivatives as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2009			31 December 2008		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	9,202	-	9,202	8,519	-	8,519
- Sold	43,370	-	43,370	36,161	-	36,161
Cross currency and interest rate swap contracts						
- Bought	5,035	-	5,035	-	5,169	5,169
- Sold	4,153	1,701	5,854	524	4,322	4,846
Interest rate swap contracts						
- Paid fixed interest rate	7,570	2,170	9,740	950	9,070	10,020
- Paid floating interest rate	-	800	800	1,450	800	2,250
- Received fixed interest rate	-	800	800	1,450	800	2,250
- Received floating interest rate	7,570	2,170	9,740	950	9,070	10,020

(Unit: Million Baht)

	Separate financial statements					
	30 June 2009			31 December 2008		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	9,202	-	9,202	8,519	-	8,519
- Sold	43,370	-	43,370	36,161	-	36,161
Cross currency and interest rate swap contracts						
- Bought	5,035	-	5,035	-	5,169	5,169
- Sold	4,153	1,701	5,854	524	4,322	4,846
Interest rate swap contracts						
- Paid fixed interest rate	7,570	2,170	9,740	950	9,070	10,020
- Paid floating interest rate	-	500	500	1,450	500	1,950
- Received fixed interest rate	-	500	500	1,450	500	1,950
- Received floating interest rate	7,570	2,170	9,740	950	9,070	10,020

39. Approval of interim financial statements

These interim financial statements were authorised for issue by the Bank's Board of Directors on 26 August 2009.