



ธนาคารกรุงอยุธยา
BANK OF AYUDHYA

Basel II Pillar III Disclosures

December 31, 2009

Table of Content

	Page
1. Principle	5
2. Scope and detail of information to be disclosed.....	5
3. Capital	5
3.1 Capital Structure	5
3.2 Capital Adequacy	7
4. General qualitative disclosure requirements	9
5. Disclosure on credit risk.....	10
5.1 General disclosure on credit risk	10
5.2 Credit risk exposures under the SA approach	25
5.3 Credit risk mitigation under the SA approach	25
6. Market risk	28
7. Operational Risk	31
8. Equity exposures in the banking book.....	34
8.1 Details of general information for equity position risk in the banking book	34
8.2 Differentiation with respect to risk management for:	35
8.3 Key policies on measuring fair value in accordance with the accounting standards, assumptions and guidelines on measuring fair value, including significant changes in the guidelines	36
9. Interest rate risk in the banking book.....	37

Table of Figure

	Page
TABLE 1 CAPITAL STRUCTURE	6
TABLE 2 MINIMUM CAPITAL REQUIREMENTS CLASSIFIED BY TYPES OF RISK	8
TABLE 3 TOTAL RISK-WEIGHTED CAPITAL RATIO AND TIER 1 RISK-WEIGHTED CAPITAL RATIO	8
TABLE 4 OUTSTANDING OF ON-BALANCE SHEET ASSETS AND OFF-BALANCE SHEET ITEMS BEFORE CREDIT RISK MITIGATION	17
TABLE 5 OUTSTANDING OF ON-BALANCE SHEET ASSETS AND OFF-BALANCE SHEET ITEMS BEFORE CRM CLASSIFIED BY COUNTRY OR GEOGRAPHIC AREA OF DEBTORS	18
TABLE 6 OUTSTANDING OF ON-BALANCE SHEET ASSETS AND OFF-BALANCE SHEET ITEMS BEFORE CREDIT RISK MITIGATION CLASSIFIED BY RESIDUAL MATURITY	19
TABLE 7 LOANS AND ACCRUED INTERESTS AND INVESTMENTS IN DEBT SECURITIES BEFORE CREDIT RISK MITIGATION CLASSIFIED BY COUNTRY OR GEOGRAPHIC AREA OF DEBTORS AND BY ASSET CLASSIFICATION SPECIFIED BY THE BANK OF THAILAND	20
TABLE 8 PROVISION (DIVIDEND INTO GENERAL PROVISIONS AND SPECIFIC PROVISIONS) AND CHARGE- OFFS FOR LOANS AND ACCRUED INTERESTS AND INVESTMENTS IN DEBT SECURITIES CLASSIFIED BY COUNTRY OR GEOGRAPHIC AREA	21
TABLE 9 LOANS AND ACCRUED INTERESTS BEFORE CREDIT RISK MITIGATION CLASSIFIED BY TYPE OF BUSINESS AND BY ASSET CLASSIFICATION SPECIFIED BY THE BANK OF THAILAND	22
TABLE 10 PROVISIONS (DIVIDED INTO GENERAL PROVISIONS AND SPECIFIC PROVISIONS) AND CHARGE- OFFS FOR LOANS AND ACCRUED INTERESTS CLASSIFIED BY TYPE OF BUSINESS	23
TABLE 11 RECONCILIATION OF CHANGES IN PROVISIONS FOR LOANS INCLUDING ACCRUED INTERESTS	23
TABLE 12 OUTSTANDING OF ON-BALANCE SHEET ASSETS AND OFF-BALANCE SHEET ITEMS FOR CREDIT RISK UNDER THE SA APPROACH CLASSIFIED BY TYPE OF ASSETS.....	24
TABLE 13 OUTSTANDING OF ON-BALANCE SHEET ASSETS AND OFF-BALANCE SHEET ITEMS AFTER CREDIT RISK MITIGATION FOR EACH TYPE OF ASSETS CLASSIFIED BY RISK WEIGHT UNDER THE SA APPROACH	26
TABLE 14 PART OF OUTSTANDING THAT IS SECURED BY COLLATERAL UNDER THE SA APPROACH CLASSIFIED BY TYPE OF ASSETS AND COLLATERAL	27

TABLE 15 EQUITY EXPOSURES IN THE BANKING BOOK	36
TABLE 16 THE EFFECT OF CHANGES IN INTEREST RATES TO EARNINGS (NET)	39

1. Principle

Bank of Thailand has set guidelines for Capital Regulatory under Basel II that effective on 31 December 2008. This report has complied with Basel II Pillar III guidelines and in line with Capital Disclosure that promoted for Market Discipline. The information has disclosed both qualitative and quantitative specifically related to Capital Regulatory such as Capital, Level of Risk, Risk assessment process, Capital Adequacy and etc. It's helpful for third parties and market participants for analysis.

2. Scope and detail of information to be disclosed

Information disclosure under Basel II Pillar 3 as specified by BOT on a solo basis only.

3. Capital

3.1 Capital Structure

Tier 1 Capital

- Paid up share capital: 6,074,143,747 ordinary shares of Baht 10 each and fully paid
- Net premium (discount)
- Statutory reserve
- Cumulative profit (loss) after appropriation
- Deferred Tax Asset

The Bank have first-time adopted an accounting policy regarding deferred tax for the year ended December 31, 2009 by applying International Accounting Standard No.12 by Deferred Tax Asset Transactions must be deducted from Retained Earning in Capital Tier 1

Tier 2 Capital

- 70% of land revaluation
- 50% of building revaluation
- Long-term subordinate debt instrument :-

On November 5, 2003, the Bank issued subordinated debenture #5 in the amount of Baht 12,000 million with a maturity in November 5, 2013 at the fixed rate of 4% per annum for the years 1-5 and 4.75% per annum for the years 6-10,

payable quarterly on the fifth of February, May, August and November of each year. The Bank has the right to redeem debenture#5 before the maturity date subject to the approval of the Bank of Thailand.

Long-term subordinate debt is treated as tier 2 for amount received but not over than 50% of tier 1 capital and is decreased 20% per year for the last 5 years

- Reserve for assets classified as normal (calculation not over 1.25% of total risk asset)
- 45% of investment revaluation surplus (net) in securities available for sale

Table 1 Capital structure

Unit : Million Baht

Item	December 31, 2009	June 30, 2009
1. Tier 1 capital	76,473	79,252
1.1 Issued and paid up share capital	60,741	60,741
1.2 Premium on share capital	13,802	13,802
1.3 Statutory reserve	583	583
1.4 Net profit after appropriations	4,139	4,126
1.5 <u>Less</u> Deferred tax assets	(2,792)	-
2. Tier 2 capital	17,272	18,961
3. Total regulatory capital	93,745	97,930
3.1 Total regulatory capital before deductions	93,745	98,213
3.2 Deductions from Total regulatory capital	-	(283)

3.2 Capital Adequacy

Financial performance and economic situation directly affect the Bank's capital. Since having adequate capital reflects financial stability of the Bank, BAY has been doing capital adequacy assessment in order to prepare for current and future business risks. The Bank maintains Basel II capital adequacy ratio at a level higher than that required by the Bank of Thailand. If the ratio moves to an unacceptable level, the Bank will implement measures and plans to ensure appropriate capital adequacy level.

The Bank monitors economic situation as well as internal and external factors that may impact the Bank's capital. The Bank also performs stress testing regularly to assess the capacity to handle different scenarios, and prepare contingency plan to ensure that the Bank maintains adequate capital at all times.

As for the future capital adequacy, since the Bank prepares 3 years business strategy plan annually, this business strategy plan is used as the basis for the Bank's capital planning.

The Bank used calculation capital adequacy under Basel II for classified by types of risk by Standardized approach consist of credit risk, market risk and operational risk.

Table 2 Minimum capital requirements classified by types of risk

Unit : Million Baht

Minimum capital requirements for all risk	December 31, 2009	June 30, 2009
Minimum capital requirement for credit risk	52,819	49,213
Performing assets	50,311	46,424
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	9	6
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	1,127	1,228
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	32,550	29,936
4. Claims on retail portfolios	8,139	7,686
5. Residential mortgage exposures	2,143	1,982
6. Other assets	6,343	5,586
Non-performing assets	2,508	2,789
Minimum capital requirement for market risk	236	80
1. Interest rate risk	89	32
2. Equity position risk	69	13
3. Foreign exchange rate risk	78	35
4. Commodity risk	-	-
Minimum capital requirement for operational risk	3,239	3,048
Total minimum capital requirement	56,294	52,341

Table 3 Total risk-weighted capital ratio and Tier 1 risk-weighted capital ratio

Unit : %

Ratio	December 31, 2009	June 30, 2009
1. Total capital to risk-weighted assets	14.15	15.90
2. Tier 1 capital to risk-weighted assets	11.55	12.87

4. General qualitative disclosure requirements

Risk Management Principles

The integrated risk management of the Bank covers three principal types of risk i.e. credit risk, market risk and operational risk. Due to the different characteristic of each risk, the Bank has put in place the particular risk management policy including the establishment of limits, and guidelines to control, assess, and monitor such risks, also the preparation of reports which shall be circulated to the relevant parties to ensure that the risks can be managed in response to the changing situation. Moreover, in order to efficiently control, assess, monitor, and report the risks, the risk assessment tools and data management have been sustained.

The Bank maintains the capital adequacy at a level higher than that required by the Bank of Thailand as specified in the Minimum Capital Requirement under Basel II Pillar 1.

The Bank is also making preparations to adopt the Basel II Pillar 2, or Supervisory Review Process for the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP will assess the levels of capital that the Bank needs to hold in order to mitigate risks faced by the Bank both in normal and critical conditions. Other types of risk include credit concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk and reputation risk, etc. A capital forecasting tool was also put in place to ensure an effective stress test and efficiently gauge related impact to the Bank's capital fund in the event of crisis. The ICAAP is expected to be completed by 2010 as required by the Bank of Thailand.

Audit of important risk management systems

Internal auditors are responsible for examining and evaluating the adequacy and effectiveness of the risk assessment methodologies and the risk management procedures of the Bank in order to ensure that they are adequate and appropriate as well as capable of supporting businesses and complexity of transactions of the Bank. This is in order to create reasonable confidence that the Bank's operations can achieve the specified goals and targets within the Bank's risk tolerance level.

Scope of internal audit covers all activities of the Bank, both local and foreign branches, and companies in the financial business group (Full Consolidation) as well as activities outsourced by the Bank. Internal audit function is characterized by the systematic evaluation and the support for the development or improvement of the risk management system, the

internal control system and the corporate governance system based on the risk based audit plan. In addition, importance is also given to the risk management which is in line with the guidelines specified by the Bank of Thailand and the Basel II framework. In internal audit, review of operations will be conducted in order to evaluate adequacy, efficiency and effectiveness of the risk management with regard to the following issues:

1. Compliance with the operational regulations with regard to the timely identification and measurement of risk level
2. Determination of limits and other controlling measures for risk management
3. Processes of reporting to the management to express the actual nature and level of risk as well as reporting of non-compliance with the prescribed policies and limits
4. Clear determination of duties related to management of each type of risk
5. Compliance with the regulations regarding computation and allocation of capital for risk

5. Disclosure on credit risk

5.1 General disclosure on credit risk

Credit Risk Management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract, which causes damage to the Bank's income and capital.

The Bank's loan approval procedure is subject to rigorous examination throughout the process with standards, policies, and procedures dedicated to monitoring and controlling exposure to credit risk. The credit risk management system covers specified guidelines regarding risk assessment, loan approval, monitoring, control, and review of customer risk, as well as regular updates of credit status to the Bank's top management.

The credit risk management system is categorized into three separate units based on customer types and their different risk levels. There are credit risk management units for corporate, SME, and retail customers. Each is responsible for setting up frameworks for the analysis, management, and control of credit risk appropriate for its unique customers and

loan portfolios. The credit risk management for corporate and SME customers is similar in procedures and implementation, but that for retail consumers requires a different procedure and information management process given the multitude of customers.

The Bank's Risk Management Group is also responsible for establishing risk management policies, reviewing the Bank's loan portfolios and obligations, evaluating credit quality, assessing risk, and monitoring and recovering impaired loans.

Credit Risk Management Structure

The Bank maintains an organizational structure and formulates risk management policies in accordance with good corporate governance principles, allowing proper checks and balances to operate effectively between the business function and the risk management unit. The objective is to ensure that risk oversight and review activities can be performed independently. An effective information management system is also put in place to enhance the analysis, evaluation, management, and control of risk or combination of risks.

The Bank's risk management function oversees the management of credit risk. It is responsible for identifying and formulating credit risk management policies, developing exposure measurement processes and tools, establishing risk management procedures, and monitoring, documenting, and reporting risk assessment status to the Bank's top management on a regular basis.

The Bank's committees involved with the management of risk detailed below:

- The Board of Directors has authority to approve the Bank's transactions of more than Baht 3,000 million in value and all credit applications from the Bank's subsidiaries, and associated and related companies. It is also responsible for the appointment of the Credit Committee, the Risk Management Committee, the Asset and Liability Management Committee, and the Collateral Valuation Committee.
- The Credit Committee is comprised of high-level executives of the Risk Management Group and related functions. It is authorized to approve loan applications of up to Baht 3,000 million.
- The Risk Management Committee has the following responsibilities:
 - 1) Identify and formulate the Bank's integrated risk management policies.

- 2) Oversee, control, and review the Bank's business practices to ensure that they are in compliance with the integrated risk management and the good corporate governance principles.
- The Asset and Liability Management Committee (ALCO) has the following responsibilities:
 - 1) Formulate asset and liability management policies and guidelines to ensure that the Bank has an asset and liability structure in response to economic and financial conditions while maintaining its competitiveness in the banking business.
 - 2) Develop and maintain policies and procedures to mitigate risk associated with interest rate, foreign exchange, securities investment, and liquidity of the Bank.
 - 3) Oversee, control, and undertake an objective review of the Bank's liquidity management to ensure that it complies with the set policies and enhances the Bank's stability.
 - The Collateral Valuation Committee is in charge of the following activities:
 - 1) Establishing and reviewing policies/procedures regarding the valuation of collateral submitted in support of loan applications and foreclosed or auctioned properties for the approval of the Risk Management Committee.
 - 2) Overseeing and controlling the Bank's internal property appraisers to ensure that they execute their jobs with integrity and in compliance with the procedures set forth by the Bank and the Bank of Thailand.

Control, Assessment, Monitoring and Review of Credit Risk

- **Credit Risk Control**

In addition to ensuring integrity and independence of the credit risk management unit from other business functions, the Bank also maintains specific credit risk controls for the following areas:

- 1) **Credit lines:** The Bank approves credit lines based on customer operating performance, financial status, credit needs, debt-servicing ability, and risk levels.
- 2) **Credit analysis:** Credit analysis standards are set up and maintained to enhance credit approval efficiency, taking into account customer operating performance, financial status, management ability, and related industrial outlook.

3) **Credit approval process:** The Bank categorizes customers into three groups, namely, corporate, SME and retail customers, in order to provide financial products and services appropriate to their specific needs. The credit approval process for each customer group is summarized as follows:

- *Corporate and SME credit approval:* The corporate credit analysis department and the SME credit risk management department are responsible for performing an objective analysis of applications for credit facilities from their customers. Loan objectives, customer risk levels and debt-servicing abilities, collateral, and economic and industrial outlooks which may affect customer business performance must be carefully assessed and submitted for approval by the designated committees according to their limits prior to the facilities being committed to customers.
- *Retail credit approval:* The retail credit risk management unit formulates a credit approval policy for retail customers based on their personal information, credit records, sizes of loans compared with their income, collateral, and repayment abilities. In the consumer banking business, credit scoring is also used to evaluate potential risk and determine who qualifies for consumer and mortgage loans.

4) **Country risk management:** The Bank establishes credit limits applicable to counterparties who are based or reside in foreign countries in accordance with each country's unique or particular risk in order to manage country and cross-border risk and avoid excessive risk concentration.

- **Credit Risk Assessment**

The Bank maintains and develops risk rating tools in order to categorize credit exposure meaningfully. Information from customer financial statements, from market databases, about industry exposure, as well as qualitative customer details are core inputs in the assessment of counterparty risk. Risk ratings are reviewed at least once a year and are used in the credit approval process.

There are two internal risk rating tools; one for corporate banking customers, which has been used since 2001; and the other for SME customers used since 2006. Credit risk associated with corporate and SME customers is categorized into 10 different grades.

The Risk Integrated Systems Knowledge Project (RISK) was initiated in 2008 to provide the Bank with more effective risk assessment tools and information management systems. It included a purchase of data management equipment to store and organize

corporate and SME customer data, which is implemented in 2009, the PD-based rating model to be used for the calculation of probability of default (PD) of corporate and SME customer, which is expected to be fully rolled out by the second quarter of 2010. A tool to assess risk-adjusted return and the economic capital calculation is also expected to be completed in 2010.

- **Credit Risk Monitoring and Review**

The Bank maintains a procedure to frequently monitor and review customer risks which includes the following activities:

1) **Annual credit risk review:** After credit is approved, credit risk review must be performed on a regular basis. An annual credit risk review comprises, among other things, examination and review of customer's current performance, financial status, and credit quality. Amendments, where necessary, are implemented promptly.

2) **Credit portfolio status report:** The Bank regularly updates the Board of Directors and the top management on the information relating to the Bank's credit quality. The information is useful in keeping the Bank's credit risk within designated limits. A credit portfolio status report includes a credit mix report classified by types of industry, levels of risk, geographical areas, and major corporate customers to avoid excessive credit and risk concentration. Other details include debt classification, provisioning allowances, and capital adequacy ratio.

3) **Stress testing:** Stress testing is performed in order to gauge possible events which may arise and impact the Bank's capital base, loan portfolio, and the customers in the event of crisis. The Bank maintains strategies and action plans ready to be implemented in order to prevent or lessen the adverse impact.

The Bank is also making preparations to adopt the second pillar of Basel II, part of which involves the set up of an internal capital adequacy assessment process (ICAAP). The ICAAP will assess the levels of capital that the Bank needs to hold in order to mitigate risk both in normal and critical conditions. One of risks that the Bank shall conduct a stress test is credit concentration risk, which divides into two categories, large borrower concentration and sector concentration. A capital forecasting tool was also put in place to ensure effective stress testing and efficiently gauge impact to the Bank's capital base in the event of crisis. The ICAAP is expected to be completed by 2010 as required by the Bank of Thailand.

The Bank also provides credit risk management guidelines to its subsidiaries, and associated and related companies in correspondence with those of the Bank. All of the companies in the Bank's financial group are expected to adopt the internal capital adequacy assessment process (ICAAP) by 2011.

Non-Performing Loan Management

The Bank's non-performing loans are managed by a dedicated team of specialists with experience and expertise in dealing with impaired loans in order to improve asset quality and minimize financial losses. In 2009, the Bank made overall progress in improving its asset quality by reducing NPLs Baht 3,057 million from 2008.

Roles and duties of internal auditors with regard to credit risk management procedures

Objective of the audit of credit risk management is to identify the severity and the direction of risk, the quality of risk management, the adequacy of reserve provision, the adequacy of policies and operational procedures, the compliance with laws and regulations as well as the follow-up and rectification. The scope of audit covers 2 aspects, namely the evaluation of risk level and the evaluation of risk management.

The evaluation of risk level addresses the management of credit portfolio and treasury management. The credit policies are considered as to assess the adequacy of the control to the risk volume such as the standards of credit granting, repayment period, collateral therein. Consideration is also made to the credit underwriting processes and the components of credit portfolios such as loan size, credit scoring, credit concentration, the quality of credit portfolio and allowance for doubtful accounts as well as the related internal control. As regards the treasury management, consideration is made to the sources of risk and methods of risk measurement for settlement credit exposure, determination of counterparties' limits and capability of control, the credit rating of counterparties. In terms of policies and operational procedures, determination of and approval for exceptions, guidelines for practices in cases where counterparty limit is exceeded, etc.

The evaluation of risk management addresses the management of credit portfolio and treasury management. Consideration is made to the supervision of the Board of Directors and the senior management as to whether there are any determination and review of strategies and policies regarding to credit risk. The risk measurement system is considered as to

whether there are any policies and risk measurement by assessing to the reliability of information used in the models; frequency of back testing, etc. In addition, consideration is also made to the monitoring and reporting of risk as well as the risk control and determination of risk limit as to whether there is any determination of risk limit, etc.

Definition of default and impairment of assets

1. Definition of default

Default means the debtor is not able to pay the debt within the specified time in the contracts or the due date under contract made with the bank.

If the debtor can not pay the debt within the due date as agreed with the bank, Bank will charge with the highest interest rates that Bank announced (Default Rate) until the debtor hasn't outstanding debt, bank will then charge at normal contract rate.

2. Definition of impairment of assets

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Guidelines/statistical methods used to calculate general provision and specific provision

Allowance for doubtful accounts is determined through methods in accordance with the Bank of Thailand's regulations. The Bank categorize their loan portfolio into six categories and determined allowance for doubtful accounts subject to different levels of provisioning. Allowance for doubtful accounts for loans classified as normal and special mention are calculated based on the minimum percentage in accordance with BOT guidelines by using the value of collateral for calculation of reserve. For loans classified as substandard, doubtful and doubtful of loss, the allowance rate is 100 percent of the difference between the outstanding loan value and present value of expected cash flow from proceeds of collateralized asset.

Table 4 Outstanding of on-balance sheet assets and off-balance sheet items before credit risk mitigation

Unit : Million Baht

Item	December 31, 2009
1. On-balance sheet assets	648,904
1.1 Net loans ^{1/}	581,686
1.2 Net investments in debt securities ^{2/}	58,603
1.3 Deposits (including accrued interests)	8,615
2. Off-balance sheet items ^{3/}	268,283
2.1 Aval of bills, guarantee and letter of credits	9,399
2.2 OTC derivatives ^{4/}	166,627
2.3 Undrawn committed lines	92,257

^{1/} Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item.

^{2/} Excluding accrued interests and net of revaluation allowances for equities and impairment allowances for equities.

^{3/} Before multiplying by CCF.

^{4/} Including derivative in equity securities.

Table 5 Outstanding of on-balance sheet assets and off-balance sheet items before CRM classified by country or geographic area of debtors

December 31, 2009

Unit : Million Baht

Country or geographic area of debtor	On-balance sheet assets				Off-balance sheet items ^{3/}			
	Total	Net loan ^{1/}	Net investment in debt securities ^{2/}	Deposit include accrued interests	Total	Aval of bills, Guarantee, and letter of credits	OTC derivatives	Undrawan committed lines
1. Thailand	644,907	582,723	57,208	4,976	210,477	9,333	110,036	91,108
2. Asia Pacific (exclude Thailand)	5,741	4,345	891	505	15,148	66	13,956	1,126
3. North America and Latin America	2,089	277	-	1,812	15,924	-	15,904	20
4. Africa and Middle East	18	-	-	18	-	-	-	-
5. Europe	1,842	34	504	1,304	26,734	-	26,731	3
Total	654,597	587,379	58,603	8,615	268,283	9,399	166,627	92,257
Less General Provision	(5,693)	(5,693)	-	-	-	-	-	-
Total	648,904	581,686	58,603	8,615	268,283	9,399	166,627	92,257

^{1/} Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item

^{2/} Excluding accrued interests and net of revaluation allowances for equities and impairment allowances for equities.

^{3/} Before multiplying by CCF.

Table 6 Outstanding of on-balance sheet assets and off-balance sheet items before credit risk mitigation classified by residual maturity

Unit : Million Baht

Item	December 31, 2009		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets	298,719	350,185	648,904
1.1 Net loans ^{1/}	268,969	312,717	581,686
1.2 Net investments in debt securities ^{2/}	21,432	37,171	58,603
1.3 Deposits (including accrued interests)	8,318	297	8,615
2. Off-balance sheet items ^{3/}	156,562	111,721	268,283
2.1 Aval of bills, guarantee and letter of credits	9,286	113	9,399
2.2 OTC derivatives	144,322	22,305	166,627
2.3 Undrawn committed lines	2,954	89,303	92,257

^{1/} Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring

^{2/} Excluding accrued interests and net of revaluation allowances for equities and impairment allowances for equities.

^{3/} Before multiplying by CCF.

Table 7 Loans and accrued interests and investments in debt securities before credit risk mitigation classified by country or geographic area of debtors and by asset classification specified by the Bank of Thailand

December 31, 2009

Unit : Million Baht

Country or geographic area of debtor	Loans and accrued interests ^{1/}						Investment in debt securities Doubtful loss
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total	
1. Thailand	549,861	17,252	4,474	6,989	22,994	601,570	50
2. Asia Pacific (excluding Thailand)	4,382	-	-	-	8	4,390	-
3. North America and Latin America	280	-	-	-	-	280	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	34	-	-	-	-	34	-
Total	554,557	17,252	4,474	6,989	23,002	606,274	50

^{1/} Including loans and accrued interests of interbank and money market item.

Table 8 Provision (dividend into general provisions and specific provisions) and charge-offs for loans and accrued interests and investments in debt securities classified by country or geographic area

December 31, 2009

Unit : Million Baht

Country or geographic area of debtor	Loans and accrued interest receivables ^{1/}			Investment in debt securities
	General Provision	Specific Provision	Charge-off between period	Specific Provision
1. Thailand	5,693	18,846	4,918	210
2. Asia Pacific (exclude Thailand)		46	-	-
3. North America and Latin America		3	-	667
4. Africa and Middle East		-	-	-
5. Europe		-	-	2,168
Total	5,693	18,895	4,918	3,045

^{1/} Include provisions and charge-offs for loans and accrued interest receivables of interbank and money market item.

Table 9 Loans and accrued interests * before credit risk mitigation classified by type of business and by asset classification specified by the Bank of Thailand

December 31, 2009

Unit : Million Baht

Type of business	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
1. Agriculture and Mining	5,707	320	119	91	661	6,898
2. Manufacturing and Commerce	144,500	7,111	1,837	3,758	12,671	169,877
3. Property and Construction	36,438	1,707	636	762	3,749	43,292
4. Public Utilities and Services	85,912	5,936	892	973	2,913	96,626
5. Housing	65,910	1,245	782	1,017	2,200	71,154
6. Others	216,090	933	208	388	808	218,427
Total	554,557	17,252	4,474	6,989	23,002	606,274

* Including loans and accrued interests of interbank and money market item.

Table 10 Provisions (divided into general provisions and specific provisions) and charge-offs for loans and accrued interests* classified by type of business

Unit : Million Baht

Type of business	December 31, 2009		
	General Provision	Specific Provision	Charge-off between period
1. Agriculture and Mining	5,693	243	193
2. Manufacturing and Commerce		10,841	2,431
3. Property and Construction		1,954	1,825
4. Public Utilities and Services		1,663	312
5. Housing		1,071	24
6. Others		3,123	133
Total	5,693	18,895	4,918

* Including loans and accrued interests of interbank and money market item.

Table 11 Reconciliation of changes in provisions for loans including accrued interests*

Unit : Million Baht

Item	December 31, 2009		
	General Provision	Specific Provision	Total
Provisions at the beginning of the period	3,051	20,726	23,777
Charge-offs during the period	-	(4,918)	(4,918)
Increases or decreases of provisions during the period	2,643	3,087	5,730
Provisions for losses from foreign exchange	(1)	-	(1)
Provisions at the end of the period	5,693	18,895	24,588

* Including loans and accrued interests of interbank and money market item.

Table 12 Outstanding of on-balance sheet assets and off-balance sheet items* for credit risk under the SA approach classified by type of assets

Unit : Million Baht

Type of assets	December 31, 2009		
	On-balance sheet asset	Off-balance sheet item **	Total
1. Performing assets	709,188	124,521	833,709
1.1 Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	61,160	27,240	88,400
1.2 Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	29,112	28,864	57,976
1.3 Claim on corporate and public sector entities (PSEs) that are treated as claims on corporate	347,472	41,128	388,600
1.4 Claims on retail portfolios	107,827	26,991	134,818
1.5 Residential mortgage exposures	61,812	298	62,110
1.6 Other assets	101,805	-	101,805
2. Non-performing assets	21,633	514	22,147
3. First-to-default credit derivative and Securitization	-	-	-
Total	730,821	125,035	855,856

* After multiplying by CCF and Specific provision

** Include Repo-style transaction and Reverse repo

5.2 Credit risk exposures under the SA approach

1. The Bank uses the ratings of 5 external credit assessment institutions (ECAIs), namely Standard & Poor's, Moody's, Fitch International, Fitch (Thailand) , Tris Rating and based on the OECD Country Risk Classification for rating reference by type of asset/debtor of the Bank. The Bank assigns the risk weight of 100% for all corporate debtors, thus not using the rating of an external credit assessment institution.
2. As regards the determination of risk weight for debtors of commercial banks by referring to the rating of an external credit assessment institution, the Bank assigns the risk weight under the SA approach in accordance with the guidelines of the Bank of Thailand.

5.3 Credit risk mitigation under the SA approach

1. At present, the Bank does not use both the on-balance sheet and off-balance sheet nettings in credit risk mitigation.
2. As regards the collateral management and valuation, the Bank employs the collateral management and valuation approach in accordance with the guidelines of the Bank of Thailand.
3. Main collaterals of the Bank are financial collaterals, namely cash, equity securities and debt securities which are in accordance with the guidelines of the Bank of Thailand.
4. Main types of guarantors and credit derivative counterparties are government authorities, state enterprises and corporate which are in accordance with the guidelines of the Bank of Thailand.
5. As regards the credit risk concentration for each type of collateral, the Bank has credit risk concentration in bank deposits.

Table 13 Outstanding of on-balance sheet assets and off-balance sheet items^{1/} after credit risk mitigation for each type of assets classified by risk weight under the SA approach

Unit : Million Baht

Type of Asset	December 31, 2009										
	Rated outstanding				Unrated outstanding						
Risk weight %	0	20	50	100	0	20	35	50	75	100	150
Performing assets											
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	94,850		215								
2. Claims on banks and public sector entities(PSEs) that are treated as banks and securities companies	100	5,534	20,859	1,480						242	
3. Claims on corporate and public sector entities (PSEs) that are treated as corporate *								469		382,705	
4. Claims on retail portfolios									127,654	9	
5. Residential mortgage exposures							53,560		8,307	234	
6. Other assets					61,232	2,040				74,219	
Non-performing assets^{2/}					54			1,127		5,022	15,944

^{1/} After multiplying by CCF

^{2/} For the part with no CRM whose risk weights depend on the ratio of provisions to total exposures.

* The bank assigns the risk weight of 100% for all corporate debtors.

Table 14 Part of outstanding that is secured by collateral* under the SA approach classified by type of assets and collateral

Unit : Million Baht

Type of asset	December 31, 2009	
	Eligible financial collateral	Guarantee and credit derivative
Performing assets	69,198	7,169
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	33,513	-
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	23,500	6,765
3. Claims on corporate and public sector entities (PSEs) that are treated as corporate	5,040	386
4. Claims on retail portfolios	7,136	18
5. Residential mortgage exposures	9	-
6. Other assets	-	-
Non-performing assets	120	-
Total	69,318	7,169

* Values after netting of on-balance sheets and off-balance sheets

6. Market risk

Information relating to market risk under the standardized approach

Risks arising from transactions in the trading book

The Bank's transactions in the trading book are at the significant level (threshold) according to the Bank of Thailand's Notification dated 27 November 2009. With the significant level of transactions in the trading book, the Bank assesses and maintains capital fund for market risk arising from positions relating to interest rates, equities and foreign currencies based on the standardized approach. The capital fund required for market risk depends on value of the positions held and the risk weight of each position based on risk factors whereby such risk weights are determined by the Bank of Thailand.

Structure of management of market risk arising from transactions in the trading book

It is required by the Bank that there be committees or functional units responsible for management of market risk arising from transactions in the trading book. In addition, there shall be the segregation of duties and responsibilities of functions undertaking transactions and functions in charge of risk management in order to avoid any conflict of interests. Furthermore, there shall also be the reporting of the matter to the relevant committees and high-level executives. In this regard, the Risk Management Committee is responsible for assessing, monitoring and reporting risks to the Bank's Board of Directors as well as ensuring that the overall risk management process is appropriate to ensure effective risk management of the Bank. Additionally, the Treasury Division is responsible for proposing strategies for management of positions while the Market Risk Management Department assesses and reports the risk status as well as proposes the review of policies on market risk management at least once a year or when there is any material change in business environment.

Assessing, controlling and monitoring of market risk

The Bank uses tools and market risk assessment methods, such as Value-at-Risk and Interest Rate Risk, for transactions in the trading book. Moreover, the Bank uses the Back Testing to test the effectiveness, accuracy and reliability of the models on a regular basis. For example, for Value-at-Risk model, the outcomes from the model will be compared with the

incurred profits/losses (Hypothetical Profit/Loss Method) in order to assure that the risk measurement tools can facilitate effective market risk management.

The Bank also assesses losses from situations that are critical to positions in the trading book under the hypothesis of the Stress Testing such as changes in the shape of the yield curve, changes in exchange rate and changes in the SET index. The Stress Testing is an important tool that enables the Bank to identify the probable impacts and to prepare for the mitigation of impact as well as to apply appropriate preventive measures in a timely manner before losses incur. Furthermore, the Bank determines the risk limits acceptable to the Bank which are subject to regular review in order to ensure that they are commensurate with the scope, volume and complexity of the positions held by the Bank. Examples of these limits are Value-at-Risk Limit, Interest Rate Risk Limit, Foreign Exchange Risk Limit, FX Derivative Risk Limit, Equity Limit, Loss Limit and Transaction Limits. The Bank also requires that there be well-defined approval procedures and guidelines for dealing with risk in cases where the risk status is beyond the risk limit.

As regards the management of market risk arising from transactions in the trading book, the Treasury Division is responsible for undertaking transactions and managing positions in the trading book under the risk limits approved by the Bank's Board of Directors. The values of positions in the trading book are marked to market at least everyday in accordance with the Mark-to-Market Model Policy. In this regard, transactions in the trading book will be under close supervision and control of the Asset and Liability Management Committee in order to ensure that the aggregate risk remains within the risk limits specified by the Bank such as Value-at-Risk Limits and Interest Rate Risk Limits.

For transactions relating to the buying/selling of financial derivatives in 2009, the Bank provides buying/selling services of various types of derivatives to its customers and counterparties mainly through back-to-back transactions. In addition, the Bank has developed risk management system for financial derivatives and reviewed the Bank's product program on a continuous basis in order to ensure that the Bank can manage risk in an appropriate and timely manner and in accordance with the guidelines on management of risk for financial derivatives according to the Bank of Thailand's Notification dated 3 August 2008.

1. Interest rate risk management

In managing the interest rate risk which has an impact on value of debt securities and the execution of interest rate derivatives to satisfy customers' needs, the Bank manages interest rate risk to ensure that it is within the specified scope. In this regard, the Treasury Division is responsible for managing the positions and the Market Risk Management Department is responsible for reporting and monitoring risk levels to ensure that they are within the risk limits specified by the Bank. In addition, the Market Risk Management Department will employ Value-at-Risk as a tool for risk analysis in managing risks arising from changes in interest rates and will report to the high-level executives of the relevant divisions for their acknowledgement on a daily basis.

2. Foreign exchange risk management

The Bank has a policy to limit the net foreign exchange position. The foreign currency transactions are undertaken mainly for providing services to the Bank's customers. In this regard, the Bank's Board of Directors will determine the appropriate ceiling of foreign exchange position for each currency to ensure that the risk is within the acceptable risk level. In addition, the Asset and Liability Management Committee will be responsible for ensuring that the transactions are undertaken within the approved framework. The Treasury Division is responsible for controlling foreign exchange transactions while the Market Risk Management Department is responsible for reporting and monitoring risk levels to ensure that they are within the specified risk limits. In this connection, the Market Risk Management Department will employ Value-at-Risk as a tool for risk analysis when managing risks arising from changes in foreign exchange rates and will report to the high-level executives of the relevant divisions for their acknowledgement on a daily basis.

3. Equity price risk management

As regards the management of equity price risk, the Bank formulates the guidelines to closely analyse and assess the buying/selling of equity securities for equity investment under the acceptable risk limits and reviews the guidelines on an annual basis. In this regard, the Treasury Division is responsible for undertaking transactions and the Market Risk Management Department is responsible for reporting and monitoring risk levels to ensure that they are within in the specified risk limits. The Market Risk Management Department also

employs the Value-at-Risk as a tool for risk analysis when managing risk arising from changes in equity prices as well as reports to the high-level executives of the relevant divisions for their acknowledgement on a daily basis.

Roles and duties of internal auditors with regard to market risk management process

Objectives of the audit of market risk management are to identify the negative impact of market risk on revenue and capital fund of the bank, to evaluate the adequacy of market risk capital charge and the quality of risk management and the compliance with policies, laws and regulations. The scope of audit covers 2 aspects, namely the evaluation of risk level and the evaluation of risk management quality.

The evaluation of risk level covers the review and analysis of the Bank's financial statements structure, the evaluation of vulnerability to changes in interest rates, the evaluation of exchange rate risk and price risk.

The evaluation of risk management quality covers the supervision of the Board of Directors and the senior management; the risk evaluation system; the monitoring and reporting of risk, the risk control and risk limits.

7. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputation risk. Operational risk is inherent to every business organization and covers a wide spectrum of issues.

Operational risk management framework

The Bank has set up a framework for sound operational risk management, covering all dimensions of operational risk. The operational risk management framework encompasses effective operational risk management structure, policies, procedures, and processes for the governance of operational risks, for identification, assessment, monitoring, reporting and controlling. The embedding and use of the framework are assessed periodically.

Operational risk management structure, roles and responsibilities

An appropriate risk management structure has been set up under the concept of three Lines of Defence to ensure the sufficient level of independent oversight for ORM across the Bank. The business has prime responsibility for managing and mitigating operational risk on a day-to-day in its operations as primary operational risk owner and risk taker. The second line of defence, the Board of Directors has assigned the Risk Management Committee, which is responsible for integrated risk management, to formulate strategies and develop tools to assess, follow up on, and control operational risks to meet acceptable levels. The operational risk management team will be supported by partnership in specialized areas such as IT security, human resources, legal and compliance, accounting and fraud management departments, is responsible to report assessment, impact, and its using of tools to manage risks to the Risk Management Committee, and the Board of Directors so that the Bank can adjust its strategies as needed to respond to any current situation. The third line of defence, internal audit provided assurance on the proper implementation of the risk structures and policies.

Operational risk management process, methodology and tool

For effective and efficient identification, assessment, monitoring, reporting and controlling of operational risks, the following key tools and methodology are used:

- **Risk and control self-assessment (RCSA):**

Business and support units are periodically identify and assess operational risks to ensure that they are effectively managed, prioritized, documented and aligned to risk appetite. When unacceptable control weakness is identified, action plans shall be justified, produced and tracked to completion.

- **Operational risk losses data collection:**

Losses above a certain threshold are systematically collected by the businesses and reported in a central loss database. The root causes are analyzed where the corrective action will be taken to mitigate losses.

- **Key risk indicators (KRI):**

KRIs are collected and tracked both for Bank-wide level and department/process level in order to identify and monitor any changes in the Bank's operational risk profile and also to facilitate early detection of potential control weakness.

- **Operational risk limit framework:**

Risk limit is set up to ensure that operational risk is mitigated through effective infrastructure and robust system. The limit of operational risk individual loss event for high impact and serious event is defined in order to escalate to appropriate senior management level. KRI's threshold is also defined and set up in order to be trigger appropriate risk management actions in time.

- **New product/process/system risk assessment program:**

Proactively and forward looking approach to identify and assess potential risks and efficiency of controls prior to launch. This aims to prevent and reduce the impact of operational risks that might be occurred from new and changes in products or new working systems.

- **Operational risk reporting:**

Bank has systematical process for the reporting of risk and control self-assessment result, risk profile, operational risk loss event, action plan tracking, key risk indicators, BCP and DRP testing report to the relevant senior management, the Risk Management Committee, and the Board of Directors regularly.

- **Business continuity management:**

Beyond Insurance, the Bank reduces its damage resulting from emergent incidents including Influenza Pandemic which make the Bank unable to serve customers by formulating a business continuity management (BCM) Policy and also developing a business continuity plan (BCP) both for Head Office and Branches to ensure that in case of sudden disruption all essential services can continue to serve to the customers and related parties. The BCP and DRP are reviewed and tested every year following the Bank of Thailand's regulations to ensure the Bank's business continuity whenever there is an emergent incident.

- **Outsourcing and insourcing management:**

The outsourcing policy and insourcing policy are determined and approved from the Board of Directors to ensure that outsourcing and insourcing risks are adequately identified and managed prior to entering new arrangements.

Roles and duties of internal auditors with regard to operational risk management process

Objectives of the audit of operational risk management are to identify the level and quality of risk management, to evaluate the efficiency and appropriateness of the internal control system as well as the solutions to problems and mistakes as well as the compliance with policies, laws and regulations including the business continuity plans. The scope of audit covers 2 aspects, namely the evaluation of risk level and the evaluation of risk management.

The evaluation of risk level addresses strategic factors such as segregation of duties; factors relating to transactions and products such as development of products, system and practices of financial transactions; factors relating to information technology and reporting as well as factors relating to compliance with laws.

The evaluation of risk management addresses policies and strategies for risk management, structure and management, operational procedures, structure of risk management system and conducting the review on operational loss data in order to rectifications the errors from deficient control.

Approach for operational risk capital

The Bank adopts 'standardized approach' to maintain Basel II minimum capital requirement against operational risk. The internal audit function is taking an important role to validate and review the Bank's operational risk management framework to ensure it's qualified and aligned with BOT minimum requirements under Basel II standardized approach.

8. Equity exposures in the banking book

8.1 Details of general information for equity position risk in the banking book

Equity position risk (Price risk) in the banking book

In managing equity position risk in the banking book which are not held for trading purpose or which are held, according to initial intention, as long-term or held-to-maturity debt securities, the Bank will monitor the equity price risk in the banking book and ensure that the level of capital fund is appropriate and sufficient to absorb losses arising from positions in the banking book.

Management of equity price risk in the banking book

The Bank assesses the potential of securities issuer companies and has a policy to buy/sell equity securities mainly for medium-term and long-term investments. The Bank's Board of Directors will determine the total limit which shall be regularly reviewed at least once a year. Additionally, the Asset and Liability Management Committee is responsible for establishing policies and strategies as well as managing risks in relation to investment in order to ensure that the investments are effectively and appropriately undertaken and in alignment with economic situation and competition in the financial business. The Treasury Division is responsible for executing transactions under the risk limits approved by the Bank's Board of Directors as well as assessing the value of positions at least once a month in accordance with the Mark-to-Market Model Policy and key policies on measuring fair value according to the accounting standards. Furthermore, the Capital Market Department will monitor and report the equity positions to the Asset and Liability Management Committee on a monthly basis.

8.2 Differentiation with respect to risk management for:

8.2.1 Risk Management Policy on Equity investment for the purpose of Capital Gain

As the purpose of the investment is to earn capital gain and dividend via a medium to long term investment, equity of the Bank is then directly affected by the change in market price of a security. The Bank, therefore, places importance on market risk management and also regulates the investment to be in accordance with the investment policy which has been regularly reviewed at least once a year including constantly conduct a performance follow up and report the investment status to the Assets and Liabilities Management Committee on monthly basis.

8.2.2 Risk Management Policy on Equity Investment for Other Purposes

As for Strategic Investment, the Bank has policy to ensure that subsidiaries and associated companies in the financial business group under consolidated supervision rule of the Bank of Thailand operate their businesses under single framework and standards. This is in order to ensure that the Bank and the financial business group can operate their businesses in the same direction and effectively manage their risk as well as prevent any impact which may incur from business operations of each company that may affect the confidence, stability and security of the Bank.

In this connection, subsidiaries and associated companies have responsibilities to prepare the business plan policy and the projected annual profit and loss submitted to the Bank for consideration and approval as well as monitoring, especially for intra-group transactions and related risk management.

Moreover, the Bank also invests in the company established to support and promote the government policy including invests in other companies providing a return on investment and in the companies obtained from debt restructuring process under which risk management scheme requires performance follow up to be conducted and report to the Financial Management Committee (“FMC”) on monthly basis.

8.3 Key policies on measuring fair value in accordance with the accounting standards, assumptions and guidelines on measuring fair value, including significant changes in the guidelines

The Bank has formulated the Mark-to-Market Model Policy for measurement of fair value according to the accounting standards and measurement of value of positions in alignment with the academic principle. The Bank also requires that the used Validated Rate for Revaluation must be obtained from reliable sources such as the Securities Exchange of Thailand.

Table 15 Equity exposures in the banking book

Unit : Million Baht

Equity exposures	December 31, 2009
1. Equity exposures	
1.1 Equities listed and publicly traded in the Stock Exchange *	
- Equities price	3,109
- Market price	2,970
1.2 Other equities *	45,616
2. Gains (losses) of sale of equities in the reporting period	31
3. Net revaluation surplus from valuation AFS equity, 45% of which is counted as Tier 2 Capital	102
4. Minimum capital requirements for equity exposures	3,630

* Included domestic and foreign items

9. Interest rate risk in the banking book

Interest rate risk in the banking book

In managing interest rate risk in the banking book which are not held for trading purpose or which are held, according to initial intention, as long-term or held-to-maturity equity securities, the Bank will monitor the interest rate risk and assess impact from changes in interest rate on earning and/or on economic value as well as ensure that the level of capital fund is appropriate and sufficient to absorb losses arising from positions in the banking book.

Structure of management of interest rate risk in the banking book

It is required by the Bank that there be committees or functional units responsible for management of interest rate risk in the banking book. In addition, there shall be the segregation of duties and responsibilities of functions undertaking transactions and functions in charge of risk management in order to avoid any conflict of interests. Also, there shall be the reporting of the matter to the relevant committees and high-level executives. In this regard, the Risk Management Committee is responsible for assessing, monitoring and reporting risks to the Bank's Board of Directors as well as ensuring that the overall risk management process is appropriate to ensure effective risk management of the Bank. Additionally, the Asset and Liability Management Committee is responsible for establishing policies and guidelines on management of assets and liabilities in order to ensure appropriate assets and liabilities structure of the Bank by taking into consideration both current and future risks. The Treasury Division is responsible for proposing approaches or strategies for management of assets and liabilities while the Market Risk Management Department assesses and reports the risk status as well as proposes the review of policies on market risk management at least once a year or when there is any material change in business environment.

Assessing, controlling and monitoring of interest rate risk in the banking book

For transactions in the banking book, the Bank uses the analysis of impact of interest rate changes by means of simulation of changes in future interest rate in order to assess the impact on net interest income (Net Interest Income Simulation) and to assess the interest rate risk that can reflect the sensitivity of the economic value of the Bank's shareholder's equity to

interest rate change (Economic Value of Equity). The Bank also assesses losses from situations that are critical to positions in the banking book under the stress testing scenario such as changes in the shape of the yield curve. The Stress Testing is an important tool that enables the Bank to identify the probable impacts and to prepare for the mitigation of impact as well as to apply appropriate preventive measures in a timely manner before losses incur. Furthermore, the Bank determines the risk limits acceptable by the Bank which are subject to regular review in order to ensure that they are commensurate with the scope, volume and complexity of the positions held by the Bank.

As regards the management of risks from interest rate changes caused by differences in the structure of interest rates and the nature of positions both on and off-balance sheet (Mismatches), the Bank will calculate the repricing gap which is the analysis of assets, liabilities and off-balance sheet positions that are sensitive to interest rate based on their residual maturity (in case of fixed rate) or their remaining period until the next re-pricing date (in case of floating rate). Subsequently, the Bank will assess the probable impact on net interest income of the Bank both by means of static simulation and dynamic simulation under the simulated situation of interest rate change in the future according to the interest rate trend forecast and any expected future changes in the Bank's business activities. In addition, the Bank also assesses the interest rate risk that can reflect the sensitivity of the economic value of the Bank's shareholder's equity to interest rate change (Economic Value of Equity).

The Bank undertakes interest rate derivatives and/or foreign exchange derivatives in order to manage the structure of assets and liabilities both in Thai Baht and in foreign currencies to ensure the balanced structure. Examples are the undertaking of cross currency swap and interest rate swap or foreign exchange forward. These transactions shall be undertaken within the limit of foreign currency transactions and the acceptable risk limits as approved by the Bank's Board of Directors. In this regard, the Treasury Division is responsible for undertaking transactions in accordance with the derivatives product program and the Market Risk Management Department is responsible for monitoring and ensuring that the risk levels are within the specified risk limit as well as reporting the risk status to the Asset and Liability Management Committee on a monthly basis.

Table 16 The effect of changes in interest rates* to earnings (net)

Unit : Million Baht

Currency	December 31, 2009
	Effect of changes in interest rates to earnings (net)
Baht	32
USD	-
EURO	-
Others	-
Total	32

* use the percentage changes in increase interest rates of 100 bps.