

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS
BANK OF AYUDHYA PUBLIC COMPANY LIMITED**

We have audited the consolidated statement of financial position of Bank of Ayudhya Public Company Limited and subsidiaries and the Bank's statement of financial position of Bank of Ayudhya Public Company Limited as at December 31, 2011 and 2010 and the related consolidated and Bank's statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated and Bank's financial statements present fairly, in all material respects, the financial position of Bank of Ayudhya Public Company Limited and subsidiaries and of Bank of Ayudhya Public Company Limited as at December 31, 2011 and 2010 and the results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualifying our opinion, as discussed in Note 3 to the financial statements, since January 1, 2011, the Bank, its subsidiaries and associated companies have adopted the new and revised Thai Financial Reporting Standards issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2011 onwards, in the preparation and presentation of these financial statements. The consolidated and the Bank's financial statements for the year ended December 31, 2010, presented herein for comparison, are presented in the new format to conform to the consolidated and the Bank's financial statements for the year ended December 31, 2011.

BANGKOK
February 13, 2012

Dr. Suphamit Techamontrikul
Certified Public Accountant (Thailand)
Registration No. 3356
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011 AND 2010

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	2011	2010	2011	2010
ASSETS				
CASH	25,164,847	22,460,979	25,140,395	22,447,133
INTERBANK AND MONEY MARKET ITEMS, NET (Note 8.2)	81,817,705	74,526,973	80,518,686	72,977,471
CLAIMS ON SECURITY	3,845,662	13,346,650	3,845,662	13,346,650
DERIVATIVES ASSETS (Note 8.3)	4,833,556	4,513,532	4,833,556	4,513,532
INVESTMENTS, NET (Note 8.4)	81,203,947	78,359,717	80,681,625	77,489,267
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET (Note 8.5)	769,610	728,930	33,095,630	36,726,499
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET (Note 8.6)				
Loans to customers	751,404,973	674,595,867	641,269,203	586,994,011
Accrued interest receivables	1,858,966	1,723,875	1,105,855	776,275
Total loans to customers and accrued interest receivables	753,263,939	676,319,742	642,375,058	587,770,286
Less Deferred revenue	(31,898,355)	(25,635,619)	(26,010)	(34,210)
Less Allowance for doubtful accounts (Note 8.7)	(30,776,291)	(33,409,960)	(19,226,313)	(20,154,188)
Less Revaluation allowance for debt restructuring (Note 8.8)	(502,487)	(543,388)	(26,491)	(34,633)
Net loans and accrued interest receivables	690,086,806	616,730,775	623,096,244	567,547,255
CUSTOMERS' LIABILITY UNDER ACCEPTANCE	696,382	752,286	696,382	752,286
PROPERTIES FOR SALE, NET (Note 8.9)	11,737,334	14,726,813	5,937,172	7,559,682
PREMISES AND EQUIPMENT, NET (Note 8.10)	17,568,121	17,551,952	16,459,672	16,666,916
GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Note 8.11)	12,053,632	12,626,731	1,647,653	1,368,277
DEFERRED TAX ASSETS (Note 8.12)	5,630,719	7,585,900	2,355,730	3,190,297
OTHER ASSETS, NET (Note 8.13)	12,389,026	5,922,825	8,514,498	4,141,790
TOTAL ASSETS	947,797,347	869,834,063	886,822,905	828,727,055

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2011 AND 2010

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	2011	2010	2011	2010
LIABILITIES AND EQUITY				
DEPOSITS (Note 8.14)	560,539,821	576,478,804	564,178,616	581,241,030
INTERBANK AND MONEY MARKET ITEMS, NET (Note 8.15)	23,740,707	43,762,352	23,646,431	37,787,099
LIABILITY PAYABLE ON DEMAND	1,650,740	1,517,426	1,650,740	1,517,426
LIABILITY TO DELIVER SECURITY	3,845,662	13,346,650	3,845,662	13,346,650
DERIVATIVES LIABILITIES (Note 8.3)	5,394,125	3,977,871	5,397,152	3,977,871
DEBT ISSUED AND BORROWINGS (Note 8.16)	208,262,710	99,364,926	172,044,802	82,864,926
BANK'S LIABILITY UNDER ACCEPTANCE	696,382	752,286	696,382	752,286
PROVISIONS (Note 8.17)	6,896,394	3,689,568	5,169,723	2,475,418
DEFERRED TAX LIABILITIES (Note 8.18)	2,275,923	4,039,255	1,452,086	2,319,255
OTHER LIABILITIES (Note 8.20)	31,799,288	23,800,877	16,189,802	10,557,253
TOTAL LIABILITIES	845,101,752	770,730,015	794,271,396	736,839,214
EQUITY				
SHARE CAPITAL (Note 8.21)				
Authorized share capital				
7,089,392,755 ordinary shares of				
Baht 10 each				
	70,893,928	70,893,928	70,893,928	70,893,928
Issued and paid-up share capital				
6,074,143,747 ordinary shares of				
Baht 10 each				
	60,741,437	60,741,437	60,741,437	60,741,437
PREMIUM ON COMMON SHARES	13,802,216	13,802,216	13,802,216	13,802,216
OTHER RESERVES	5,502,959	5,146,733	5,506,816	5,150,689
RETAINED EARNINGS				
Appropriated				
Legal reserve				
	1,316,500	1,013,500	1,316,500	1,013,500
Unappropriated				
	21,125,871	18,211,479	11,184,540	11,179,999
TOTAL BANK'S EQUITY	102,488,983	98,915,365	92,551,509	91,887,841
NON-CONTROLLING INTEREST	206,612	188,683	-	-
TOTAL EQUITY	102,695,595	99,104,048	92,551,509	91,887,841
TOTAL LIABILITIES AND EQUITY	947,797,347	869,834,063	886,822,905	828,727,055

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Mark John Arnold)
President and Chief Executive Officer

(Mr. Pongpinit Tejagupta)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
INTEREST INCOME (Note 8.28)	56,427,524	47,275,174	37,399,255	29,042,815
INTEREST EXPENSES (Note 8.29)	18,962,792	12,647,144	17,977,106	11,959,151
INTEREST INCOME, NET	37,464,732	34,628,030	19,422,149	17,083,664
FEES AND SERVICE INCOME	13,837,950	12,898,138	6,374,389	6,231,919
FEES AND SERVICE EXPENSES	3,050,715	2,818,628	1,334,075	1,558,513
FEES AND SERVICE INCOME, NET (Note 8.30)	10,787,235	10,079,510	5,040,314	4,673,406
GAINS ON TRADINGS AND FOREIGN EXCHANGE				
TRANSACTIONS, NET (Note 8.31)	1,278,253	1,458,946	1,225,897	1,424,780
GAINS (LOSSES) ON INVESTMENTS (Note 8.32)	820,168	250,736	1,376,141	(267,390)
SHARE OF PROFIT FROM INVESTMENT FOR USING				
EQUITY METHOD	32,070	144,378	-	-
DIVIDEND INCOME	440,984	393,937	3,942,695	4,763,252
BAD DEBTS RECOVERIES	2,215,446	1,826,268	8,971	13,889
OTHER OPERATING INCOME	2,265,423	2,744,843	686,272	721,205
TOTAL OPERATING INCOME	55,304,311	51,526,648	31,702,439	28,412,806
OTHER OPERATING EXPENSES				
Employee's expenses	12,319,064	11,819,881	8,226,224	7,906,638
Directors' remuneration	32,814	28,173	30,427	26,254
Premises and equipment expenses	4,632,494	4,293,353	3,357,146	3,045,840
Taxes and duties	1,781,936	1,534,729	1,264,900	1,053,289
Others	8,710,412	9,119,517	3,807,566	3,854,770
Total other operating expenses	27,476,720	26,795,653	16,686,263	15,886,791
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES				
(Note 8.33)	12,213,516	12,390,937	6,408,099	5,564,956
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES	15,614,075	12,340,058	8,608,077	6,961,059
INCOME TAX EXPENSES (Note 8.34)	6,310,313	3,523,934	2,557,315	918,126
NET PROFIT	9,303,762	8,816,124	6,050,762	6,042,933
OTHER COMPREHENSIVE INCOME				
Gains (losses) on remeasuring available-for-sale investment	(212,752)	404,058	(212,849)	399,903
Actuarial losses on defined benefit plans	(232,115)	-	(166,483)	-
Income (losses) tax relating to components				
of other comprehensive income	791,954	(116,013)	779,086	(115,358)
Total other comprehensive income, net	347,087	288,045	399,754	284,545
TOTAL COMPREHENSIVE INCOME	9,650,849	9,104,169	6,450,516	6,327,478

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2011	2010	2011	2010
NET PROFIT ATTRIBUTABLE				
Owners of the Bank	9,264,339	8,793,099	6,050,762	6,042,933
Non-controlling interest	39,423	23,025	-	-
	<u>9,303,762</u>	<u>8,816,124</u>	<u>6,050,762</u>	<u>6,042,933</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
Owners of the Bank	9,611,426	9,080,690	6,450,516	6,327,478
Non-controlling interest	39,423	23,479	-	-
	<u>9,650,849</u>	<u>9,104,169</u>	<u>6,450,516</u>	<u>6,327,478</u>
EARNINGS PER SHARE OF OWNERS OF THE BANK				
BASIC EARNINGS PER SHARE	BAHT	1.53	1.45	1.00
WEIGHTED AVERAGE NUMBER OF				
COMMON SHARES	SHARES	6,074,143,747	6,074,143,747	6,074,143,747

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Mark John Arnold)
President and Chief Executive Officer

(Mr. Pongpinit Tejagupta)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS									
	Owners of the Bank							Non-Controlling Interest	Total	
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves			Retained Earnings				Total Bank's Equity
			Asset Appraisal Surplus	Revaluation (Deficit) on Investments	Deferred Tax Relating to Components of Other Comprehensive Income	Appropriated Legal Reserve	Unappropriated			
Balance as of January 1, 2010	60,741,437	13,802,216	7,136,485	127,946	(2,187,139)	710,500	12,082,137	92,413,582	171,672	92,585,254
Change in revaluation surplus	-	-	(311,643)	-	93,493	-	67,866	(150,284)	-	(150,284)
Dividend payment (Note 8.21.3)	-	-	-	-	-	-	(2,428,623)	(2,428,623)	(1,815)	(2,430,438)
Increase in legal reserve	-	-	-	-	-	303,000	(303,000)	-	-	-
Total comprehensive income	-	-	-	403,604	(116,013)	-	8,793,099	9,080,690	23,479	9,104,169
Change in shareholding in subsidiary company	-	-	-	-	-	-	-	-	(4,653)	(4,653)
Balance as of December 31, 2010	60,741,437	13,802,216	6,824,842	531,550	(2,209,659)	1,013,500	18,211,479	98,915,365	188,683	99,104,048
Balance as of January 1, 2011 as previously reported	60,741,437	13,802,216	6,824,842	531,550	(2,209,659)	1,013,500	18,211,479	98,915,365	188,683	99,104,048
Effects on changes in accounting policy (Note 3.2)	-	-	-	-	-	-	(1,787,205)	(1,787,205)	(4,093)	(1,791,298)
Balance as of January 1, 2011 as adjusted	60,741,437	13,802,216	6,824,842	531,550	(2,209,659)	1,013,500	16,424,274	97,128,160	184,590	97,312,750
Change in revaluation surplus	-	-	(252,589)	-	75,777	-	176,812	-	-	-
Dividend Payment (Note 8.21.3)	-	-	-	-	-	-	(4,251,901)	(4,251,901)	(413)	(4,252,314)
Increase in legal reserve	-	-	-	-	-	303,000	(303,000)	-	-	-
Total comprehensive income	-	-	-	(212,752)	745,790	-	9,078,388	9,611,426	39,423	9,650,849
Change in shareholding in subsidiary company	-	-	-	-	-	-	1,298	1,298	(16,988)	(15,690)
Balance as of December 31, 2011	60,741,437	13,802,216	6,572,253	318,798	(1,388,092)	1,316,500	21,125,871	102,488,983	206,612	102,695,595

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

BAHT : '000

	THE BANK'S FINANCIAL STATEMENTS							
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves Asset Appraisal Surplus	Revaluation Surplus (Deficit) on Investments	Deferred Tax Relating to Components of Other Comprehensive Income	Retained Earnings Appropriated Legal Reserve	Unappropriated	Total
Balance as of January 1, 2010	60,741,437	13,802,216	7,136,485	135,603	(2,187,794)	710,500	7,801,926	88,140,373
Change in revaluation surplus	-	-	(311,643)	-	93,493	-	67,866	(150,284)
Dividend payment (Note 8.21.3)	-	-	-	-	-	-	(2,429,726)	(2,429,726)
Increase in legal reserve	-	-	-	-	-	303,000	(303,000)	-
Total comprehensive income	-	-	-	399,903	(115,358)	-	6,042,933	6,327,478
Balance as of December 31, 2010	60,741,437	13,802,216	6,824,842	535,506	(2,209,659)	1,013,500	11,179,999	91,887,841
Balance as of January 1, 2011 as previously reported	60,741,437	13,802,216	6,824,842	535,506	(2,209,659)	1,013,500	11,179,999	91,887,841
Effects on changes in accounting policy (Note 3.2)	-	-	-	-	-	-	(1,534,947)	(1,534,947)
Balance as of January 1, 2011 as adjusted	60,741,437	13,802,216	6,824,842	535,506	(2,209,659)	1,013,500	9,645,052	90,352,894
Change in revaluation surplus	-	-	(252,589)	-	75,777	-	176,812	-
Dividend payment (Note 8.21.3)	-	-	-	-	-	-	(4,251,901)	(4,251,901)
Increase in legal reserve	-	-	-	-	-	303,000	(303,000)	-
Total comprehensive income	-	-	-	(212,849)	745,788	-	5,917,577	6,450,516
Balance as of December 31, 2011	60,741,437	13,802,216	6,572,253	322,657	(1,388,094)	1,316,500	11,184,540	92,551,509

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Mark John Arnold)

(Mr. Pongpinit Tejagupta)

President and Chief Executive Officer

Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income from operating before income tax expenses	15,614,075	12,340,057	8,608,077	6,961,059
Adjustments to reconcile income to cash received (paid)				
from operating activities:				
Depreciation and amortization	2,911,417	2,516,796	1,596,771	1,398,486
Deferred interest expenses	3,479	13,732	3,479	13,731
Bad debt and doubtful accounts	11,392,085	11,424,807	6,291,496	4,567,528
Loss on debt restructuring	821,431	966,131	116,603	997,429
(Gains) losses on translation in foreign currencies	(1,181,685)	1,121,555	(1,181,685)	1,121,555
Share of profit from investment for using equity method	(32,070)	(144,378)	-	-
(Gains) losses on investments	(820,168)	(250,736)	(1,376,141)	267,390
Excess of net fair value of acquired subsidiaries over purchase cost	-	(519,444)	-	-
Increase (decrease) in discount on investments	(106,894)	328,569	(366,489)	(154,463)
Gains on sales of properties for sale	(752,149)	(883,034)	(210,757)	(449,507)
(Gains) losses on sales of premises and equipment	(97,591)	(82,055)	4,491	16,093
Losses on impairment of properties for sale	739,855	823,752	641,104	584,641
Losses on impairment of premises and equipment	-	-	5,462	-
Losses on impairment of other assets (Reversal)	(56,897)	-	(66,951)	-
(Increase) decrease in other reserves	566,053	(379,535)	679,441	(379,565)
Interest income, net	(37,464,732)	(34,628,030)	(19,422,149)	(17,083,664)
Interest received	56,190,152	47,696,815	36,962,412	29,396,189
Interest paid	(19,175,230)	(11,714,892)	(16,950,367)	(11,070,384)
Dividend income	(440,984)	(393,937)	(3,942,695)	(4,763,252)
Dividend received	435,056	379,469	453,852	393,687
Increase (decrease) in other accrued expenses	(187,631)	823,614	80,260	112,062
Income tax paid	(4,950,313)	(4,126,140)	(1,082,487)	(1,219,242)
Income from operations before changes in operating assets and liabilities	23,407,259	25,313,116	10,843,727	10,709,773
(Increase) decrease in operating assets				
Interbank and money market items	(6,821,699)	(21,810,348)	(7,391,504)	(23,385,556)
Derivatives assets	(319,580)	(1,845,911)	(319,580)	(1,845,911)
Current investments - securities for trading	3,302,472	(2,643,103)	3,302,472	(2,046,916)
Loans to customers	(84,472,041)	(64,681,099)	(59,916,966)	(34,202,543)
Properties for sale	3,282,853	3,737,274	1,473,242	2,250,465
Other assets	(4,863,148)	965,389	(4,541,807)	1,062,059
Increase (decrease) in operating liabilities				
Deposits	(16,020,363)	56,284,843	(17,155,453)	56,843,133
Interbank and money market items	(20,046,032)	8,270,313	(1,452,455)	4,527,753
Liability payable on demand	133,217	(234,940)	133,217	(234,940)
Derivatives liabilities	1,415,838	1,517,020	1,418,865	1,519,088
Other liabilities	8,949,166	5,365,417	4,532,389	516,906
Net cash from operating activities	(92,052,058)	10,237,971	(69,073,853)	15,713,311

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments - securities available-for-sale	727,926,731	552,411,988	727,808,172	553,430,424
Cash paid for purchases of investments - securities available-for-sale	(734,301,168)	(559,935,053)	(734,384,247)	(559,410,814)
Proceeds from repatriation of subsidiaries	-	-	5,399,967	-
Dividend income from subsidiaries	-	-	3,502,762	4,370,114
Cash paid for investment in subsidiaries	(999,462)	-	(999,462)	-
Cash paid for purchase of shares in subsidiaries	(15,561)	(7,130)	(213,664)	(758,428)
Proceeds from sales of premises and equipment	98,872	394,024	29,342	86,378
Cash paid for purchases of premises and equipment	(1,643,630)	(1,088,263)	(1,050,552)	(559,255)
Cash paid for purchases of other assets	(584,766)	(521,908)	(493,176)	(391,363)
Net cash from investing activities	<u>(9,518,984)</u>	<u>(8,746,342)</u>	<u>(400,858)</u>	<u>(3,232,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debt issued and borrowing	343,911,569	123,543,900	311,481,061	113,343,900
Cash paid for repayment of debts issued and borrowing	(235,013,785)	(120,737,817)	(235,013,785)	(120,737,816)
Cash paid for liabilities under finance lease agreements	(143,580)	(219,078)	(143,580)	(219,078)
Dividend payment	(4,251,901)	(2,428,623)	(4,251,901)	(2,429,726)
Net cash from financing activities	<u>104,502,303</u>	<u>158,382</u>	<u>72,071,795</u>	<u>(10,042,720)</u>
Total	2,931,261	1,650,011	2,597,084	2,437,647
Effect of exchange rate change on cash	96,178	(70,995)	96,178	(70,995)
Net decrease in cash and cash equivalents	3,027,439	1,579,016	2,693,262	2,366,652
Cash and cash equivalents as at January 1,	23,075,424	21,496,408	22,447,133	20,080,481
Cash and cash equivalents as at December 31,	<u><u>26,102,863</u></u>	<u><u>23,075,424</u></u>	<u><u>25,140,395</u></u>	<u><u>22,447,133</u></u>

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Mark John Arnold)
President and Chief Executive Officer

(Mr. Pongpinit Tejagupta)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. GENERAL INFORMATION

Bank of Ayudhya Public Company Limited (“the Bank”) is a public company registered in the Kingdom of Thailand with its head office located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The Bank’s main business is commercial banking and the Bank conducts its business through a network of branches throughout Thailand and other countries. As at December 31, 2011 and 2010, the Bank has 17 subsidiaries and 18 subsidiaries, respectively as follows:

- 1.1 Ayudhya Development Leasing Company Limited, incorporated in Thailand since July 25, 1991 and located at 65/182-185 Chamnanpenchat Business Center Building, Fl 22, Rama IX Road, Huey Khuang Subdistrict, Huey Khuang District, Bangkok. The subsidiary’s main business includes leasing and hire-purchase.
- 1.2 Ayudhya Auto Lease Public Company Limited, incorporated in Thailand since February 1, 1994 and located at 898 Ploenchit Tower Building, Fl 3, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary’s main business is auto leasing.

The subsidiary delisted its ordinary shares and warrants from The Stock Exchange of Thailand (“the SET”) when The Board of Governors of the SET approved the delisting of the Company’s ordinary shares and warrants on June 12, 2007.

On June 18, 2011, Ayudhya Auto Lease Public Company Limited transferred its entire business to Ayudhya Capital Auto Lease Public Company Limited at net book value of Baht 65 million, having total assets and total liabilities of Baht 144 million and Baht 79 million, respectively on the transfer date. On September 23, 2011, the extraordinary shareholders’ meeting of Ayudhya Auto Lease Public Company Limited approved a resolution to liquidate with an effective date on September 30, 2011. Currently, the subsidiary is in the process of liquidation.

- 1.3 Ayudhya Capital Auto Lease Public Company Limited, incorporated in Thailand since November 27, 1995 and located at 87/1, Fl 3, Capital Tower, and 87/2, Fl 30, CRC Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary’s main business is auto hire-purchase, leasing service and refinancing to individual and corporate customers.
- 1.4 Ayudhya Total Solutions Public Company Limited, incorporated in Thailand since May 9, 1994 to carry out the financial and security businesses. On December 7, 2006, the subsidiary was granted a banking license from the Bank of Thailand and it had changed its operation to be banking business since March 6, 2007. The registered office is located at 550 Bank of Ayudhya Building Ploenchit office, F 17, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary’s main business is hire-purchase.

However, on September 25, 2009, the subsidiary returned the banking license to the Bank of Thailand to be in compliance with the Bank of Thailand's regulations.

On January 18, 2011, the extraordinary shareholders' meeting of Ayudhya Total Solution Public Company Limited No.1/2011, approved the entire business transfer by transferring all assets and liabilities to Ayudha Capital Auto Lease Public Co., Ltd. The subsidiary's management plans to dissolve the Company in 2012.

- 1.5 CFG Services Company Limited, incorporated in Thailand since October 24, 2006, and located at 89/170 Juthamard Building, Fl 4, 5 and 10 Moo 3, Viphavadee Rangsit Road, Talad Bangkhen Subdistrict, Laksi District, Bangkok. The subsidiary's main business is hire-purchase loan and secured personal loan for vehicles and motorcycles.
- 1.6 Ayudhya Card Services Company Limited, incorporated in Thailand since December 4, 1997, and located at 550 Bank of Ayudhya Building Ploenchit office, Fl 7, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.7 Ayudhya Capital Services Company Limited, incorporated in Thailand since November 9, 1994 and located at 87/1, Capital Tower, All Seasons Place, Fl 1-6 and 8-11, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.

On March 1, 2011, Ayudhya Capital Services Company Limited ("AYCAP"), has additionally invested in Tesco Card Services Limited ("TCS") by 1%, resulting in total holding at 50%.

- 1.8 General Card Services Limited, incorporated in Thailand since January 24, 1995 and located at 87/1, Capital Tower, All Seasons Place, Fl 1-6 and 8, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.9 Krungsriayudhya Card Company Limited, incorporated in Thailand since August 29, 1996 and located at 87/1, Capital Tower, All Seasons Place, Fl 1-6 and 8-11, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.

The subsidiary was owned by Bank of Ayudhya Public Company Limited and Ayudhya Capital Services Company Limited equally, with 49.99% shareholding each. The entity changed its status from being an associated company to a subsidiary as a result of the acquisition by Ayudhya Capital Services Company Limited on November 5, 2009.

On September 29, 2010, the Bank purchased shares of Krungsriayudhya Card Company Limited from Ayudhya Capital Services Company Limited and revised its shareholding structure in Krungsriayudhya Card Company Limited from direct and indirect holding of 99.99% to direct holding of 99.99%.

- 1.10 Siam Realty and Services Company Limited, incorporated in Thailand since June 20, 1988, and located at 1222 Rama III Road, Bang Pongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is car leasing and personnel services.
- 1.11 Total Services Solutions Public Company Limited, incorporated as a public company limited in Thailand since May 19, 1997 and located at 87/1, Capital Tower, and 87/2, CRC Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is providing collection services.
- 1.12 Krungsri Asset Management Company Limited (formerly Ayudhya Fund Management Company Limited), incorporated in Thailand since December 19, 1996 and located at 898 Ploenchit Tower Building, Fl 11 and Fl 12, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is mutual funds and individual private fund management.
- 1.13 Krungsri Ayudhya AMC Limited (formerly Ayudhya Asset Management Company Limited), incorporated in Thailand since August 18, 2000 and located at 1222 Rama III Road, Bang Pongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is to develop, manage and sell assets transferred from financial institutions.

On July 21, 2011, Ayudhya Asset Management Company Limited has registered to change the Company name in English from Ayudhya Asset Management Company Limited to Krungsri Ayudhya AMC Limited.

- 1.14 Krungsri Securities Public Company Limited (formerly Ayudhya Securities Public Company Limited), incorporated in Thailand since April 16, 2004, and located at 550 Bank of Ayudhya Building Ploenchit Office, Fl 5, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is securities.
- 1.15 Ayudhya Factoring Company Limited, incorporated in Thailand since February 1, 2007 and located at 550 Bank of Ayudhya Building Ploenchit Office, Fl 3, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is factoring.
- 1.16 Krungsri Life Assurance Broker Company Limited (Formerly Quality Life Assurance Broker Company Limited), which was previously 24.99% held by Ayudhya Capital Services Company Limited, the Bank's subsidiary, incorporated in Thailand since March 2, 2007 and located at 87/1, Capital Tower, All Seasons Place, Fl 11, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is life assurance broker business. Then, on October 21, 2010, Ayudhya Capital Services Company Limited purchased shares of Quality Life Assurance Broker Company Limited and revised its shareholding structure in Quality Life Assurance Broker Company Limited to holding of 99.99%.

- 1.17 Krungsri General Insurance Broker Company Limited (Formerly Quality General Insurance Broker Company Limited), which was previously 24.99% held by Ayudhya Capital Services Company Limited, the Bank's subsidiary, incorporated in Thailand since March 2, 2007 and located at 87/1, Capital Tower, All Seasons Place, Fl 11, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is general insurance broker business. Then, on October 21, 2010, Ayudhya Capital Services Company Limited purchased shares of Quality General Insurance Broker Company Limited and revised its shareholding structure in Quality General Insurance Broker Company Limited to holding of 99.99%.

During 2011, the Bank has one subsidiary which was dissolved as follows:

- 1.18 Ayudhya Capital Lease Company Limited, incorporated in Thailand since December 27, 2006 and located at 898 Ploenchit Tower Building, Fl 16, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business was auto leasing.

On December 5, 2008, the subsidiary transferred its entire business to Ayudhya Capital Auto Lease Public Company Limited and an extraordinary shareholders' meeting of the subsidiary approved a resolution to liquidate the subsidiary on December 17, 2008, with an effective date on December 26, 2008. The subsidiary was dissolved on December 13, 2011.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS

- 2.1 The consolidated and the Bank's financial statements have been prepared in accordance with the regulation of the Stock Exchange of Thailand dated January 22, 2001, regarding the Preparation and Filing of Financial Statements and Reports on Financial Status and Results of Operations of Listed Companies, B.E. 2544, where the form of financial statements is based on Thai Accounting Standard No. 1 (Revised 2009) "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 3, 2010. The financial statements for the year ended December 31, 2010, presented for comparison, have been reclassified accordingly (see Note 8.36).

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The Bank prepares its statutory financial statements in the Thai language in conformity with Thai accounting standards and Notifications noted above. The accompanying financial statements and disclosures are prepared in accordance with accounting principles and practices generally accepted in Thailand. However, for the convenience of readers, the Bank also prepares its financial statements in English, by translating from the Thai version.

Financial Reporting Standards announced but not effective in 2011

The Federation of Accounting Professions has issued the Notifications regarding the Thai Financial Reporting Standards, which are effective for the accounting periods beginning on or after January 1, 2013 onwards. The Thai Accounting Standards and Thai Financial Reporting Standards which are related to the Bank and subsidiaries are as follows:

TAS

TAS 12 (Revised 2009) Income Taxes

TAS 21 (Revised 2009) The Effects of Changes in Foreign Exchange Rates

TFRI

TFRI 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

TFRI 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Bank and subsidiaries had early adopted TAS 12 Income Taxes and relevant TFRI 21 and 25 in 2009 and 2010. For TAS 21, the Bank and subsidiaries' managements are still evaluating the first-year impact on the financial statements.

- 2.2 The consolidated financial statements included the accounts of the head office and all branches of the Bank and its subsidiaries in which the Bank has controlled or invested over 50% of their voting rights. These subsidiaries are as follows:

	Business Type	Percentage of Holdings As at December 31,	
		2011	2010
Subsidiaries			
Ayudhya Development Leasing Company Limited	Leasing and hire-purchase	99.99	99.99
Ayudhya Auto Lease Public Company Limited ⁽¹⁾	Hire-purchase	99.79	99.79
Ayudhya Capital Lease Company Limited ⁽²⁾	Hire-purchase	-	99.99
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	99.99	99.99
Ayudhya Total Solutions Public Company Limited	Hire-purchase	99.81	99.81
CFG Services Company Limited	Hire-purchase and motorcycle loans	99.99	99.99
Ayudhya Card Services Company Limited	Credit cards and personal loans	99.99	99.99
Ayudhya Capital Services Company Limited	Credit cards and personal loans	99.99	99.99
General Card Services Limited	Credit cards and personal loans	99.99	99.99
Krungsriayudhya Card Company Limited	Credit cards and personal loans	99.99	99.99
Siam Realty and Services Company Limited	Car leasing and personnel services	99.99	99.99
Total Service Solutions Public Company Limited	Collection services	99.99	99.99
Krungsri Asset Management Company Limited (Formerly Ayudhya Fund Management Company Limited)	Fund management	76.59	76.59
Krungsri Ayudhya AMC Limited (Formerly Ayudhya Asset Management Company Limited)	Asset management	99.99	99.99
Krungsri Securities Public Company Limited (Formerly Ayudhya Securities Public Company Limited)	Securities	88.13	86.33
Ayudhya Factoring Company Limited	Factoring	99.99	99.99
Krungsri Life Assurance Broker Company Limited ⁽³⁾ (Formerly Quality Life Assurance Broker Company Limited)	Life assurance broker	99.99	99.99
Krungsri General Insurance Broker Company Limited ⁽³⁾ (Formerly Quality General Insurance Broker Company Limited)	General insurance broker	99.99	99.99

⁽¹⁾Subsidiary is under the liquidation process

⁽²⁾Subsidiary registered the completion of liquidation in 2011

⁽³⁾Indirectly holding via Ayudhya Capital Services Company Limited of 99.99%

All material intercompany transactions and balances have been eliminated.

- 2.3 The consolidated financial statements for the years ended December 31, 2011 and 2010, included financial statements of certain subsidiaries, prepared by subsidiaries' managements, which have not been audited by the auditors as follows:

	Unit: Million Baht Net Profit
For the year ended December 31, 2011	
Ayudhya Auto Lease Public Company Limited ⁽¹⁾	16
For the year ended December 31, 2010	
Ayudhya Capital Lease Company Limited ⁽²⁾	13

⁽¹⁾ Subsidiary is under the liquidation process.

⁽²⁾ Subsidiary registered the completion of liquidation in 2011.

3. ADOPTION OF NEW AND REVISED THAI FINANCIAL REPORTING STANDARDS

Since January 1, 2011, the Bank and its subsidiaries have adopted the new and revised Thai Financial Reporting Standards (TFRS) issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2011 onwards, in the preparation of financial statements. Such TFRS have no significant impact on the Bank, its subsidiaries and associates' financial statements except for the following TFRS:

3.1 TAS 1 (Revised 2009) "Presentation of Financial Statements"

TAS 1 (Revised 2009) "Presentation of Financial Statements" changed requirements about the presentation in the financial statements. Therefore, it affected the reclassifications in the consolidated and the Bank's financial statements for the year ended December 31, 2010, presented for comparison.

3.2 TAS 19 "Employee Benefits"

The accounting policy of the following employment benefits has been adopted in order to comply with TAS 19 (See Note 5.12). The Bank and its subsidiaries elected to recognize past service costs by adjusting the beginning retained earnings as at January 1, 2011, to be in compliance with the transitional provision of such accounting standard and the Bank and its subsidiaries adjusted cumulative benefit from carried forward leave with the beginning retained earnings as at January 1, 2011.

Effects of the adoption of the accounting policy on the financial statements as at January 1, 2011 are as follows:

	Unit : Million Baht	
	CONSOLIDATED FINANCIAL STATEMENTS 2011	THE BANK'S FINANCIAL STATEMENTS 2011
Retained earnings - Unappropriated		
Beginning balance as at January 1 before change in accounting policy	18,211	11,180
Increase in investment in associates	1	-
Increase in deferred tax assets	758	658
Decrease in non-controlling interest	4	-
Increase in provision	(2,550)	(2,193)
Beginning balance as at January 1 after change in accounting policy	<u>16,424</u>	<u>9,645</u>
Investment in associates		
Beginning balance as at January 1 before change in accounting policy	729	-
Increase in investment in associates	<u>1</u>	<u>-</u>
Beginning balance as at January 1 after change in accounting policy	<u>730</u>	<u>-</u>
Deferred tax assets		
Beginning balance as at January 1 before change in accounting policy	7,586	3,190
Increase in deferred tax assets	<u>758</u>	<u>658</u>
Beginning balance as at January 1 after change in accounting policy	<u>8,344</u>	<u>3,848</u>
Provision		
Beginning balance as at January 1 before change in accounting policy	-	-
Increase in provision	<u>2,550</u>	<u>2,193</u>
Beginning balance as at January 1 after change in accounting policy	<u>2,550</u>	<u>2,193</u>
Non-controlling interest		
Beginning balance as at January 1 before change in accounting policy	189	-
Decrease in non-controlling interest	<u>(4)</u>	<u>-</u>
Beginning balance as at January 1 after change in accounting policy	<u>185</u>	<u>-</u>

3.3 TAS 16 “Property, Plant and Equipment”

The Bank had adopted TAS 16 “Property, Plant and Equipment” for the amortization of premises revaluation surplus from gradually recognizing in the statement of comprehensive income to recognizing directly to retained earnings. As a result, the Bank’s operating income before income tax for the year ended December 31, 2011 decreased by Baht 253 million.

4. CHANGES IN ACCOUNTING ESTIMATES

Re-measurement of deferred tax assets/liabilities due to the change in corporate income tax rate

On October 11, 2011, the Thai Cabinet approved a reduction of the corporate income tax rate from 30% to 23% of profits for companies or juristic partnerships with a 2012 accounting period ending on or after December 31, 2012, and from 23% to 20% for companies or juristic partnerships with the accounting period beginning on or after January 1, 2013. Subsequently, the Royal Decree No.530 B.E.2554, issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 22, 2011, was announced for the reduction of the corporate income tax rate for only 3 consecutive accounting periods beginning on or after January 1, 2012.

Based on the aforementioned information and the guideline of the Federation of Accounting Professions (“FAP”), the Bank assumes that the related tax law will be amended in order that the corporate income tax rate for the accounting period beginning on or after January 1, 2015 will not be over 20% to comply with the Cabinet’s Resolution regarding corporate income tax rate reduction. As a result, the Bank uses the tax rate as approved by the Cabinet in order to re-measure deferred tax assets/ liabilities.

The effects of this change in the corporate tax rate on the consolidated and the Bank’s financial statements as at December 31, 2011 are as follows:

	Unit : Million Baht	
	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK’S FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION		
AS AT DECEMBER 31, 2011		
Decrease in deferred tax assets	(2,488)	(1,140)
Decrease in deferred tax liabilities	(1,033)	(705)
Decrease in total equity	(1,455)	(435)
STATEMENTS OF COMPREHENSIVE INCOME		
FOR THE YEAR ENDED DECEMBER 31, 2011		
Increase in share of profit from investment for using equity method	33	-
Increase in income tax expenses	2,085	1,096
Decrease in net profit	(2,118)	(1,096)
Increase in income tax relating to components of other comprehensive income	655	663
Decrease in total comprehensive income	(1,463)	(433)

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

In the Bank's statement of cash flows, cash and cash equivalents consist of cash on hand and cash on collection of the Bank, in accordance with the Bank of Thailand's Notification regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 3, 2010.

In the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents of the Bank and cash on hand, deposits at banks except for fixed deposits which terms are greater than 3 months and deposits at banks used as collaterals, and investments with maturities of 3 months or less of subsidiaries.

5.2 Investments

The Bank and subsidiaries' investments which consist of debt securities and equity securities are classified as either trading securities, available-for-sale securities, held-to-maturity securities or general investments.

In addition, the Bank complies with the BOT's Notification dated December 3, 2010 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry, requiring commercial banks to present the investments as investments, net and investments in subsidiaries and associates companies, net.

Investments are initially recognized on the trade date.

Trading securities represent securities acquired with the intent to hold short-term as management acquires those securities with the intent to take advantage of anticipated changes in market values. Trading securities are carried at fair value. Realized gains or losses from the sales of trading securities and unrealized gain or losses on the changes in fair value are recognized as gains (losses) on tradings and foreign exchange transactions in statements of comprehensive income. Interest earned and dividend on trading securities are recognized using the accrual basis of accounting as interest income and other operating income, respectively.

Debt securities which the Bank and subsidiaries have the intent and ability to hold until maturity are classified as held-to-maturity and carried at the amortized cost, net of valuation allowances for impairment, if any. Valuation allowances are established to recognize an unrealized loss in the statement of comprehensive income when impairment is determined by management. In addition, the Bank classifies the rights of the Bank over the non-negotiable promissory notes, which are availed by the Financial Institutions Development Fund (FIDF) issued by the Thai Asset Management Corporation (TAMC) under the Asset Transfer Agreement for transfer of sub-quality assets, as investment in the category of debt securities held-to-maturity.

Debt and equity securities with readily determinable market values that are not classified as either trading securities or held-to-maturity securities are classified as available-for-sale securities. The unrealized gains or losses related to available-for-sale securities are reported as other comprehensive income in equity until permanent decline in value occurred or realized upon the sale or disposition of such securities. Loss on impairment and gain or loss on disposal are recognized in the statements of comprehensive income.

Non-marketable equity securities and marketable equity securities acquired from troubled debt restructuring are classified as general investments and carried at cost, net of valuation allowances for impairment, if any. Valuation allowances are established to recognize an unrealized loss in the statements of comprehensive income when impairment is determined by management.

Foreign sector debt securities include investments in Collateralized Debt Obligations and Structured Deposits which are classified as securities for trading and carried at fair value. Gain or loss on the changes in fair value are recognized as gains (losses) on tradings and foreign exchange transactions.

Premiums and discounts are amortized and accreted into income as adjustments to interest income using the effective interest rate method.

In the consolidated financial statements, investments in associated companies are accounted for by the equity method. In the Bank's financial statements, investments in subsidiaries and associated companies are accounted for by the cost method.

When an investment is assessed as being impaired, the amount of impairment is recognized as expense in the statements of comprehensive income.

Fair value or market value of securities is calculated on the following basis:

1. For Government bonds and state enterprise bonds, the fair values of these securities are estimated by using the BOT's formula, based on The Thai Bond Market Association's Yield Curve at the reporting date.
2. For private sector debt and equity securities which are listed securities and securities in The Thai Bond Market Association, market values are estimated using the bidding prices at The Stock Exchange of Thailand and The Thai Bond Market Association at the reporting date.
3. For private sector debt securities which are non-listed securities, the last closing prices of The Thai Bond Market Association are used to estimate fair value. In the absence of such prices, fair value is estimated by applying the aforementioned risk adjusted yield curve, in accordance with the criteria established by the BOT.

4. For foreign sector debt securities, market values are estimated using the average prices calculated by arrangers at the reporting date.
5. The fair value of unit trusts is estimated based on the net asset value at the reporting date.

Equity securities which are non-listed securities are stated at cost, except in the case where a permanent decline in value is deemed to have occurred with the loss charged to the statements of comprehensive income.

Cost of securities sold during the year is computed by using the weighted average method. Realized gain or loss from sales of debt and equity securities are included in the statements of comprehensive income.

5.3 Loans to customers

Overdrafts are stated at the drawn amounts including interest.

Hire-purchase receivable and finance lease receivable are carried at contract amount plus prepaid commission expense.

Other loans are stated at the principal amounts.

Unearned discount from notes, unearned interest income and deferred subsidy income are presented in deferred revenue.

5.4 Allowance for doubtful accounts

Allowance for doubtful accounts is determined through methods in accordance with the Bank of Thailand's regulations. The Bank and its subsidiaries categorize their loan portfolio into six categories and determine 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 the BOT's 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 from disposal of the collateralized assets which excludes collateral in the form of machinery. With the exception of a subsidiary that carries out a leasing business, the reserve calculation is determined by including the value of machinery as collateral. In addition, the Bank and subsidiaries estimate an additional allowance for doubtful debts over the minimum percentage as specified in the BOT's guidelines.

Subsidiaries involved in hire-purchase businesses, with qualified portfolios under the BOT regulations, calculate allowance for doubtful accounts by using the collective approach which classifies a group of loans having similar credit risk characteristics based on the historical loss experience of each loan category.

Subsidiaries involved in the securities business provide an allowance for doubtful debts based on a review of the debtor's ability to make repayment, taking into consideration recovery risk and the value of the collateral. Such debt classifications and provisions are made in accordance with the guidelines of the Securities and Exchange Commission regarding "Accounting policies on Securities Companies' Substandard Account Receivable", and consideration of other relevant factors.

Loans to customers are written-off in the year that they are determined to be irrecoverable. Bad debts written-off during the year are recorded as a deduction from the allowance for doubtful accounts. Bad debt and doubtful accounts are shown as expenses in the statements of comprehensive income.

Bad debts recovered are recorded as income in the statements of comprehensive income when received.

5.5 Troubled debt restructuring

Losses on troubled debt restructurings resulting from the reduction of principal and accrued interest and other modifications of terms, asset transfers, equity securities transfers, etc. are recognized as expenses in the statements of comprehensive income.

For troubled debt restructurings with a modification of terms, the Bank has applied the BOT's criteria requiring the Bank to choose between the collateral method to estimate a loss amount or the net present value method which represents expected future cash flows by applying the discounted market interest rate on the restructuring date. Losses from such debt restructurings are recognized in the statements of comprehensive income.

The Bank has recalculated the fair value of restructured debts based on the aforementioned discount interest rate as of the date of the monthly financial statements and adjusted the valuation on debt restructured for any change, in accordance with the BOT's criteria. The valuation adjustment on restructured debt shall not cause the book value of restructured debt to exceed the investment value on restructured debt.

Restructured debt with assets or equity securities transferred for debt repayment either in whole or in part are recorded at the fair value, net of estimated selling expenses, not to exceed the investment value on such debt and the right-to-claim interest income.

For investments in receivables subsequently restructured, the Bank has calculated the fair value of restructured debt as of the restructuring date and recognized the difference between book value and fair value in the statements of comprehensive income for the period and classified investments in receivables as loans in accordance with the BOT's criteria.

5.6 Properties for sale

Properties for sale consist of immovable and movable properties which are recorded at the lower of net investment in the loan plus accrued interest (including previously unrecognized contractual interest) or fair value of the property as of the date of foreclosure.

According to the BOT's guideline Phor.Nor.Sor.(21)Wor.2470/2009 dated December 9, 2009 regarding the guideline for financial institution appraisal of collateral and properties foreclosed from debt repayment, the Bank complied with this guideline by having properties for sale with book value not over Baht 50 million appraised by the Bank's appraisers and those over Baht 50 million appraised by independent appraisers.

The Bank and subsidiaries provided the allowance for impairment of properties for sale as disclosed in note 7.3.

Losses on impairment of properties for sale are shown as an expense in the statements of comprehensive income.

Gains or losses on the disposal of such properties are realized upon disposition of the underlying asset and are included in other operating income in the statements of comprehensive income.

5.7 Property, premises and equipment

Land is stated at the appraised value. Premises are stated at the appraised value less accumulated depreciation. Equipment is stated at cost less accumulated depreciation.

Revaluation of assets

Land and premises have been revalued by independent appraisers based on the market value for land and depreciated replacement cost for premises. For the portion of land and premises which have been revalued, the increments above the previous appraisal are recorded in land revaluation surplus and premises revaluation surplus accounts. In case of a revaluation decrease, the decline in value is deducted from such revaluation surplus to the extent that the new value is above original cost and recognized in the statements of comprehensive income for the decrease in value below original cost.

Suite units in condominiums used as branch offices have been revalued by independent appraisers in accordance with the BOT's guidelines using depreciated replacement cost. The Bank has recorded the increment per appraisal of premises as revaluation surplus. Any revaluation decrease in excess of the original cost is recorded by deducting from the revaluation surplus.

During the Bank's uses of the revaluation assets, the revaluation surplus will be gradually transferred directly to retain earnings equal to the difference between the depreciation calculated from book value of the revalued assets and the depreciation calculated from the original cost of such assets. All balance of outstanding revaluation surplus will be transferred to retained earnings when the Bank writes off such assets from the financial statements.

Leased assets

Leases under which the Bank and its subsidiaries assume substantially all the risk and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalized at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statements of comprehensive income.

Depreciation

Depreciation of premises and equipment (included revaluation) is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Premises	20 - 50 years
Equipment	3 - 5 years

5.8 Goodwill in a business combination

Goodwill in a business combination represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets acquired as at the date of acquisition.

Negative goodwill arising on business acquisition represents the excess the acquirer's interest in the fair value of the identifiable net asset acquired over the cost of acquisition.

Other costs directly attributable to the business combination are recorded as acquisition costs.

In the consolidated financial statements, the Bank recognizes goodwill in a business combination as an asset recorded as of the acquisition date. Negative goodwill is recognized as income in the statements of comprehensive income.

Goodwill is stated at cost less allowance for impairment (if any).

5.9 Intangible assets

Intangible assets with indefinite useful lives are stated at cost less allowance for impairment (if any). Intangible assets with finite useful lives are stated at cost less accumulated amortization and allowance for impairment.

Amortization

Software amortization is calculated by the straight-line method over the expected future economic benefit period between 5 - 10 years.

Amortization of other intangible assets received from business combinations such as information of customer relationship, dealer relationship and distribution network, are calculated by the projected cash flow over the expected future economic benefit period between 8 - 20 years.

Amortization incurred is recognized as other operating expense in the statements of comprehensive income.

5.10 Recognition of income

Interest income from loan to customers and other income are recognized on an accrual basis.

Interest income from investment in debt securities and investment in loans are recognized by the effective interest rate method.

The Bank and its subsidiaries are required by the BOT to stop accruing interest income for debtors more than three months past due and reverse this accrued interest income from interest income. Thereafter, interest income from these debtors shall be recognized on a cash basis.

The asset management subsidiary recognizes interest income from investment in receivable and loans by using the market interest rate plus a risk premium that represent the discounted rate in calculating present value of future cash flows expected to be collected from receivables, except for certain receivables being doubtful of collection where the subsidiary recognizes interest income from such investments in receivable and loans on a cash basis.

The hire-purchase business subsidiaries recognize income for new finance leases and hire-purchase contracts since January 1, 2008, by the effective interest rate method whereas, for contracts originated before January 1, 2008, income is recognized on the sum-of-the-digits method, except for some subsidiaries where income has been recognized by the effective interest rate method from its inception.

5.11 Recognition of expenses

Expenses, included interest expense are recognized on an accrual basis.

5.12 Employee benefits

The Bank and subsidiaries have 3 types of employee benefits as follows:

5.12.1 Provident funds

The Bank established the provident fund under the Provident Fund Act (B.E. 2530). The fund is managed by a financial institution which is an authorized fund manager. The Bank and employees will contribute at the following rates:

Every employee is required to make contribution at the rate of not less than 3% of salary but not more than the Bank's contribution.

The Bank will contribute as follows:

Service periods	Contribute rate (%)
Less than 5 years	5
5 years but less than 10 years	6
10 years but less than 20 years	8
Over 20 years	10

The contributions to the provident fund made by the Bank are recorded as expenses in the statements of comprehensive income.

5.12.2 Post-employment benefit obligations

- Pension plan

The employees who were hired prior to January 1, 1998 and have completed at least 10 continuous service years are eligible to receive a pension payment when they leave the bank. On January 1, 1998, the Bank established the provident fund for its employees to replace the pension plan. After the establishment of the provident fund, the amount due to a departing employee shall first be disbursed from the provident fund. If the estimated contributions made by the Bank and interest thereon are less than the pension receivable under the pension plan, the Bank will pay such difference by disbursing from the pension fund.

- Legal severance payment plan

All employees will receive severance payment upon retirement in accordance with the Labor Protection Act.

The obligations of these plans are considered as unfunded defined benefit obligations and are separately measured by an actuary using the projected unit credit cost method to determine the present value of cash flows of employee benefit to be paid in the future. Under this method, the obligation is based on an actuarial calculation including the employee's expected salary, business turnover rate, salary increase rate, mortality rate, discount rate, years of services and other factors.

The expenses for the defined benefit plan are recognized as personnel expenses in the statement of comprehensive income.

Actuarial gains (losses) are recognized in other comprehensive income.

The Bank and its subsidiaries elected to recognize past service costs by adjusting the retained earnings as at January 1, 2011, to be in compliance with the transitional provision of accounting standard.

5.12.3 Benefit from carried forward leave

The benefit from cumulative carried forward leave is recognized as a liability in the statement of financial position and personnel expenses in the statement of comprehensive income when the employees render the service. The Bank and its subsidiaries adjusted cumulative benefit with the retained earnings as at January 1, 2011.

5.13 Contributions to the Deposit Protection Agency

Contributions to the Deposit Protection Agency are recognized on an accrual basis as expenses in the statements of comprehensive income.

5.14 Taxation

Income tax expenses (income) represent the sum of the tax currently payable and deferred tax.

5.14.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

5.14.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the reporting date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the asset to be recovered. The Bank and subsidiaries do not recognize deferred tax assets and liabilities for the goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Bank and subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

Income tax expenses or income related to profit or loss are presented in the statement of comprehensive income. For current income taxes and deferred taxes related to items recognized directly in other comprehensive income in equity in the same or different period, they will be recognized directly in other comprehensive income.

5.15 Earnings per share

Basic earnings per share are calculated by dividing net income by the number of weighted-average ordinary shares outstanding during the year.

5.16 Foreign currency transactions

Transactions during the year denominated in foreign currencies are translated into Baht at the rates of exchange on the transaction dates. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into Baht at the exchange rates announced by the Bank of Thailand on that date.

All foreign exchange gains or losses are recognized as income or expenses in gains (losses) on tradings and foreign exchange transactions, net in the statements of comprehensive income.

5.17 Translation of the financial statements of the foreign branches

The financial statements of foreign branches are translated into Baht using the reference exchange rates established by the BOT at the reporting date for the translation of foreign monetary items, the historical exchange rates for the translation of foreign non-monetary items and the average exchange rates for the translation of transactions in the statements of comprehensive income. Differences in exchange rates from the translation of the financial statements of foreign branches are recognized as gain or losses on foreign exchange in the statements of comprehensive income.

5.18 Derivatives

The Bank and its subsidiaries have recognized derivatives transactions as follows:

1. Derivatives for trading are recorded at fair value and profit or loss from the price appraisal is recognized as income or expense in the statements of comprehensive income.
2. Derivatives for hedging of transactions are recognized on the accrual basis with the income or expense recognized based on the accrual basis in line with the underlying transactions.

Hybrid Instruments

Hybrid instruments are recorded following the Bank of Thailand's notifications No. Sor Nor Sor. 09/2551 dated August 3, 2008 and Sor Nor Sor. 2/2554 dated May 31, 2011 for Structured Products and Collateralized Debt Obligation Instruments which mandate that the Bank should early adopt International Accounting Standard No.39 (IAS 39) to record an embedded derivative separately from the host contract and carry the embedded derivative at fair value, if and only if:

1. The economic characteristics and risks of the host contract and the embedded derivative are not closely related;
2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and;
3. The hybrid instruments are not recognized at fair value through the statements of comprehensive income.

The hybrid instrument shall be recorded by including the embedded derivative if not in compliance with the aforementioned condition. However, in case the reliable fair value of an embedded derivative is not determined, the hybrid instrument will be recorded as a financial instrument by adjusting its fair value through the statement of comprehensive income.

6. RISK MANAGEMENT

6.1 Information of risk of the Bank

The Bank is a party to financial instruments both on-statement of financial position and off-statement of financial position in the normal course of business to meet the financing needs of its customers for investment purposes and to reduce its own exposure to fluctuations in foreign exchange rates and interest rates. For off-statement of financial position financial instruments, they include commitments to extend credit, standby letters of credit, financial guarantees, interest rate swap and forward foreign exchange contracts. Those instruments involve, to varying degrees, elements of credit, interest rate and foreign exchange risk in excess of the amount recognized in the financial statements. The contract or notional amounts of those instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The new derivative products require an approval from the Board of Directors. Limit breach reporting, operating processes and risk control are included under the Derivatives Product Program.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has adopted the policy of dealing with counterparties and obtaining sufficient collateral or other security where appropriate, as a mean of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statement of financial position, net of a portion of allowance for doubtful accounts (see Note 8.7), represents the Bank's maximum exposure to credit risk.

The Bank considers that there is no significant concentration of credit risk due to a large number of customers and counterparties in different industries.

Credit risk also arises from the possibility that the counterparty to off-statement of financial position financial instruments will not adhere to the terms of the contract with the Bank when settlement becomes due.

The Bank's exposure to credit loss in the event of non-performance by the other party to the off-statement of financial position financial instrument for commitments to extend credit, standby letters of credit, and financial guarantees written is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-financial statement financial instruments. For interest rate swap and forward foreign exchange contracts, the contract or notional amounts do not represent exposure to credit loss. The Bank controls the credit risk of its financial instruments through prudent credit approvals, limits, and strict monitoring procedures.

Interest rate risk

Interest rate risk refers to the risk arising from change in interest rates that have an adverse effect on the net interest earnings and shareholders' equity. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and contingencies, and from mismatch in repricing rates of its assets, liabilities and contingencies.

Interest rate risk management is under the Assets and Liabilities Committee supervision (ALCO) who sets guidelines for managing assets and liabilities, together with monitoring and controlling interest rate risk to ensure that it is at an appropriate level and in line with the policy as approved by the Board of Directors.

The Bank employs various tools and approaches for its interest rate risk management. Net interest income simulation is applied to assess the impact on banking book position and Value-at-Risk tool is used for the trading book position to predict the Bank's maximum loss.

Foreign exchange rate risk

Foreign exchange risk refers to the loss affecting income and/or shareholders' equity from exchange rate fluctuations that affect foreign currency transactions and foreign currency assets and liabilities.

The Bank has a policy to cap its net foreign currency position. Most foreign currency transactions are mainly from services provided to the Bank's customers. In addition, The Bank enters into forward foreign exchange contracts as part of its risk management strategy of the foreign exchange risk arising from the Bank underlying assets and liabilities and hedges that risk from customers' transactions. The utilization of forward foreign exchange contracts for these purposes is governed by policies and guidelines approved by the Board of Directors and controlling procedures set by the relevant departments and Committees.

The Board of Directors is in charge of setting the limits for each specific currency under an acceptable risk level while the ALCO ensures that the limits remain within the specified amount. The Bank monitors the risk level under the specified limits using the Value-at-Risk Method as the tool to manage the exchange rate risk and prepares a daily report for the Bank's top officers in related Groups.

Equity price risk

Price risk refers to the loss affecting income and/or shareholders' equity from a movement in equity price.

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. In managing equity position risk which is held, according to initial intention, as long-term, the Bank monitors and reports the equity price risk and ensure that the level of capital fund is appropriate and sufficient to absorb losses arising from positions.

The Board of Directors sets the total limit at an acceptable risk level and revises it annually. The Bank monitors the level of risk under the specified risk limits using the Value-at-Risk Method to manage the equity price risk and prepares a daily report for the Bank's top officers in related Groups.

Liquidity risk

Liquidity risk means risk resulting from failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund, or, if it can, that the fund comes with an exceptionally high cost that may affect incomes and capital fund now and in the future.

The Bank maintains excess liquidity cushion at a level commensurated with the economic situation. The Bank seeks to ensure that there is adequate cash for its business and its subsidiaries' business operations. Liquidity management utilizes qualitative and quantitative approaches to ensure appropriate risk diversification. The structure and behavior of customers' deposits/withdrawals and competitive situation are considered in order to ensure efficient alignment with the cash flow demand for each time period and at an appropriate cost level.

The Bank uses tools to manage liquidity risk such as the liquidity gap analysis including behavioural adjustment, and liquidity ratio analysis. This task is done in addition to the requirement to maintain liquid assets according to the Bank of Thailand's requirements.

In addition, the Bank establishes liquidity cushion and adjusts the strategies to deal with the Deposit Insurance Act in order to buttress liquidity management tools and customer savings alternatives by the continuous issuance of bills of exchange and debentures within the limits approved by the Bank's Board of Directors.

6.2 Assets and liabilities classified by maturity of interest repricing

The Bank and its subsidiaries have summarized financial assets and liabilities classified by maturity of interest repricing periods as at December 31, 2011 and 2010, as follows :

							Unit : Million Baht
CONSOLIDATED FINANCIAL STATEMENTS							
2011							
	Greater than 0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	71,366	-	-	-	-	10,452	81,818
Investments, net	15,975	31,963	23,770	2,154	-	7,342	81,204
Loans to customers	442,472	69,310	126,436	6,614	29,536	77,037	751,405
Financial liabilities							
Deposits	370,958	147,880	21,385	-	-	20,317	560,540
Interbank and money market Items, net	14,861	5,934	1,122	13	-	1,811	23,741
Debt issued and borrowings	106,116	53,743	28,356	20,044	-	4	208,263

							Unit : Million Baht
CONSOLIDATED FINANCIAL STATEMENTS							
2010							
	Greater than 0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items , net	62,392	-	-	-	-	12,135	74,527
Investments, net	12,109	19,006	41,831	1,158	-	4,256	78,360
Loans to customer	413,331	84,482	69,865	3,706	38,149	65,063	674,596
Financial liabilities							
Deposits	362,794	140,467	55,042	-	-	18,176	576,479
Interbank and money market Items, net	37,775	2,464	1,108	67	-	2,348	43,762
Debt issue and borrowings	23,175	26,950	29,219	20,011	-	10	99,365

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2011							
	0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	71,005	-	-	-	-	9,514	80,519
Investments, net	15,122	32,354	23,730	2,152	-	7,324	80,682
Loans to customers	470,205	56,751	90,771	4,611	18,931	-	641,269
Financial liabilities							
Deposits	374,596	147,881	21,385	-	-	20,317	564,179
Interbank and money market Items, net	13,893	6,099	1,820	13	-	1,821	23,646
Debt issued and borrowings	94,726	45,473	11,798	20,044	-	4	172,045

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2010							
	0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	61,456	-	-	-	-	11,521	72,977
Investments, net	9,069	18,694	41,578	1,131	-	7,017	77,489
Loans to customers	433,131	71,704	56,688	2,296	23,175	-	586,994
Financial liabilities							
Deposits	366,238	140,467	55,042	-	-	19,494	581,241
Interbank and money market Items, net	32,843	605	1,901	67	-	2,371	37,787
Debt issued and borrowings	25,975	26,950	9,919	20,011	-	10	82,865

6.3 Interest bearing financial instruments

The following table presents the Bank's average outstanding balances and interest amounts of interest bearing financial instruments for the years ended December 31, 2011 and 2010, are as follows:

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Average Balance (12 months)	2011 Interest Amount	Average Rate %	Average Balance (12 months)	2010 Interest Amount	Average Rate %
Interest bearing financial assets						
Interbank and money market items	98,445	3,095	3.1	71,395	1,145	1.6
Investments	64,094	2,025	3.1	62,280	1,690	2.7
Loans to customers	638,434	51,307	8.0	606,724	44,440	7.3
Total	<u>800,973</u>	<u>56,427</u>		<u>740,399</u>	<u>47,275</u>	
Interest bearing financial liabilities						
Deposits	555,708	11,192	2.0	536,449	7,790	1.5
Interbank and money market items	29,193	1,631	5.6	13,300	718	5.4
Debt issued and borrowings	164,310	6,140	3.7	115,275	4,139	3.6
Total	<u>749,211</u>	<u>18,963</u>		<u>665,024</u>	<u>12,647</u>	
THE BANK'S FINANCIAL STATEMENTS						
	Average Balance (12 months)	2011 Interest Amount	Average Rate %	Average Balance (12 months)	2010 Interest Amount	Average Rate %
Interest bearing financial assets						
Interbank and money market items	97,127	3,089	3.2	71,300	1,130	1.6
Investments	62,596	2,004	3.2	61,463	1,647	2.7
Loans to customers	606,048	32,306	5.3	564,281	26,266	4.7
Total	<u>765,771</u>	<u>37,399</u>		<u>697,044</u>	<u>29,043</u>	
Interest bearing financial liabilities						
Deposits	557,601	11,235	2.0	541,211	7,739	1.4
Interbank and money market items	44,591	1,508	3.4	42,957	650	1.5
Debt issued and borrowings	144,360	5,234	3.6	88,605	3,570	4.0
Total	<u>746,552</u>	<u>17,977</u>		<u>672,773</u>	<u>11,959</u>	

6.4 Maturities of financial assets and liabilities

The following table presents the Bank and its subsidiaries' maturities of financial assets and liabilities as at December 31, 2011 and 2010, are as follows:

								Unit : Million Baht
CONSOLIDATED FINANCIAL STATEMENTS								
2011								
	Call	0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
Financial assets								
Interbank and money market items, net	10,610	70,685	200	120	-	-	203	81,818
Investments, net	300	2,224	24,827	44,345	2,166	-	7,342	81,204
Loans to customers	6,401	165,074	142,986	246,941	160,467	29,536	-	751,405
Financial liabilities								
Deposits	237,660	153,616	147,855	21,409	-	-	-	560,540
Interbank and money market items, net	3,720	11,942	6,248	1,818	13	-	-	23,741
Debt issued and borrowings	-	106,116	53,744	28,359	20,044	-	-	208,263
								Unit : Million Baht
CONSOLIDATED FINANCIAL STATEMENTS								
2010								
	Call	0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
Financial assets								
Interbank and money market items, net	12,856	61,137	201	119	-	-	214	74,527
Investments, net	-	8,287	21,103	43,541	1,174	-	4,255	78,360
Loans to customers	17,356	153,128	150,810	180,774	134,379	38,149	-	674,596
Financial liabilities								
Deposits	237,593	143,367	140,462	55,057	-	-	-	576,479
Interbank and money market items, net	4,625	34,897	2,115	2,058	67	-	-	43,762
Debt issued and borrowings	-	23,175	26,951	29,228	20,011	-	-	99,365

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
2011								
	Call	0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
Financial assets								
Interbank and money market items, net	9,311	70,685	200	120	-	-	203	80,519
Investments, net	-	2,171	24,718	44,305	2,164	-	7,324	80,682
Loans to customers	35,858	149,582	101,344	179,814	155,740	18,931	-	641,269
Financial liabilities								
Deposits	241,294	153,620	147,856	21,409	-	-	-	564,179
Interbank and money market items, net	4,469	11,245	6,099	1,820	13	-	-	23,646
Debt issued and borrowings	-	94,726	45,474	11,801	20,044	-	-	172,045

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
2010								
	Call	0 - 3 Months	Greater than 3 - 12 Months	Greater than 1 - 5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
Financial assets								
Interbank and money market items, net	11,307	61,136	201	119	-	-	214	72,977
Investments, net	-	5,247	20,791	43,288	1,146	-	7,017	77,489
Loans to customers	16,092	150,837	115,702	148,302	132,886	23,175	-	586,994
Financial liabilities								
Deposits	242,348	143,371	140,462	55,060	-	-	-	581,241
Interbank and money market items, net	5,387	29,227	1,205	1,901	67	-	-	37,787
Debt issued and borrowings	-	25,975	26,951	9,928	20,011	-	-	82,865

6.5 Estimated fair value of financial instruments

The fair value of financial instruments has been estimated by using available market information and appropriate valuation methodologies for each type of financial instrument. A summary of carrying amounts and fair values of financial instruments as at December 31, 2011 and 2010, is as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets :				
Cash	25,165	25,165	22,461	22,461
Interbank and money market items, net	81,818	81,818	74,527	74,527
Derivatives assets	4,834	4,871	4,514	4,902
Investments, net	81,204	81,505	78,360	78,924
Loans to customers and accrued interest receivables, net	690,087	690,087	616,731	616,731
Total	883,108	883,446	796,593	797,545
Financial liabilities:				
Deposits	560,540	556,430	576,479	573,547
Interbank and money market items, net	23,741	23,741	43,762	43,762
Liability payable on demand	1,651	1,651	1,517	1,517
Derivatives liabilities	5,394	5,531	3,978	4,347
Debt issued and borrowings	208,263	201,628	99,365	99,617
Total	799,589	788,981	725,101	722,790

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets :				
Cash	25,140	25,140	22,447	22,447
Interbank and money market items, net	80,519	80,519	72,977	72,977
Derivatives assets	4,834	4,871	4,514	4,902
Investments, net	80,682	80,983	77,489	78,037
Loans to customers and accrued interest receivables, net	623,096	623,096	567,547	567,547
Total	814,271	814,609	744,974	745,910
Financial liabilities:				
Deposits	564,179	560,068	581,241	578,309
Interbank and money market items, net	23,646	23,646	37,787	37,787
Liability payable on demand	1,651	1,651	1,517	1,517
Derivatives liabilities	5,397	5,534	3,978	4,347
Debt issued and borrowings	172,045	166,096	82,865	82,974
Total	766,918	756,995	707,388	704,934

The following methods and assumptions are used in estimating fair value of financial instruments as disclosed herein:

Cash and interbank and money market items (assets)

The carrying amounts of cash and interbank and money market items (assets) presented in the statement of financial position approximate fair value.

Investments, net

The determination of fair value for investments, net, is as disclosed in note 5.2 to the financial statements except for non-listed equity securities which are presented at net book value and listed equity securities acquired from troubled debt restructurings and having an obligation to hold such securities according to debt restructuring agreements which are presented at cost.

Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables include variable interest rate loans, fixed rate loans with relatively short maturities and non-performing loans. Most loans carry a floating interest rate. The fair value approximates the outstanding balance of loans to customers and accrued interest receivables less allowance for doubtful accounts.

Deposits

The carrying amount of deposits presented in the statement of financial position approximates fair value, except for deposits with a term of more than 90 days where the fair value is calculated based on discounted cash flows.

Interbank and money market items (Liabilities)

The carrying amount of interbank and money market items (liabilities) presented in the statement of financial position approximates fair value.

Liabilities payable on demand

The carrying amount of liabilities payable on demand presented in the statement of financial position approximates fair value.

Debt issued and borrowings

The carrying amount of debt issued and borrowings presented in the statement of financial position approximates fair value, except for subordinated and senior securities floating rate notes which fair values are based on the actual market price.

Derivative assets and liabilities

Derivative assets and liabilities mainly comprise forward foreign exchange contracts which derive their value from underlying interest rates and foreign exchange rates. The fair values of derivatives are determined using quoted market prices and exchange rate for instruments with similar characteristics and maturities. The Bank estimates the fair value by applying the mark to market model policy (Validated Rate for Revaluation) in accordance with the criteria established by the Bank and accounting standards.

6.6 Capital funds

The Bank is subject to various capital and regulatory requirements administered by the Bank of Thailand. Under these capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must satisfy specific capital guidelines that involve quantitative measures of its assets, liabilities and certain contingencies as calculated in accordance with regulatory accounting practices. In addition, the Bank's capital amounts and classification are also subject to qualitative judgment by the Bank of Thailand in regard to components, risk weightings, and other factors. As at December 31, 2011 and 2010, the Bank's management met all capital adequacy requirements. However, these capital and regulatory requirements are subject to change, as considered necessary by the Bank of Thailand.

The Bank maintains its capital funds in accordance with the criteria, methodologies and conditions prescribed by the Bank of Thailand. As at December 31, 2011 and 2010, the Bank's total capital funds can be categorized as follows:

	Unit : Million Baht	
	2011	2010
Tier 1 capital		
Issued and paid-up share capital	60,741	60,741
Premium on share capital	13,802	13,802
Statutory reserve	1,014	711
Unappropriated retained earnings	7,642	7,837
<u>Less</u> Deferred tax assets	<u>(2,356)</u>	<u>(3,190)</u>
Total Tier 1 capital	80,843	79,901
Tier 2 capital	30,279	29,776
Total capital fund	<u>111,122</u>	<u>109,677</u>
	Percentage	
	2011	2010
Total capital / Total risk assets (minimum 8.50%)	16.29	15.84
Total tier 1 capital / Total risk assets (minimum 4.25%)	11.85	11.54

Disclosure of capital maintenance information under the Notification of the Bank of Thailand Re : Public Disclosure of Capital Maintenance for Commercial Bank:

Location of disclosure	www.krungsri.com
Date of disclosure	within April 2012
Information as of	December 31, 2011

7. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows:

7.1 Fair value

The management has to use judgment in reporting the estimated fair value of the investment in Collateralized Debt Obligations and Structured Deposits. The estimation was determined by using the price calculated by the arranger.

For a business acquisition, the Bank's management estimates the fair value of assets, liabilities and other contingent liabilities of the acquiree's identifiable assets and liabilities at the acquisition date and any adjustments of the initial provision are finalized within 12 months after the acquisition date.

7.2 Allowance for doubtful accounts

The Bank and subsidiaries estimate the minimum allowance for doubtful accounts in accordance with the BOT's and the Office of the Securities and Exchange Commission's guidelines. In addition, the Bank and subsidiaries estimate an additional allowance which the management has considered based on the uncollectible loss from past experience, current economic conditions and the ability to repay loans and accrued interest receivable. The Bank and subsidiaries consider the value of collateral where the source of repayment comes from the sales of the collateral.

A significant factor in the determination of the allowance for doubtful accounts is the value of collateral. Collateral pledged as support for loans typically consists of land, buildings, and buildings under construction. Value of such collateral is based on independent and/or internally performed appraisals.

7.3 Allowance for properties for sale

The Bank and subsidiaries estimate the allowance for impairment of properties for sale when there is a decline in net realizable value. For consideration in net realizable value, the Bank and its subsidiaries consider the appraised value together with other factors which can effect the realizable value such as related selling expenses, holding costs and discounted future expenses.

7.4 Goodwill

Goodwill is tested for impairment using a fair value method of discounted cash flows on a semi-annual basis.

7.5 Impairment of assets

The carrying amounts of the Bank and subsidiaries' assets are reviewed at each financial statement date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated by using discounted cash flows.

7.6 Provisions

Provisions are recognized as liabilities in the statement of financial position when it is probable that an obligation has been incurred as a result of a past event, it is possible that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reasonably estimated.

7.7 Loss from the impaired assets transferred to the Thai Asset Management Corporation (TAMC)

The probable loss arising from the impaired assets transferred to the Thai Asset Management Corporation (TAMC) is estimated from expected loss based on actual experience to date.

7.8 Provision for contingent liabilities

The Bank provides a provision for contingent liabilities with high credit risk such as loan guarantees, avals, etc, at the same rate as that provided for those debtors on the statement of financial position.

8. ADDITIONAL INFORMATION

8.1 Additional information of cash flows

8.1.1 Non-cash transactions related to other comprehensive income for the years ended December 31, are as follows:

	CONSOLIDATED		Unit : Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Increase (decrease) in revaluation surplus on investments	(213)	403	(213)	400
Accumulated depreciation of premises appraisal deducted from premises revaluation surplus	(253)	(312)	(253)	(312)
Properties for sale acquired from debt repayment	184	89	184	89
Premises and equipment transferred to be properties for sale	-	42	-	42

8.1.2 Non-cash transactions of premises and equipment for the years ended December 31, are as follows:

	CONSOLIDATED		Unit : Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Premises and equipment payable at the beginning of the years	1,163	105	1,163	105
Purchases of premises and equipment	1,736	2,147	1,191	1,617
<u>Less Cash payment</u>	<u>(1,644)</u>	<u>(1,089)</u>	<u>(1,051)</u>	<u>(559)</u>
Premises and equipment payable at the end of the years	<u>1,255</u>	<u>1,163</u>	<u>1,303</u>	<u>1,163</u>

8.1.3 Non-cash transactions of computer software for the years ended December 31, are as follows:

	CONSOLIDATED		Unit : Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Computer software payable at the beginning of the years	5	14	5	14
Purchases of computer software	609	494	512	382
<u>Less Cash payment</u>	<u>(584)</u>	<u>(503)</u>	<u>(487)</u>	<u>(391)</u>
Computer software payable at the end of the years	<u>30</u>	<u>5</u>	<u>30</u>	<u>5</u>

- 8.1.4 On October 21, 2010, Ayudhya Capital Services Company Limited (AYCAP), the Bank's subsidiary, had acquired additional shares in Krungsri Life Assurance Broker Company Limited (Formerly Quality Life Assurance Broker Company Limited) and Krungsri General Insurance Broker Company Limited (Formerly Quality General Insurance Broker Company Limited), for a total purchase price in the share sale agreement amounting to Baht 3 million. Upon completion of this transaction, AYCAPP now holds 99.99% each in QLAB and QGIB.

Fair value of assets, liabilities and identified contingent liabilities of subsidiaries and book value of each item are as follows:

	Unit : Million Baht	
	Book Value	Fair Value
Assets		
Cash and cash equivalents	248	248
Intangible assets	-	68
Others	6	6
	<u>254</u>	<u>322</u>
Liabilities		
Due to related companies	168	168
Others	50	70
	<u>218</u>	<u>238</u>
Net assets	<u>36</u>	<u>84</u>
Excess of net fair value of acquired subsidiary held by the Bank before the purchased date		<u>(81)</u>
Net cash payment		<u>3</u>

- 8.1.5 Realized and unrealized gains (losses) on foreign exchange

In the preparation of cash flows statements, realized gains (losses) on foreign exchange are based on a cash basis. Unrealized gains (losses) on foreign exchange are based on the translation difference of assets and liabilities in foreign currencies as described in the accounting policies. It is presented as an adjustment to reconcile income before tax to cash received (paid) from operating activities.

8.2 Interbank and money market items, net (Assets)

Interbank and money market items, net as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	At Call	2011 Time	Total	At Call	2010 Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	6,047	60,500	66,547	9,293	55,800	65,093
Commercial banks	1,488	5,617	7,105	1,563	2,151	3,714
Other financial institutions	2,784	4,786	7,570	47	2,887	2,934
Total	10,319	70,903	81,222	10,903	60,838	71,741
<u>Add</u> Accrued interest receivables	-	86	86	-	35	35
<u>Less</u> Allowance for doubtful accounts	-	(86)	(86)	-	(35)	(35)
Total domestic items	10,319	70,903	81,222	10,903	60,838	71,741
Foreign items						
US Dollar	164	92	256	1,001	530	1,531
Yen	-	-	-	212	-	212
Euro	-	-	-	240	-	240
Other currencies	162	178	340	546	257	803
Total	326	270	596	1,999	787	2,786
<u>Add</u> Accrued interest receivables	-	-	-	-	-	-
Total foreign items	326	270	596	1,999	787	2,786
Total domestic and foreign items	10,645	71,173	81,818	12,902	61,625	74,527

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	At Call	2011 Time	Total	At Call	2010 Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	6,047	60,500	66,547	9,293	55,800	65,093
Commercial banks	189	5,617	5,806	102	2,150	2,252
Other financial institutions	2,784	4,786	7,570	47	2,887	2,934
Total	9,020	70,903	79,923	9,442	60,837	70,279
<u>Add</u> Accrued interest receivables	-	86	86	-	35	35
<u>Less</u> Allowance for doubtful accounts	-	(86)	(86)	-	(35)	(35)
Total domestic items	9,020	70,903	79,923	9,442	60,837	70,279
Foreign items						
US Dollar	164	92	256	913	530	1,443
Yen	-	-	-	212	-	212
Euro	-	-	-	240	-	240
Other currencies	162	178	340	546	257	803
Total	326	270	596	1,911	787	2,698
<u>Add</u> Accrued interest receivables	-	-	-	-	-	-
Total foreign items	326	270	596	1,911	787	2,698
Total domestic and foreign items	9,346	71,173	80,519	11,353	61,624	72,977

8.3 Derivatives

8.3.1 Fair value and the notional amount classification by type of risk as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
Risk type	2011			2010		
	Fair value		Notional Amount	Fair value		Notional Amount
	Asset	Liabilities		Asset	Liabilities	
Exchange rate	4,437	5,025	315,060	2,502	1,991	278,944
Interest rate	397	369	86,573	2,012	1,987	18,442
Total	<u>4,834</u>	<u>5,394</u>	<u>401,633</u>	<u>4,514</u>	<u>3,978</u>	<u>297,386</u>

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
Risk type	2011			2010		
	Fair value		Notional Amount	Fair value		Notional Amount
	Asset	Liabilities		Asset	Liabilities	
Exchange rate	4,437	5,028	315,178	2,502	1,991	278,944
Interest rate	397	369	86,573	2,012	1,987	18,442
Total	<u>4,834</u>	<u>5,397</u>	<u>401,751</u>	<u>4,514</u>	<u>3,978</u>	<u>297,386</u>

Such fair value included fair value of derivatives for trading and translation of foreign currency from derivatives for hedging.

8.3.2 Proportion of derivatives transactions by type of counterparty on the basis of notional amount as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht				
Counterparty	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
	Proportion (%)	Proportion (%)	Proportion (%)	Proportion (%)
Financial institution	78.93	83.96	78.91	83.96
Subsidiary and associates	-	-	0.03	-
Third party	<u>21.07</u>	<u>16.04</u>	<u>21.06</u>	<u>16.04</u>
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

8.4 Investments, net

Investments, net as at December 31, 2011 and 2010 consisted of the following:

CONSOLIDATED FINANCIAL STATEMENTS								
Unit : Million Baht								
	2011				2010			
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities for Trading								
Government and state								
enterprise securities	196	1	-	197	3,089	3	(20)	3,072
Private sector's debt securities	56	-	-	56	476	-	-	476
Domestic marketable equity	-	-	-	-	8	-	-	8
	252	1	-	253	3,573	3	(20)	3,556
<u>Add (less) Revaluation allowance</u>	1			-	(17)			-
Total	253			253	3,556			3,556
Securities Available-for-Sale								
Government and state								
enterprise securities	54,240	61	(105)	54,196	52,213	143	(133)	52,223
Private sector's debt securities	13,134	89	(31)	13,192	10,138	78	(35)	10,181
Domestic marketable equity	6,042	434	(128)	6,348	3,427	496	(13)	3,910
Others	301	-	-	301	31	-	-	31
	73,717	584	(264)	74,037	65,809	717	(181)	66,345
<u>Add Revaluation allowance</u>	320			-	536			-
<u>Less Allowance for impairment</u>	(373)			(373)	(459)			(459)
Total	73,664			73,664	65,886			65,886
Securities Held-to-Maturity								
Government and state								
enterprise securities	1,033				3,943			
Private sector's debt securities	50				50			
Investment in accounts								
receivable	5,232				1,775			
	6,315				5,768			
<u>Less Allowance for impairment</u>	(50)				(474)			
Total	6,265				5,294			
Securities for General Investments								
Domestic non-marketable equity								
securities	1,192				3,887			
Foreign non-marketable								
equity securities	28				27			
	1,220				3,914			
<u>Less Allowance for impairment</u>	(198)				(290)			
Total	1,022				3,624			
Total Investments, net	81,204				78,360			

Unit : Million Baht
Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2011				2010			
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities for Trading								
Government and state								
enterprise securities	196	1	-	197	3,089	3	(20)	3,072
Private sector's debt securities	56	-	-	56	476	-	-	476
Domestic marketable equity	-	-	-	-	8	-	-	8
	252	1	-	253	3,573	3	(20)	3,556
<u>Add (less) Revaluation allowance</u>	<u>1</u>			<u>-</u>	<u>(17)</u>			<u>-</u>
Total	253			253	3,556			3,556
Securities Available-for-Sale								
Government and state								
enterprise securities	54,240	61	(105)	54,196	52,213	143	(133)	52,223
Private sector's debt securities	12,787	89	(31)	12,845	9,791	78	(35)	9,834
Domestic marketable equity								
Securities	6,037	434	(125)	6,346	3,422	496	(9)	3,909
	73,064	584	(261)	73,387	65,426	717	(177)	65,966
<u>Add Revaluation allowance</u>	<u>323</u>			<u>-</u>	<u>540</u>			<u>-</u>
<u>Less Allowance for impairment</u>	<u>(26)</u>			<u>(26)</u>	<u>(81)</u>			<u>(81)</u>
Total	73,361			73,361	65,885			65,885
Securities Held-to-Maturity								
Government and state								
enterprise securities	1,033				3,825			
Private sector's debt securities	50				50			
Investment in accounts								
receivable	5,031				1,043			
	6,114				4,918			
<u>Less Allowance for impairment</u>	<u>(50)</u>				<u>(474)</u>			
Total	6,064				4,444			
Securities for General								
Investments								
Domestic non-marketable equity								
securities	1,158				3,852			
Foreign non-marketable								
equity securities	28				26			
	1,186				3,878			
<u>Less Allowance for impairment</u>	<u>(182)</u>				<u>(274)</u>			
Total	1,004				3,604			
Total Investments, net	80,682				77,489			

As at December 31, 2011 and 2010, the investments classified as held-to-maturity debt securities (government and state enterprise securities) included the 10 year-term non-negotiable promissory notes availed by the Financial Institution Development Fund in the consolidated financial statements and the Bank's financial statements of Baht 1,033 million and Baht 3,274 million, respectively, issued by the Thai Asset Management Corporation (TAMC) for assets transferred to TAMC. During the years 2011 and 2010, TAMC redeemed promissory notes of the Bank of Baht 2,241 million and Baht 544 million, respectively.

For the years ended December 31, 2011 and 2010, revaluation surplus (deficit) on investments presented in the equity consists of the following:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Beginning balance	532	128	536	136
Increase (decrease) during the year	(213)	404	(213)	400
Ending balance	<u>319</u>	<u>532</u>	<u>323</u>	<u>536</u>

Investments in companies in which the Bank and subsidiaries hold more than 10% of the paid-up capital in each company, classified by industry group, are as follows:

	Unit : Million Baht CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2011	2010
Manufacturing	<u>21</u>	<u>21</u>
Total	<u>21</u>	<u>21</u>

In the consolidated and the Bank's financial statements as at December 31, 2011 and 2010, the Bank and its subsidiary had investments in available-for-sale securities and general investments of 2 companies subject to be delisted from the SET, with cost of Baht 13 million and market price of Baht 0.

8.5 Investments in subsidiaries and associates, net

The Bank's investments in companies in which the Bank holds more than 20% of the paid-up capital, with the percentage of beneficial ownership and amount of investments as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2011							
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	Investment (Equity Method)	Dividend
Associates							
Tesco Card Services Limited ⁽¹⁾	Credit cards and personal loans	Common stock	780	50.00	390	726	-
Tesco Life Assurance Broker Limited ⁽²⁾	Life assurance broker	Common stock	2	50.00	-	12	-
Tesco General Insurance Broker Limited ⁽²⁾	General insurance broker	Common stock	77	50.00	-	32	-
Metro Designee Company Limited ⁽³⁾	Special purpose vehicle	Common stock	-	21.90	-	-	-
Investments in associates, net					<u>390</u>	<u>770</u>	<u>-</u>

Unit : Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2011							
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	Investment (Equity Method)	Dividend
Associates							
Tesco Card Services Limited ⁽¹⁾	Credit cards and personal loans	Common stock	780	49.00	382	681	-
Tesco Life Assurance Broker Limited ⁽²⁾	Life assurance broker	Common stock	2	49.00	-	10	-
Tesco General Insurance Broker Limited ⁽²⁾	General insurance broker	Common stock	77	49.00	-	38	-
Metro Designee Company Limited ⁽³⁾	Special purpose vehicle	Common stock	-	21.90	-	-	-
Investments in associates, net					<u>382</u>	<u>729</u>	<u>-</u>

⁽¹⁾ Indirect holding via Ayudhya Capital Services Company Limited

⁽²⁾ Indirect holding via Tesco Card Services Limited

⁽³⁾ The company which was established for the transfer of the throughout rights as per the concession agreement between MRT and BMCL in case of BMCL breaches agreement with MRT or BMCL breaches the loan agreement with the creditor group.

						Unit : Million Baht
THE BANK'S FINANCIAL STATEMENTS						
2011						
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	Dividend
Subsidiaries						
Ayudhya Development Leasing Company Limited	Leasing and hire- purchase	Common stock	} 713	99.99	929	35
Ayudhya Auto Lease Public Company Limited ⁽¹⁾	Hire-purchase	Common stock		99.79	813	-
		Preferred stock			197	-
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	1,045	99.99	16,281	601
Ayudhya Total Solutions Public Company Limited	Hire-purchase	Common stock	299	99.81	634	215
CFG Services Company Limited	Hire-purchase and motorcycle loans	Common stock	} 514	99.99	26	-
		Preferred stock			1	-
Ayudhya Card Services Company Limited	Credit cards and personal loans	Common stock	180	99.99	4	180
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	125	99.99	6,141	2,400
General Card Services Limited	Credit cards and personal loans	Common stock	758	99.99	881	-
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	1,100	99.99	1,304	-
Siam Realty and Services Company Limited	Car leasing and personnel services	Common stock	100	99.99	100	-
Total Services Solutions Public Company Limited	Collection services	Common stock	331	99.99	1,614	72
Krungsri Asset Management Company Limited (Formerly Ayudhya Fund Management Company Limited)						
	Fund management	Common stock	350	76.59	204	-

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2011						
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	Dividend
Subsidiaries						
Krungsri Ayudhya AMC Limited (Formerly Ayudhya Asset Management Company Limited)	Asset management	Common stock	6,000	99.99	6,000	-
Krungsri Securities Public Company Limited (Formerly Ayudhya Securities Public Company Limited)	Securities	Common stock	600	88.13	651	-
Ayudhya Factoring Company Limited	Factoring	Common stock	300	99.99	300	-
Associated Company						
Metro Designee Company Limited ⁽²⁾	Special purpose vehicle	Common stock	-	21.90	-	-
Investments in subsidiaries and associated company					36,080	3,503
Less Allowance for impairment					(2,984)	-
Investments in subsidiaries and associated company, net					<u>33,096</u>	<u>3,503</u>

⁽¹⁾ Subsidiary is under the liquidation process.

⁽²⁾ The company which was established for the transfer of the throughout rights as per the concession agreement between MRT and BMCL in case of BMCL breaches agreement with MRT or BMCL breaches the loan agreement with the creditor group.

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2010						
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	Dividend
Subsidiaries						
Ayudhya Development Leasing Company Limited	Leasing and hire- purchase	Common stock	705	99.99	929	70
Ayudhya Auto Lease Public Company Limited ⁽¹⁾	Hire-purchase	Common stock	2,850	99.79	2,236	-
		Preferred stock			500	-
Ayudhya Capital Lease Company Limited ⁽¹⁾	Hire-purchase	Common stock	3,000	99.99	3,000	-
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	1,045	99.99	16,281	1,523
Ayudhya Total Solutions Public Company Limited	Hire-purchase	Common stock	1,197	99.81	1,530	334
CFG Services Company Limited	Hire-purchase and motorcycle loans	Common stock	514	99.99	26	-
		Preferred stock			1	-
Ayudhya Card Services Company Limited	Credit cards and personal loans	Common stock	180	99.99	4	-
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	125	99.99	5,968	1,553
General Card Services Limited	Credit cards and personal loans	Common stock	758	99.99	817	30

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2010						
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	Dividend
Subsidiaries						
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	1,100	99.99	1,304	630
Siam Realty and Services Company Limited	Car leasing and personnel services	Common stock	100	99.99	100	60
Total Services Solutions Public Company Limited	Collection services	Common stock Preferred stock	1,326	99.99	1,631	170
					215	-
Krungsri Asset Management Company Limited (Formerly Ayudhya Fund Management Company Limited)	Fund management	Common stock	350	76.59	204	-
Krungsri Ayudhya AMC Limited (Formerly Ayudhya Asset Management Company Limited)	Asset management	Common stock	6,000	99.99	6,000	-
Krungsri Securities Public Company Limited (Formerly Ayudhya Securities Public Company Limited)	Securities	Common stock	600	86.33	637	-
Ayudhya Factoring Company Limited	Factoring	Common stock	100	99.99	100	-
Associated Company						
Metro Designee Company Limited ⁽²⁾	Special purpose vehicle	Common stock	-	21.90	-	-
Investments in subsidiaries and associated company					41,483	4,370
<u>Less Allowance for impairment</u>					(4,757)	-
Investments in subsidiaries and associated company, net					<u>36,726</u>	<u>4,370</u>

⁽¹⁾ Subsidiary is under the liquidation process.

⁽²⁾ The company which was established for the transfer of the throughout rights as per the concession agreement between MRT and BMCL in case of BMCL breaches agreement with MRT or BMCL breaches the loan agreement with the creditor group.

Disclosure of the statements of cash flows of Asset Management Company (“AMC”)

**KRUNGSRI AYUDHYA AMC LIMITED
(FORMERLY AYUDHYA ASSET MANAGEMENT COMPANY LIMITED)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	Unit : Million Baht	
	2011	2010
Cash flows from operating activities		
Income before income tax	467	569
Adjustments to reconcile income to cash provided by (used in) operating activities		
Bad debt and doubtful accounts	298	(585)
Loss on impairment of properties for sale	36	173
Gain on sales of properties for sale	(248)	(286)
Depreciation and amortization	2	2
Increase in provision for post-employment benefits obligation	3	-
Interest income, net	23	(96)
Dividend income	(1)	(1)
Dividend received	1	1
Proceeds from interest income	304	401
Cash paid for interest expenses	(328)	(305)
Cash paid for income tax	(20)	(20)
Income from operations before changes in operating assets and liabilities	537	(147)
(Increase) decrease in operating assets		
Investment in receivables	2,816	2,801
Loans and receivables	(2)	(21)
Properties for sale	1,562	1,300
Other assets	308	1
Increase (decrease) in operating liabilities		
Other liabilities	(14)	(30)
Net cash from operating activities	5,207	3,904
Cash flows from investing activities		
Cash paid for purchase of equipment	(1)	(1)
Net cash used in investing activities	(1)	(1)
Cash flows from financing activities		
Proceeds from bill of exchange issued	44,750	36,045
Cash paid for repayment of bill of exchange	49,875	(39,972)
Net cash from financing activities	(5,125)	(3,927)
Net increase in cash and cash equivalents	81	(24)
Cash and cash equivalents as at January 1,	12	36
Cash and cash equivalents as at December 31,	93	12

8.6 Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables, net as at December 31, 2011 and 2010, are as follows:

(1) Classified by products

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Overdrafts	44,489	45,036	43,119	42,338
Loan against contract	319,653	271,354	452,170	381,266
Trade bill	145,998	163,815	145,606	162,894
Hire-purchase receivable	180,691	146,484	-	-
Lease contract receivable	22,441	15,555	-	-
Credit card receivable	28,683	29,918	-	-
Others	7,892	1,169	374	496
Total	749,847	673,331	641,269	586,994
<u>Add</u> Deferred brokerage fee	1,558	1,265	-	-
Total	751,405	674,596	641,269	586,994
<u>Less</u> Deferred revenue	(31,898)	(25,636)	(26)	(34)
Loans to customers after deferred revenue, net	719,507	648,960	641,243	586,960
<u>Add</u> Accrued interest receivables	1,859	1,724	1,106	776
Loans to customers and accrued interest receivable after deferred revenue, net	721,366	650,684	642,349	587,736
<u>Less</u> Allowance for doubtful accounts				
1) BOT requirement :				
Individual approach	(14,445)	(18,379)	(13,124)	(14,762)
Collective approach	(3,864)	(2,365)	-	-
2) Surplus reserve	(12,467)	(12,666)	(6,102)	(5,392)
<u>Less</u> Revaluation allowance for debt restructuring	(503)	(543)	(27)	(35)
Total loans to customers, net	690,087	616,731	623,096	567,547

(2) Classified by currency and residence of debtors

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	689,013	811	689,824	634,384	1,014	635,398
US Dollar	15,574	2,634	18,208	11,711	1,392	13,103
Other currencies	11,475	-	11,475	308	151	459
Total	<u>716,062</u>	<u>3,445</u>	<u>719,507</u>	<u>646,403</u>	<u>2,557</u>	<u>648,960</u>

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	621,476	81	622,287	572,384	1,014	573,398
US Dollar	15,574	2,634	18,208	11,711	1,392	13,103
Other currencies	748	-	748	308	151	459
Total	<u>637,798</u>	<u>3,444</u>	<u>641,243</u>	<u>584,403</u>	<u>2,557</u>	<u>586,960</u>

(3) Classified by business type and classification

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2011					
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	6,452	263	59	157	465	7,396
Manufacturing and trading	171,845	7,031	1,210	1,360	7,396	188,842
Real estate and construction	40,535	2,132	1,139	358	2,558	46,722
Public utilities and services	95,230	7,091	1,082	3,289	1,517	108,209
Housing loans	88,500	1,794	880	949	1,920	94,043
Others	256,216	12,998	2,890	1,419	772	274,295
Total	<u>658,778</u>	<u>31,309</u>	<u>7,260</u>	<u>7,532</u>	<u>14,628</u>	<u>719,507</u>

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2010					
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	5,660	150	252	56	1,070	7,188
Manufacturing and trading	159,593	6,198	3,950	1,435	10,884	182,060
Real estate and construction	42,384	960	692	1,132	4,779	49,947
Public utilities and services	92,289	6,082	2,187	708	2,509	103,775
Housing loans	80,416	1,828	643	719	2,826	86,432
Others	204,867	10,377	2,585	993	736	219,558
Total	<u>585,209</u>	<u>25,595</u>	<u>10,309</u>	<u>5,043</u>	<u>22,804</u>	<u>648,960</u>

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

2011

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	5,612	263	49	82	210	6,216
Manufacturing and trading	168,599	6,578	1,175	1,055	4,874	182,281
Real estate and construction	39,453	1,927	1,072	317	1,435	44,204
Public utilities and services	94,248	7,074	1,076	3,289	884	106,571
Housing loans	88,500	1,794	880	950	940	93,064
Others	207,878	386	199	293	151	208,907
Total	604,290	18,022	4,451	5,986	8,494	641,243

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

2010

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	5,660	139	175	56	329	6,359
Manufacturing and trading	156,362	5,962	3,942	1,435	5,635	173,336
Real estate and construction	41,267	936	659	1,056	2,797	46,715
Public utilities and services	91,717	6,079	2,187	708	1,181	101,872
Housing loans	77,264	1,415	594	698	1,107	81,078
Others	176,698	286	169	168	279	177,600
Total	548,968	14,817	7,726	4,121	11,328	586,960

(4) Classified by type of classification

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2011

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts
1. Minimum allowance per BOT guideline				
Normal	658,940	363,443	1	5,031
Special mention	31,444	13,855	2, 11	2,603
Substandard	7,260	3,998	100, 49	2,923
Doubtful	7,532	3,542	100, 50	3,089
Doubtful of loss	14,800	4,563	100	4,663
Total	719,976	389,401		18,309
Add Deferred brokerage fee	1,558	-		
Less Deferred revenue	(168)	-		
Total	721,366	389,401		
2. Surplus Reserve				12,467 ⁽¹⁾
Total				30,776 ⁽²⁾

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2010

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts
1. Minimum allowance per BOT guideline				
Normal	586,356	309,481	1	5,257
Special mention	24,864	10,544	2 , 9	1,170
Substandard	10,104	6,086	100, 42	5,564
Doubtful	4,897	1,629	100, 41	1,268
Doubtful of loss	23,269	7,484	100	7,485
Total	649,490	335,224		20,744
<u>Add</u> Deferred brokerage fee	1,265	-		
<u>Less</u> Deferred revenue	(71)	-		
Total	650,684	335,224		
2. Surplus Reserve				12,666 ⁽¹⁾
Total				33,410 ⁽²⁾

⁽¹⁾ Including allowance for doubtful accounts of loans granted to subsidiaries as at December 31, 2011 and 2010, at the rate of 1% of Baht 164,433 million and Baht 146,696 million equal to Baht 1,644 million and Baht 1,467 million, respectively, which are not eliminated but treated as surplus reserve in the consolidated financial statements.

⁽²⁾ Excluding revaluation allowance for debt restructuring as at December 31, 2011 and 2010, of Baht 503 million and Baht 543 million, respectively, and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2011 and 2010, of Baht 87 million and Baht 35 million, respectively, but including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2011 and 2010 of Baht 5,285 million and Baht 4,680 million, respectively.

⁽³⁾ % set up are the minimum rates required by the Bank of Thailand for loans to customers and the rates used for the collective approach valuation.

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2011

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance	Allowance for Doubtful Accounts
1. Minimum allowance per BOT guideline				
Normal	605,319	324,486	1	4,489
Special mention	18,099	2,106	2	1,509
Substandard	4,451	1,364	100	1,364
Doubtful	5,986	2,475	100	2,503
Doubtful of loss	8,494	3,159	100	3,259
Total	642,349	333,590		13,124
2. Surplus Reserve				6,102 ⁽¹⁾
Total				19,226 ⁽²⁾

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2010			
	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance	Allowance for Doubtful Accounts
1. Minimum allowance per BOT guideline				
Normal	549,614	285,795	1	4,994
Special mention	14,947	696	2	528
Substandard	7,726	3,946	100	3,946
Doubtful	4,121	962	100	962
Doubtful of loss	11,328	4,332	100	4,332
Total	<u>587,736</u>	<u>295,731</u>		<u>14,762</u>
2. Surplus Reserve				<u>5,392⁽¹⁾</u>
Total				<u><u>20,154⁽²⁾</u></u>

⁽¹⁾ Including allowance for doubtful accounts of loan granted to subsidiaries as at December 31, 2011 and 2010, at the rate of 1% of Baht 164,433 million and Baht 146,696 million, equal to Baht 1,644 million and Baht 1,467 million, respectively.

⁽²⁾ Excluding revaluation allowance for debt restructuring as at December 31, 2011 and 2010, of Baht 27 million and Baht 35 million, respectively and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2011 and 2010, of Baht 87 million and Baht 35 million, respectively.

For the year ended December 31, 2011, the Bank entered into an agreement to sell non-performing loan (NPLs) to subsidiary totalling Baht 655 million with a book value of Baht 4,058 million and a net book value of Baht 655 million. The sale amount has been received.

In the consolidated financial statements, for the year ended December 31, 2011, the Bank and a subsidiary entered into an agreement to sell non-performing loan (NPLs) to third parties totalling Baht 5,313 million with a book value of Baht 8,849 million and a net book value of Baht 5,189 million. The sale amount has been received.

In the Bank's financial statements, for the year ended December 31, 2011, the Bank entered into an agreement to sell non-performing loan (NPLs) to third parties totalling Baht 2,956 million with a book value of Baht 5,106 million and a net book value of Baht 2,956 million. The sale amount has been received.

As at December 31, 2011 and 2010, the Bank and Krungsri Ayudhaya AMC Limited (formerly Ayudhya Asset Management Company Limited) (“AMC”) had non-performing loans which included interbank and money market items as follows:

Unit : Million Baht			
2011			
	The Bank	AMC	The Bank and AMC
Non-performing loans	18,931	5,479	24,410
Percentage of total loans	2.66	100.00	3.40
Non-performing loans, net	11,801	4,465	16,266
Percentage of total loans, net	1.67	100.00	2.29

Unit : Million Baht			
2010			
	The Bank	AMC	The Bank and AMC
Non-performing loans	23,175	10,795	33,970
Percentage of total loans	3.63	100.00	5.24
Non-performing loans, net	13,935	8,167	22,102
Percentage of total loans, net	2.22	100.00	3.47

As at December 31, 2011 and 2010, the Bank and its subsidiaries’ non-performing loans are Baht 29,536 million and Baht 38,149 million, respectively.

(5) Troubled debt restructuring

For the years ended December 31, 2011 and 2010, the Bank and its subsidiaries had restructured the following debts:

Unit : Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
Form of Restructuring	Number of Debtors	2011			Number of Debtors	2010		
		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Transfer of assets	2	126	Land and building	126	1	27	Land and building	26
Modification of terms	125,181	5,659		-	186,604	6,267		-
Reduction of principal and interest	79,408	2,406		-	104,507	5,120		-
Various forms of restructuring	247	1,441	Land and building	24	283	1,681	Land and building	202
Total	204,838	9,632		150	291,395	13,095		228

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
Form of Restructuring	Number of Debtors	2011			Number of Debtors	2010		
		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Transfer of assets	2	126	Land and building	126	1	27	Land and building	26
Modification of terms	883	4,336		-	1,519	4,381		-
Reduction of principal and interest	644	1,924		-	1,217	4,451		-
Various forms of restructuring	246	1,436	Land and building	6	279	1,554	Land and building	72
Total	1,775	7,822		132	3,016	10,413		98

For the years ended December 31, 2011 and 2010, the Bank and its subsidiaries calculated the net realizable value for the trouble debt restructured by the modification of terms using the present value of future cash flows under the restructured loan agreement, discounted by the market rate, together with the fair value of collateral as follows:

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
Method	Average Aging (Year)	Number	2011		Average Aging (Year)	Number	2010	
			Amount of Debt Before Restructuring	After Restructuring			Amount of Debt Before Restructuring	After Restructuring
Present value of future cash flows	0.50	124,053	1,158	484	0.50	184,750	2,385	1,386
Fair value of collateral	5.24	1,128	4,501	4,037	5.56	1,854	3,882	2,995

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
Method	Average Aging (Year)	Number	2011		Average Aging (Year)	Number	2010	
			Amount of Debt Before Restructuring	After Restructuring			Amount of Debt Before Restructuring	After Restructuring
Present value of future cash flows	5.10	28	486	484	10.07	49	1,386	1,386
Fair value of collateral	6.86	855	3,850	3,850	6.97	1,470	2,995	2,995

For the years ended December 31, 2011 and 2010, the Bank and its subsidiaries recognized losses on debt restructured and interest received from debt restructured in the statements of comprehensive income as follows:

Unit : Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Losses on debt restructured	821	966	117	997
Interest received from debt restructured	1,054	1,467	865	1,317

As at December 31, 2011 and 2010, the Bank and its subsidiaries recorded balances of total debt restructured and debt restructured during the years in the statements of financial position as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Balances of total debt restructured	20,242	35,220	18,240	32,143
Balances of debt restructured during the years	9,633	13,095	7,822	10,413

(6) Lease receivables (Included hire-purchase receivables and finance lease)

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2011			
	Amount due per agreements			Total
	Within 1 year	Over 1-5 Years	Over 5 Years	
Minimum lease payments	65,116	128,881	9,135	203,132
<u>Less</u> Unearned interest income				<u>(31,769)</u>
Present value of the minimum lease payments				171,363
<u>Add</u> Direct cost at the inception, net				1,390
<u>Less</u> Allowance for doubtful accounts				<u>(6,115)</u>
Total lease receivables, net				<u>166,638</u>

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2010			
	Amount due per agreements			Total
	Within 1 year	Over 1-5 Years	Over 5 Years	
Minimum lease payments	53,556	105,286	3,197	162,039
<u>Less</u> Unearned interest income				<u>(25,526)</u>
Present value of the minimum lease payments				136,513
<u>Add</u> Direct cost at the inception, net				1,194
<u>Less</u> Allowance for doubtful accounts				<u>(5,736)</u>
Total lease receivables, net				<u>131,971</u>

8.7 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2011							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	5,25	1,170	5,564	1,268	7,485	12,666	33,410
Doubtful accounts	(22)	1,434	(251)	3,547	7,124	(201)	11,428
Bad debts written off	-	-	(2,325)	(1,318)	(4,825)	-	(8,468)
Bad debts written off from sales of NPLs	(	(1)	(65)	(408)	(5,121)	-	(5,596)
Other	-	-	-	-	-	2	2
Ending balance	5,03	2,603	2,923	3,089	4,663	12,467	30,776

Unit : Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2010							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	5,376	1,663	3,369	3,442	12,897	11,524	38,271
Doubtful accounts	(115)	(492)	2,372	(586)	3,508	3,845	8,532
Bad debts written off	-	-	(118)	(173)	(3,393)	(2,702)	(6,386)
Bad debts written off from sales of NPLs	(4)	(1)	(59)	(1,415)	(5,527)	-	(7,006)
Other	-	-	-	-	-	(1)	(1)
Ending balance	5,257	1,170	5,564	1,268	7,485	12,666	33,410

As at December 31, 2011 and 2010, the consolidated financial statements included the allowance for doubtful account of hire-purchase loans applying a collective approach basis in the amounts of Baht 5,285 million and Baht 4,680 million, respectively.

Unit : Million Baht							
THE BANK'S FINANCIAL STATEMENTS							
2011							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	4,994	528	3,946	962	4,332	5,392	20,154
Doubtful accounts	(504)	982	(2,362)	3,266	4,149	708	6,239
Bad debts written off	-	-	(155)	(1,318)	(101)	-	(1,574)
Bad debts written off from sales of NPLs	(1)	(1)	(65)	(407)	(5,121)	-	(5,595)
Other	-	-	-	-	-	2	2
Ending balance	4,489	1,509	1,364	2,503	3,259	6,102	19,226

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2010							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	5,004	727	880	2,796	9,156	5,693	24,256
Doubtful accounts	(6)	(199)	3,210	(246)	2,077	(300)	4,536
Bad debts written off	-	-	(85)	(173)	(1,374)	-	(1,632)
Bad debts written off from sales of NPLs	(4)	-	(59)	(1,415)	(5,527)	-	(7,005)
Other	-	-	-	-	-	(1)	(1)
Ending balance	<u>4,994</u>	<u>528</u>	<u>3,946</u>	<u>962</u>	<u>4,332</u>	<u>5,392</u>	<u>20,154</u>

As at December 31, 2011 and 2010, the Bank estimated the minimum total allowance* under the BOT Guidelines of Baht 18,899 million and Baht 21,322 million, respectively for the consolidated financial statements and Baht 13,238 million and Baht 14,832 million, respectively for the Bank's financial statements.

* Such allowance for doubtful accounts consists of allowance for doubtful accounts for loans to customers and accrued interest receivables, allowance for doubtful accounts for interbank and money market items and revaluation allowance for debt restructuring.

The Bank and its subsidiaries recorded allowance for doubtful accounts in the financial statements as follows:

	2011	2010
Consolidated financial statements	31,366	33,989
The Bank and Krungsri Ayudhya AMC Limited (formerly Ayudhya Asset Management Company Limited)	21,514	24,668
The Bank's financial statements	19,340	20,224

As at December 31, 2011 and 2010, the Bank and its subsidiaries had loans to customers and accrued interest receivables to companies which have certain problems in financial position and result of operations as defined in the Guideline of the SET dated July 8, 1998 regarding the Quality of Assets and Transactions with Related Parties and the allowance for doubtful accounts for such loans as follows:

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
2011			
	Number	Outstanding Balance	Collateral Allowance for Doubtful Accounts
Companies subject to be delisted by SET	<u>3</u>	<u>70</u>	<u>53</u>
Total	<u>3</u>	<u>70</u>	<u>53</u>

Unit : Million Baht				
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS 2010				
	Number	Outstanding Balance	Collateral	Allowance for Doubtful Accounts
Companies subject to be delisted by SET	3	233	162	35
Total	3	233	162	35

8.8 Revaluation allowance for debt restructuring

Revaluation allowance for debt restructuring as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht		
CONSOLIDATED FINANCIAL STATEMENTS		
	2011	2010
Beginning balance	543	329
Increase during the year	821	1,505
Amount written off	(861)	(1,291)
Ending balance	503	543

Unit : Million Baht		
THE BANK'S FINANCIAL STATEMENTS		
	2011	2010
Beginning balance	35	329
Increase during the year	117	997
Amount written off	(125)	(1,291)
Ending balance	27	35

8.9 Properties for sale, net

Properties for sale, net as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2011	Acquisition	Disposition	Balance as at December 31, 2011
1. Assets acquired from debt repayment				
1.1 Immovable	16,739	714	(3,645)	13,808
1.2 Movable	316	2,821	(2,764)	373
Total	17,055	3,535	(6,409)	14,181
2. Others	90	-	(5)	85
Total properties for sale	17,145	3,535	(6,414)	14,266
<u>Less</u> Provision for impairment	(2,418)	(1,102)	991	(2,529)
Total properties for sale	14,727	2,433	(5,423)	11,737

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2010	Acquisition	Disposition	Balance as at December 31, 2010
1. Assets acquired from debt repayment				
1.1 Immovable	19,774	1,080	(4,115)	16,739
1.2 Movable	327	3,091	(3,102)	316
Total	20,101	4,171	(7,217)	17,055
2. Others	110	42	(62)	90
Total properties for sale	20,211	4,213	(7,279)	17,145
<u>Less</u> Provision for impairment	(2,194)	(1,358)	1,134	(2,418)
Total properties for sale	18,017	2,855	(6,145)	14,727

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2011	Acquisition	Disposition	Balance as at December 31, 2011
1. Assets acquired from debt repayment				
1.1 Immovable	9,327	539	(1,855)	8,011
1.2 Movable	13	-	(1)	12
Total	9,340	539	(1,856)	8,023
2. Others	84	-	(5)	79
Total properties for sale	9,424	539	(1,861)	8,102
<u>Less</u> Provision for impairment	(1,864)	(641)	340	(2,165)
Total properties for sale	7,560	(102)	(1,521)	5,937

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2010	Acquisition	Disposition	Balance as at December 31, 2010
1. Assets acquired from debt repayment				
1.1 Immovable	11,122	309	(2,104)	9,327
1.2 Movable	13	-	-	13
Total	11,135	309	(2,104)	9,340
2. Others	104	42	(62)	84
Total properties for sale	11,239	351	(2,166)	9,424
<u>Less</u> Provision for impairment	(1,682)	(611)	429	(1,864)
Total properties for sale	9,557	(260)	(1,737)	7,560

For the years ended December 31, 2011 and 2010, the appraisal value of properties for sale acquired from repossession or auction, are appraised by the internal appraiser of Baht 4,590 million and Baht 4,562 million, respectively, and are appraised by the independent appraiser of Baht 3,475 million and Baht 6,497 million, respectively.

8.10 Premises and equipment, net

Premises and equipment, net as at December 31, 2011 and 2010, are as follows:

CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2011	Increase	Decrease	Others	Balance as at December 31, 2011
Unit : Million Baht					
Land					
Cost	3,777	-	(2)	-	3,775
Appraisal increase (Year 2009)	3,765	-	(6)	-	3,759
Appraisal decrease (Year 2009)	(190)	-	-	-	(190)
Premises					
Cost	6,065	43	(2)	226	6,332
Appraisal increase (Year 2009)	6,109	-	(4)	-	6,105
Appraisal decrease (Year 2009)	(70)	-	-	-	(70)
Equipment	12,190	1,206	(537)	1	12,860
Leasehold improvement	1,584	152	(79)	64	1,721
Total	33,230	1,401	(630)	291	34,292
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(2,661)	(217)	1	-	(2,877)
- Appraisal increase (Year 2009)	(3,049)	(244)	-	2	(3,291)
Equipment	(9,087)	(1,087)	517	-	(9,657)
Leasehold improvement	(1,247)	(120)	64	(2)	(1,305)
Total	(16,044)	(1,668)	582	-	(17,130)
Construction in progress	366	335	(4)	(291)	406
Premises and equipment, net	17,552				17,568

Unit : Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2010	Increase	Decrease	Others	Balance as at December 31, 2010
Land					
Cost	3,791	33	(44)	(3)	3,777
Appraisal increase (Year 2009)	3,824	-	(59)	-	3,765
Appraisal decrease (Year 2009)	(193)	-	3	-	(190)
Premises					
Cost	6,033	50	(28)	10	6,065
Appraisal increase (Year 2009)	6,122	-	(13)	-	6,109
Appraisal decrease (Year 2009)	(70)	-	-	-	(70)
Equipment	10,913	1,776	(536)	37	12,190
Leasehold improvement	1,511	75	(23)	21	1,584
Total	31,931	1,934	(700)	65	33,230
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(2,489)	(177)	5	-	(2,661)
- Appraisal increase (Year 2009)	(2,794)	(259)	4	-	(3,049)
Equipment	(8,368)	(1,226)	507	-	(9,087)
Leasehold improvement	(1,155)	(101)	9	-	(1,247)
Total	(14,806)	(1,763)	525	-	(16,044)
Construction in progress	245	213	(27)	(65)	366
Premises and equipment, net	17,370				17,552

Unit : Million Baht		
	2011	2010
Depreciation for the years	1,668	1,763

As at December 31, 2011 and 2010, the Bank and its subsidiaries had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 8,474 million and Baht 7,074 million, respectively.

Unit : Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2011	Increase	Decrease	Others	Balance as at December 31, 2011
Land					
Cost	3,770	-	(3)	-	3,767
Appraisal increase (Year 2009)	3,765	-	(6)	-	3,759
Appraisal decrease (Year 2009)	(190)	-	-	-	(190)
Premises					
Cost	6,031	43	(2)	226	6,298
Appraisal increase (Year 2009)	6,109	-	(4)	-	6,105
Appraisal decrease (Year 2009)	(70)	-	-	-	(70)
Equipment	9,357	788	(207)	(1)	9,937
Leasehold improvement	661	25	(32)	64	718
Total	29,433	856	(254)	289	30,324
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(2,638)	(216)	1	-	(2,853)
- Appraisal increase (Year 2009)	(3,049)	(243)	-	2	(3,290)
Equipment	(7,018)	(840)	193	-	(7,665)
Leasehold improvement	(426)	(65)	30	(2)	(463)
Total	(13,131)	(1,364)	224	-	(14,271)
Construction in progress	365	335	(4)	(289)	407
Premises and equipment, net	16,667				16,460

Unit : Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2010	Increase	Decrease	Others	Balance as at December 31, 2010
Land					
Cost	3,779	32	(39)	(2)	3,770
Appraisal increase (Year 2009)	3,824	-	(59)	-	3,765
Appraisal decrease (Year 2009)	(193)	-	3	-	(190)
Premises					
Cost	6,000	50	(28)	9	6,031
Appraisal increase (Year 2009)	6,122	-	(13)	-	6,109
Appraisal decrease (Year 2009)	(70)	-	-	-	(70)
Equipment	8,159	1,314	(153)	37	9,357
Leasehold improvement	625	22	(7)	21	661
Total	28,246	1,418	(296)	65	29,433
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(2,467)	(176)	5	-	(2,638)
- Appraisal increase (Year 2009)	(2,794)	(259)	4	-	(3,049)
Equipment	(6,246)	(921)	149	-	(7,018)
Leasehold improvement	(387)	(46)	7	-	(426)
Total	(11,894)	(1,402)	165	-	(13,131)
Construction in progress	245	200	(15)	(65)	365
Premises and equipment, net	16,597				16,667

Unit : Million Baht	
Depreciation for the years	
	2011
	1,364
	2010
	1,402

As at December 31, 2011 and 2010, the Bank had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 6,564 million and Baht 4,978 million, respectively.

8.11 Goodwill and other intangible assets, net

Goodwill and other intangible assets, net as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2011	Increase	Decrease	Others	Balance as at December 31, 2011
Cost					
Goodwill	7,521	-	(97)	97	7,521
Software	3,333	609	(8)	4	3,938
Other intangible assets	4,310	131	-	53	4,494
Total	15,164	740	(105)	154	15,953
Accumulated amortization					
Software	(1,874)	(304)	(2)	45	(2,135)
Other intangible assets	(663)	(918)	14	(197)	(1,764)
Total	(2,537)	(1,222)	12	(152)	(3,899)
Goodwill and other intangible assets, net	<u>12,627</u>				<u>12,054</u>

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Balance as at January 1, 2010	Balance of Subsidiary as at Purchase Date	Increase	Decrease	Others	Balance as at December 31, 2010
Cost						
Goodwill	9,896	-	-	(29)	(2,346)	7,521
Software	2,824	3	494	(6)	18	3,333
Other intangible assets	1,508	-	-	-	2,802	4,310
Total	14,228	3	494	(35)	474	15,164
Accumulated amortization						
Software	(1,560)	(1)	(312)	4	(5)	(1,874)
Other intangible assets	(60)	-	(605)	-	2	(663)
Total	(1,620)	(1)	(917)	4	(3)	(2,537)
Goodwill and other intangible assets, net	<u>12,608</u>					<u>12,627</u>

Unit : Million Baht		
	2011	2010
Amortization for the years	<u>1,222</u>	<u>917</u>

As at December 31, 2011 and 2010, the Bank and its subsidiaries had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 986 million and Baht 913 million, respectively.

Unit : Million Baht				
	THE BANK'S FINANCIAL STATEMENTS			
	Balance as at January 1, 2011	Increase	Decrease	Balance as at December 31, 2011
Cost				
Software	2,796	512	-	3,308
Other intangible assets	7	6	-	13
Total	2,803	518	-	3,321
Accumulated amortization				
Software	(1,430)	(237)	-	(1,667)
Other intangible assets	(5)	(1)	-	(6)
Total	(1,435)	(238)	-	(1,673)
Goodwill and other intangible assets, net	<u>1,368</u>			<u>1,648</u>

Unit : Million Baht				
	THE BANK'S FINANCIAL STATEMENTS			
	Balance as at January 1, 2010	Increase	Decrease	Balance as at December 31, 2010
Cost				
Software	2,363	382	-	2,796
Other intangible assets	7	-	-	7
Total	2,370	382	-	2,803
Accumulated amortization				
Software	(1,224)	(206)	-	(1,430)
Other intangible assets	(5)	-	-	(5)
Total	(1,229)	(206)	-	(1,435)
Goodwill and other intangible assets, net	<u>1,141</u>			<u>1,368</u>

Unit : Million Baht	
2011	2010
Amortization for the years	
<u>238</u>	<u>206</u>

As at December 31, 2011 and 2010, the Bank had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 791 million and Baht 652 million, respectively.

8.12 Deferred tax assets

Deferred tax assets as at December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Deferred tax assets	<u>5,631</u>	<u>7,586</u>	<u>2,356</u>	<u>3,190</u>

Movements in deferred tax assets during the years were as follows:

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS			
	Balance at January 1, 2011	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2011
Temporary differences				
Impairment of assets	1,670	(906)	-	764
Allowance for doubtful debt	3,489	(736)	-	2,753
Unrealized loss on investment	607	(192)	-	415
Others	<u>1,820</u>	<u>(748)</u>	<u>-</u>	<u>1,072</u>
Total before adoption of TAS 19 "Employee Benefits"	7,586	(2,582)	-	5,004
Effect of the adoption of TAS 19 "Employee Benefits"	<u>758</u>	<u>(177)</u>	<u>46</u>	<u>627</u>
Total after adoption of TAS 19 "Employee Benefits"	<u>8,344</u>	<u>(2,759)</u>	<u>46</u>	<u>5,631</u>

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2010	Items arising from business combination	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2010
Temporary differences					
Impairment of assets	1,967	-	(297)	-	1,670
Allowance for doubtful debt	3,325	-	164	-	3,489
Unrealized loss on investment	428	-	179	-	607
Other	<u>1,368</u>	<u>(33)</u>	<u>485</u>	<u>-</u>	<u>1,820</u>
Total	<u>7,088</u>	<u>(33)</u>	<u>531</u>	<u>-</u>	<u>7,586</u>

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2011	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2011
Temporary differences				
Impairment of assets	1,456	(852)	-	604
Unrealized loss on investment	599	(185)	-	414
Other	1,135	(328)	-	807
Total before adoption of TAS 19 "Employee Benefits"	3,190	(1,365)	-	1,825
Effect of the adoption of TAS 19 "Employee Benefits"	658	(160)	33	531
Total after adoption of TAS 19 "Employee Benefits"	3,848	(1,525)	33	2,356

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2010	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2010
Temporary differences				
Impairment of assets	1,687	(231)	-	1,456
Unrealized loss on investment	420	179	-	599
Other	685	450	-	1,135
Total	2,792	398	-	3,190

For the year 2011, the Bank and its subsidiaries have decreased deferred tax assets with respect to reduction of the income tax rate in accordance with the Royal Decree No.530 B.E.2554 (See Note 4).

The deferred tax assets which have not been recognized in the statements of financial position as at December 31, 2011 and 2010, are as follows:

	Unit : Million Baht			
	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Unused tax losses	-	913	-	-
Impairment of assets	-	149	-	-
Total	-	1,062	-	-

As at December 31, 2010, deferred tax assets of Ayudhya Capital Lease Company Limited, liquidating subsidiary, has not been recognized in the consolidated financial statements because this subsidiary's deferred tax assets cannot be utilized for future economic benefit. The subsidiary registered the completion of liquidation on December 13, 2011.

8.13 Other assets, net

Other assets, net as at December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Accrued income	1,196	885	324	267
Prepayment	377	373	113	111
Other receivables	9,480	3,599	7,327	2,765
Others	1,336	1,066	750	999
Total	<u>12,389</u>	<u>5,923</u>	<u>8,514</u>	<u>4,142</u>

8.14 Deposits

Deposits as at December 31, 2011 and 2010, are as follows:

(1) Classified by product

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Current deposit	19,265	18,129	20,317	19,494
Savings deposit	218,395	219,464	220,976	222,854
Time deposit				
- Less than 6 months	66,436	95,395	66,440	95,399
- 6 months to 1 year	158,624	106,666	158,625	106,665
- over 1 year	97,820	136,825	97,820	136,829
Total	<u>560,540</u>	<u>576,479</u>	<u>564,178</u>	<u>581,241</u>

(2) Classified by currency and residence of depositors

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	557,137	339	557,476	573,109	444	573,553
US Dollar	1,766	208	1,974	1,033	838	1,871
Other currencies	1,045	45	1,090	421	634	1,055
Total	<u>559,948</u>	<u>592</u>	<u>560,540</u>	<u>574,563</u>	<u>1,916</u>	<u>576,479</u>

	Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	560,775	339	561,114	577,871	444	578,315
US Dollar	1,766	208	1,974	1,033	838	1,871
Other currencies	1,045	45	1,090	421	634	1,055
Total	<u>563,586</u>	<u>592</u>	<u>564,178</u>	<u>579,325</u>	<u>1,916</u>	<u>581,241</u>

8.15 Interbank and money market items, net (Liability)

Interbank and money market items, net (liability) as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	At Call	2011 Time	Total	At Call	2010 Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	700	700	-	262	262
Commercial banks	214	7,036	7,250	1,259	33,576	34,835
Specialized financial institutions	98	760	858	48	637	685
Other financial institutions	3,074	11,525	14,599	3,183	4,661	7,844
Total domestic items	3,386	20,021	23,407	4,490	39,136	43,626
Foreign items						
US Dollar	334	-	334	71	-	71
Other currencies	-	-	-	65	-	65
Total foreign items	334	-	334	136	-	136
Total domestic and foreign items	3,720	20,021	23,741	4,626	39,136	43,762

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	At Call	2011 Time	Total	At Call	2010 Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	700	700	-	262	262
Commercial banks	963	6,192	7,155	2,020	26,840	28,860
Specialized financial institutions	98	760	858	48	637	685
Other financial institutions	3,074	11,525	14,599	3,183	4,661	7,844
Total domestic items	4,135	19,177	23,312	5,251	32,400	37,651
Foreign items						
US Dollar	334	-	334	71	-	71
Other currencies	-	-	-	65	-	65
Total foreign items	334	-	334	136	-	136
Total domestic and foreign items	4,469	19,177	23,646	5,387	32,400	37,787

On August 11, 2006 and September 5, 2006, the Bank acquired Baht 600 million of borrowings under promissory notes with embedded derivatives (Structured Borrowings). The maturities were on August 11, 2011 and September 5, 2011 and the interest was payable semi-annually to be determined by reference interest rates in the future. The Bank had already made the repayment in full.

As of December 31, 2010, such borrowings were carried at fair value derived from a counterparty or a calculation agent. The Bank had tested the fair value calculation by using a well-known technique of valuation appraisal with no significant difference noted. The change in fair value of borrowings was recognized as a mark-to-market loss in the statements of comprehensive income for Baht 37 million, which equaled the mark-to-market gain on the hedging instruments.

8.16 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	Domestic	2011		2010		Total
					Foreign	Total	Domestic	Foreign	
Subordinated									
Debenture	THB	4.35	2020	20,000	-	20,000	20,000	-	20,000
Senior securities	THB	3.33 - 4.40	2015	26,300	-	26,300	51,382	-	51,382
Bill of exchange	THB	1.70 - 4.50	2014	155,785	-	155,785	27,800	-	27,800
Other borrowings	THB	0 - 3.45	2017	6,178	-	6,178	183	-	183
				<u>208,263</u>	<u>-</u>	<u>208,263</u>	<u>99,365</u>	<u>-</u>	<u>99,365</u>

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	Domestic	2011		2010		Total
					Foreign	Total	Domestic	Foreign	
Subordinated									
Debenture	THB	4.35	2020	20,000	-	20,000	20,000	-	20,000
Senior securities	THB	4.25	2012	4,000	-	4,000	32,082	-	32,082
Bill of exchange	THB	1.70 - 4.50	2014	141,867	-	141,867	30,600	-	30,600
Other borrowings	THB	0 - 3.45	2017	6,178	-	6,178	183	-	183
				<u>172,045</u>	<u>-</u>	<u>172,045</u>	<u>82,865</u>	<u>-</u>	<u>82,865</u>

Additional information on debts issued and borrowings is as follows:

- On June 23, 2010, the Bank issued subordinated debenture #1/2010 in the amount of Baht 20,000 million with a maturity on June 23, 2020 at the fixed interest rates of 4.35% per annum for the years 1-3, 4.75% per annum for the years 4-6 and 5.50% per annum for the years 7-10, payable quarterly on the 23 of March, June, September and December of each year. The Bank has the right to redeem debenture #1/2010 before the maturity date subject to the approval of the Bank of Thailand. The Bank may redeem the debentures prior to the fifth anniversary of the issue date if the Bank is notified by the Bank of Thailand that the debentures shall not be treated as tier 2 capital or the debentures shall be treated as tier 2 capital less than 50% of tier 1 capital of the Bank.

8.17 Provisions

Provisions for the years ended December 31, 2011 and 2010, are as follows:

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Balance at January 1, 2010	Increase (Decrease)	Balance at December 31, 2010	Adjustment due to change in accounting policies	Increase (Decrease)	Balance at December 31, 2011
Provision for post-employment benefits obligation	916	(901)	15	2,333	444	2,792
Provision for loss on impairment of assets transferred to the Thai Asset Management Corporation	1,461	596	2,057	-	49	2,106
Provision for customer loyalty program	904	252	1,156	-	88	1,244
Others	345	117	462	-	292	754
Total	3,626	64	3,690	2,333	873	6,896

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	Balance at January 1, 2010	Increase (Decrease)	Balance at December 31, 2010	Adjustment due to change in accounting policies	Increase (Decrease)	Balance at December 31, 2011
Provision for post-employment benefits obligation	916	(912)	4	2,021	333	2,358
Provision for loss on impairment of assets transferred to the Thai Asset Management Corporation	1,400	596	1,996	-	74	2,070
Provision for customer loyalty program	4	3	7	-	14	21
Others	344	125	469	-	252	721
Total	2,664	(188)	2,476	2,021	673	5,170

Post-employment benefits obligation

The Bank and its subsidiaries operate post-employment benefits plans under the Thai Labor Protection Act, which are considered as unfunded defined benefit plans. These plans are recognized as provision in the statement of financial position.

Movements in the present value of the defined benefits obligation for the years ended December 31, 2011 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2011	Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS 2011
Opening defined benefits obligation	15	4
Add Adjustment due to change in accounting policies	2,333	2,021
Opening defined benefit obligation – as adjusted	2,348	2,025
Current service cost	190	145
Interest cost	95	82
Actuarial losses	232	166
Benefit paid	(73)	(60)
Closing defined benefit obligation	2,792	2,358

For the year ended December 31, 2011, the actuarial loss is recognized in the consolidated and the Bank's statements of comprehensive income in the amount of Baht 232 million and Baht 166 million, respectively. Such actuarial loss mainly resulted from the change in discount rate of the financial assumption from the first time adoption.

Amounts recognized in the statements of comprehensive income in respect of the defined benefit plans for the years ended December 31, 2011 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2011	Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS 2011
Current service cost	190	145
Interest on obligation	95	82
	285	227

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2011 are as follows:

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
Financial assumptions	
Discount rate	3.8%
Expected rate of salary increase	6.0%
Turnover rate	11.2%
Retirement age	60 years

For the first-time adoption of TAS 19 “Employee Benefits”, the Bank and its subsidiaries elected to recognize past service costs by adjusting the retained earnings as at January 1, 2011.

Transfer of sub-quality assets to Thai Asset Management Corporation

On October 12, 2001, the Bank and a subsidiary entered into Assets Transfer Agreements with the Thai Asset Management Corporation (TAMC) in order to transfer sub-quality assets including rights over the collateral as specified in the agreements. The sub-quality assets to be transferred should be those which have outstanding balances as at December 31, 2000 and possess certain characteristics as specified in the Emergency Decree on TAMC B.E. 2544 (TAMC Decree). The price of the sub-quality assets shall equal the value of the collateral which should not exceed the loan value less allowance for doubtful accounts, as determined based on BOT guidelines. The Bank and subsidiary will receive non-negotiable promissory notes when TAMC confirms the price. The notes mature in 10 years and bear the interest rate calculated based on the average rate of deposits, payable annually. The notes are availed by the Financial Institutions Development Fund.

The Bank, its subsidiary and TAMC agreed to allocate any profits or losses from managing the sub-quality assets at the end of the fifth and the tenth year starting from July 1, 2001. In addition, pursuant to the TAMC Decree, in case when profits are realized, the first portion of the profits, not exceeding 20% of the transfer price of the sub-quality assets transferred to TAMC, will be allocated equally between TAMC and the Bank/subsidiary. The second portion of the profits will be allocated in full to the Bank/subsidiary. The two portions of the profits combined together shall not exceed the difference between the book value and the transfer price of the sub-quality assets transferred to TAMC. The residual amount of the profits after allocation of the second portion will be given to TAMC. In case when losses are realized, this will be shared between TAMC and the Bank/subsidiary. The Bank and subsidiary will absorb the first portion of the losses, not exceeding 20% of the transfer price of the sub-quality assets transferred to TAMC. For the second portion of losses which is the residual amount of the first portion, an amount not exceeding 20% of the transfer price of the sub-quality assets transferred to TAMC will be shared equally between the Bank and its subsidiary. The residual amount of the losses after allocation of the second portion will be absorbed by TAMC. The calculation of such profits and losses by TAMC is based on the fully repaid assets or the process of assets transfer has been completed in case of transfer of assets for repayment purposes.

As at December 31, 2011 and 2010, the provisions for possible losses were set up in the amounts of Baht 2,106 million and Baht 2,057 million, respectively, for the consolidated financial statements and Baht 2,071 million and Baht 1,996 million, respectively, for the Bank’s financial statements.

TAMC has liquidated since June 9, 2011 and currently the Bank and its subsidiaries are in the process of filing the application to settle the obligation with the Liquidation Committee of TAMC, according to the Royal Decree on the Liquidation of Thai Asset Management Corporation.

On October 14, 2011, the Liquidation Committee of Thai Asset Management Corporation (TAMC) sent a letter to the Bank regarding the principles and guidelines for the redemption of maturing promissory notes following the wrap-up of the TAMC on June 9, 2011.

8.18 Deferred tax liabilities

Deferred tax liabilities as at December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Deferred tax liabilities	<u>2,276</u>	<u>4,039</u>	<u>1,452</u>	<u>2,319</u>

Movements of deferred tax liabilities during the years are as follows:

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS			
	Balance at January 1, 2011	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2011
Temporary differences				
Asset appraisal surplus	2,048	(73)	(652)	1,323
Other	<u>1,991</u>	<u>(944)</u>	<u>(94)</u>	<u>953</u>
Total	<u>4,039</u>	<u>(1,017)</u>	<u>(746)</u>	<u>2,276</u>

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2010	Items Arising from Business Combination	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2010
Temporary differences					
Asset appraisal surplus	2,141	-	-	(93)	2,048
Other	<u>581</u>	<u>1,408</u>	<u>(114)</u>	<u>116</u>	<u>1,991</u>
Total	<u>2,722</u>	<u>1,408</u>	<u>(114)</u>	<u>23</u>	<u>4,039</u>

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2011	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2011
Temporary differences				
Assets appraisal surplus	2,047	(73)	(652)	1,322
Other	272	(48)	(94)	130
Total	<u>2,319</u>	<u>(121)</u>	<u>(746)</u>	<u>1,452</u>

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2010	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2010
Temporary differences				
Assets appraisal surplus	2,141	-	(94)	2,047
Other	203	(46)	115	272
Total	<u>2,344</u>	<u>(46)</u>	<u>21</u>	<u>2,319</u>

For the year 2011, the Bank and subsidiaries have decreased deferred tax liabilities with respect to reduction of the income tax rate in accordance with the Royal Decree No.530 B.E.2554 (See Note 4).

8.19 Finance lease liabilities

Finance lease liabilities as at December 31, 2010, were as follows:

Unit : Million Baht			
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2010		
	Principal	Interest	Payment
Within one year	137	3	140
One year to five years	-	-	-
Total	<u>137</u>	<u>3</u>	<u>140</u>

8.20 Other liabilities

Other liabilities as at December 31, 2011 and 2010, are as follows:

	Unit : Million Baht			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Accrued expenses	8,047	7,032	5,753	4,613
Tax payable	3,692	3,389	1,177	998
Deposit	6,675	4,501	73	137
Other payable	6,994	967	6,731	621
Others	6,391	7,912	2,456	4,188
Total	31,799	23,801	16,190	10,557

8.21 Share capital

8.21.1 Capital management

The Bank and its subsidiaries' objectives when managing capital are to maintain the Bank and its subsidiaries' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure for reducing capital's source of funds and to comply with regulator's rules.

For maintenance or restructuring of capital, the Bank may adjust the dividend policy for shareholders to refund its capital to shareholders, or issue new shares or sell property in order to reduce debt obligation.

8.21.2 Legal reserve

Pursuant to the Public Limited Companies Act, the Bank must allocate to a reserve fund from the annual net profit, not less than five percent of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount not less than ten percent of the registered capital. The reserve fund is not available for dividend distribution.

8.21.3 Dividend payment

At the General Shareholders' meeting held on April 8, 2010, the shareholders approved a resolution authorizing a dividend payment for the second half year ended December 31, 2009 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.18 per share which totaled Baht 1,093 million, with payment made on May 4, 2010.

The Board of Directors' Meeting No. 8/2010 dated August 25, 2010, had approved a resolution authorizing a dividend payment for the first half year ended June 30, 2010 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.22 per share which totaled Baht 1,336 million, with payment made on September 23, 2010.

At the General Shareholders' meeting held on April 7, 2011, the shareholders approved a resolution authorizing a dividend payment for the second half year ended December 31, 2010 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.35 per share which totaled Baht 2,126 million, with payment made on May 4, 2011.

The Board of Directors' Meeting No. 8/2011 dated August 24, 2011, had approved a resolution authorizing a dividend payment for the first half year ended June 30, 2011 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.35 per share which totaled Baht 2,126 million, with payment made on September 22, 2011.

8.22 Assets with obligations and restrictions

As at December 31, 2011 and 2010, government and state enterprise securities with book value of Baht 6,313 million and Baht 14,676 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

8.23 Contingencies

Contingencies as at December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Avals to bills	1,585	3,671	1,585	3,671
Guarantees of loans	180	258	180	258
Liability under unmatured import bills	1,465	1,202	1,465	1,202
Letters of credit	8,293	8,126	8,293	8,310
Other contingencies				
- Unused overdraft limit	53,734	50,596	53,884	50,766
- Other guarantees	36,063	35,874	36,063	36,514
- Others	366,824	300,695	366,942	300,849
Total	<u>468,144</u>	<u>400,422</u>	<u>468,412</u>	<u>401,570</u>

As at December 31, 2011 and 2010, the Bank has commitments for information technology in the amounts of Baht 35 million and Baht 532 million, respectively.

8.24 Related party transactions

The Bank has business transactions with subsidiaries, associates and related companies. These transactions are with companies that have shareholding and/or major shareholders and/or joint directors with the Bank and with related persons. Such loans to related party have the allowance for doubtful accounts policy which complied with the same BOT regulations as those granted to other debtors.

According to the Bank of Thailand's Notification Sor.Nor.Sor. 6/2553 regarding the Guideline on Consolidated Supervision dated June 28, 2010, the Bank is required to disclose the Inter-Group Transactions in the Financial Business Group Policy and the Risk Management for Inter-Group Transactions in the Financial Business Group Policy as follows:

1. The Inter-Group Transactions in the Financial Business Group Policy

The inter-group transactions shall be the same conditions or criteria, including interest rate or service fee charged, as applied when the Bank conducts the transactions with general customers with the same risk level and the Bank does not allow the companies in the financial business group borrow from or lend to each other.

2. The Risk Management for Inter-Group Transactions in the Financial Business Group Policy

The Bank manages risk for all inter-group transactions based on the Credit Risk Management for the Financial Business Policy which covers the key credit risk management process, namely credit risk control, credit risk measurement, and credit risk monitoring, in accordance with the Bank's policy and the Bank of Thailand's requirements.

Related party transactions are as follows:

8.24.1 Loans to, deposits, borrowing and contingencies with certain officers from the levels or Bank's Directors, Executive Vice Presidents and higher, and Vice Presidents/equivalent positions and higher in the Finance and Accounting Functions and the companies in which they and/or the Bank directors and/or their related parties and/or the companies in which the directors and/or shareholders of the Bank having significant voting right either direct and indirect as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS							
	2011				2010			
	Loans	Deposits	Borrowings	Contingencies	Loans	Deposits	Borrowings	Contingencies
Associates								
Tesco Card Services Limited	7,595	267	-	-	6,570	313	-	-
Tesco Life Assurance Broker Company Limited	-	18	-	-	-	10	-	-
Tesco General Insurance Broker Company Limited	-	186	-	-	-	147	-	-
<u>Less</u> Allowance for doubtful accounts	(76)	-	-	-	(67)	-	-	-
Total	<u>7,519</u>	<u>471</u>	<u>-</u>	<u>-</u>	<u>6,503</u>	<u>470</u>	<u>-</u>	<u>-</u>
Related companies having joint major shareholders or directors								
<u>Less</u> Allowance for doubtful accounts	(6)	-	-	-	(3)	-	-	-
Total	<u>613</u>	<u>9,032</u>	<u>353</u>	<u>169</u>	<u>252</u>	<u>13,402</u>	<u>-</u>	<u>1,722</u>
Individual and related parties								
Total	<u>8,310</u>	<u>9,787</u>	<u>480</u>	<u>169</u>	<u>6,863</u>	<u>14,189</u>	<u>-</u>	<u>1,722</u>

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2011				2010			
	Loans	Deposits	Borrowings	Contingencies	Loans	Deposits	Borrowings	Contingencies
Subsidiaries								
Ayudhya Development Leasing Company Limited	9,154	50	-	642	4,242	20	-	339
Ayudhya Auto Lease Public Company Limited	-	695	-	-	170	324	1,900	-
Ayudhya Capital Lease Company Limited	-	-	-	-	-	1,758	-	-
Ayudhya Capital Auto Lease Public Company Limited	94,019	345	-	-	78,647	284	-	-
Ayudhya Total Solutions Public Company Limited	-	151	751	-	800	83	-	-
CFG Services Company Limited	3,750	218	-	-	2,720	176	-	-
Ayudhya Card Services Company Limited	4,100	216	-	-	4,500	232	-	-
Ayudhya Capital Services Company Limited	18,100	471	-	3	16,072	559	-	-
General Card Services Limited	11,190	161	-	-	11,169	182	-	-
Krungsriayudhya Card Company Limited	14,748	342	-	1	14,246	640	-	-
Siam Realty and Services Company Limited	335	40	-	-	295	57	-	-
Total Services Solutions Public Company Limited	-	351	200	-	-	370	900	-
Krungsri Ayudhya Fund Management Company Limited (Formerly Ayudhya Fund Management Company Limited)	-	78	300	634	-	258	100	603
Krungsri Ayudhya AMC Limited (Formerly Ayudhya Asset Management Company Limited)	5,967	83	-	38	11,092	12	-	38
Krungsri Securities Public Company Limited (Formerly Ayudhya Securities Public Company Limited)	-	82	600	-	-	178	-	-
Ayudhya Factoring Company Limited	3,070	235	-	-	2,743	269	-	-
Krungsri Life Assurance Broker Company Limited (Formerly Quality Life Assurance Broker Company Limited)	-	90	-	-	-	44	-	-
Krungsri General Insurance Broker Company Limited (Formerly Quality General Insurance Broker Company Limited)	-	179	-	-	-	119	-	-
Total	164,433	3,787	1,851	1,318	146,696	5,565	2,900	980
Less Allowance for doubtful accounts	(1,644)	-	-	-	(1,467)	-	-	-
Total	162,789	3,787	1,851	1,318	145,229	5,565	2,900	980
Associates								
Tesco Card Services Limited	7,595	267	-	-	6,570	313	-	-
Tesco Life Assurance Broker Company Limited	-	18	-	-	-	10	-	-
Tesco General Insurance Broker Company Limited	-	186	-	-	-	147	-	-
Less Allowance for doubtful accounts	(76)	-	-	-	(67)	-	-	-
Total	7,519	471	-	-	6,503	470	-	-
Related companies having joint major shareholders or directors	619	9,032	353	169	255	13,402	-	1,722
Less Allowance for doubtful accounts	(6)	-	-	-	(3)	-	-	-
Total	613	9,032	353	169	252	13,402	-	1,722
Individual and related parties	140	284	127	-	108	316	-	-
Total	171,061	13,574	2,331	1,487	152,092	19,753	2,900	2,702

As at December 31, 2011 and 2010, the Bank charges interest rates to the officer or related parties at 1.00% - 7.63% p.a. and 1.00% - 12.50%, respectively.

As at December 31, 2011 and 2010, the allowance for doubtful accounts of loans granted to subsidiaries of Baht 1,644 million and Baht 1,467 million, respectively, are not eliminated but treated as surplus reserve in the consolidated financial statements.

As at December 31, 2011 and 2010, the Bank granted loans to Krungsri Ayudhya AMC Company Limited (formerly Ayudhya Asset Management Company Limited) as short-term promissory notes of Baht 5,967 million and Baht 11,092 million at the interest rates of 4.01% - 4.05% and 2.55% - 2.85% per annum, respectively.

8.24.2 The Bank has investments in subsidiaries and associates as disclosed in note 8.5 and has investments in related companies as follows:

Unit: Million Baht							
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS							
				2011	2010		
	Business Type	Registered Share Capital	Ownership (%)	Investment Cost	Dividend Amount	Investment Cost	Dividend Amount
Related companies							
Ayudhya Insurance Public Company Limited	Insurance	250	10.92	419	33	419	27
Less Allowance for impairment				(7)	-	(7)	-
Investment in related companies, net				412	33	412	27
Related companies from Troubled Debt Restructuring							
Wongpaitoon Public Company Limited	Manufacturing	8,683	37.30	-	-	93	-
Less Allowance for impairment				-	-	(93)	-
Investment in related companies from troubled debt restructuring, net				-	-	-	-

8.24.3 Income and expenses between the Bank and its subsidiaries, associates and related companies for the years ended December 31, 2011 and 2010, are as follows:

Unit : Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
	2011				2010			
	Income		Expenses		Income		Expenses	
	Interest income	Non-interest income	Interest expenses	Non- interest expenses	Interest income	Non-interest income	Interest expenses	Non-interest expenses
Associates								
Tesco Card Services Limited	269	7	3	-	185	-	-	-
Tesco General Insurance Broker Company Limited	-	4	2	-	-	-	-	-
Total	269	11	5	-	185	-	-	-
Related companies having joint major shareholders or directors								
Total	21	46	221	300	21	88	114	461
Total	21	46	221	300	21	88	114	461
Individual and related parties								
Total	6	-	6	-	3	-	2	-
Total	296	57	232	300	209	88	116	461

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2011				2010			
	Income		Expenses		Income		Expenses	
	Interest income	Non-interest income	Interest expenses	Non-interest expenses	Interest income	Non-interest income	Interest expenses	Non-interest expenses
Subsidiaries								
Ayudhya Development Leasing Company Limited	252	4	-	-	136	4	-	-
Ayudhya Auto Lease Public Company Limited	1	1	18	-	24	2	31	-
Ayudhya Capital Lease Company Limited	-	-	21	-	-	-	13	-
Ayudhya Capital Auto Lease Public Company Limited	3,454	49	3	1	2,843	4	1	5
Ayudhya Total Solutions Public Company Limited	2	5	21	-	59	7	-	-
CFG Services Company Limited	140	15	1	-	67	11	-	-
Ayudhya Card Services Company Limited	131	82	-	-	104	67	-	-
Ayudhya Capital Services Company Limited	608	100	4	20	423	7	-	37
General Card Services Limited	396	7	4	-	284	-	-	-
Krungsriayudhya Card Company Limited	490	44	4	-	389	112	1	1
Siam Realty and Services Company Limited	13	1	-	439	5	1	-	461
K.S.Law Office Company Limited	-	-	-	-	-	-	-	7
Total Services Solutions Public Company Limited	-	3	25	42	-	-	10	52
Krungsri Ayudhya Fund Management Company Limited (Formerly Ayudhya Fund Management Company Limited)	-	86	7	10	-	64	-	3
Krungsri Ayudhya AMC Limited (Formerly Ayudhya Asset Management Company Limited)	327	15	-	-	304	7	-	2
Krungsri Securities Public Company Limited (Formerly Ayudhya Securities Public Company Limited)	-	16	16	5	-	8	6	5
Ayudhya Factoring Company Limited	109	3	1	-	34	3	-	-
Total	5,923	431	125	517	4,672	297	62	573
Associates								
Tesco Card Services Limited	269	7	3	-	185	-	-	-
Tesco General Insurance Broker Company Limited	-	4	2	-	-	-	-	-
Total	269	11	5	-	185	-	-	-
Related companies having joint major shareholders or directors								
Total	21	46	221	300	21	88	114	461
Total	21	46	221	300	21	88	114	461
Individual and related parties								
Total	6	-	6	-	3	-	2	-
Total	6,219	488	357	817	4,881	385	178	1,034

8.24.4 For the years ended December 31, 2011 and 2010, related party transactions among subsidiaries and associates include collection services and other services of Baht 990 million and Baht 1,041 million and office and vehicle rental and facilities service of Baht 22 million and Baht 27 million, respectively.

- 8.24.5 For the years ended December 31, 2011 and 2010, subsidiaries have related party transactions from the licenses relevant to technology and software for Baht 50 million and Baht 106 million, respectively.
- 8.24.6 For the years ended December 31, 2011 and 2010, related party transactions among subsidiaries from other services were Baht 1,035 million and Baht 591 million, respectively.
- 8.24.7 The Extraordinary Board of Directors' Meeting of the Bank on July 20, 2009 approved the Bank to accept the entire business transfer of Ayudhya Card Services Company Limited (formerly AIG Card (Thailand) Company Limited), operating credit card and personal loan and the Bank held 100% of total shares sold. The transaction was approved by the Extraordinary Shareholders' Meeting No. 2/2009 on August 27, 2009. However, this transaction has not been executed.
- 8.24.8 On May 15, 2010, two subsidiaries entered into an agreement to sell and buy hire purchase receivable portfolios, in the amount of Baht 735 million, having the net book value at the date of transfer of Baht 722 million. The amount has been paid.
- 8.24.9 As at September 29, 2010, the Bank purchased shares of Krungsriayudhya Card Company Limited from Ayudhya Capital Services Company Limited changing its shareholding structure in Krungsriayudhya Card Company Limited from direct and indirect holding of 99.99% to direct holding of 99.99%.
- 8.24.10 As at October 21, 2010, Ayudhya Capital Services Company Limited ("AYCAP"), the Bank's subsidiary, has additionally invested in Krungsri Life Assurance Broker Limited (formerly Quality Life Assurance Broker Limited) ("KLAB") and Krungsri General Insurance Broker Limited (formerly Quality General Insurance Broker Limited) ("KGIB"). AYCAP now holds 99.99% each in KLAB and KGIB.
- 8.24.11 As at March 1, 2011, Ayudhya Capital Services Company Limited ("AYCAP"), the Bank's subsidiary, has additionally invested in Tesco Card Services Limited ("TCS") by 1%, resulting in total holding at 50%.
- 8.24.12 On June 18, 2011, Ayudhya Auto Lease Public Company Limited transferred its entire business to Ayudhya Capital Auto Lease Public Company Limited at net book value of Baht 65 million, having total asset and total liabilities of Baht 144 million and Baht 79 million, respectively at the transfer date.

8.25 Management compensation

The Bank has no special benefits given to the directors and executive officers beyond the general benefits made as usual, i.e. remuneration, transportation, salary and bonus (if any).

The Bank did not sell, give or lease any properties to the directors, executive officers, or their related parties. The Bank has not purchased or leased any assets from those persons included contingency benefits from employment agreements compensation and other benefits from those persons.

For the years ended December 31, 2011 and 2010, compensations paid to key management personnel under TAS 24 (Revised 2009) “Related Party Disclosures” are as follows.

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Short-term employee benefits	926	916	596	643
Post-employment benefits*	22	-	11	-
Total	<u>948</u>	<u>916</u>	<u>607</u>	<u>643</u>

* Accounting policy of post-employment benefit has first-time adopted on January 1, 2011.

8.26 Long-term leases

The Bank and its subsidiaries have entered into land and/or buildings and equipments lease agreements for branch offices and operation. The Bank and its subsidiaries are committed to pay future rental as at December 31, 2011 and 2010, which are summarized as follows:

TYPE OF LEASE	PERIOD	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
		2011	2010	2011	2010
Land and/or premises and equipment	Within 1 year	446	361	451	343
	Over 1-5 years	625	394	666	690
	Over 5 years	96	111	96	112
		<u>1,167</u>	<u>866</u>	<u>1,213</u>	<u>1,145</u>

8.27 Position and results of operations classified by domestic and foreign business

(1) Position classified by type of business

Position classified by domestic and foreign business as at December 31, 2011 and 2010, are as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2011				
	Domestic	Foreign	Elimination	Total
Total assets	948,558	5,695	(6,456)	947,797
Interbank and money market items, net (Assets)	81,222	596	-	81,818
Investments, net	80,525	679	-	81,204
Loans to customers and accrued interest receivable, net	686,683	3,404	-	690,087
Deposits	560,030	510	-	560,540
Interbank and money market items, net (Liabilities)	23,741	-	-	23,741
Debt issued and borrowings	208,263	-	-	208,263

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2010				
	Domestic	Foreign	Elimination	Total
Total assets	868,759	3,429	(2,354)	869,834
Interbank and money market items, net (Assets)	73,591	936	-	74,527
Investments, net	78,051	309	-	78,360
Loans to customers and accrued interest receivable, net	614,201	2,530	-	616,731
Deposits	576,032	447	-	576,479
Interbank and money market items, net (Liabilities)	43,762	-	-	43,762
Debt issued and borrowings	99,365	-	-	99,365

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2011				
	Domestic	Foreign	Elimination	Total
Total assets	887,584	5,695	(6,456)	886,823
Interbank and money market items, net (Assets)	79,923	596	-	80,519
Investments, net	80,003	679	-	80,682
Loans to customers and accrued interest receivable, net	619,692	3,404	-	623,096
Deposits	563,669	510	-	564,179
Interbank and money market items, net (Liabilities)	23,646	-	-	23,646
Debt issued and borrowings	172,045	-	-	172,045

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2010				
	Domestic	Foreign	Elimination	Total
Total assets	827,652	3,429	(2,354)	828,727
Interbank and money market items, net (Assets)	72,041	936	-	72,977
Investments, net	77,180	309	-	77,489
Loans to customers and accrued interest receivable, net	565,017	2,530	-	567,547
Deposits	580,794	447	-	581,241
Interbank and money market items, net (Liabilities)	37,787	-	-	37,787
Debt issued and borrowings	82,865	-	-	82,865

(2) Results of operations classified by business

Results of operations classified by domestic and foreign business for the years ended December 31, 2011 and 2010, are as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2011				
	Domestic	Foreign	Elimination	Total
Interest income	56,290	138	-	56,428
Interest expenses	18,961	2	-	18,963
Net interest income	37,329	136	-	37,465
Fees and service income, net	10,771	16	-	10,787
Other operating income	9,497	(68)	(2,377)	7,052
Other operating expenses	41,930	137	(2,377)	39,690
Profit (loss) from operating before tax	15,667	(53)	-	15,614

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2010				
	Domestic	Foreign	Elimination	Total
Interest income	47,143	132	-	47,275
Interest expenses	12,645	2	-	12,647
Net interest income	34,498	130	-	34,628
Fees and service income, net	10,062	18	-	10,080
Other operating income	8,264	614	(2,059)	6,819
Other operating expenses	41,125	121	(2,059)	39,187
Profit from operating before tax	11,699	641	-	12,340

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2011				
	Domestic	Foreign	Elimination	Total
Interest income	37,261	138	-	37,399
Interest expenses	17,975	2	-	17,977
Net interest income	19,286	136	-	19,422
Fees and service income, net	5,024	16	-	5,040
Other operating income	9,685	(68)	(2,377)	7,240
Other operating expenses	25,334	137	(2,377)	23,094
Profit (loss) from operating before tax	8,661	(53)	-	8,608

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2011				
	Domestic	Foreign	Elimination	Total
Interest income	28,911	132	-	29,043
Interest expenses	11,957	2	-	11,959
Net interest income	16,954	130	-	17,084
Fees and service income, net	4,655	18	-	4,673
Other operating income	8,101	614	(2,059)	6,656
Other operating expenses	23,390	121	(2,059)	21,452
Profit from operating before tax	6,320	641	-	6,961

Income and expenses between the head office and branches or inter-branches are determined by the head office at the rate which approximates actual cost.

8.28 Interest income

Interest income for the years ended December 31, 2011 and 2010, are as follows:

Unit : Million Baht				
CONSOLIDATED		THE BANK'S		
FINANCIAL STATEMENTS		FINANCIAL STATEMENTS		
2011	2010	2011	2010	
Interbank and money market items	3,095	1,145	3,089	1,130
Investment and trading transactions	79	90	77	89
Investment in debt securities	1,946	1,600	1,927	1,558
Loans to customers	36,355	31,391	32,306	26,266
Hire purchase and financial lease	14,952	13,049	-	-
Total interest income	56,427	47,275	37,399	29,043

8.29 Interest expenses

Interest expenses for the years ended December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Deposits	8,956	5,630	9,005	5,584
Interbank and money market items	1,631	718	1,508	650
Contributions to Deposit Protection Agency	2,229	2,155	2,229	2,155
Debt issued and borrowing				
- Subordinated debenture	919	973	919	973
- Other	5,221	3,166	4,315	2,597
Other	7	5	1	-
Total interest expenses	<u>18,963</u>	<u>12,647</u>	<u>17,977</u>	<u>11,959</u>

8.30 Fees and service income, net

Fees and service income, net for the years ended December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Fees and service income				
- Acceptances, aval and guarantees	601	637	603	637
- Other	13,237	12,261	5,771	5,595
Total fees and service income	<u>13,838</u>	<u>12,898</u>	<u>6,374</u>	<u>6,232</u>
Fees and service expenses	<u>3,051</u>	<u>2,819</u>	<u>1,334</u>	<u>1,559</u>
Total fees and service income, net	<u>10,787</u>	<u>10,079</u>	<u>5,040</u>	<u>4,673</u>

8.31 Gains (losses) from trading and foreign exchange transactions, net

Gains (losses) from trading and foreign exchange transactions, net for the years ended December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Gains (losses) from trading and foreign exchange transactions				
- Foreign currency and derivative of currency	1,254	750	1,243	740
- Derivative of interest rates	(1)	(11)	(1)	(11)
- Debt securities	(3)	663	(3)	663
- Equity securities	28	57	(13)	33
Total	<u>1,278</u>	<u>1,459</u>	<u>1,226</u>	<u>1,425</u>

8.32 Gains (losses) on investments

Gains (losses) on investments for the years ended December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Gains (losses) on sales of investments				
- Available-for-sale	348	260	348	302
- General investments	472	1	472	1
- Subsidiaries and associates	-	(10)	33	-
	<u>820</u>	<u>251</u>	<u>853</u>	<u>303</u>
Loss on impairment				
- Subsidiaries and associates (Reversal)	-	-	523	(570)
Total	<u>820</u>	<u>251</u>	<u>1,376</u>	<u>(267)</u>

8.33 Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Interbank and money market items	52	27	52	27
Loans to customers	11,341	11,398	6,239	4,541
Loss on troubled debt restructuring	821	966	117	997
Total	<u>12,214</u>	<u>12,391</u>	<u>6,408</u>	<u>5,565</u>

8.34 Income tax

Income tax for the years ended December 31, 2011 and 2010, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2011	2010	2011	2010
Current tax for the period	4,610	4,372	1,153	1,363
Deferred tax before effect of reduced tax rate	(385)	(848)	308	(445)
Deferred tax from effect of reduced tax rate	2,085	-	1,096	-
Total income tax expense	<u>6,310</u>	<u>3,524</u>	<u>2,557</u>	<u>918</u>

Reconciliation of effective tax rate

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2011		2010		2011		2010	
	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)
Profit before tax	15,614		12,340		8,608		6,961	
Income tax at the domestic tax rate	4,684	30.00	3,702	30.00	2,582	30.00	2,088	30.00
<u>Add</u> Tax effect of income and expense that are not exempt for tax purposes	1,023	6.55	1,833	14.86	137	1.59	296	4.25
<u>Less</u> Tax effect of income and expense that are exempt for tax purposes	(1,482)	(9.49)	(2,011)	(16.30)	(1,258)	(14.61)	(1,466)	(21.06)
<u>Add</u> Deferred tax from effect of reduced tax rate	2,085	13.35	-	-	1,096	12.73	-	-
Income tax as statements of comprehensive income	<u>6,310</u>	<u>40.41</u>	<u>3,524</u>	<u>28.56</u>	<u>2,557</u>	<u>29.71</u>	<u>918</u>	<u>13.19</u>

According to the Royal Decree No.475 B.E.2551 issued under the Revenue Code regarding the corporate income tax rate reduction effective on August 7, 2008, the corporate income tax for listed companies in the Stock Exchange of Thailand was reduced from 30% to 25% for net profit portion not exceeding Baht 300 million. This remained in effect for three consecutive accounting periods beginning on or after January 1, 2008.

According to the Royal Decree No.530 B.E.2554 issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 22, 2011, the corporate income tax was reduced from 30% to 23% for an accounting period beginning on or after January 1, 2012 and 20% for two consecutive accounting periods beginning on or after January 1, 2013 (See Note 4).

Therefore, the Bank used tax rates of 25% and 30% for the corporate income tax calculation for the year ended December 31, 2010 to conform to such tax rate change and used tax rate of 30% for the corporate income tax calculation for the year ended December 31, 2011.

The subsidiaries have used a tax rate of 30% for calculation of the income tax for the years ended December 31, 2011 and 2010.

The Bank and subsidiaries used a tax rate of 30% for calculation of deferred tax for the year ended December 31, 2010 and both 20% and 23% for calculation of deferred tax for the year ended December 31, 2011.

8.35 Income tax related to other comprehensive income

Income tax related to other comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

	Unit : Million Baht					
	CONSOLIDATED FINANCIAL STATEMENTS					
	2011			2010		
	Amount	Tax	Net	Amount	Tax	Net
	before tax	income	amount	before tax	income	amount
		(expenses)	After tax		(expenses)	After tax
Gains (losses) on remeasuring available-for-sale investment	(213)	94	(119)	404	(116)	288
Actuarial gains (losses) on defined benefit plans	(232)	46	(186)	-	-	-
Effect of reduced tax rate relating to assets revaluation	-	652	652	-	-	-
Other comprehensive income	(445)	792	347	404	(116)	288

	Unit : Million Baht					
	THE BANK'S FINANCIAL STATEMENTS					
	2011			2010		
	Amount	Tax	Net	Amount	Tax	Net
	before tax	income	amount	before tax	income	amount
		(expenses)	After tax		(expenses)	After tax
Gains (losses) on remeasuring available-for-sale investment	(213)	94	(119)	400	(115)	285
Actuarial gains (losses) on defined benefit plans	(166)	33	(133)	-	-	-
Effect of reduced tax rate relating to assets revaluation	-	652	652	-	-	-
Other comprehensive income	(379)	779	400	400	(115)	285

8.36 Reclassifications

TAS 1 (Revised 2009) “Presentation of Financial Statements” changed requirements in the presentation of the financial statements. The reclassifications in the consolidated and the Bank’s financial statements for the years ended December 31, 2010, presented for comparison are as follows:

	CONSOLIDATED		Unit : Million Baht THE BANK’S	
	FINANCIAL STATEMENTS Previous classifications	Current classifications	FINANCIAL STATEMENTS Previous classifications	Current classifications
STATEMENTS OF FINANCIAL POSITION				
AS AT DECEMBER 31, 2010				
Assets				
Derivatives assets	-	4,514	-	4,514
Loans to customers	648,960	674,596	586,960	586,994
Deferred revenue	-	(25,636)	-	(34)
Other assets, net	10,436	5,923	8,656	4,142
Liabilities				
Interbank and money market items, net	43,788	43,762	37,813	37,787
Derivatives liabilities	-	3,978	-	3,978
Provisions	407	3,690	407	2,475
Other liabilities	31,035	23,801	16,578	10,557
STATEMENT OF COMPREHENSIVE INCOME				
FOR THE YEAR ENDED DECEMBER 31, 2010				
Interest income	48,726	47,275	34,057	29,043
Interest expenses	10,492	12,647	9,804	11,959
Fees and service income	13,005	12,898	6,339	6,232
Fees and service expenses	4,165	2,818	1,788	1,558
Other operating income	6,332	6,819	1,796	6,656
Other operating expenses	28,675	26,795	18,074	15,887

8.37 Flood impact

Since October 2011 to the end of the year, 26 of the 77 provinces in Thailand experienced significant flooding. The banking industry, including the Bank and its subsidiaries, have offered debt relief programs to assist their customers including principal payment grace periods, tenor extensions, interest waivers, installment reductions, select fee waivers and restructure loans. These initiatives have also been supported by the Bank of Thailand. As a result of debt relief plans and employee hardship assistance, net profit after tax of the consolidated and the Bank’s statements of comprehensive income for the year ended December 31, 2011 decreased by Baht 952 million and Baht 730 million respectively. In addition, the future impact to the financial statements is expected to be insignificant.

8.38 Event after the reporting period

The Board of Directors Meeting of the Bank No. 1/2012 held on January 25, 2012 approved the Bank and /or its subsidiaries' acquisition of the retail banking business in Thailand from the Hongkong and Shanghai Banking Corporation Limited (HSBC), operating credit card, personal loan and mortgage businesses and raising deposits and bills of exchange funding, under a foreign bank branch license and the Bank of Thailand's supervision, for an estimated consideration of Baht 3,557 million plus any net asset value of the business to be transferred on the closing date. The net asset value is defined as the assumed assets minus the assumed liabilities.

As of December 31, 2011, HSBC's retail banking business has total assets of Baht 13,427 million and total liabilities of Baht 17,452 million. On the transaction closing date, if total assets are less than total liabilities, HSBC will contribute cash to make the assumed assets on the transaction date equal to the assumed liabilities. This would lead to assumed assets of Baht 17,452 million as at December 31, 2011.

8.39 Approval of financial statements

These financial statements have been approved for issue by the Bank's authorized directors and the Audit Committee on February 13, 2012.