

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 financial statements of Bank of Ayudhya Public Company Limited and its subsidiaries and the Bank's financial statements of Bank of Ayudhya Public Company Limited, which comprise the consolidated and Bank's statements of financial position as at December 31, 2012, and the related consolidated and Bank's statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Thai Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries and of Bank of Ayudhya Public Company Limited as at December 31, 2012, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

BANGKOK
February 13, 2013

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, 2012 AND 2011

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	2012	2011	2012	2011
ASSETS				
CASH	25,078,920	25,164,847	25,060,003	25,140,395
INTERBANK AND MONEY MARKET ITEMS, NET (Note 6.2)	79,389,674	81,817,705	78,155,680	80,518,686
CLAIMS ON SECURITY	13,592,478	3,845,662	13,592,478	3,845,662
DERIVATIVES ASSETS (Note 6.3)	3,414,492	4,833,556	3,414,492	4,833,556
INVESTMENTS, NET (Note 6.4)	78,302,398	81,203,947	77,829,013	80,681,625
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET (Note 6.5)	946,637	769,610	32,482,962	33,095,630
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET (Note 6.6)				
Loans to customers	869,382,125	751,404,973	733,870,285	641,269,203
Accrued interest receivables	2,256,924	1,858,966	1,417,982	1,105,855
Total loans to customers and accrued interest receivables	871,639,049	753,263,939	735,288,267	642,375,058
<u>Less</u> Deferred revenue	(39,374,222)	(31,898,355)	(38,868)	(26,010)
<u>Less</u> Allowance for doubtful accounts (Note 6.7)	(30,305,602)	(30,776,291)	(19,409,266)	(19,226,313)
<u>Less</u> Revaluation allowance for debt restructuring (Note 6.8)	(723,410)	(502,487)	(17,364)	(26,491)
Net loans and accrued interest receivables	801,235,815	690,086,806	715,822,769	623,096,244
CUSTOMERS' LIABILITY UNDER ACCEPTANCE	682,147	696,382	682,147	696,382
PROPERTIES FOR SALE, NET (Note 6.9)	9,451,647	11,737,334	4,704,803	5,937,172
PREMISES AND EQUIPMENT, NET (Note 6.10)	18,299,724	17,568,121	16,893,475	16,459,672
GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Note 6.11)	15,435,423	12,053,632	3,068,498	1,647,653
DEFERRED TAX ASSETS (Note 6.12)	6,060,689	5,630,719	2,637,131	2,355,730
ACCOUNTS RECEIVABLE FOR INVESTMENTS	7,777,647	5,977,415	7,777,647	5,977,415
OTHER ASSETS, NET (Note 6.13)	12,297,804	6,411,611	4,345,637	2,537,083
TOTAL ASSETS	1,071,965,495	947,797,347	986,466,735	886,822,905

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, 2012 AND 2011

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	2012	2011	2012	2011
LIABILITIES AND EQUITY				
DEPOSITS (Note 6.14)	687,159,328	560,539,821	692,994,007	564,178,616
INTERBANK AND MONEY MARKET ITEMS, NET (Note 6.15)	48,821,459	23,740,707	48,366,000	23,646,431
LIABILITY PAYABLE ON DEMAND	2,776,041	1,650,740	2,776,041	1,650,740
LIABILITY TO DELIVER SECURITY	13,592,478	3,845,662	13,592,478	3,845,662
DERIVATIVES LIABILITIES (Note 6.3)	3,508,210	5,394,125	3,508,210	5,397,152
DEBT ISSUED AND BORROWINGS (Note 6.16)	154,628,639	208,262,710	103,738,778	172,044,802
BANK'S LIABILITY UNDER ACCEPTANCE	682,147	696,382	682,147	696,382
PROVISIONS (Note 6.17)	7,334,404	6,896,394	5,175,737	5,169,723
DEFERRED TAX LIABILITIES (Note 6.18)	2,505,437	2,275,923	1,617,322	1,452,086
ACCOUNTS PAYABLE FOR INVESTMENTS	5,694,321	5,975,293	5,694,321	5,975,293
OTHER LIABILITIES (Note 6.20)	31,776,917	25,823,995	13,064,908	10,214,509
TOTAL LIABILITIES	958,479,381	845,101,752	891,209,949	794,271,396
EQUITY				
SHARE CAPITAL (Note 6.21)				
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 ORDINARY SHARES	13,802,216	13,802,216	13,802,216	13,802,216
OTHER RESERVES	5,983,000	5,502,959	5,985,325	5,506,816
RETAINED EARNINGS				
Appropriated				
Legal reserve	1,641,500	1,316,500	1,641,500	1,316,500
Unappropriated	31,154,242	21,125,871	13,086,308	11,184,540
TOTAL BANK'S EQUITY	113,322,395	102,488,983	95,256,786	92,551,509
NON-CONTROLLING INTEREST	163,719	206,612	-	-
TOTAL EQUITY	113,486,114	102,695,595	95,256,786	92,551,509
TOTAL LIABILITIES AND EQUITY	1,071,965,495	947,797,347	986,466,735	886,822,905

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

(Mrs. Janice Rae Van Ekeren)
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, 2012 AND 2011

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2012	2011	2012	2011
INTEREST INCOME (Note 6.28)	64,639,507	56,427,524	43,482,807	37,399,255
INTEREST EXPENSES (Note 6.29)	24,686,848	18,962,792	23,214,975	17,977,106
INTEREST INCOME, NET	39,952,659	37,464,732	20,267,832	19,422,149
FEES AND SERVICE INCOME	16,433,510	13,837,950	7,233,900	6,374,389
FEES AND SERVICE EXPENSES	3,698,528	3,050,715	1,518,129	1,334,075
FEES AND SERVICE INCOME, NET (Note 6.30)	12,734,982	10,787,235	5,715,771	5,040,314
GAINS ON TRADING AND FOREIGN EXCHANGE				
TRANSACTIONS, NET (Note 6.31)	1,541,505	1,278,253	1,509,395	1,225,897
GAINS ON INVESTMENTS (Note 6.32)	800,330	820,168	801,803	1,376,141
SHARE OF PROFIT FROM INVESTMENT FOR USING				
EQUITY METHOD	177,223	32,070	-	-
DIVIDEND INCOME	504,141	440,984	1,764,978	3,942,695
BAD DEBTS RECOVERIES	3,178,033	2,215,446	185,963	8,971
OTHER OPERATING INCOME	2,299,416	2,265,423	970,279	686,272
TOTAL OPERATING INCOME	61,188,289	55,304,311	31,216,021	31,702,439
OTHER OPERATING EXPENSES				
Employee's expenses	13,965,449	12,319,064	9,280,154	8,226,224
Directors' remuneration	34,373	32,814	31,903	30,427
Premises and equipment expenses	5,514,363	4,632,494	4,013,111	3,357,146
Taxes and duties	2,057,318	1,781,936	1,470,865	1,264,900
Others	9,226,447	8,710,412	3,875,002	3,807,566
Total other operating expenses	30,797,950	27,476,720	18,671,035	16,686,263
IMPAIRMENT LOSS OF LOANS AND				
DEBT SECURITIES (Note 6.33)	11,384,755	12,213,516	4,475,012	6,408,099
PROFIT FROM OPERATING BEFORE				
INCOME TAX EXPENSES	19,005,584	15,614,075	8,069,974	8,608,077
INCOME TAX EXPENSES (Note 6.34)	4,336,945	6,310,313	1,573,667	2,557,315
NET PROFIT	14,668,639	9,303,762	6,496,307	6,050,762
OTHER COMPREHENSIVE INCOME				
Gains (losses) on remeasuring				
available-for-sale investment	861,814	(212,752)	860,863	(212,849)
Actuarial gains (losses) on defined benefit plans	75,459	(232,115)	83,470	(166,483)
Income tax relating to components				
of other comprehensive income (Note 6.35)	(177,572)	791,954	(179,756)	779,086
Total other comprehensive income, net	759,701	347,087	764,577	399,754
TOTAL COMPREHENSIVE INCOME	15,428,340	9,650,849	7,260,884	6,450,516

STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2012	2011	2012	2011
NET PROFIT ATTRIBUTABLE				
Owners of the Bank	14,625,331	9,264,339	6,496,307	6,050,762
Non-controlling interest	43,308	39,423	-	-
	<u>14,668,639</u>	<u>9,303,762</u>	<u>6,496,307</u>	<u>6,050,762</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
Owners of the Bank	15,385,032	9,611,426	7,260,884	6,450,516
Non-controlling interest	43,308	39,423	-	-
	<u>15,428,340</u>	<u>9,650,849</u>	<u>7,260,884</u>	<u>6,450,516</u>
EARNINGS PER SHARE OF OWNERS OF THE BANK				
BASIC EARNINGS PER SHARE BAHT	2.41	1.53	1.07	1.00
WEIGHTED AVERAGE NUMBER OF				
ORDINARY SHARES SHARES	6,074,143,747	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

(Mrs. Janice Rae Van Ekeren)
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, 2012 AND 2011

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS									
	Owners of the Bank							Non-	Total	
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves			Retained Earnings		Total		
			Asset	Revaluation	Deferred Tax	Appropriated	Unappropriated	Bank's		
			Appraisal	Surplus	Relating to	Legal		Equity		
			Surplus	(Deficit) on	Components of	Reserve				
				Investments	Other Comprehensive Income					
Balance as of January 1, 2011	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 6.21.3)	-	-	-	-	-	-	(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
Balance as of January 1, 2012	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
Change in revaluation surplus	-	-	(274,115)	-	54,823	-	219,292	-	-	-
Dividend payment (Note 6.21.3)	-	-	-	-	-	-	(4,555,607)	(4,555,607)	(191)	(4,555,798)
Increase in legal reserve	-	-	-	-	-	325,000	(325,000)	-	-	-
Total comprehensive income	-	-	-	861,814	(162,481)	-	14,685,699	15,385,032	43,308	15,428,340
Change in shareholding in subsidiary company	-	-	-	-	-	-	3,987	3,987	(86,010)	(82,023)
Balance as of December 31, 2012	60,741,437	13,802,216	6,298,138	1,180,612	(1,495,750)	1,641,500	31,154,242	113,322,395	163,719	113,486,114

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, 2012 AND 2011

BAHT : '000

	THE BANK'S FINANCIAL STATEMENTS							
	Issued and	Premium	Other reserves			Retained Earnings		Total
	Paid-up	on Share	Asset	Revaluation	Deferred Tax	Appropriated	Unappropriated	
	Share	Capital	Appraisal	Surplus	Relating to	Legal		
	Capital		Surplus	(Deficit) on	Components of	Reserve		
				Investments	Other			
					Comprehensive			
					Income			
Balance as of January 1, 2011	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 6.21.3)	-	-	-	-	-	-	(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
Balance as of January 1, 2012	60,741,437	13,802,216	6,572,253	322,657	(1,388,094)	1,316,500	11,184,540	92,551,509
Change in revaluation surplus	-	-	(274,115)	-	54,823	-	219,292	-
Dividend payment (Note 6.21.3)	-	-	-	-	-	-	(4,555,607)	(4,555,607)
Increase in legal reserve	-	-	-	-	-	325,000	(325,000)	-
Total comprehensive income	-	-	-	860,863	(163,062)	-	6,563,083	7,260,884
Balance as of December 31, 2012	60,741,437	13,802,216	6,298,138	1,183,520	(1,496,333)	1,641,500	13,086,308	95,256,786

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

(Mrs. Janice Rae Van Ekeren)

Chief Executive Officer

(Mr. Pongpinit Tejagupta)

Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income from operating before income tax expenses	19,005,584	15,614,075	8,069,974	8,608,077
Adjustments to reconcile income to cash received (paid) from operating activities:				
Depreciation and amortization	2,697,652	2,911,417	1,728,054	1,596,771
Deferred interest expenses	2,629	3,479	2,629	3,479
Bad debt and doubtful accounts	10,395,553	11,392,085	4,313,187	6,291,496
Loss on debt restructuring	989,201	821,431	161,825	116,603
(Gains) losses on translation in foreign currencies	683,707	(1,181,685)	683,707	(1,181,685)
Share of profit from investment for using equity method	(177,223)	(32,070)	-	-
Gains on investments	(800,330)	(820,168)	(801,803)	(1,376,141)
Increase (decrease) in discount on investments	353,626	(106,894)	(340,215)	(366,489)
Gains on sales of properties for sale	(785,522)	(752,149)	(233,097)	(210,757)
(Gains) losses on sales of premises and equipment	(13,882)	(97,591)	22,490	4,491
Loss on impairment of investments	17,800	-	17,800	-
Loss on impairment of properties for sale	611,617	739,855	465,333	641,104
Loss on impairment of premises and equipment (reversal)	(3,667)	-	(5,462)	5,462
Loss on impairment of other assets (reversal)	(54,025)	(56,897)	(4,966)	(66,951)
Decrease in other reserves	438,011	566,053	89,484	679,441
Interest income, net	(39,952,659)	(37,464,732)	(20,267,832)	(19,422,149)
Interest received	64,244,730	56,190,152	43,228,129	36,962,412
Interest paid	(25,212,681)	(19,175,230)	(23,005,434)	(16,950,367)
Dividend income	(504,141)	(440,984)	(1,764,978)	(3,942,695)
Dividend received	498,212	435,056	502,554	453,852
Increase (decrease) in other accrued expenses	770,391	(187,631)	647,634	80,260
Income tax paid	(4,961,872)	(4,950,313)	(1,899,510)	(1,082,487)
Income from operations before changes in operating assets and liabilities	28,242,711	23,407,259	11,609,503	10,843,727
(Increase) decrease in operating assets				
Interbank and money market items	2,376,044	(6,821,699)	2,379,054	(7,391,504)
Derivatives assets	1,418,216	(319,580)	1,418,216	(319,580)
Current investments - securities for trading	(4,417,682)	3,302,472	(4,417,682)	3,302,472
Loans to customers	(110,026,393)	(84,472,041)	(92,818,120)	(59,916,966)
Properties for sale	2,659,702	3,282,853	1,228,144	1,473,242
Other assets	(5,979,280)	(4,863,148)	(1,565,199)	(4,541,807)
Increase (decrease) in operating liabilities				
Deposits	124,424,314	(16,020,363)	126,620,194	(17,155,453)
Interbank and money market items	17,781,698	(20,046,032)	17,420,514	(1,452,455)
Liability payable on demand	1,125,301	133,217	1,125,301	133,217
Derivatives liabilities	(1,885,052)	1,415,838	(1,888,080)	1,418,865
Other liabilities	6,939,287	8,949,166	2,528,142	4,532,389
Net cash from operating activities	62,658,866	(92,052,058)	63,639,987	(69,073,853)

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2012	2011	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments in securities	929,269,810	727,926,731	929,094,642	727,808,172
Cash paid for purchases of investments in securities	(922,246,851)	(734,301,168)	(922,119,959)	(734,384,247)
Proceeds from repatriation of subsidiaries	-	-	692,478	5,399,967
Dividend received from subsidiaries	-	-	1,262,770	3,502,762
Cash paid for investment in subsidiaries	-	(999,462)	-	(999,462)
Cash paid for purchase of shares in subsidiaries	(80,392)	(15,561)	(80,392)	(213,664)
Proceeds from sales of premises and equipment	69,901	98,872	72,281	29,342
Cash paid for purchases of premises and equipment	(3,403,065)	(1,643,630)	(2,821,703)	(1,050,552)
Proceeds from sales of other assets	-	-	15,576	-
Cash paid for purchases of other assets	(964,996)	(584,766)	(485,084)	(493,176)
Cash received (paid) for purchases business acquisition	(7,439,219)	-	3,534,877	-
Net cash from investing activities	<u>(4,794,812)</u>	<u>(9,518,984)</u>	<u>9,165,486</u>	<u>(400,858)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debts issued and borrowings	287,336,361	343,911,569	272,364,409	311,481,061
Cash paid for repayment of debts issued and borrowings	(340,970,433)	(235,013,785)	(340,670,433)	(235,013,785)
Cash paid for liabilities under finance lease agreements	(13,346)	(143,580)	(13,346)	(143,580)
Dividend payment	(4,555,608)	(4,251,901)	(4,555,608)	(4,251,901)
Net cash from financing activities	<u>(58,203,026)</u>	<u>104,502,303</u>	<u>(72,874,978)</u>	<u>72,071,795</u>
Total	<u>(338,972)</u>	<u>2,931,261</u>	<u>(69,505)</u>	<u>2,597,084</u>
Effect of exchange rate change on cash	<u>(10,887)</u>	<u>96,178</u>	<u>(10,887)</u>	<u>96,178</u>
Net increase (decrease) in cash and cash equivalents	<u>(349,859)</u>	<u>3,027,439</u>	<u>(80,392)</u>	<u>2,693,262</u>
Cash and cash equivalents as at January 1,	<u>26,102,863</u>	<u>23,075,424</u>	<u>25,140,395</u>	<u>22,447,133</u>
Cash and cash equivalents as at December 31,	<u><u>25,753,004</u></u>	<u><u>26,102,863</u></u>	<u><u>25,060,003</u></u>	<u><u>25,140,395</u></u>

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

(Mrs. Janice Rae Van Ekeren)
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, 2012 AND 2011

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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, 2012 AND 2011

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, 2012 and 2011, the Bank has 16 and 17 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 include leasing and hire-purchase.
- 1.2 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 are auto hire-purchase, leasing service and refinancing to individual and corporate customers.
- 1.3 Ayudhya Total Solutions Public Company Limited, incorporated in Thailand since May 9, 1994 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 hire-purchase.

On April 21, 2012, Ayudhya Total Solutions Public Company Limited (AYTS) has already completed the transfer of its entire business to Ayudhya Capital Auto Lease Public Company Limited (AYCAL) at net book value of Baht 721 million, having total assets and total liabilities of Baht 858 million and Baht 137 million, respectively on the transfer date, as approved by the extraordinary meeting of shareholders No. 1/2011 of AYTS and the extraordinary meeting of shareholders No. 1/2011 of AYCAL.

On June 22, 2012, the extraordinary shareholders’ meeting of AYTS No. 1/2012 approved a resolution to liquidate the subsidiary with an effective date on June 29, 2012. Currently, the subsidiary is in the process of liquidation.

- 1.4 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 are hire-purchase loan and secured personal loan for vehicles and motorcycles.

- 1.5 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 are credit cards and personal loans.
- 1.6 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 are 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%.

- 1.7 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 are credit cards and personal loans.
- 1.8 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 are credit cards and personal loans.
- 1.9 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 are car leasing and personnel services.
- 1.10 Total Services Solutions Public Company Limited, incorporated as a public company limited in Thailand since May 19, 1997, has changed its registered address from 87/1, Capital Tower, and 87/2, CRC Tower, All Seasons Place, Fl 1-6 and 8, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok to 2/3 Moo 14, Bangna Towers B, Bang Na-Trat Km 6.5 Road, Bang Kaeo Subdistrict, Bang Phli District, Samutprakan in August 2012. The subsidiary's main business is collection services.
- 1.11 Krungsri Asset Management Company Limited, incorporated in Thailand since December 19, 1996 and located at 898 Ploenchit Tower Building, Fl 11-12, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business are mutual funds and individual private fund management.
- 1.12 Krungsri Ayudhya AMC 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 are to develop, manage and sell assets transferred from financial institutions.
- 1.13 Krungsri 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 businesses.

- 1.14 Krungsri Factoring Company Limited (formerly Ayudhya Factoring Company Limited), incorporated in Thailand since February 1, 2007, has changed its registered address from 550 Bank of Ayudhya Building Ploenchit Office, Fl 3, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok to 1222 Rama III Road, Bang Pongphang Subdistrict, Yannawa District, Bangkok in August 2012. The subsidiary's main business is factoring.
- 1.15 Krungsri Life Assurance Broker Company Limited, which is 99.99% 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 insurance broker.
- 1.16 Krungsri General Insurance Broker Company Limited, which is 99.99% 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.

During 2012, the Bank has one subsidiary which was dissolved as follows:

- 1.17 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.

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. The subsidiary was dissolved on November 16, 2012.

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

The Bank prepares its financial statements in the Thai language in conformity with Thai Financial Reporting Standards and the Notifications noted above. However, for convenience of readers, the Bank also prepares its financial statements in English language, by translating from the Thai version.

Financial Reporting Standards announced but not effective in 2012

The Federation of Accounting Professions has issued the Notifications regarding the Thai Financial Reporting Standards, which are not yet effective for the current period. The Standards which are related to the Bank and subsidiaries are as follows:

2.1.1 Thai Financial Reporting Standards which are effective for the financial statements for the periods beginning on or after January 1, 2013:

THAI ACCOUNTING STANDARDS (TAS)

TAS 12 (Revised 2009) Income Taxes

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

THAI FINANCIAL REPORTING STANDARDS (TFRS)

TFRS 8 Operating Segments

THAI FINANCIAL REPORTING INTERPRETATIONS (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

GUIDELINE ON ACCOUNTING

Guideline on Accounting regarding Transferring and Accepting Transfer of Financial Assets

2.1.2 Thai Financial Reporting Standards which are effective for the financial statements for the periods beginning on or after January 1, 2014:

THAI FINANCIAL REPORTING INTERPRETATIONS (TFRI)

TFRI 4 Determining Whether an Arrangement Contains a Lease

TFRI 13 Customer Loyalty Programs

The Bank and subsidiaries had early adopted TAS 12 Income Taxes and relevant TFRIs 21 and 25. For TAS 21, TFRS 8 and Guideline on Accounting regarding Transferring and Accepting Transfer of Financial Assets, the adoption of those standards will have no material impact on the financial statements of the Company. For the TFRIs 4 and 13, the Bank's 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	
		2012	2011
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
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	99.99	99.99
Ayudhya Total Solutions Public Company Limited ⁽²⁾	Hire-purchase	99.81	99.81

	Business Type	Percentage of Holdings As at December 31	
		2012	2011
Subsidiaries (continued)			
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	Fund management	76.59	76.59
Krungsri Ayudhya AMC Limited	Asset management	99.99	99.99
Krungsri Securities Public Company Limited	Securities	98.71	88.13
Krungsri Factoring Company Limited	Factoring	99.99	99.99
(Formerly Ayudhya Factoring Company Limited)			
Krungsri Life Assurance Broker Limited ⁽³⁾	Life insurance broker	99.99	99.99
Krungsri General Insurance Broker Limited ⁽³⁾	General insurance broker	99.99	99.99

⁽¹⁾ Subsidiary registered the completion of liquidation in 2012.

⁽²⁾ Subsidiary is under the liquidation process.

⁽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 year ended December 31, 2012 and 2011, 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	
	2012	2011
Ayudhya Total Solutions Public Company Limited ⁽¹⁾	80	-
Ayudhya Auto Lease Public Company Limited ⁽²⁾	1	16
Ayudhya Capital Lease Company Limited ⁽³⁾	-	19

⁽¹⁾ Subsidiary is under the liquidation process.

⁽²⁾ Subsidiary registered the completion of liquidation in 2012.

⁽³⁾ Subsidiary registered the completion of liquidation in 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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 gains or losses on the changes in fair value are recognized as gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income. Interest earned and dividends 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 and carried at fair value. The unrealized gains or losses related to available-for-sale securities are reported as other comprehensive income in equity until realized upon the sale or disposition or permanent decline in value occurred of such securities. Gain or loss on disposal or loss on impairment is 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.

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 last 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. 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.

3.3 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.

3.4 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.

Subsidiary 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 recovery are recorded as income in the statements of comprehensive income when received.

3.5 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.

3.6 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.

The Bank and subsidiaries provided the allowance for impairment of properties for sale as disclosed in note 5.3. 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.

3.7 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 retained 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 and building improvement	10 - 50 years
Equipment	3 - 5 years

3.8 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 of 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. Since January 1, 2011, other cost is recognized as expense in the statements of comprehensive income.

Goodwill in a business combination is recognized 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).

3.9 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.

3.10 Recognition of income

Interest income from loans 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.

3.11 Recognition of expenses

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

3.12 Employee benefits

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

3.12.1 Provident funds

The Bank and its subsidiaries 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, subsidiaries 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 and subsidiaries' contribution.

The Bank and its subsidiaries will contribute as follows:

Service periods	Contribute rate (%)
Less than 5 years	5 - 10
5 years but less than 10 years	6 - 12
10 years but less than 20 years	8 - 12
Over 20 years	10 - 12.5

The contributions to the provident fund made by the Bank and its subsidiaries are recorded as employee's expenses in the statements of comprehensive income.

3.12.2 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 employee's expenses in the statement of comprehensive income.

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

3.12.3 Benefit from carryforward leave

The benefit from cumulative carryforward leave is recognized as a liability in the statement of financial position and employee's expenses in the statement of comprehensive income when the employees render the service.

3.13 Contributions to the Financial Institution and Development Fund and the Deposit Protection Agency

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

3.14 Taxation

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

3.14.1 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 current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

3.14.2 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.

3.15 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.

3.16 Foreign currency transactions

Transactions during the period 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 trading and foreign exchange transactions, net in the statements of comprehensive income.

3.17 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, using the historical exchange rates for the translation of foreign non-monetary items and using 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 gains or losses on foreign exchange in the statements of comprehensive income.

3.18 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 are recorded and profit or loss from the price appraisal are recognized as income or expense based on the accrual basis in line with the underlying transactions.

4. RISK MANAGEMENT

4.1 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 and Bank of Thailand's notification regarding guidelines on risk management for derivatives transactions.

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 will review the policy on a regular basis and 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 allowance for doubtful accounts (see Note 6.7), 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 changes 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 market risk management policy as approved by the Board of Directors. Bank will review such policy on a regular basis to commensurate with situations and changes in business.

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 Bank's Board of Directors and controlling procedures set by the relevant departments and Committees.

The Bank's Board of Directors is in charge of setting the limits for each specific currency under an acceptable risk level and regularly reviewed to be in line with business strategy and change in market circumstance 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 Bank's 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 the Bank's 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 has established the liquidity risk management policy and the daily liquidity management policy. In addition, contingency plans are formulated and conducted a plan testing to ensure readiness to deal with crisis situations. All of these are aimed at ensuring the efficiency of the Bank's liquidity risk management.

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.

Liquidity risk management of Bank is under the Assets and Liabilities Committee supervision (ALCO), together with monitoring and controlling liquidity risk to ensure that it is at an appropriate level and in line with the liquidity risk management policy as approved by the Board of Directors. The Bank will review such policy on a regular basis to commensurate with business strategy and market circumstance that may be changed.

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 focusing on the continuous issuance special saving deposits and debentures within the limits approved by the Bank's Board of Directors.

4.2 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, 2012 and 2011, as follows :

CONSOLIDATED FINANCIAL STATEMENTS							Unit : Million Baht
	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	64,586	-	-	-	-	14,804	79,390
Investments, net	13,051	20,215	32,037	4,903	-	8,096	78,302
Loans to customers	474,525	96,457	167,278	9,626	21,292	100,204	869,382
Financial liabilities							
Deposits	500,734	160,122	7,657	-	-	18,646	687,159
Interbank and money market Items, net	34,593	2,355	8,773	13	-	3,087	48,821
Debt issued and borrowings	60,487	13,586	45,711	34,844	-	1	154,629

CONSOLIDATED FINANCIAL STATEMENTS							Unit : Million Baht
	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

THE BANK'S FINANCIAL STATEMENTS							Unit : Million Baht
	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	64,026	-	-	-	-	14,130	78,156
Investments, net	12,610	20,201	32,037	4,903	-	8,078	77,829
Loans to customers	520,675	74,520	115,758	8,439	14,478	-	733,870
Financial liabilities							
Deposits	505,586	160,122	7,660	-	-	19,626	692,994
Interbank and money market Items, net	34,113	2,355	8,773	13	-	3,112	48,366
Debt issued and borrowings	37,249	9,435	22,210	34,844	-	1	103,739

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS							Total
	0-3 Months	Greater than 3-12 Months	Greater than 1-5 Years	2011 Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	
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

4.3 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, 2012 and 2011, as follows:

CONSOLIDATED FINANCIAL STATEMENTS						
	Average Balance (12 months)	2012 Interest Amount	Average Rate %	Average Balance (12 months)	2011 Interest Amount	Average Rate %
Interest bearing financial assets						
Interbank and money market items	89,425	2,481	2.8	98,445	3,095	3.1
Investments	81,450	2,701	3.3	64,094	2,025	3.1
Loans to customers	800,424	59,458	7.4	638,434	51,307	8.0
Total	<u>971,299</u>	<u>64,640</u>		<u>800,973</u>	<u>56,427</u>	
Interest bearing financial liabilities						
Deposits	623,249	16,668	2.7	555,708	11,192	2.0
Interbank and money market items	43,841	1,183	2.7	29,193	1,631	5.6
Debt issued and borrowings	180,460	6,836	3.8	164,310	6,140	3.7
Total	<u>847,550</u>	<u>24,687</u>		<u>749,211</u>	<u>18,963</u>	

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	Average	Interest	Average	Average	Interest	Average
	Balance	Amount	Rate	Balance	Amount	Rate
	(12 months)		%	(12 months)		%
Interest bearing financial assets						
Interbank and money market items	88,237	2,470	2.8	97,127	3,089	3.2
Investments	81,011	2,685	3.3	62,596	2,004	3.2
Loans to customers	678,563	38,328	5.7	606,048	32,306	5.3
Total	847,811	43,483		765,771	37,399	
Interest bearing financial liabilities						
Deposits	627,708	16,702	2.7	557,601	11,235	2.0
Interbank and money market items	43,598	1,157	2.7	44,591	1,508	3.4
Debt issued and borrowings	139,049	5,356	3.8	144,360	5,234	3.6
Total	810,355	23,215		746,552	17,977	

4.4 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, 2012 and 2011, as follows:

Unit : Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
	Call	0 - 3	Greater than	Greater than	Greater than	Non-Performing	No	Total
		Months	3 - 12	1 - 5	5 Years	Loans	Maturity	
			Months	Years				
Financial assets								
Interbank and money market items, net	15,046	63,705	200	120	-	-	319	79,390
Investments, net	90	9,990	20,429	34,762	9,079	-	3,952	78,302
Loans to customers	17,941	178,953	180,224	303,509	167,463	21,292	-	869,382
Financial liabilities								
Deposits	369,460	149,920	160,116	7,663	-	-	-	687,159
Interbank and money market items, net	8,722	30,674	640	8,773	12	-	-	48,821
Debt issued and borrowings	-	60,559	13,598	45,711	34,761	-	-	154,629

Unit : Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
	Call	0 - 3	Greater than	Greater than	Greater than	Non-Performing	No	Total
		Months	3 - 12	1 - 5	5 Years	Loans	Maturity	
			Months	Years				
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

THE BANK'S FINANCIAL STATEMENTS								
2012								
	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	13,812	63,705	200	120	-	-	319	78,156
Investments, net	-	9,639	20,415	34,762	9,079	-	3,934	77,829
Loans to customers	80,637	144,434	121,680	211,081	161,560	14,478	-	733,870
Financial liabilities								
Deposits	375,290	149,922	160,119	7,663	-	-	-	692,994
Interbank and money market items, net	9,677	29,412	491	8,773	13	-	-	48,366
Debt issued and borrowings	-	37,249	9,435	22,211	34,844	-	-	103,739

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

4.5 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 instruments. A summary of carrying amounts and fair values of financial instruments as at December 31, 2012 and 2011, is as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash	25,079	25,079	25,165	25,165
Interbank and money market items, net	79,390	79,390	81,818	81,818
Derivatives assets	3,414	3,471	4,834	4,871
Investments, net	78,302	78,434	81,204	81,505
Loans to customers and accrued interest receivables, net	801,236	801,236	690,087	690,087
Total	<u>987,421</u>	<u>987,610</u>	<u>883,108</u>	<u>883,446</u>
Financial liabilities:				
Deposits	687,159	684,166	560,540	556,430
Interbank and money market items, net	48,821	48,821	23,741	23,741
Liability payable on demand	2,776	2,776	1,651	1,651
Derivatives liabilities	3,508	3,541	5,394	5,531
Debt issued and borrowings	154,629	154,206	208,263	201,628
Total	<u>896,893</u>	<u>893,510</u>	<u>799,589</u>	<u>788,981</u>

Unit : Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash	25,060	25,060	25,140	25,140
Interbank and money market items, net	78,156	78,156	80,519	80,519
Derivatives assets	3,414	3,471	4,834	4,871
Investments, net	77,829	77,961	80,682	80,983
Loans to customers and accrued interest receivables, net	715,823	715,823	623,096	623,096
Total	<u>900,282</u>	<u>900,471</u>	<u>814,271</u>	<u>814,609</u>
Financial liabilities:				
Deposits	692,994	690,000	564,179	560,068
Interbank and money market items, net	48,366	48,366	23,646	23,646
Liability payable on demand	2,776	2,776	1,651	1,651
Derivatives liabilities	3,508	3,541	5,397	5,534
Debt issued and borrowings	103,739	103,949	172,045	166,096
Total	<u>851,383</u>	<u>848,632</u>	<u>766,918</u>	<u>756,995</u>

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 3.2 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 long-term 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 which is required to determine the validated rate for revaluation in accordance with the criteria established by the Bank and accounting standards.

4.6 Capital funds

Under the Bank of Thailand's regulation on supervision of capital fund, it requires the commercial bank to maintain the minimum capital requirement, to have the capital adequacy assessment process in place and to disclose of both quantitative and qualitative information relevant to capital maintenance. The minimum capital requirement ratio is 8.5% of total risk weighted assets with the condition that the Tier 1 capital shall not be less than 4.25% of total risk weighted assets. The Bank thus conducts the internal capital adequacy assessment process in accordance with the supervisory review process of the Bank of Thailand and monitors on a regular basis to ensure that the current and future capital requirements are aligned with the risk appetite in the Bank.

The Bank maintains its capital funds in accordance with the criteria, methodologies and conditions prescribed by the Bank of Thailand. As at December 31, 2012 and 2011, the Bank's total capital funds can be categorized as follows:

	Unit : Million Baht	
	2012	2011
Tier 1 capital		
Issued and paid-up share capital	60,741	60,741
Premium on share capital	13,802	13,802
Legal reserve	1,642	1,317
Unappropriated retained earning	9,260	7,339
Less Deduction items from Tier 1	(3,691)	(2,356)
Total Tier 1 capital	81,754	80,843
Tier 2 capital	44,799	30,279
Total capital fund	126,553	111,122

	Percentage	
	2012	2011
Total capital/ Total risk assets	16.94	16.29
Total tier 1 capital / Total risk assets	10.94	11.85

The Bank discloses the capital maintenance information under the Notification of the Bank of Thailand Re : Public Disclosure of Capital Maintenance for Commercial Bank as details as below.

Location of disclosure	www.krungsri.com
Date of disclosure	within April 2013
Information as of	December 31, 2012

On November 8, 2012, the Bank of Thailand has issued the new Notification regarding supervisory guideline on capital fund for the commercial bank to comply with global regulatory framework (Basel III) of Basel Committee on Banking Supervision (BCBS) which is effective by phase starting on January 1, 2013 up to January 1, 2019. The capital adequacy is the initial implementation with the objective to improve the quality of the bank's capital so as to be able to support the loss which may incur in the normal and crisis situation. The Bank has no material impact from the new guideline.

5. 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:

5.1 Fair value

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.

5.2 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.

5.3 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.

5.4 Goodwill

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

5.5 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.

5.6 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.

5.7 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 the maximized loss sharing that the Bank and subsidiaries will absorb.

5.8 Provision for contingent liabilities

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

6. ADDITIONAL INFORMATION

6.1 Additional information of cash flows

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

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Premises and equipment payable at the beginning of the years	1,255	1,163	1,303	1,163
Purchases of premises and equipment	2,552	1,736	1,864	1,191
<u>Less</u> Cash payment	<u>(3,403)</u>	<u>(1,644)</u>	<u>(2,822)</u>	<u>(1,051)</u>
Premises and equipment payable at the end of the years	<u>404</u>	<u>1,255</u>	<u>345</u>	<u>1,303</u>

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

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Computer software payable at the beginning of the years	30	5	30	5
Purchases of computer software	947	609	658	512
<u>Less</u> Cash payment	<u>(734)</u>	<u>(584)</u>	<u>(483)</u>	<u>(487)</u>
Computer software payable at the end of the years	<u>243</u>	<u>30</u>	<u>205</u>	<u>30</u>

6.1.3 Others non-cash transactions for the years ended December 31, are as follows:

	CONSOLIDATED		Unit : Million Baht	
	FINANCIAL STATEMENTS		THE BANK'S	
	2012	2011	2012	2011
Increase (decrease) in revaluation surplus on investments	862	(213)	861	(213)
Accumulated depreciation of premises appraisal deducted from premises revaluation surplus	(274)	(253)	(274)	(253)
Properties for sale acquired from debt repayment	200	184	200	184
Properties and premises transferred to be properties foreclosed	25	-	25	-

6.1.4 The Extraordinary Meeting of Shareholders of the Bank No. 1/2012 held on March 20, 2012 approved the Bank and/ or its subsidiaries' acquisition of the retail banking business in Thailand from the Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch ("HSBC"), which operates 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. This acquisition was on March 31, 2012.

Consolidated financial statements

Fair values of assets and liabilities of HSBC's retail banking business and book value of each item are as follows:

	Unit : Million Baht	
	Book Value	Fair Value
Assets		
Receivable and loans	13,042	13,889
Others	454	1,314
	<u>13,496</u>	<u>15,203</u>
Liabilities		
Deposit and borrowings	9,557	9,557
Others	233	633
	<u>9,790</u>	<u>10,190</u>
Net assets	<u>3,706</u>	<u>5,013</u>
Goodwill		2,426
Purchase price		<u>7,439</u>

As at December 31, 2012, the final fair values for assets and liabilities of acquired HSBC's retail banking business are completely determined, and there are retrospective adjustments to those provisional values on the acquisition date.

6.1.5 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.

6.2 Interbank and money market items, net (Asset)

Interbank and money market items, net (Asset) as at December 31, 2012 and 2011, are as follows:

Unit : Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2012			2011		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial						
Institution Development Fund	8,865	24,900	33,765	6,047	60,500	66,547
Commercial banks	1,710	30,283	31,993	1,488	5,617	7,105
Other financial institutions	4,215	8,834	13,049	2,784	4,786	7,570
Total	14,790	64,017	78,807	10,319	70,903	81,222
<u>Add</u> Accrued interest receivables	-	106	106	-	86	86
<u>Less</u> Allowance for doubtful accounts	-	(98)	(98)	-	(86)	(86)
Total domestic items	14,790	64,025	78,815	10,319	70,903	81,222
Foreign items						
US Dollar	125	22	147	164	92	256
Other currencies	131	297	428	162	178	340
Total foreign items	256	319	575	326	270	596
Total domestic and foreign items	15,046	64,344	79,390	10,645	71,173	81,818

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2012			2011		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial						
Institution Development Fund	8,864	24,900	33,764	6,047	60,500	66,547
Commercial banks	477	30,283	30,760	189	5,617	5,806
Other financial institutions	4,215	8,834	13,049	2,784	4,786	7,570
Total	13,556	64,017	77,573	9,020	70,903	79,923
<u>Add</u> Accrued interest receivables	-	106	106	-	86	86
<u>Less</u> Allowance for doubtful accounts	-	(98)	(98)	-	(86)	(86)
Total domestic items	13,556	64,025	77,581	9,020	70,903	79,923
Foreign items						
US Dollar	125	22	147	164	92	256
Other currencies	131	297	428	162	178	340
Total foreign items	256	319	575	326	270	596
Total domestic and foreign items	13,812	64,344	78,156	9,346	71,173	80,519

6.3 Derivatives

6.3.1 Fair value and the notional amount classified by type of risk as at December 31, 2012 and 2011, are as follows:

CONSOLIDATED FINANCIAL STATEMENTS						Unit: Million Baht
Risk type	2012			2011		
	Fair value /		Notional	Fair value /		Notional
	Readjustment based on			Readjustment based on		
	an accrual basis			an accrual basis		
	Asset	Liabilities	Amount	Asset	Liabilities	Amount
Exchange rate	3,002	3,063	301,138	4,437	5,025	315,060
Interest rate	412	445	86,054	397	369	86,573
Total	3,414	3,508	387,192	4,834	5,394	401,633

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
Risk type	2012			2011		
	Fair value /		Notional	Fair value /		Notional
	Readjustment based on			Readjustment based on		
	an accrual basis			an accrual basis		
Asset	Liabilities	Amount	Asset	Liabilities	Amount	
Exchange rate	3,002	3,063	301,138	4,437	5,028	315,178
Interest rate	412	445	86,054	397	369	86,573
Total	3,414	3,508	387,192	4,834	5,397	401,751

6.3.2 Proportion of derivatives transactions classified by type of counterparty on the basis of notional amount as at December 31, 2012 and 2011, are as follows:

Unit: Million Baht

Counterparty	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
	Proportion (%)	Proportion (%)	Proportion (%)	Proportion (%)
Financial institutions	84.86	78.93	84.86	78.91
Subsidiaries and associates	-	-	-	0.03
Third parties	15.14	21.07	15.14	21.06
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

6.4 Investments, net

Investments, net as at December 31, 2012 and 2011 consisted of the following:

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
	2012				2011			
	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	2,527	2	-	2,529	196	1	-	197
Private sector's debt securities	61	-	-	61	56	-	-	56
	<u>2,588</u>	<u>2</u>	<u>-</u>	<u>2,590</u>	<u>252</u>	<u>1</u>	<u>-</u>	<u>253</u>
Add Revaluation allowance	2			-	1			-
Total	<u>2,590</u>			<u>2,590</u>	<u>253</u>			<u>253</u>
Securities Available-for-Sale								
Government and state enterprise securities	49,890	154	(25)	50,019	54,240	61	(105)	54,196
Private sector's debt securities	14,352	107	(6)	14,453	13,435	89	(31)	13,493
Domestic marketable equity	<u>6,677</u>	<u>1,020</u>	<u>(70)</u>	<u>7,627</u>	<u>6,042</u>	<u>434</u>	<u>(128)</u>	<u>6,348</u>
	70,919	<u>1,281</u>	<u>(101)</u>	72,099	73,717	<u>584</u>	<u>(264)</u>	74,037
Add Revaluation allowance	1,180			-	320			-
Less Allowance for impairment	<u>(373)</u>			<u>(373)</u>	<u>(373)</u>			<u>(373)</u>
Total	<u>71,726</u>			<u>71,726</u>	<u>73,664</u>			<u>73,664</u>
Securities Held-to-Maturity								
Government and state enterprise securities	336				1,033			
Private sector's debt securities	250				50			
Investment in account receivable	<u>2,964</u>				<u>5,232</u>			
	3,550				6,315			
Less Allowance for impairment	<u>(91)</u>				<u>(50)</u>			
Total	<u>3,459</u>				<u>6,265</u>			
Securities for General Investments								
Domestic non-marketable equity securities	715				1,192			
Foreign non-marketable equity securities	<u>28</u>				<u>28</u>			
	743				1,220			
Less Allowance for impairment	<u>(216)</u>				<u>(198)</u>			
Total	<u>527</u>				<u>1,022</u>			
Total Investments, net	<u><u>78,302</u></u>				<u><u>81,204</u></u>			

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2012				2011			
	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	2,527	2	-	2,529	196	1	-	197
Private sector's debt securities	61	-	-	61	56	-	-	56
	2,588	2	-	2,590	252	1	-	253
<u>Add</u> Revaluation allowance	2			-	1			-
Total	2,590			2,590	253			253
Securities Available-for-Sale								
Government and state enterprise securities	49,890	154	(25)	50,019	54,240	61	(105)	54,196
Private sector's debt securities	13,775	107	(6)	13,876	12,787	89	(31)	12,845
Domestic marketable equity Securities	6,671	1,020	(66)	7,625	6,037	434	(125)	6,346
	70,336	1,281	(97)	71,520	73,064	584	(261)	73,387
<u>Add</u> Revaluation allowance	1,184			-	323			-
<u>Less</u> Allowance for impairment	(26)			(26)	(26)			(26)
Total	71,494			71,494	73,361			73,361
Securities Held-to-Maturity								
Government and state enterprise securities	336				1,033			
Private sector's debt securities	50				50			
Investment in accounts receivable	2,940				5,031			
	3,326				6,114			
<u>Less</u> Allowance for impairment	(91)				(50)			
Total	3,235				6,064			
Securities for General Investments								
Domestic non-marketable equity securities	682				1,158			
Foreign non-marketable equity securities	28				28			
	710				1,186			
<u>Less</u> Allowance for impairment	(200)				(182)			
Total	510				1,004			
Total Investments, net	<u>77,829</u>				<u>80,682</u>			

As at December 31, 2012 and 2011, 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 336 million and Baht 1,033 million, respectively, issued by the Thai Asset Management Corporation (TAMC) for assets transferred to TAMC. During the years ended December 31, 2012 and 2011, TAMC redeemed promissory notes of the Bank of Baht 697 million, and Baht 2,241 million, respectively.

For the year ended December 31, 2012, the Bank sold held-to-maturity investment in loans to the third party in the amount of Baht 1,855 million for portfolio risk realignment.

For the years ended December 31, 2012 and 2011, revaluation surplus (deficit) on investments presented in the equity consists of the following:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Beginning balance	319	532	323	536
Increase (decrease) during the period	862	(213)	861	(213)
Ending balance	<u>1,181</u>	<u>319</u>	<u>1,184</u>	<u>323</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	
	2012	2011
Manufacturing	<u>3</u>	<u>21</u>
Total	<u>3</u>	<u>21</u>

In the consolidated and the Bank's financial statements as at December 31, 2012 and 2011, 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.

6.5 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, 2012 and 2011, are as follows:

Unit : Million Baht										
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	Investment (Cost)	CONSOLIDATED FINANCIAL STATEMENTS				
						2012 Investment (Equity Method)	Dividend	2011 Investment (Cost)	Investment (Equity Method)	Dividend
Associates										
Tesco Card Services Limited ⁽¹⁾	Credit cards and personal loans	Common stock	780	50.00	390	886	-	390	726	-
Tesco Life Assurance Broker Limited ⁽²⁾	Life insurance broker	Common stock	2	50.00	-	20	-	-	12	-
Tesco General Insurance Broker Limited ⁽²⁾	General insurance broker	Common stock	77	50.00	-	41	-	-	32	-
Metro Designee Company Limited ⁽³⁾	Special purpose vehicle	Common stock	-	21.90	-	-	-	-	-	-
Investments in associates, net					390	947	-	390	770	-

⁽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 Mass Rapid Transit Authority of Thailand (MRT) and Bangkok Metro Public Company Limited (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						
2012						
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	35
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	1,045	99.99	16,281	-
Ayudhya Total Solutions Public Company Limited ⁽¹⁾	Hire-purchase	Common stock	299	99.81	634	98
CFG Services Company Limited	Hire-purchase and motorcycle loans	Common stock Preferred stock	190	99.99	26 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	6,141	1,000
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	50
Total Services Solutions Public Company Limited	Collection services	Common stock	331	99.99	1,614	80
Krungsri Asset Management Company Limited	Fund management	Common stock	350	76.59	204	-
Krungsri Ayudhya AMC Limited	Asset management	Common stock	6,000	99.99	6,000	-
Krungsri Securities Public Company Limited	Securities	Common stock	600	98.71	731	-
Krungsri Factoring Company Limited (Formerly 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					35,150	1,263
Less Allowance for impairment					(2,667)	-
Investments in subsidiaries and associated company, net					<u>32,483</u>	<u>1,263</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						
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	705	99.99	929	35
Ayudhya Auto Lease Public Company Limited ⁽¹⁾	Hire-purchase	Common stock	713	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 ⁽²⁾	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	Fund management	Common stock	350	76.59	204	-
Krungsri Ayudhya AMC Limited	Asset management	Common stock	6,000	99.99	6,000	-
Krungsri Securities Public Company Limited	Securities	Common stock	600	88.13	651	-
Krungsri Factoring Company Limited (Formerly Ayudhya Factoring Company Limited)	Factoring	Common stock	300	99.99	300	-
Associated Company						
Metro Designee Company Limited ⁽³⁾	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 registered the completion of liquidation in 2012

⁽²⁾ Subsidiary is under the liquidation process.

⁽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.

DISCLOSURE OF THE STATEMENTS OF CASH FLOWS OF ASSET MANAGEMENT COMPANY (“AMC”)

KRUNGSRI AYUDHYA AMC LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Unit : Million Baht	
	2012	2011
Cash flows from operating activities		
Income before income tax	492	467
Adjustments to reconcile income to cash received (paid) from operating activities		
Bad debt and doubtful accounts	211	298
Loss on impairment of properties for sale	80	36
Gain on sales of properties for sale	(235)	(248)
Depreciation and amortization	2	2
Employment benefits expenses	4	3
Interest income, net	(38)	23
Dividend income	(2)	(1)
Dividend received	2	1
Interest received	209	304
Interest paid	(172)	(328)
Income tax paid	(79)	(20)
Income from operations before changes in operating assets and liabilities	474	537
(Increase) decrease in operating assets		
Investment in receivables	1,783	2,816
Loans to customers	254	(2)
Properties for sale	1,344	1,562
Other assets	(442)	308
Increase (decrease) in operating liabilities		
Other liabilities	121	(14)
Net cash from operating activities	3,534	5,207
Cash flows from investing activities		
Cash paid for purchase of equipment	(4)	(1)
Net cash from investing activities	(4)	(1)
Cash flows from financing activities		
Proceeds from bill of exchange issued	42,540	44,750
Cash paid for repayment of bill of exchange	(46,150)	(49,875)
Net cash from financing activities	(3,610)	(5,125)
Net increase (decrease) in cash and cash equivalents	(80)	81
Cash and cash equivalents as at January 1,	93	12
Cash and cash equivalents as at December 31,	13	93

6.6 Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables, net as at December 31, 2012 and 2011, are as follows:

(1) Classified by products

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Overdrafts	46,547	44,489	46,111	43,119
Loan against contract	366,030	319,653	542,882	452,170
Trade bill	144,923	145,998	144,742	145,606
Hire-purchase receivable	234,404	182,249	-	-
Lease contract receivable	24,069	22,441	-	-
Credit card receivable	45,985	28,683	-	-
Others	7,424	7,892	135	374
Total	869,382	751,405	733,870	641,269
<u>Less</u> Deferred revenue	(39,374)	(31,898)	(39)	(26)
Loans to customers after deferred revenue, net	830,008	719,507	733,831	641,243
<u>Add</u> Accrued interest receivables	2,257	1,859	1,418	1,106
Loans to customers and accrued interest receivable after deferred revenue, net	832,265	721,366	735,249	642,349
<u>Less</u> Allowance for doubtful accounts				
1) BOT requirement :				
Individual approach	(14,591)	(14,445)	(13,780)	(13,124)
Collective approach	(3,429)	(3,864)	-	-
2) Surplus reserve	(12,286)	(12,467)	(5,629)	(6,102)
<u>Less</u> Revaluation allowance for debt restructuring	(723)	(503)	(17)	(27)
Total loans to customers, net	801,236	690,087	715,823	623,096

(2) Classified by currency and residence of debtors

	Unit : Million Baht					
	CONSOLIDATED FINANCIAL STATEMENTS					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	814,414	817	815,231	689,013	811	689,824
US Dollar	13,231	984	14,215	15,574	2,634	18,208
Other currencies	562	-	562	11,475	-	11,475
Total	828,207	1,801	830,008	716,062	3,445	719,507

	Unit : Million Baht					
	THE BANK'S FINANCIAL STATEMENTS					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	718,237	817	719,054	621,476	81	622,287
US Dollar	13,231	984	14,215	15,574	2,634	18,208
Other currencies	562	-	562	748	-	748
Total	732,030	1,801	733,831	637,798	3,445	641,243

(3) Classified by business type and classification

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS						
2012						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	6,834	187	42	102	249	7,414
Manufacturing and trading	199,280	2,979	1,979	1,064	5,001	210,303
Real estate and construction	45,834	1,463	181	387	748	48,613
Public utilities and services	98,152	5,328	1,236	1,100	1,093	106,909
Housing loans	100,072	1,587	979	956	1,109	104,703
Others	334,252	12,748	2,640	1,598	828	352,066
Total	<u>784,424</u>	<u>24,292</u>	<u>7,057</u>	<u>5,207</u>	<u>9,028</u>	<u>830,008</u>

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	256,100	12,998	2,890	1,418	889	274,295
Total	<u>658,662</u>	<u>31,309</u>	<u>7,260</u>	<u>7,531</u>	<u>14,745</u>	<u>719,507</u>

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS						
2012						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	5,899	187	30	102	140	6,358
Manufacturing and trading	196,321	2,751	1,946	950	3,589	205,557
Real estate and construction	44,978	1,417	177	348	315	47,235
Public utilities and services	97,873	5,277	1,188	1,009	820	106,167
Housing loans	100,072	1,587	979	956	833	104,427
Others	262,393	598	398	525	173	264,087
Total	<u>707,536</u>	<u>11,817</u>	<u>4,718</u>	<u>3,890</u>	<u>5,870</u>	<u>733,831</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	<u>604,290</u>	<u>18,022</u>	<u>4,451</u>	<u>5,986</u>	<u>8,494</u>	<u>641,243</u>

(4) Classified by type of classification

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2012				
	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts ⁽⁴⁾
1. Minimum allowance per BOT guideline				
Normal	786,545	462,438	1	7,205
Special mention	24,414	11,758	2 , 11	1,651
Substandard	7,057	3,778	38, 100	3,337
Doubtful	5,207	2,243	38, 100	2,142
Doubtful of loss	9,042	3,259	100	3,685
Total	<u>832,265</u>	<u>483,476</u>		<u>18,020⁽¹⁾</u>
2. Surplus Reserve				<u>12,286⁽²⁾</u>
Total				<u>30,306</u>

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 ⁽⁴⁾
1. Minimum allowance per BOT guideline				
Normal	660,330	363,443	1	5,031
Special mention	31,444	13,855	2, 11	2,603
Substandard	7,260	3,998	49, 100	2,923
Doubtful	7,532	3,542	50, 100	3,089
Doubtful of loss	14,800	4,563	100	4,663
Total	<u>721,366</u>	<u>389,401</u>		<u>18,309⁽¹⁾</u>
2. Surplus Reserve				<u>12,467⁽²⁾</u>
Total				<u>30,776</u>

⁽¹⁾ Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2012 and 2011 of Baht 3,429 million and Baht 3,864 million, respectively.

⁽²⁾ Including allowance for doubtful accounts of loans granted to subsidiaries as at December 31, 2012 and 2011, at the rate of 1% of Baht 208,851 million and Baht 164,433 million equal to Baht 2,089 million and Baht 1,644 million, respectively, which are not eliminated but treated as surplus reserve in the consolidated financial statements.

⁽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.

⁽⁴⁾ Excluding revaluation allowance for debt restructuring as at December 31, 2012 and 2011, of Baht 723 million and Baht 503 million, respectively, and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2012 and 2011, of Baht 98 million and Baht 87 million, respectively.

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

2012

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance	Allowance for Doubtful Accounts ⁽²⁾
1. Minimum allowance per BOT guideline				
Normal	708,892	402,105	1	6,829
Special mention	11,879	925	2	601
Substandard	4,718	1,470	100	1,945
Doubtful	3,890	933	100	1,491
Doubtful of loss	5,870	2,489	100	2,914
Total	<u>735,249</u>	<u>407,922</u>		<u>13,780</u>
2. Surplus Reserve				<u>5,629⁽¹⁾</u>
Total				<u><u>19,409</u></u>

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

2011

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance	Allowance for Doubtful Accounts ⁽²⁾
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	<u>642,349</u>	<u>333,590</u>		<u>13,124</u>
2. Surplus Reserve				<u>6,102⁽¹⁾</u>
Total				<u><u>19,226</u></u>

⁽¹⁾ Including allowance for doubtful accounts of loan granted to subsidiaries as at December 31, 2012 and 2011, at the rate of 1% of Baht 208,851 million and Baht 164,433 million, equal to Baht 2,089 million and Baht 1,644 million, respectively.

⁽²⁾ Excluding revaluation allowance for debt restructuring as at December 31, 2012 and 2011, of Baht 17 million and Baht 27 million, respectively and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2012 and 2011, of Baht 98 million and Baht 87 million, respectively.

For the years ended December 31, 2012 and 2011, the Bank and a subsidiary entered into agreements to sell non-performing loans (NPLs) to the third parties and a related company as follows:

Unit : Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Book value	6,761	8,849	5,688	5,106
Net book value	4,578	5,189	3,496	2,956
Sale price	4,781	5,313	3,496	2,956

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

As at December 31, 2012 and 2011, the Bank and KrungsriAyudhaya AMC Limited (“AMC”) had non-performing loans which included interbank and money market items as follows:

Unit : Million Baht			
2012			
	The Bank	AMC	The Bank and AMC
Non-performing loans	14,478	2,086	16,564
Percentage of total loans	1.82	100.00	2.08
Non-performing loans, net	8,128	1,583	9,711
Percentage of total loans, net	1.03	100.00	1.23

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

As at December 31, 2012 and 2011, the Bank and its subsidiaries’ non-performing loans are Baht 21,292 million and Baht 29,536 million, respectively.

(5) Troubled debt restructuring

For the years ended December 31, 2012 and 2011, the Bank and its subsidiaries had restructured the following debts:

Unit : Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
Form of Restructuring	2012				2011			
	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Transfer of assets	-	-		-	2	126	Land and building	126
Modification of terms	15,056	3,700		-	14,433	5,593		-
Reduction of principal and interest	4,656	2,714		-	2,121	1,976		-
Various forms of restructuring	281	1,310		-	247	1,441	Land and building	24
Total	19,993	7,724		-	16,803	9,136		150

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
Form of Restructuring	2012				2011			
	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Transfer of assets	-	-		-	2	126	Land and building	126
Modification of terms	1,055	2,912		-	883	4,336		-
Reduction of principal and interest	521	2,515		-	644	1,924		-
Various forms of restructuring	281	1,310		-	246	1,436	Land and building	6
Total	1,857	6,737		-	1,775	7,822		132

For the years ended December 31, 2012 and 2011, 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							
	2012					2011		
	Average	Number	Amount of Debt		Average	Number	Amount of Debt	
	Aging	of	Before	After	Aging	of	Before	After
(Year)	Debtor	Restructuring	Restructuring	(Year)	Debtor	Restructuring	Restructuring	
Present value of future cash flows	3.98	13,878	1,218	1,218	3.84	13,305	1,092	1,092
Fair value of collateral	6.17	1,178	2,482	2,351	5.24	1,128	4,501	3,850

Unit : Million Baht

	THE BANK'S FINANCIAL STATEMENTS							
	2012				2011			
	Average	Number	Amount of Debt		Average	Number	Amount of Debt	
	Aging	of	Before	After	Aging	of	Before	After
(Year)	Debtor	Restructuring	Restructuring	(Year)	Debtor	Restructuring	Restructuring	
Present value of future cash flows	6.67	27	561	561	5.10	28	486	486
Fair value of collateral	7.05	1,028	2,351	2,351	6.86	855	3,850	3,850

For the years ended December 31, 2012 and 2011, 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			
		2012	2011			2012	2011
Losses on debt restructured		989	821			162	117
Interest received from debt restructured		1,221	1,054			1,062	865

As at December 31, 2012 and 2011, the Bank and its subsidiaries recorded balances of total debt restructured and debt restructured during the years ended December 31, 2012 and 2011, in the statements of financial position as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Balances of total debt restructured	13,168	20,242	11,582	18,240
Balances of debt restructured during the years	4,475	7,046	3,619	5,732

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

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2012			
	Amount due per agreements			Total
	Within 1 Year	Over 1-5 Years	Over 5 Years	
Minimum lease payments	80,232	166,379	11,862	258,473
<u>Less</u> Unearned interest income				(39,200)
Present value of the minimum lease payments				219,273
<u>Less</u> Allowance for doubtful accounts				(5,404)
Total lease receivables, net				<u>213,869</u>

	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	65,791	129,770	9,129	204,690
<u>Less</u> Unearned interest income				(31,769)
Present value of the minimum lease payments				172,921
<u>Less</u> Allowance for doubtful accounts				(6,115)
Total lease receivables, net				<u>166,806</u>

6.7 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2012 and 2011, are as follows:

	Unit : Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2012						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	5,031	2,603	2,923	3,089	4,663	12,467	30,776
Doubtful accounts	2,175	(948)	3,480	(431)	6,365	(180)	10,461
Bad debts written off	-	-	(3,038)	(3)	(5,613)	-	(8,654)
Bad debts written off from sales of NPLs	(1)	(4)	(28)	(513)	(1,730)	-	(2,276)
Other	-	-	-	-	-	(1)	(1)
Ending balance	<u>7,205</u>	<u>1,651</u>	<u>3,337</u>	<u>2,142</u>	<u>3,685</u>	<u>12,286</u>	<u>30,306</u>

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

	2011						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	5,257	1,170	5,564	1,268	7,485	12,666	33,410
Doubtful accounts	(225)	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)	(1)	(65)	(408)	(5,121)	-	(5,596)
Other	-	-	-	-	-	2	2
Ending balance	<u>5,031</u>	<u>2,603</u>	<u>2,923</u>	<u>3,089</u>	<u>4,663</u>	<u>12,467</u>	<u>30,776</u>

As at December 31, 2012 and 2011, the consolidated financial statements included the allowance for doubtful account of hire-purchase loans applying a collective approach basis in the amounts of Baht 3,429 million and Baht 3,864 million, respectively.

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2012						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	4,489	1,509	1,364	2,503	3,259	6,102	19,226
Doubtful accounts	2,341	(904)	1,482	(496)	2,428	(472)	4,379
Bad debts written off	-	-	(873)	(3)	(1,043)	-	(1,919)
Bad debts written off from sales of NPLs	(1)	(4)	(28)	(513)	(1,730)	-	(2,276)
Other	-	-	-	-	-	(1)	(1)
Ending balance	<u>6,829</u>	<u>601</u>	<u>1,945</u>	<u>1,491</u>	<u>2,914</u>	<u>5,629</u>	<u>19,409</u>

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	<u>4,489</u>	<u>1,509</u>	<u>1,364</u>	<u>2,503</u>	<u>3,259</u>	<u>6,102</u>	<u>19,226</u>

As at December 31, 2012 and 2011, the Bank estimated the minimum total allowance* under the BOT Guidelines of Baht 18,841 million and Baht 18,899 million, respectively for the consolidated financial statements and Baht 13,895 million and Baht 13,238 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:

	2012	Unit : Million Baht 2011
Consolidated financial statements	31,127	31,366
The Bank and Krungsri Ayudhya AMC Limited	20,512	21,514
The Bank's financial statements	19,525	19,340

As at December 31, 2012 and 2011, 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:

Unit : Million Baht CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS 2012				
	Number	Outstanding Balance	Collateral	Allowance for Doubtful Accounts
Companies subject to be delisted by SET	4	2,629	655	2,070
Total	4	2,629	655	2,070

Unit : Million Baht CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS 2011				
	Number	Outstanding Balance	Collateral	Allowance for Doubtful Accounts
Companies subject to be delisted by SET	3	70	53	20
Total	3	70	53	20

6.8 Revaluation allowance for debt restructuring

Revaluation allowance for debt restructuring as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Beginning balance	503	543	27	35
Increase during the year	989	821	162	117
Amount written off	(769)	(861)	(172)	(125)
Ending balance	723	503	17	27

6.9 Properties for sale, net

Properties for sale, net as at December 31, 2012 and 2011, are as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2012	Acquisition	Disposition	Balance as at December 31, 2012
1. Assets acquired from debt repayment				
1.1 Immovable	13,808	235	(2,539)	11,504
1.2 Movable	373	3,744	(3,578)	539
Total	14,181	3,979	(6,117)	12,043
2. Others	85	31	(42)	74
Total properties for sale	14,266	4,010	(6,159)	12,117
<u>Less</u> Provision for impairment	(2,529)	(1,405)	1,269	(2,665)
Total properties for sale	11,737	2,605	(4,890)	9,452

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				
THE BANK'S FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2012	Acquisition	Disposition	Balance as at December 31, 2012
1. Assets acquired from debt repayment				
1.1 Immovable	8,011	210	(1,325)	6,896
1.2 Movable	12	-	-	12
Total	8,023	210	(1,325)	6,908
2. Others	79	31	(39)	71
Total properties for sale	8,102	241	(1,364)	6,979
<u>Less</u> Provision for impairment	(2,165)	(466)	357	(2,274)
Total properties for sale	5,937	(225)	(1,007)	4,705

Unit : Million Baht

Type of Properties For Sale	THE BANK'S FINANCIAL STATEMENTS			
	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

Immovable assets for sale classified by external and internal appraisers as at December 31, 2012 and 2011 consist of the following:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Immovable assets-Foreclosed assets				
Appraised by external appraisers	3,805	4,063	3,382	3,475
Appraised by internal appraisers	7,699	9,745	3,514	4,536
Total	11,504	13,808	6,896	8,011

6.10 Premises and equipment, net

Premises and equipment, net as at December 31, 2012 and 2011, are as follows:

Unit : Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2012	Increase	Decrease	Others	Balance as at December 31, 2012
Land					
Cost	3,775	-	(33)	(11)	3,731
Appraisal increase (Year 2009)	3,759	-	(13)	(6)	3,740
Appraisal decrease (Year 2009)	(190)	-	7	5	(178)
Premises					
Cost	6,332	83	(49)	435	6,801
Appraisal increase (Year 2009)	6,105	-	(27)	(4)	6,074
Appraisal decrease (Year 2009)	(70)	-	2	-	(68)
Equipment	12,860	1,834	(1,389)	84	13,389
Leasehold improvement	1,721	271	(120)	213	2,085
Total	34,292	2,188	(1,622)	716	35,574
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(2,877)	(259)	22	8	(3,106)
- Appraisal increase (Year 2009)	(3,291)	(242)	16	1	(3,516)
Equipment	(9,657)	(1,133)	1,363	(3)	(9,430)
Leasehold improvement	(1,305)	(144)	99	(2)	(1,352)
Total	(17,130)	(1,778)	1,500	4	(17,404)
Construction in progress	406	464	-	(740)	130
Premises and equipment, net	17,568				18,300

Unit : Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2011	Increase	Decrease	Others	Balance as at December 31, 2011
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		
	2012	2011
Depreciation for the years	1,778	1,668

As at December 31, 2012 and 2011, the Bank and its subsidiaries had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 7,749 million and Baht 8,474 million, respectively.

The equipment at cost of Baht 100 million is under finance leases as at December 31, 2012.

Unit : Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2012	Increase	Decrease	Others	Balance as at December 31, 2012
Land					
Cost	3,767	-	(33)	(10)	3,724
Appraisal increase (Year 2009)	3,759	-	(13)	(6)	3,740
Appraisal decrease (Year 2009)	(190)	-	7	5	(178)
Premises					
Cost	6,298	68	(49)	435	6,752
Appraisal increase (Year 2009)	6,105	-	(27)	(4)	6,074
Appraisal decrease (Year 2009)	(70)	-	2	-	(68)
Equipment	9,937	1,334	(881)	84	10,474
Leasehold improvement	718	112	(31)	211	1,010
Total	30,324	1,514	(1,025)	715	31,528
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(2,853)	(257)	23	7	(3,080)
- Appraisal increase (Year 2009)	(3,290)	(243)	16	1	(3,516)
Equipment	(7,665)	(842)	867	(2)	(7,642)
Leasehold improvement	(463)	(70)	20	-	(513)
Total	(14,271)	(1,412)	926	6	(14,751)
Construction in progress	407	450	-	(741)	116
Premises and equipment, net	16,460				16,893

Unit : Million Baht

	THE BANK'S FINANCIAL STATEMENTS				Balance as at December 31, 2011
	Balance as at January 1, 2011	Increase	Decrease	Others	
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	<u>29,433</u>	<u>856</u>	<u>(254)</u>	<u>289</u>	<u>30,324</u>
<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	<u>(13,131)</u>	<u>(1,364)</u>	<u>224</u>	<u>-</u>	<u>(14,271)</u>
Construction in progress	365	335	(4)	(289)	407
Premises and equipment, net	<u>16,667</u>				<u>16,460</u>

Unit : Million Baht

	2012	2011
Depreciation for the years	<u>1,412</u>	<u>1,364</u>

As at December 31, 2012 and 2011, the Bank had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 5,942 million and Baht 6,564 million, respectively.

6.11 Goodwill and other intangible assets, net

Goodwill and other intangible assets, net as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS				Balance as at December 31, 2012
	Balance as at January 1, 2012	Increase	Decrease	Others	
Cost					
Goodwill	7,521	2,426	-	-	9,947
Software	3,938	947	(113)	(2)	4,770
Other intangible assets	4,494	1,119	(25)	-	5,588
Total	<u>15,953</u>	<u>4,492</u>	<u>(138)</u>	<u>(2)</u>	<u>20,305</u>
Accumulated amortization					
Software	(2,135)	(388)	94	1	(2,428)
Other intangible assets	(1,764)	(678)	-	-	(2,442)
Total	<u>(3,899)</u>	<u>(1,066)</u>	<u>94</u>	<u>1</u>	<u>(4,870)</u>
Goodwill and other intangible assets, net	<u>12,054</u>				<u>15,435</u>

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	12,627				12,054

Unit : Million Baht		
	2012	2011
Amortization for the years	<u>1,066</u>	<u>1,222</u>

As at December 31, 2012 and 2011, the Bank and its subsidiaries had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 1,199 million and Baht 986 million, respectively.

Unit : Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2012	Increase	Decrease	Others	Balance as at December 31, 2012
Cost					
Goodwill	-	1,054	-	-	1,054
Software	3,308	658	(24)	-	3,942
Other intangible assets	13	38	-	-	51
Total	3,321	1,750	(24)	-	5,047
Accumulated amortization					
Software	(1,667)	(311)	7	(2)	(1,973)
Other intangible assets	(6)	-	-	-	(6)
Total	(1,673)	(311)	7	(2)	(1,979)
Goodwill and other intangible assets, net	1,648				3,068

					Unit : Million Baht
THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2011	Increase	Decrease	Others	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	1,368				1,648

	Unit : Million Baht	
	2012	2011
Amortization for the years	<u>311</u>	<u>238</u>

As at December 31, 2012 and 2011, the Bank had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 940 million and Baht 791 million, respectively.

6.12 Deferred tax assets

Deferred tax assets as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Deferred tax assets	<u>6,061</u>	<u>5,631</u>	<u>2,637</u>	<u>2,356</u>

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

	Unit: Million Baht				
	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2012	Items arising from business combination	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2012
Temporary differences					
Impairment of assets	764	-	(101)	-	663
Allowance for doubtful debt	2,753	-	135	-	2,888
Employee benefits	627	-	76	(15)	688
Unrealized loss on investment	415	-	-	-	415
Others	1,072	(118)	453	-	1,407
Total	<u>5,631</u>	<u>(118)</u>	<u>563</u>	<u>(15)</u>	<u>6,061</u>

	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	1,820	(748)	-	1,072
Total before adoption of TAS 19 "Employee Benefits"	7,586	(2,582)	-	5,004
Effect of the adoption of TAS 19 "Employee Benefits"	758	(177)	46	627
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				
THE BANK'S FINANCIAL STATEMENTS				
Balance at January 1, 2012	Items arising from business combination	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2012
Temporary differences				
Impairment of assets	604	-	(53)	551
Employee benefits	531	-	42	556
Unrealized loss on investment	414	-	(17)	414
Other	807	-	-	414
Total	<u>2,356</u>	<u>12</u>	<u>297</u>	<u>1,116</u>
		<u>286</u>	<u>(17)</u>	<u>2,637</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"	<u>3,848</u>	<u>(1,525)</u>	<u>33</u>	<u>2,356</u>

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.

6.13 Other assets, net

Other assets, net as at December 31, 2012 and 2011, are as follows:

Unit : Million Baht				
CONSOLIDATED		THE BANK'S		
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS		
	2012	2011	2012	2011
Accrued income	2,206	1,196	344	324
Prepayment	404	377	182	113
Other receivables	8,420	3,503	2,943	1,350
Others	1,268	1,336	877	750
Total	<u>12,298</u>	<u>6,412</u>	<u>4,346</u>	<u>2,537</u>

6.14 Deposits

Deposits as at December 31, 2012 and 2011, are as follows:

(1) Classified by product

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Current deposit	18,646	19,265	19,626	20,317
Savings deposit	350,814	218,395	355,664	220,976
Time deposit				
- Less than 6 months	147,053	153,741	147,055	153,745
- 6 months to 1 year	120,927	71,319	120,927	71,320
- over 1 year	49,719	97,820	49,722	97,820
Total	<u>687,159</u>	<u>560,540</u>	<u>692,994</u>	<u>564,178</u>

(2) Classified by currency and residence of depositors

	CONSOLIDATED FINANCIAL STATEMENTS			Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS		
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	682,292	553	682,845	557,137	339	557,476
US Dollar	2,228	189	2,417	1,766	208	1,974
Other currencies	1,854	43	1,897	1,045	45	1,090
Total	<u>686,374</u>	<u>785</u>	<u>687,159</u>	<u>559,948</u>	<u>592</u>	<u>560,540</u>

	THE BANK'S FINANCIAL STATEMENTS			Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS		
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	688,127	553	688,680	560,775	339	561,114
US Dollar	2,228	189	2,417	1,766	208	1,974
Other currencies	1,854	43	1,897	1,045	45	1,090
Total	<u>692,209</u>	<u>785</u>	<u>692,994</u>	<u>563,586</u>	<u>592</u>	<u>564,178</u>

6.15 Interbank and money market items, net (Liability)

Interbank and money market items, net (liability) as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS			Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS		
	2012			2011		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	9,265	9,265	-	700	700
Commercial banks	520	24,120	24,640	214	7,036	7,250
Specialized financial institutions	40	6,026	6,066	98	760	858
Other financial institutions	8,152	688	8,840	3,074	11,525	14,599
Total domestic items	<u>8,712</u>	<u>40,099</u>	<u>48,811</u>	<u>3,386</u>	<u>20,021</u>	<u>23,407</u>
Foreign items						
US Dollar	10	-	10	334	-	334
Total foreign items	<u>10</u>	<u>-</u>	<u>10</u>	<u>334</u>	<u>-</u>	<u>334</u>
Total domestic and foreign items	<u>8,722</u>	<u>40,099</u>	<u>48,821</u>	<u>3,720</u>	<u>20,021</u>	<u>23,741</u>

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2012			2011		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution						
Development Fund	-	9,265	9,265	-	700	700
Commercial banks	1,475	22,710	24,185	963	6,192	7,155
Specialized financial institutions	40	6,026	6,066	98	760	858
Other financial institutions	8,152	688	8,840	3,074	11,525	14,599
Total domestic items	9,667	38,689	48,356	4,135	19,177	23,312
Foreign items						
US Dollar	10	-	10	334	-	334
Total foreign items	10	-	10	334	-	334
Total domestic and foreign items	9,677	38,689	48,366	4,469	19,177	23,646

Additional information on Interbank and money market items, net (liability) is as follows:

1. As at December 31, 2012, the outstanding balance of borrowing from the Bank of Thailand is Baht 9,265 million bearing interest rate at 0.01% per annum. The loan is restricted for soft loan program for flood relief in year 2011 provided to small and medium enterprises (SME) and individuals at the rate not over 3% per annum. The soft loan program duration is 5 years and will be ended on December 31, 2018.
2. On October 25, 2012, the Bank entered into a loan agreement facility of USD 200 million with International Finance Corporation, a member of the World Bank, which composed of a 36-month term loan of USD 100 million, a 48-month term loan of USD 50 million and a 60-month term loan of USD 50 million at the interest rate of 3-month LIBOR plus applicable spreads. The purpose of this facility is to provide the Bank funding for financing to small or medium enterprises directly and indirectly impacted by flooding in Thailand.

6.16 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2012 and 2011, are as follows:

Unit : Million Baht									
CONSOLIDATED FINANCIAL STATEMENTS									
				2012			2011		
	Currency	Interest rate (%)	Maturity	Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated									
debentures	THB	4.35–5.50	2020-2022	34,844	-	34,844	20,000	-	20,000
Senior securities	THB	2.75–4.50	2013-2015	71,170	-	71,170	26,300	-	26,300
Bills of exchange	THB	2.05–4.20	2013-2014	48,523	-	48,523	155,785	-	155,785
Other borrowings	THB	0.00–0.50	2013-2017	92	-	92	6,178	-	6,178
				154,629	-	154,629	208,263	-	208,263

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	Domestic	2012		Domestic	2011	
					Foreign	Total		Foreign	Total
Subordinated									
debentures	THB	4.35–5.50	2020-2022	34,844	-	34,844	20,000	-	20,000
Senior securities	THB	2.75–4.50	2013-2015	39,112	-	39,112	4,000	-	4,000
Bills of exchange	THB	2.05–4.20	2013-2014	29,691	-	29,691	141,867	-	141,867
Other borrowings	THB	0.00–0.50	2013-2017	92	-	92	6,178	-	6,178
				<u>103,739</u>	<u>-</u>	<u>103,739</u>	<u>172,045</u>	<u>-</u>	<u>172,045</u>

Additional information on debts issued and borrowings is as follows:

1. On June 23, 2010, the Bank issued subordinated debentures #1/2010 in the amount of Baht 20,000 million with 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 debentures #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.
2. On November 7, 2012, the Bank issued subordinated debentures No. 1/2012 in the amount of Baht 14,844 million for a 10-year tenor at the fixed interest rate of 4.70% per annum, payable quarterly in February, May, August and November of each year. The Bank has the right to redeem debentures on the fifth anniversary of the issue date or on any interest payment date after the fifth anniversary.

6.17 Provisions

Provisions for the years ended December 31, 2012 and 2011, are as follows:

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS						
	Balance at January 1, 2011	Adjustment due to change in accounting policies	Increase (Decrease)	Balance at December 31, 2011	Increase (Decrease)	Balance at December 31, 2012
Provision for post-employment benefits obligation	15	2,333	444	2,792	150	2,942
Provision for loss on impairment of assets transferred to the Thai Asset Management Corporation	2,057	-	49	2,106	25	2,131
Provision for customer loyalty program	1,156	-	88	1,244	373	1,617
Others	462	-	292	754	(110)	644
Total	<u>3,690</u>	<u>2,333</u>	<u>873</u>	<u>6,896</u>	<u>438</u>	<u>7,334</u>

Unit : Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	Balance at January 1, 2011	Adjustment due to change in accounting policies	Increase (Decrease)	Balance at December 31, 2011	Increase (Decrease)	Balance at December 31, 2012
Provision for post-employment benefits obligation	4	2,021	333	2,358	75	2,433
Provision for loss on impairment of assets transferred to the Thai Asset Management Corporation	1,996	-	74	2,070	-	2,070
Provision for customer loyalty program	7	-	14	21	8	29
Others	469	-	252	721	(77)	644
Total	2,476	2,021	673	5,170	6	5,176

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, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Opening defined benefits obligation	2,792	15	2,358	4
Add Adjustment due to change in accounting policies	-	2,333	-	2,021
Opening defined benefit obligation – as adjusted	2,792	2,348	2,358	2,025
Current service cost	238	190	179	145
Interest cost	106	95	90	82
Actuarial (gains) losses	(75)	232	(83)	166
Benefit paid	(119)	(73)	(111)	(60)
Closing defined benefit obligation	2,942	2,792	2,433	2,358

For the year ended December 31, 2012, the actuarial gains are recognized in the consolidated and the Bank's statements of comprehensive income in the amounts of Baht 75 million and Baht 83 million, respectively.

Amounts recognized in the statements of comprehensive income in respect of the defined benefit plans for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Current service cost	238	190	179	145
Interest on obligation	106	95	90	82
	<u>344</u>	<u>285</u>	<u>269</u>	<u>227</u>

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2012	2011
Financial assumptions		
Discount rate	3.9%	3.8%
Salary increase rate	6.0%	6.0%
Turnover rate	9.9%	9.4%
Retirement age	55 and 60 years	55 and 60 years

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, 2012 and 2011, the provisions for possible losses were set up in the amounts of Baht 2,132 million and Baht 2,106 million, respectively, for the consolidated financial statements and the same amount of Baht 2,071 million as of those dates for the Bank's financial statements.

TAMC has liquidated since June 9, 2011. 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.

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.

6.18 Deferred tax liabilities

Deferred tax liabilities as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Deferred tax liabilities	<u>2,505</u>	<u>2,276</u>	<u>1,617</u>	<u>1,452</u>

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

	CONSOLIDATED FINANCIAL STATEMENTS			
	Balance at January 1, 2012	Items arising from business combination	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income
Temporary differences				
Asset appraisal surplus	1,323	-	(58)	(5)
Other	953	282	(158)	168
Total	<u>2,276</u>	<u>282</u>	<u>(216)</u>	<u>163</u>

	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	1,991	(944)	(94)	953
Total	<u>4,039</u>	<u>(1,017)</u>	<u>(746)</u>	<u>2,276</u>

Unit : Million Baht

	THE BANK'S FINANCIAL STATEMENTS				Balance at December 31, 2012
	Balance at January 1, 2012	Items arising from business combination	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	
Temporary differences					
Asset appraisal surplus	1,322	-	(58)	(5)	1,259
Other	130	62	(2)	168	358
Total	<u>1,452</u>	<u>62</u>	<u>(60)</u>	<u>163</u>	<u>1,617</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	2,319	(121)	(746)	1,452

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

6.19 Finance lease liabilities

Finance lease liabilities as at December 31, 2012, are as follows:

Unit : Million Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS		
	2012		
	Principal	Interest	Payment
Within one year	17	4	21
One year to five years	<u>73</u>	<u>6</u>	<u>79</u>
Total	<u>90</u>	<u>10</u>	<u>100</u>

As at December 31, 2011, the Bank and subsidiaries did not have any finance lease liabilities.

6.20 Other liabilities

Other liabilities as at December 31, 2012 and 2011, are as follows:

Unit : Million Baht

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2012	2011	2012	2011
Accrued expenses	9,041	8,047	6,577	5,753
Tax payable	2,959	3,692	1,200	1,177
Deposit	8,001	6,675	183	73
Other payable	3,322	1,019	1,638	756
Others	<u>8,454</u>	<u>6,391</u>	<u>3,467</u>	<u>2,456</u>
Total	<u>31,777</u>	<u>25,824</u>	<u>13,065</u>	<u>10,215</u>

6.21 Share capital

6.21.1 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 cost 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.

6.21.2 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.

6.21.3 Dividend payment

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 held on 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.

At the General Shareholders' meeting held on April 24, 2012, the shareholders approved a resolution authorizing a dividend payment for the second half year ended December 31, 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 May 22, 2012.

The Board of Directors' Meeting No. 8/2012 held on August 22, 2012, had approved a resolution authorizing a dividend payment for the first half year ended June 30, 2012 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.40 per share which totaled Baht 2,430 million, with payment made on September 20, 2012.

6.22 Assets with obligations and restrictions

As at December 31, 2012 and 2011, government and state enterprise securities with book value of Baht 4,412 million and Baht 6,313 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

6.23 Contingencies

Contingencies as at December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Avals to bills	977	1,585	977	1,585
Guarantees of loans	90	180	90	180
Liability under unmatured import bills	1,548	1,465	1,548	1,465
Letters of credit	8,043	8,293	8,043	8,293
Other contingencies				
- Unused overdraft limit	59,049	53,734	59,181	53,884
- Other guarantees	35,172	36,063	35,172	36,063
- Others	506	293	506	293
Total	<u>105,385</u>	<u>101,613</u>	<u>105,517</u>	<u>101,763</u>

The Bank and its subsidiaries have entered into a long-term information technology service agreement, which will be expired in 2019, with a local company. As at December 31, 2012, the Bank and its subsidiaries have a commitment to pay in the amount of Baht 4,386 million.

As at December 31, 2012 and 2011, the Bank has commitments to be paid regarding the information technology services in the amounts of Baht 86 million and Baht 35 million, respectively.

6.24 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:

6.24.1 Loans to, deposits, borrowing and contingencies with certain officers from the levels of 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 Bank owned and the companies in which the directors and/or shareholders of the Bank having significant voting right either direct or indirect as at December 31, 2012 and 2011, are as follows:

	Unit : Million Baht							
	CONSOLIDATED FINANCIAL STATEMENTS							
	2012				2011			
	Loans	Deposits	Borrowings	Contingencies	Loans	Deposits	Borrowings	Contingencies
Associates								
Tesco Card Services Limited	10,073	397	-	-	7,595	267	-	-
Tesco Life Assurance Broker Limited	-	47	-	-	-	18	-	-
Tesco General Insurance Broker Limited	-	231	-	-	-	186	-	-
<u>Less</u> Allowance for doubtful accounts	(101)	-	-	-	(76)	-	-	-
Total	9,972	675	-	-	7,519	471	-	-
Related companies having joint major shareholders or directors								
<u>Less</u> Allowance for doubtful accounts	(13)	-	-	-	(6)	-	-	-
Total	1,322	4,099	1,700	418	619	9,032	353	169
Individual and related parties								
<u>Less</u> Allowance for doubtful accounts	(1)	-	-	-	-	-	-	-
Total	243	547	21	-	178	284	127	-
Total	11,537	5,321	1,721	418	8,310	9,787	480	169

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2012				2011			
	Loans	Deposits	Borrowings	Contingencies	Loans	Deposits	Borrowings	Contingencies
Subsidiaries								
Ayudhya Development Leasing Company Limited	10,013	45	-	161	9,154	50	-	642
Ayudhya Auto Lease Public Company Limited	-	-	-	-	-	695	-	-
Ayudhya Capital Auto Lease Public Company Limited	125,441	693	-	-	94,019	345	-	-
Ayudhya Total Solutions Public Company Limited	-	2,070	-	-	-	151	751	-
CFG Services Company Limited	5,273	17	-	-	3,750	218	-	-
Ayudhya Card Services Company Limited	4,600	247	-	-	4,100	216	-	-
Ayudhya Capital Services Company Limited	21,109	738	-	3	18,100	471	-	3
General Card Services Limited	11,658	268	-	-	11,190	161	-	-
Krungsriayudhya Card Company Limited	26,471	885	-	1	14,748	342	-	1
Siam Realty and Services Company Limited	496	71	-	-	335	40	-	-
Total Services Solutions Public Company Limited	-	246	400	-	-	351	200	-
Krungsri Asset Management Company Limited	-	104	300	613	-	78	300	634
Krungsri Ayudhya AMC Limited	2,357	15	-	38	5,967	83	-	38
Krungsri Securities Public Company Limited	-	853	-	-	-	82	600	-
Krungsri Factoring Company Limited (Formerly Ayudhya Factoring Company Limited)	1,433	177	-	-	3,070	235	-	-
Krungsri Life Assurance Broker Company Limited	-	137	-	-	-	90	-	-
Krungsri General Insurance Broker Company Limited	-	224	-	-	-	179	-	-
Total	208,851	6,790	700	816	164,433	3,787	1,851	1,318
<u>Less</u> Allowance for doubtful accounts	(2,088)	-	-	-	(1,644)	-	-	-
Total	206,763	6,790	700	816	162,789	3,787	1,851	1,318
Associates								
Tesco Card Services Limited	10,073	397	-	-	7,595	267	-	-
Tesco Life Assurance Broker Limited	-	47	-	-	-	18	-	-
Tesco General Insurance Broker Limited	-	231	-	-	-	186	-	-
<u>Less</u> Allowance for doubtful accounts	(101)	-	-	-	(76)	-	-	-
Total	9,972	675	-	-	7,519	471	-	-
Related companies having joint major shareholders or directors								
	1,335	4,099	1,700	418	619	9,032	353	169
<u>Less</u> Allowance for doubtful accounts	(13)	-	-	-	(6)	-	-	-
Total	1,322	4,099	1,700	418	613	9,032	353	169
Individual and related parties								
	196	547	21	-	140	284	127	-
Total	218,253	12,111	2,421	1,234	171,061	13,574	2,331	1,487

As at December 31, 2012 and 2011, the Bank charges interest rates to the officer or related parties at 1.00% - 18.99% p.a. and 1.00% - 7.63%, respectively.

As at December 31, 2012 and 2011, the allowance for doubtful accounts of loans granted to subsidiaries of Baht 2,088 million and Baht 1,644 million, respectively, are not eliminated but treated as surplus reserve in the consolidated financial statements.

As at December 31, 2012 and 2011, the Bank granted loans to KrungsriAyudhya AMC Limited as short-term promissory notes of Baht 2,357 million and Baht 5,967 million at the interest rates of 3.57% - 4.00% and 4.01% - 4.05% per annum, respectively.

6.24.2 The Bank has investments in subsidiaries and associates as disclosed in note 6.5 and has investments in related companies as follows:

Unit: Million Baht							
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS							
	Business Type	Registered Share Capital	Ownership (%)	Investment Cost	2012	2011	
					Dividend Amount	Investment Cost	Dividend Amount
Related companies							
SriAyudhya Capital	Insurance	250	10.92	419	14	419	33
Public Company Limited (Formerly Ayudhya Insurance Public Company Limited)							
<u>Less</u> Allowance for impairment				(7)	-	(7)	-
Investment in related companies, net				<u>412</u>	<u>14</u>	<u>412</u>	<u>33</u>

6.24.3 Income and expenses between the Bank and its subsidiaries, associates and related companies for the years ended December 31, 2012 and 2011, are as follows:

Unit : Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
	2012				2011			
	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	354	150	2	-	269	130	3	-
Tesco General Insurance Broker Limited	-	13	3	-	-	4	2	-
Total	<u>354</u>	<u>163</u>	<u>5</u>	<u>-</u>	<u>269</u>	<u>134</u>	<u>5</u>	<u>-</u>
Related companies having joint major shareholders or directors								
	41	60	131	332	21	46	221	300
Total	<u>41</u>	<u>60</u>	<u>131</u>	<u>332</u>	<u>21</u>	<u>46</u>	<u>221</u>	<u>300</u>
Individual and related parties								
	6	4	13	-	6	-	6	-
Total	<u>401</u>	<u>227</u>	<u>149</u>	<u>332</u>	<u>296</u>	<u>180</u>	<u>232</u>	<u>300</u>

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2012				2011			
	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	404	3	-	-	252	4	-	-
Ayudhya Auto Lease Public Company Limited	-	-	5	-	1	1	18	-
Ayudhya Capital Lease Company Limited	-	-	-	-	-	-	21	-
Ayudhya Capital Auto Lease Public Company Limited	4,320	62	4	1	3,454	49	3	1
Ayudhya Total Solutions Public Company Limited	-	2	42	-	2	5	21	-
CFG Services Company Limited	223	25	1	-	140	15	1	-
Ayudhya Card Services Company Limited	133	74	-	-	131	82	-	-
Ayudhya Capital Services Company Limited	791	161	2	11	608	100	4	20
General Card Services Limited	445	8	2	1	396	7	4	-
Krungsriayudhya Card Company Limited	868	92	3	1	490	44	4	-
Siam Realty and Services Company Limited	17	1	-	435	13	1	-	439
Total Services Solutions Public Company Limited	-	3	11	70	-	3	25	42
Krungsri Asset Management Company Limited	-	125	9	6	-	86	7	10
Krungsri Ayudhya AMC Limited	171	31	-	-	327	15	-	-
Krungsri Securities Public Company Limited	-	21	19	3	-	16	16	5
Krungsri Factoring Company Limited (Formerly Ayudhya Factoring Company Limited)	88	5	1	-	109	3	1	-
Krungsri Life Assurance Broker Company Limited	-	1	1	-	-	-	-	-
Krungsri General Insurance Broker Company Limited	-	-	1	-	-	-	-	-
Total	7,460	614	101	528	5,923	431	125	517
Associates								
Tesco Card Services Limited	354	12	2	-	269	7	3	-
Tesco General Insurance Broker Limited	-	13	3	-	-	4	2	-
Total	354	25	5	-	269	11	5	-
Related companies having joint major shareholders or directors	41	60	131	332	21	46	221	300
Total	41	60	131	332	21	46	221	300
Individual and related parties	6	4	13	-	6	-	6	-
Total	7,861	703	250	860	6,219	488	357	817

6.24.4 For the year ended December 31, 2012, the Bank and a subsidiary entered into an agreement to sell non-performing loans (NPLs) to a related company totalling Baht 1,698 million with a book value of Baht 2,353 million and a net book value of Baht 1,566 million. The sale amount has been received.

For the year ended December 31, 2012 and 2011, the Bank entered into the agreements to sell non-performing loans (NPLs) to a subsidiary totalling Baht 33 million and Baht 655 million with book values of Baht 825 million and Baht 4,058 million and net book values of Baht 33 million and Baht 655 million. The sale amounts have been received.

6.24.5 For the years ended December 31, 2012 and 2011, related party transactions among subsidiaries include collection services and other services of Baht 826 million and Baht 867 million and office and vehicle rental and facilities service of Baht 51 million and Baht 22 million, respectively.

- 6.24.6 For the years ended December 31, 2012 and 2011, subsidiaries have related party transactions from the licenses relevant to technology and software for Baht 59 million and Baht 50 million, respectively.
- 6.24.7 For the years ended December 31, 2012 and 2011, related party transactions among subsidiaries from other services were Baht 1,053 million and Baht 1,035 million, respectively.
- 6.24.8 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, 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.

The Bank's Board of Directors Meeting No. 6/2012 held on June 27, 2012 resolved to adjust its operating plan whereby the Bank will not accept the entire business transfer of AYCS as previously approved by the EGM referred above. However, Krungsriayudhya Card Company Limited, operating credit card and personal loan business in which the Bank currently holds 100% of the total shares sold, will consider accepting the entire business transfer of Ayudhya Card Services Company Limited.

- 6.24.9 On April 21, 2012, Ayudhya Total Solutions Public Company Limited (AYTS) has already completed the transfer of its entire business to Ayudhya Capital Auto Lease Public Company Limited (AYCAL) at net book value of Baht 721 million, having total assets and total liabilities of Baht 858 million and Baht 137 million, respectively on the transfer date, as approved by the extraordinary meeting of shareholders No. 1/2011 of AYTS as well as the annual general meeting of shareholders No. 51 of AYTS and the extraordinary meeting of shareholders No. 1/2011 of AYCAL.
- 6.24.10 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%.
- 6.24.11 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 at the transfer date.

6.25 Management compensation

The Bank has no special benefits given to the directors and executive officers beyond the general benefits made as usual, included contingency benefits from employment agreements compensation and other benefits from those persons.

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.

For the years ended December 31, 2012 and 2011, 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	
	2012	2011	2012	2011
Short-term employee benefits	1,211	926	809	596
Post-employment benefits	31	22	19	11
Total	<u>1,242</u>	<u>948</u>	<u>828</u>	<u>607</u>

6.26 Long-term leases

The Bank and its subsidiaries have entered into land and/or buildings and equipment lease agreements for branch offices and operation. The Bank and its subsidiaries are committed to pay future rental as at December 31, 2012 and 2011, which are summarized as follows:

TYPE OF LEASE	PERIOD	Unit : Million Baht			
		CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
		2012	2011	2012	2011
Land and/or premises and equipment	Within 1 year	460	446	489	451
	Over 1-5 years	581	625	537	666
	Over 5 years	85	96	85	96
		<u>1,126</u>	<u>1,167</u>	<u>1,111</u>	<u>1,213</u>

6.27 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, 2012 and 2011, are as follows:

	Unit : Million Baht			
	CONSOLIDATED FINANCIAL STATEMENTS			
	2012			
	Domestic	Foreign	Elimination	Total
Total assets	1,073,071	4,037	(5,143)	1,071,965
Interbank and money market items, net (Assets)	78,815	575	-	79,390
Investments, net	77,765	537	-	78,302
Loans to customers and accrued interest receivable, net	799,456	1,780	-	801,236
Deposits	686,675	484	-	687,159
Interbank and money market items, net (Liabilities)	48,811	10	-	48,821
Debt issued and borrowings	154,629	-	-	154,629

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				
THE BANK'S FINANCIAL STATEMENTS				
2012				
	Domestic	Foreign	Elimination	Total
Total assets	987,573	4,037	(5,143)	986,467
Interbank and money market items, net (Assets)	77,581	575	-	78,156
Investments, net	77,292	537	-	77,829
Loans to customers and accrued interest receivable, net	714,043	1,780	-	715,823
Deposits	692,510	484	-	692,994
Interbank and money market items, net (Liabilities)	48,356	10	-	48,366
Debt issued and borrowings	103,739	-	-	103,739

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

(2) Results of operations classified by business

Results of operations classified by domestic and foreign business for the years ended December 31, 2012 and 2011, are as follows:

Unit : Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2012				
	Domestic	Foreign	Elimination	Total
Interest income	64,534	106	-	64,640
Interest expenses	24,684	3	-	24,687
Net interest income	39,850	103	-	39,953
Fees and service income, net	12,716	19	-	12,735
Other operating income	11,213	(41)	(2,671)	8,501
Other operating expenses	44,765	89	(2,671)	42,183
Profit (loss) from operating before tax	19,014	(8)	-	19,006

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
THE BANK'S FINANCIAL STATEMENTS
2012

	Domestic	Foreign	Elimination	Total
Interest income	43,377	106	-	43,483
Interest expenses	23,212	3	-	23,215
Net interest income	20,165	103	-	20,268
Fees and service income, net	5,697	19	-	5,716
Other operating income	7,944	(41)	(2,671)	5,232
Other operating expenses	25,728	89	(2,671)	23,146
Profit (loss) from operating before tax	8,078	(8)	-	8,070

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

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.

6.28 Interest income

Interest income for the years ended December 31, 2012 and 2011, are as follows

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Interbank and money market items	2,481	3,095	2,470	3,089
Investment and trading transactions	206	79	206	77
Investment in debt securities	2,495	1,946	2,479	1,927
Loans to customers	42,563	36,355	38,328	32,306
Hire purchase and financial lease	16,895	14,952	-	-
Total interest income	64,640	56,427	43,483	37,399

6.29 Interest expenses

Interest expenses for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Deposits	13,450	8,956	13,496	9,005
Interbank and money market items	1,183	1,631	1,157	1,508
Contributions to Financial Institution Development Fund and Deposit Protection Agency	3,206	2,229	3,206	2,229
Debt issued and borrowing				
- Subordinated debenture	1,021	919	1,021	919
- Other	5,746	5,221	4,266	4,315
Borrowing fee expense	69	-	69	-
Other	12	7	-	1
Total interest expenses	<u>24,687</u>	<u>18,963</u>	<u>23,215</u>	<u>17,977</u>

6.30 Fees and service income, net

Fees and service income, net for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Fees and service income				
- Acceptances, aval and guarantees	518	601	518	603
- Other	15,916	13,237	6,716	5,771
Total fees and service income	<u>16,434</u>	<u>13,838</u>	<u>7,234</u>	<u>6,374</u>
Fees and service expenses	<u>3,699</u>	<u>3,051</u>	<u>1,518</u>	<u>1,334</u>
Total fees and service income, net	<u>12,735</u>	<u>10,787</u>	<u>5,716</u>	<u>5,040</u>

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

Gains (losses) from trading and foreign exchange transactions, net for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Gains (losses) from trading and foreign exchange transactions				
- Foreign currency and derivative of currency	1,471	1,254	1,473	1,243
- Derivative of interest rates	(9)	(1)	(9)	(1)
- Debt securities	55	(3)	55	(3)
- Equity securities	25	28	(10)	(13)
Total	<u>1,542</u>	<u>1,278</u>	<u>1,509</u>	<u>1,226</u>

6.32 Gains (losses) on investments

Gains (losses) on investments for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Gains (losses) on sales of investments				
- Available-for-sale	436	348	436	348
- General investments	382	472	385	472
- Subsidiaries and associates	-	-	(1)	33
	<u>818</u>	<u>820</u>	<u>820</u>	<u>853</u>
Loss on impairment				
- General investments	(18)	-	(18)	-
- Subsidiaries and associates (Reversal)	-	-	-	523
Total	<u>800</u>	<u>820</u>	<u>802</u>	<u>1,376</u>

6.33 Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Interbank and money market items	11	52	11	52
Securities held-to-maturity	41	-	41	-
Loans to customers	10,344	11,341	4,261	6,239
Loss on troubled debt restructuring	<u>989</u>	<u>821</u>	<u>162</u>	<u>117</u>
Total	<u>11,385</u>	<u>12,214</u>	<u>4,475</u>	<u>6,408</u>

6.34 Income tax

Income tax for the years ended December 31, 2012 and 2011, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit : Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Current tax for the period	5,114	4,610	1,919	1,153
Deferred tax before effect of reduced tax rate	(777)	(385)	(345)	308
Deferred tax from effect reduced tax rate	-	2,085	-	1,096
Total income tax expense	<u>4,337</u>	<u>6,310</u>	<u>1,574</u>	<u>2,557</u>

Reconciliation of effective tax rate

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2012		2011		2012		2011	
	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)
Profit before tax	19,006		15,614		8,070		8,608	
Income tax at the domestic tax rate	4,371	23.00	4,684	30.00	1,856	23.00	2,582	30.00
Add Tax effect of income and expense that are not exempt for tax purposes	492	2.59	1,023	6.55	155	1.92	137	1.59
Less Tax effect of income and expense that are not exempt for tax purposes	(526)	(2.77)	(1,482)	(9.49)	(437)	(5.42)	(1,258)	(14.61)
Add Deferred tax from effect Of reduced tax rate	-	-	2,085	13.35	-	-	1,096	12.73
Income tax as per statements of comprehensive income	4,337	22.82	6,310	40.41	1,574	19.50	2,557	29.71

According to the Royal Decree No. 555 B.E. 2555 issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 27, 2012, 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 and 2014.

Therefore, the Bank and subsidiaries used tax rate of 30% for the corporate income tax calculation for the year ended December 31, 2011 and used tax rate of 23% for the corporate income tax calculation for the year ended December 31, 2012 to conform to such tax rate changes.

The Bank and subsidiaries used the tax rate of 23% and 20% for the calculation of deferred tax for the year ended December 31, 2011 and 20% for the calculation of deferred tax for the year ended December 31, 2012.

6.35 Income tax related to other comprehensive income

Income tax related to other comprehensive income for the years ended December 31, 2012 and 2011, are as follows:

	Unit : Million Baht					
	CONSOLIDATED FINANCIAL STATEMENTS 2012			2011		
	Amount before tax	Tax income (expenses)	Net amount after tax	Amount before tax	Tax income (expenses)	Net amount after tax
Gains (losses) on remeasuring available-for-sale investment	862	(162)	700	(213)	94	(119)
Actuarial gains (losses) on defined benefit plans	75	(15)	60	(232)	46	(186)
Effect of reduced tax rate relating to assets revaluation	-	-	-	-	652	652
Other comprehensive income	937	(177)	760	(445)	792	347

Unit : Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2012			2011		
	Amount before tax	Tax income (expenses)	Net amount after tax	Amount before tax	Tax income (expenses)	Net amount after tax
Gains (losses) on remeasuring available-for-sale investment	861	(163)	698	(213)	94	(119)
Actuarial gains (losses) on defined benefit plans	84	(17)	67	(166)	33	(133)
Effect of reduced tax rate relating to assets revaluation	-	-	-	-	652	652
Other comprehensive income	945	(180)	765	(379)	779	400

6.36 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, 2013.