

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, 2013, 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, 2013, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

BANGKOK
February 26, 2014

Permsak Wongpatcharapakorn
Certified Public Accountant (Thailand)
Registration No. 3427
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	2013	2012	2013	2012
ASSETS				
CASH	28,216,333	25,078,920	28,167,503	25,060,003
INTERBANK AND MONEY MARKET ITEMS, NET (Note 8.2)	87,027,241	79,389,674	84,980,814	78,155,680
CLAIMS ON SECURITY	13,104,938	13,592,478	13,104,938	13,592,478
DERIVATIVES ASSETS (Note 8.3)	4,879,633	3,414,492	4,879,633	3,414,492
INVESTMENTS, NET (Note 8.4)	73,274,123	78,302,398	73,240,687	77,829,013
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET (Note 8.5)	1,058,908	946,637	29,831,169	32,482,962
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET (Note 8.6)				
Loans to customers	988,013,869	869,382,125	822,204,678	733,870,285
Accrued interest receivables	2,647,891	2,256,924	1,741,605	1,417,982
Total loans to customers and accrued interest receivables	990,661,760	871,639,049	823,946,283	735,288,267
Less Deferred revenue	(44,511,467)	(39,374,222)	(74,674)	(38,868)
Less Allowance for doubtful accounts (Note 8.7)	(37,465,593)	(30,305,602)	(19,919,182)	(19,409,266)
Less Revaluation allowance for debt restructuring (Note 8.8)	(1,520,460)	(723,410)	(659,124)	(17,364)
Net loans and accrued interest receivables	907,164,240	801,235,815	803,293,303	715,822,769
CUSTOMERS' LIABILITY UNDER ACCEPTANCE	879,171	682,147	879,171	682,147
PROPERTIES FOR SALE, NET (Note 8.9)	6,864,672	9,451,647	3,022,568	4,704,803
PREMISES AND EQUIPMENT, NET (Note 8.10)	20,138,759	18,299,724	18,533,326	16,893,475
GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Note 8.11)	14,861,026	15,435,423	3,128,757	3,068,498
DEFERRED TAX ASSETS (Note 8.12)	6,982,036	6,060,689	2,277,318	2,637,131
ACCOUNTS RECEIVABLE FOR INVESTMENTS	1,621,205	7,777,647	1,621,205	7,777,647
OTHER ASSETS, NET (Note 8.13)	13,509,666	12,297,804	6,458,908	4,345,637
TOTAL ASSETS	1,179,581,951	1,071,965,495	1,073,419,300	986,466,735

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, 2013

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	2013	2012	2013	2012
LIABILITIES AND EQUITY				
DEPOSITS (Note 8.14)	764,049,887	687,159,328	768,390,228	692,994,007
INTERBANK AND MONEY MARKET ITEMS, NET (Note 8.15)	55,496,687	48,821,459	56,703,612	48,366,000
LIABILITY PAYABLE ON DEMAND	2,545,378	2,776,041	2,545,378	2,776,041
LIABILITY TO DELIVER SECURITY	13,104,938	13,592,478	13,104,938	13,592,478
DERIVATIVES LIABILITIES (Note 8.3)	5,139,845	3,508,210	5,139,845	3,508,210
DEBT ISSUED AND BORROWINGS (Note 8.16)	174,604,804	154,628,639	107,336,654	103,738,778
BANK'S LIABILITY UNDER ACCEPTANCE	879,171	682,147	879,171	682,147
PROVISIONS (Note 8.17)	6,422,076	7,334,404	4,108,822	5,175,737
DEFERRED TAX LIABILITIES (Note 8.18)	2,602,640	2,505,437	1,824,126	1,617,322
ACCOUNTS PAYABLE FOR INVESTMENTS	27,367	5,694,321	27,367	5,694,321
OTHER LIABILITIES (Note 8.20)	33,061,202	31,776,917	13,972,311	13,064,908
TOTAL LIABILITIES	<u>1,057,933,995</u>	<u>958,479,381</u>	<u>974,032,452</u>	<u>891,209,949</u>
EQUITY				
SHARE CAPITAL (Note 8.21)				
Authorized share capital				
7,574,143,747 ordinary shares of				
Baht 10 each	<u>75,741,437</u>		<u>75,741,437</u>	
7,089,392,755 ordinary shares of				
Baht 10 each		<u>70,893,928</u>		<u>70,893,928</u>
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	6,572,436	5,983,000	6,531,881	5,985,325
RETAINED EARNINGS				
Appropriated				
Legal reserve	2,042,700	1,641,500	2,042,700	1,641,500
Unappropriated	<u>38,210,268</u>	<u>31,154,242</u>	<u>16,268,614</u>	<u>13,086,308</u>
TOTAL BANK'S EQUITY	<u>121,369,057</u>	<u>113,322,395</u>	<u>99,386,848</u>	<u>95,256,786</u>
NON-CONTROLLING INTEREST	<u>278,899</u>	<u>163,719</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY	<u>121,647,956</u>	<u>113,486,114</u>	<u>99,386,848</u>	<u>95,256,786</u>
TOTAL LIABILITIES AND EQUITY	<u>1,179,581,951</u>	<u>1,071,965,495</u>	<u>1,073,419,300</u>	<u>986,466,735</u>

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

(Mr. Noriaki Goto)
Chief Executive Officer

(Mrs. Janice Rae Van Ekeren)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
INTEREST INCOME (Note 8.29)	71,381,405	64,639,507	46,550,790	43,482,807
INTEREST EXPENSES (Note 8.30)	26,442,276	24,686,848	24,266,806	23,214,975
INTEREST INCOME, NET	44,939,129	39,952,659	22,283,984	20,267,832
FEES AND SERVICE INCOME	18,766,093	16,433,510	7,883,530	7,233,900
FEES AND SERVICE EXPENSES	4,214,561	3,698,528	1,851,342	1,518,129
FEES AND SERVICE INCOME, NET (Note 8.31)	14,551,532	12,734,982	6,032,188	5,715,771
GAINS ON TRADING AND FOREIGN EXCHANGE				
TRANSACTIONS, NET (Note 8.32)	1,563,611	1,541,505	1,513,832	1,509,395
GAINS ON INVESTMENTS, NET (Note 8.33)	633,036	800,330	55,783	801,803
SHARE OF PROFIT FROM INVESTMENT FOR USING				
EQUITY METHOD	112,302	177,223	-	-
DIVIDEND INCOME	550,897	504,141	1,452,472	1,764,978
BAD DEBTS RECOVERIES	3,879,040	3,178,033	638,382	185,963
GAINS ON SALE PROPERTIES FOR SALE	1,243,622	785,522	1,120,934	442,834
OTHER OPERATING INCOME	1,027,325	1,513,894	406,299	527,445
TOTAL OPERATING INCOME	68,500,494	61,188,289	33,503,874	31,216,021
OTHER OPERATING EXPENSES				
Employee's expenses	15,156,040	13,965,449	9,827,885	9,280,154
Directors' remuneration	35,375	34,373	31,903	31,903
Premises and equipment expenses	5,809,177	5,514,363	4,266,001	4,013,111
Taxes and duties	2,220,629	2,057,318	1,593,917	1,470,865
Loss on impairment of assets transferred				
to the Thai Asset Management Corporation (reversal)	(1,073,610)	-	(1,056,070)	-
Provision for contingent liabilities (reversal)	961,380	(49,089)	961,380	(49,089)
Others	10,505,026	9,275,536	3,875,714	3,924,091
Total other operating expenses	33,614,017	30,797,950	19,500,730	18,671,035
IMPAIRMENT LOSS OF LOANS AND				
DEBT SECURITIES (Note 8.34)	18,958,656	11,384,755	3,964,886	4,475,012
PROFIT FROM OPERATING BEFORE				
INCOME TAX EXPENSES	15,927,821	19,005,584	10,038,258	8,069,974
INCOME TAX EXPENSES (Note 8.35)	3,942,311	4,336,945	2,015,486	1,573,667
NET PROFIT	11,985,510	14,668,639	8,022,772	6,496,307
OTHER COMPREHENSIVE INCOME				
Changes in assets revaluation surplus	2,284,549	-	2,249,418	-
Gains (losses) on remeasuring				
available-for-sale investment	(1,306,165)	861,814	(1,325,655)	860,863
Actuarial gains on defined benefit plans	321,039	75,459	284,493	83,470
Income tax relating to components				
of other comprehensive income (Note 8.36)	(259,860)	(177,572)	(241,651)	(179,756)
Total other comprehensive income, net	1,039,563	759,701	966,605	764,577
TOTAL COMPREHENSIVE INCOME	13,025,073	15,428,340	8,989,377	7,260,884

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
NET PROFIT ATTRIBUTABLE				
Owners of the Bank	11,866,654	14,625,331	8,022,772	6,496,307
Non-controlling interest	118,856	43,308	-	-
	<u>11,985,510</u>	<u>14,668,639</u>	<u>8,022,772</u>	<u>6,496,307</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
Owners of the Bank	12,906,217	15,385,032	8,989,377	7,260,884
Non-controlling interest	118,856	43,308	-	-
	<u>13,025,073</u>	<u>15,428,340</u>	<u>8,989,377</u>	<u>7,260,884</u>
EARNINGS PER SHARE OF OWNERS OF THE BANK				
BASIC EARNINGS PER SHARE	BAHT	1.95	2.41	1.32
WEIGHTED AVERAGE NUMBER OF				
ORDINARY SHARES	SHARES	6,074,143,747	6,074,143,747	6,074,143,747

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

(Mr. Noriaki Goto)
Chief Executive Officer

(Mrs. Janice Rae Van Ekeren)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS								
	Owners of the Bank						Non-		
	Issued and	Premium	Other reserves		Retained Earnings		Total	Controlling	Total
	Paid-up	on Share	Asset	Revaluation	Appropriated	Unappropriated	Bank's	Interest	
	Share	Capital	Appraisal	Surplus on	Legal		Equity		
	Capital		Surplus	Investments	Reserve				
Balance as of January 1, 2012	60,741,437	13,802,216	5,252,637	250,322	1,316,500	21,125,871	102,488,983	206,612	102,695,595
Change in revaluation surplus	-	-	(214,127)	-	-	214,127	-	-	-
Dividend payment (Note 8.21.3)	-	-	-	-	-	(4,555,607)	(4,555,607)	(191)	(4,555,798)
Increase in legal reserve	-	-	-	-	325,000	(325,000)	-	-	-
Total comprehensive income	-	-	-	694,168	-	14,690,864	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	5,038,510	944,490	1,641,500	31,154,242	113,322,395	163,719	113,486,114
Balance as of January 1, 2013	60,741,437	13,802,216	5,038,510	944,490	1,641,500	31,154,242	113,322,395	163,719	113,486,114
Change in revaluation surplus	-	-	(193,271)	-	-	193,271	-	-	-
Dividend payment (Note 8.21.3)	-	-	-	-	-	(4,859,315)	(4,859,315)	(5)	(4,859,320)
Increase in legal reserve	-	-	-	-	401,200	(401,200)	-	-	-
Total comprehensive income	-	-	1,827,639	(1,044,932)	-	12,123,510	12,906,217	118,856	13,025,073
Change in shareholding in subsidiary company	-	-	-	-	-	(240)	(240)	(3,671)	(3,911)
Balance as of December 31, 2013	60,741,437	13,802,216	6,672,878	(100,442)	2,042,700	38,210,268	121,369,057	278,899	121,647,956

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
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

BAHT : '000

	THE BANK'S FINANCIAL STATEMENTS						
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves		Retained Earnings		Total
			Asset	Revaluation	Appropriated	Unappropriated	
			Appraisal	Surplus on	Legal		
			Surplus	Investments	Reserve		
Balance as of January 1, 2012	60,741,437	13,802,216	5,252,637	254,179	1,316,500	11,184,540	92,551,509
Change in revaluation surplus	-	-	(214,127)	-	-	214,127	-
Dividend payment (Note 8.21.3)	-	-	-	-	-	(4,555,607)	(4,555,607)
Increase in legal reserve	-	-	-	-	325,000	(325,000)	-
Total comprehensive income	-	-	-	692,636	-	6,568,248	7,260,884
Balance as of December 31, 2012	60,741,437	13,802,216	5,038,510	946,815	1,641,500	13,086,308	95,256,786
Balance as of January 1, 2013	60,741,437	13,802,216	5,038,510	946,815	1,641,500	13,086,308	95,256,786
Change in revaluation surplus	-	-	(192,454)	-	-	192,454	-
Dividend payment (Note 8.21.3)	-	-	-	-	-	(4,859,315)	(4,859,315)
Increase in legal reserve	-	-	-	-	401,200	(401,200)	-
Total comprehensive income	-	-	1,799,534	(1,060,524)	-	8,250,367	8,989,377
Balance as of December 31, 2013	60,741,437	13,802,216	6,645,590	(113,709)	2,042,700	16,268,614	99,386,848

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

(Mr. Noriaki Goto)
Chief Executive Officer

(Mrs. Janice Rae Van Ekeren)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income from operating before income tax expenses	15,927,821	19,005,584	10,038,258	8,069,974
Adjustments to reconcile income to cash received (paid)				
from operating activities:				
Depreciation and amortization	2,985,496	2,697,652	1,794,990	1,728,054
Deferred interest expenses	3,293	2,629	3,293	2,629
Bad debt and doubtful accounts	17,380,006	10,395,553	3,310,462	4,313,187
Losses on debt restructuring	1,578,651	989,201	654,424	161,825
(Gains) losses on translation in foreign currencies	(991,609)	683,707	(991,609)	683,707
Share of profit from investment for using equity method	(112,302)	(177,223)	-	-
Gains on investments	(633,036)	(800,330)	(55,783)	(801,803)
Increase (decrease) in discount on investments	(65,039)	353,626	(89,427)	(340,215)
Gains on sales of properties for sale	(1,243,622)	(785,522)	(1,120,934)	(442,834)
(Gains) losses on sales of premises and equipment	10,026	(13,882)	71,895	22,490
Loss on impairment of properties for sale	501,814	611,617	108,507	465,333
Reversal on impairment of premises and equipment	(14,169)	(3,667)	(12,255)	(5,462)
Loss on impairment of goodwill	19,689	-	-	-
Loss on impairment of other asset (reversal)	822,755	(54,025)	(13,826)	(4,966)
Reversal loss on impairment of assets transferred				
to the Thai Asset Management Corporation	(1,073,610)	-	(1,056,070)	-
Provision for contingent liabilities	961,380	(49,089)	961,380	(49,089)
(Increase) decrease in other reserves	(800,099)	487,100	(687,732)	138,573
Interest income, net	(44,939,129)	(39,952,659)	(22,283,984)	(20,267,832)
Interest received	71,005,291	64,244,730	46,314,120	43,228,129
Interest paid	(26,456,177)	(25,212,681)	(23,947,435)	(23,005,434)
Dividend income	(550,897)	(504,141)	(1,452,472)	(1,764,978)
Dividend received	526,842	498,212	548,892	502,554
Increase in other accrued expenses	408,638	770,391	410,980	647,634
Income tax paid	(4,719,738)	(4,961,872)	(1,413,320)	(1,899,510)
Income from operations before changes in				
operating assets and liabilities	30,532,275	28,224,911	11,092,354	11,381,966
(Increase) decrease in operating assets				
Interbank and money market items	(7,381,716)	2,376,044	(6,608,939)	2,379,054
Derivatives assets	(1,465,006)	1,418,216	(1,465,006)	1,418,216
Current investments - securities for trading	2,084,084	(4,417,682)	2,079,079	(4,417,682)
Loans to customers	(123,818,766)	(110,026,393)	(90,291,750)	(92,818,120)
Properties for sale	3,576,174	2,659,702	2,833,784	1,437,881
Other assets	(2,285,769)	(5,979,280)	(2,038,451)	(1,565,199)

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Increase (decrease) in operating liabilities				
Deposits	76,661,334	124,424,314	75,166,995	126,620,194
Interbank and money market items	6,100,325	17,781,698	7,762,709	17,420,514
Liability payable on demand	(230,662)	1,125,301	(230,662)	1,125,301
Derivatives liabilities	1,631,595	(1,885,052)	1,631,595	(1,888,080)
Other liabilities	1,769,697	6,939,287	406,096	2,528,142
Net cash from operating activities	<u>(12,826,435)</u>	<u>62,641,066</u>	<u>337,804</u>	<u>63,622,187</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments in securities	604,056,241	929,269,810	603,483,985	929,094,642
Cash paid for purchases of investments in securities	(600,992,391)	(922,229,051)	(600,962,436)	(922,102,159)
Proceeds from repatriation of subsidiaries	-	-	2,074,494	692,478
Dividend received from subsidiaries	-	-	902,075	1,262,770
Cash paid for non-controlling interest from repatriation of subsidiary	(3,881)	-	-	-
Cash paid for purchase of shares in subsidiaries	-	(80,392)	-	(80,392)
Proceeds from sales of premises and equipment	181,026	69,901	99,718	72,281
Cash paid for purchases of premises and equipment	(1,757,574)	(3,403,065)	(1,098,261)	(2,821,703)
Proceeds from sales of other assets	-	-	-	15,576
Cash paid for purchases of other assets	(742,741)	(964,996)	(612,983)	(485,084)
Cash received (paid) for purchases business acquisition	-	(7,439,219)	-	3,534,877
Net cash from investing activities	<u>740,680</u>	<u>(4,777,012)</u>	<u>3,886,592</u>	<u>9,183,286</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debts issued and borrowings	244,740,262	287,336,361	139,959,100	272,364,409
Cash paid for repayment of debts issued and borrowings	(224,764,097)	(340,970,433)	(136,361,224)	(340,670,433)
Cash paid for repayment of liabilities under finance lease agreements	(20,288)	(13,346)	(20,288)	(13,346)
Dividend payment	(4,859,315)	(4,555,608)	(4,859,315)	(4,555,608)
Net cash from financing activities	<u>15,096,562</u>	<u>(58,203,026)</u>	<u>(1,281,727)</u>	<u>(72,874,978)</u>
Total	<u>3,010,807</u>	<u>(338,972)</u>	<u>2,942,669</u>	<u>(69,505)</u>
Effect of exchange rate change on cash	<u>164,831</u>	<u>(10,887)</u>	<u>164,831</u>	<u>(10,887)</u>
Net increase (decrease) in cash and cash equivalents	<u>3,175,638</u>	<u>(349,859)</u>	<u>3,107,500</u>	<u>(80,392)</u>
Cash and cash equivalents as at January 1,	<u>25,753,004</u>	<u>26,102,863</u>	<u>25,060,003</u>	<u>25,140,395</u>
Cash and cash equivalents as at December 31,	<u>28,928,642</u>	<u>25,753,004</u>	<u>28,167,503</u>	<u>25,060,003</u>

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

(Mr. Noriaki Goto)
Chief Executive Officer

(Mrs. Janice Rae Van Ekeren)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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. The immediate and ultimate parent company of the Bank are the Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Financial Group, Inc., respectively, both companies are registered in Japan. The Ministry of Commerce granted approval, in principle, for the Bank and its subsidiaries to operate businesses under Foreign Business Act B.E. 2542 in September 2013. Currently, the Bank and its subsidiaries are in the process of obtaining the license from the Director General Department of Business Development, Ministry of Commerce. As at December 31, 2013 and 2012, the Bank has 16 subsidiaries, as follows:

- 1.1 Ayudhya Development Leasing Company Limited, was incorporated in Thailand on July 25, 1991 and is located at 65/182-185, 22nd Floor, Chamnan Phenjati Business Center, Rama IX Road, Huey Khuang Subdistrict, Huey Khuang District, Bangkok. The subsidiary’s main business includes leasing and hire-purchase.
- 1.2 Ayudhya Capital Auto Lease Public Company Limited, was incorporated in Thailand on November 27, 1995 and is located at 87/1, 3rd Floor, Capital Tower, and 87/2, 30th Floor, CRC Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary’s main business is auto hire-purchase, leasing service and refinancing to individual and corporate customers.
- 1.3 Ayudhya Total Solutions Public Company Limited, was incorporated in Thailand on May 9, 1994 and is located at 550, 7th Floor, Bank of Ayudhya Building Ploenchit Office, 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) completed the transfer of its entire business to Ayudhya Capital Auto Lease Public Company Limited (AYCAL) at net book value of Baht 721 million, comprising total assets and total liabilities of Baht 858 million and Baht 137 million, respectively on the transfer date, as approved by AYTS’s Extraordinary General Meeting of Shareholders No. 1/2011, AYTS’s Annual General Meeting of Shareholders No. 51 and AYCAL’s Extraordinary General Meeting of Shareholders No. 1/2011.

On June 22, 2012, AYTS’s Extraordinary General Meeting of Shareholders No. 1/2012 approved a resolution to liquidate the subsidiary with an effective date of June 29, 2012 and to make the payment of capital repatriation to its shareholders on September 18, 2013. Currently, the subsidiary is in the process of liquidation.

- 1.4 CFG Services Company Limited, was incorporated in Thailand on October 24, 2006, and is located at 89/170, Fl 4th, 5th, 9th and 10th Floor Moo 3, Juthamard Building, Viphavadi Rangsit Road, Talad Bangkhen Subdistrict, Laksi District, Bangkok. The subsidiary's main business is hire-purchase loan and secured personal loan for vehicles and motorcycles.
- 1.5 Ayudhya Card Services Company Limited, was incorporated in Thailand on December 4, 1997, and is located at 550, 7th Floor, Bank of Ayudhya Building Ploenchit office, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.

On July 24, 2013, Ayudhya Card Services Company Limited (AYCS) completed the transfer of its entire business to Krungsriayudhya Card Company Limited (KCC) at fair value of Baht 270 million for an exchange of new ordinary shares of KCC totaling 10,552,000 shares as payment in lieu for AYCS entire business comprising total assets and total liabilities of Baht 4,256 million and Baht 4,054 million, respectively. The entire business transfer under share swap scheme was approved by AYCS's 2013 Annual General Meeting of Shareholders held on April 26, 2013 and, KCC's Extraordinary General Meeting of Shareholders No. 1/2013 held on July 24, 2013.

On July 24, 2013, AYCS's Extraordinary General Meeting of Shareholders No. 2/2013 resolved to approve the dissolution of AYCS on July 24, 2013, and make the payment of capital repatriation to its shareholders. Currently, the subsidiary is in process of liquidation.

- 1.6 Ayudhya Capital Services Company Limited, was incorporated in Thailand on November 9, 1994 and is located at 87/1, 1st-6th and 8th-10th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.7 General Card Services Limited, was incorporated in Thailand on January 24, 1995 and is located at 87/1, 1st-6th and 8th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.8 Krungsriayudhya Card Company Limited, was incorporated in Thailand on August 29, 1996 and is located at 87/1, 1st-6th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.9 Siam Realty and Services Company Limited, was incorporated in Thailand on June 20, 1988, and is located at 1222 Rama III Road, Bang Pongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is car leasing and personnel services.
- 1.10 Total Services Solutions Public Company Limited, was incorporated as a public company limited in Thailand on May 19, 1997 and is located at 2/3 Moo 14, Bangna Towers B, Bang Na-Trat Km 6.5 Road, Bang Kaeo Subdistrict, Bang Phli District, Samutprakan. The subsidiary's main business is collection services.

- 1.11 Krungsri Asset Management Company Limited, was incorporated in Thailand on December 19, 1996 and is located at 898, 1st-2nd zone A and 12th Floor, Ploenchit Tower Building, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is mutual funds and private fund management.
- 1.12 Krungsri Ayudhya AMC Limited, was incorporated in Thailand on August 18, 2000 and is located at 1222 Rama III Road, Bang Pongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is to develop, manage and sell assets transferred from financial institutions.
- 1.13 Krungsri Securities Public Company Limited, was incorporated in Thailand on April 16, 2004, and is located at 550, 5th Floor, Bank of Ayudhya Building Ploenchit Office, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is a securities businesses.
- 1.14 Krungsri Factoring Company Limited, was incorporated in Thailand on February 1, 2007 and is located at 1222 Rama III Road, Bang Pongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is factoring.
- 1.15 Krungsri Life Assurance Broker Company Limited, which is 99.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007 and located at 87/1, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is as a life insurance broker.
- 1.16 Krungsri General Insurance Broker Company Limited, which is 99.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007 and is located at 87/1, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is as a general insurance broker.

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 Sor.Nor.Sor. 11/2553 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 financial statements are presented in Thai Baht, which is the Bank's functional currency. All financial information presented in Thai Baht has been rounded in the financial statements to the nearest thousand and in the notes to financial statements to the nearest million unless otherwise stated.

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

Thai Financial Reporting Standards announced but not effective in 2013

The Federation of Accounting Professions has issued Notifications regarding Thai Financial Reporting Standards, which are effective for the accounting period beginning on or after January 1, 2014. Thai Financial Reporting Standards which are related to the Bank and subsidiaries are as follows:

Thai Accounting Standards (TAS)

TAS 1 (Revised 2012)	Presentation of Financial Statements
TAS 7 (Revised 2012)	Statement of Cash Flows
TAS 12 (Revised 2012)	Income Taxes
TAS 17 (Revised 2012)	Leases
TAS 18 (Revised 2012)	Revenue
TAS 19 (Revised 2012)	Employee Benefits
TAS 21 (Revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (Revised 2012)	Related Party Disclosures
TAS 28 (Revised 2012)	Investments in Associates
TAS 31 (Revised 2012)	Interests in Joint Ventures
TAS 34 (Revised 2012)	Interim Financial Reporting
TAS 38 (Revised 2012)	Intangible Assets

Thai Financial Reporting Standards (TFRS)

TFRS 3 (Revised 2012)	Business Combinations
TFRS 5 (Revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (Revised 2012)	Operating Segments

Thai Standards Interpretations (TSI)

TSI 15	Operating Leases - Incentives
TSI 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSI 32	Intangible Assets – Web Site Costs

Thai Financial Reporting Interpretations (TFRI)

TFRI 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRI 4	Determining Whether an Arrangement Contains a Lease
TFRI 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
TFRI 10	Interim Financial Reporting and Impairment
TFRI 13	Customer Loyalty Programmes
TFRI 17	Distributions of Non-cash Assets to Owners
TFRI 18	Transfers of Assets from Customers

The Bank and its subsidiaries anticipate that the above Thai Financial Reporting Standards will be adopted in the Bank and its subsidiaries' financial statements when they become effective. The adoption of those standards will have no material impact on the financial statements of the Bank and its subsidiaries.

- 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 has invested over 50% of their voting rights. These subsidiaries are as follows:

	Business Type	Percentage of Holdings As at December 31	
		2013	2012
Subsidiaries			
Ayudhya Development Leasing Company Limited	Leasing and hire-purchase	99.99	99.99
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	99.99	99.99
Ayudhya Total Solutions Public Company Limited ⁽¹⁾	Hire-purchase	99.81	99.81
CFG Services Company Limited	Hire-purchase and motorcycle loans	99.99	99.99
Ayudhya Card Services Company Limited ⁽¹⁾	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	Human resource services and vehicle rental	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	98.71
Krungsri Factoring Company Limited	Factoring	99.99	99.99
Krungsri Life Assurance Broker Limited ⁽²⁾	Life assurance broker	99.99	99.99
Krungsri General Insurance Broker Limited ⁽²⁾	General insurance broker	99.99	99.99

⁽¹⁾ Subsidiary is in the process of liquidation

⁽²⁾ Indirectly holding via Ayudhya Capital Services Company Limited of 99.99%

All material intercompany transactions and balances have been eliminated.

- 2.3 The consolidated financial statements for the years ended December 31, 2013 and 2012, 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	
	2013	2012
Ayudhya Card Services Company Limited ⁽¹⁾	105	-
Ayudhya Total Solutions Public Company Limited ⁽¹⁾	21	80
Ayudhya Auto Lease Public Company Limited ⁽²⁾	-	1

⁽¹⁾ Subsidiary is in the process of liquidation

⁽²⁾ Subsidiary registered the completion of liquidation in 2012

3. ADOPTION OF NEW AND REVISED THAI FINANCIAL REPORTING STANDARDS

Since January 1, 2013, the Bank and its subsidiaries have adopted the new and revised Thai Financial Reporting Standards (TFRSs) issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2013, in the preparation of the financial statements. The above mentioned TFRSs consist of the Thai Accounting Standard No. 21 (Revised 2009) “The Effects of Changes in Foreign Exchange Rates” which has no impact on the financial statements and the Thai Financial Reporting Standard No. 8 “Operating Segments”, which affects the disclosure regarding operating segments as disclosed in note 8.27.

4. CHANGES IN ACCOUNTING ESTIMATES

In 2013, the Bank changed fair value calculation method for restructured debts, from “calculating the present value of expected cash flows to be received with the market interest rate” to “calculating the present value of expected cash flows to be received with the original contractual interest rate” for commercial loans. The effects of this change on the consolidated and the Bank’s financial statements as at December 31, 2013 are as follows:

	Unit: Million Baht
	CONSOLIDATED AND THE BANK’S FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION	
AS AT DECEMBER 31, 2013	
Increase in revaluation allowance for debt restructuring	57
STATEMENTS OF COMPREHENSIVE INCOME	
FOR THE YEAR ENDED DECEMBER 31, 2013	
Increase in impairment loss of loans and debt securities	57

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

In the Bank’s statement of cash flows, cash and cash equivalents consist of cash on hand and cash on collection of the Bank, in accordance with the BOT’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 whose terms are greater than 3 months and deposits at banks used as collaterals, and investments of subsidiaries with maturities of 3 months or less.

5.2 Investments

The Bank and its subsidiaries’ investments which consist of debt securities and equity securities are classified as 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 intention to hold short-term to benefit from the anticipated changes in market value. 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 received from 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 intention 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, disposition or a permanent decline in value occurs on 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 registered 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 on 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 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 gains or losses from sales of debt and equity securities are included in the statements of comprehensive income.

5.3 Loans to customers

Overdrafts are stated at the drawn amounts including interest.

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

Other loans are stated at the principal amounts.

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

5.4 Allowance for doubtful accounts

Allowance for doubtful accounts is determined through methods in accordance with the BOT'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 its 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.

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 debt recovery is recorded as income in the statements of comprehensive income when received.

5.5 Troubled debt restructuring

Losses on troubled debt restructurings resulting from the reduction of principal and accrued interest and other form such as modifications of terms, asset transfers, equity securities transfers, and 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 and 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.

Prior to 2013, the Bank recalculated the fair value of restructured debts based on the discounted market interest rate as of the date of the financial statements. In 2013, the Bank has recalculated the fair value of restructured debts based on the discounted market interest rate as of the date of the financial statements, except for commercial loan, the recalculation based on the discounted interest rate at contractual rate. The Bank adjusted the valuation on debt restructured for any change on monthly basis, 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 incurred prior to January 1, 2013, that are subsequently restructured, the Bank has calculated the fair value of restructured debt as of the restructuring date and recognized the difference between book value and fair value in the statements of comprehensive income for the period and classified investments in receivables as loans in accordance with the BOT's criteria.

5.6 Properties for sale

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

The Bank and its subsidiaries provided the allowance for impairment of properties for sale as disclosed in note 7.3. Losses on impairment of properties for sale are shown as an expense in the statements of comprehensive income.

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

5.7 Property, premises and equipment

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

Revaluation of assets

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

The Bank and its subsidiaries' suite units in condominiums used as 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 usage of the revalued 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 balances of the 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 or 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 (included revaluation) and equipment 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, furniture, fixtures, office equipment and vehicle	3 - 10 years

Gains or losses on the disposal of property, premises and equipment are recognized in other operating income or other expense in the statements of comprehensive income.

5.8 Goodwill in a business combination

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

Negative goodwill arising on business acquisition represents the excess 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).

5.9 Intangible assets

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

Amortization

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

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

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

5.10 Recognition of income

Interest income from 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 when 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 represents the discounted rate in calculating present value of future cash flows expected to be collected from receivables, except for certain receivables being doubtful of collection where the subsidiary recognizes interest income from such investments in receivable and loans on a cash basis.

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

5.11 Recognition of expenses

Expenses, including interest expenses are recognized on an accrual basis.

5.12 Employee benefits

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

5.12.1 Provident funds

The Bank and its subsidiaries established a provident fund under the Provident Fund Act (B.E. 2530). The fund is managed by a financial institution which is an authorized fund manager.

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	Contribution 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 employees' expenses in the statements of comprehensive income.

5.12.2 Post-employment benefit obligations

- Pension plan

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

- Legal severance payment plan

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

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

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

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

5.12.3 Benefit from carry forward leave

The benefit from cumulative carry forward 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.

5.13 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.

5.14 Taxation

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

5.14.1 Current tax

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

5.14.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the reporting date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the asset to be recovered. The Bank and its subsidiaries do not recognize deferred tax assets and liabilities for 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 on 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 its subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

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

5.15 Earnings per share

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

5.16 Foreign currency transactions

Transactions during the period denominated in foreign currencies are translated into the currency of primary economic environment at the rates of exchange on the transaction dates. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into the functional currency at the exchange rates announced by the BOT on that date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency at the rate of initial transaction.

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.

5.17 Translation of the financial statements of the foreign branches

The financial statements of foreign branches are translated into the functional currency 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 into the functional currency are recognized as gains or losses on foreign exchange in the statements of comprehensive income.

5.18 Derivatives

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

1. Derivatives for trading are recorded at fair value and profit or loss from the price appraisal is recognized as income or expense in the statements of comprehensive income.
- 2 Derivatives for hedging 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.

6. RISK MANAGEMENT

6.1 Information of risk of the Bank

The Bank focuses on the proper market risk management, in response to changing in economic circumstances both domestic and abroad, as well as high volatility in the exchange rate & Stock Exchange of Thailand Index and interest rate direction in the money market as per the policy rate of the BOT.

Through financial instruments both on-statement of financial position and off-statement of financial position, the Bank conducts its normal course of business to meet the financing needs of its customers, as well as for its investment purposes and to reduce exposure due to the fluctuations in foreign exchange rates and interest rates. The off-statement of financial position's financial instruments include commitments to extend credit, standby letters of credit, financial guarantees, interest rate swap and forward foreign exchange contracts. These 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 these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The introduction of new derivative products require an approval from the Board of Directors. Operating processes, including the breach of prescribed limits, and risk control are governed under the Derivatives Product Program and BOT's notification regarding guidelines on risk management for derivatives transactions.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank reviews the policy on a regular basis and the Bank has adopted the policy in 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 8.7), represents the Bank's maximum exposure to credit risk.

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

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

The Bank's exposure to credit loss in the event of non-performance by the other party to the off-statement of financial position's 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 the on-statement of financial position's 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 the 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.

Market risk management is carried out by the Risk Management Committee and the Asset and Liability Management Committee (ALCO), which have been empowered by the Board of Directors with the authority to manage and control market risk in a manner consistent with the Bank's policy. Asset and Liability Management Committee (ALCO) is responsible 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 operating environments and changes in business.

The Bank employs various tools and method for its interest rate risk management. Net interest income simulation is conducted to assess the impact on banking book position and Value-at-Risk tool is employed for the trading book position to predict the Bank's potential 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 reviews to be in line with business strategy and change in market circumstance, meanwhile 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 management in the relevant departments.

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 purposed. 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 the positions.

The Bank's Board of Directors sets the total limit at an acceptable risk level and reviews 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 management in relevant departments.

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 an excess liquidity cushion at a level commensurate 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 methods to ensure of 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 supervision of the Asset and Liability Management Committee (ALCO). ALCO also monitors and manages 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 reviews 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 behavioral adjustment, and liquidity ratio analysis. This task is done in addition to the maintenance of liquid assets in accordance to the BOT's requirements.

The Bank has adjusted the strategies and prepared for the reduction in the amount of deposits insured by the Deposit Protection Agency Act and Basel III in regard to the framework for liquidity risk measurements and standards. In addition, amid high competition for in savings and investment products among financial institutions, the Bank continues to pursue a strategy to increase new deposit products and further with diversify the customer base. This strategy is to enlarge the main sources of funding and to support appropriate lending growth as well as to accommodate the conversion of bills of exchange into deposits.

6.2 Assets and liabilities classified by maturity of interest repricing

The Bank and its subsidiaries' financial assets and liabilities classified by maturity of interest repricing periods as at December 31, 2013 and 2012 are summarized as follows :

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS							
2013							
	Not over 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	69,250	-	-	-	-	17,777	87,027
Investments, net	9,180	14,296	32,561	11,176	-	6,061	73,274
Loans to customers	550,531	109,377	184,017	6,509	27,014	110,566	988,014
Financial liabilities							
Deposits	530,982	166,960	46,638	-	-	19,470	764,050
Interbank and money market Items, net	31,118	5,014	16,056	13	-	3,296	55,497
Debt issued and borrowings	66,332	34,929	38,500	34,844	-	-	174,605

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS							
2012							
	Not over 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

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2013							
	Not Over 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	68,034	-	-	-	-	16,947	84,981
Investments, net	9,180	14,296	32,561	11,175	-	6,029	73,241
Loans to customers	595,419	83,187	117,812	10,742	14,970	75	822,205
Financial liabilities							
Deposits	534,597	166,962	46,638	-	-	20,193	768,390
Interbank and money market Items, net	32,313	5,014	16,056	13	-	3,308	56,704
Debt issued and borrowings	45,564	13,646	13,283	34,844	-	-	107,337

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2012							
	Not Over 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

6.3 Interest bearing financial instruments

The following table presents the Bank's average outstanding balances and interest amounts of interest bearing financial instruments for the years ended December 31, 2013 and 2012.

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2013			2012		
	Average Balance (12 months)	Interest Amount	Average Rate %	Average Balance (12 months)	Interest Amount	Average Rate %
Interest bearing financial assets						
Interbank and money market items	107,562	2,709	2.5	89,425	2,481	2.8
Investments	73,536	2,360	3.2	81,450	2,701	3.3
Loans to customers	914,708	66,312	7.2	800,424	59,458	7.4
Total	<u>1,095,806</u>	<u>71,381</u>		<u>971,299</u>	<u>64,640</u>	
Interest bearing financial liabilities						
Deposits	731,723	19,171	2.6	623,249	16,668	2.7
Interbank and money market items	65,674	1,469	2.2	43,841	1,183	2.7
Debt issued and borrowings	154,732	5,802	3.7	180,460	6,836	3.8
Total	<u>952,129</u>	<u>26,442</u>		<u>847,550</u>	<u>24,687</u>	

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2013			2012		
	Average Balance (12 months)	Interest Amount	Average Rate %	Average Balance (12 months)	Interest Amount	Average Rate %
Interest bearing financial assets						
Interbank and money market items	106,420	2,689	2.5	88,237	2,470	2.8
Investments	72,997	2,352	3.2	81,011	2,685	3.3
Loans to customers	755,187	41,510	5.5	678,563	38,328	5.7
Total	<u>934,604</u>	<u>46,551</u>		<u>847,811</u>	<u>43,483</u>	
Interest bearing financial liabilities						
Deposits	736,398	19,205	2.6	627,708	16,702	2.7
Interbank and money market items	65,639	1,448	2.2	43,598	1,157	2.7
Debt issued and borrowings	90,760	3,614	4.0	139,049	5,356	3.8
Total	<u>892,797</u>	<u>24,267</u>		<u>810,355</u>	<u>23,215</u>	

6.4 Maturities of financial assets and liabilities

The following table presents the Bank and its subsidiaries' maturities of financial assets and liabilities as at December 31, 2013 and 2012.

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
2013								
	Call	Not Over	Greater than	Greater than	Greater than	Non-Performing	No	Total
		3 Months	3 - 12 Months	1 - 5 Years	5 Years	Loans	Maturity	
Financial assets								
Interbank and money market items, net	18,899	67,518	210	167	-	-	233	87,027
Investments, net	-	7,915	14,535	33,495	11,238	-	6,091	73,274
Loans to customers	25,494	201,626	162,335	338,122	233,423	27,014	-	988,014
Financial liabilities								
Deposits	402,941	147,511	166,951	46,647	-	-	-	764,050
Interbank and money market items, net	5,944	37,656	2,391	9,493	13	-	-	55,497
Debt issued and borrowings	-	66,469	34,978	38,500	34,658	-	-	174,605

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
2012								
	Call	Not Over	Greater than	Greater than	Greater than	Non-Performing	No	Total
		3 Months	3 - 12 Months	1 - 5 Years	5 Years	Loans	Maturity	
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

THE BANK'S FINANCIAL STATEMENTS								
2013								
	Call	Not Over	Greater than	Greater than	Greater than	Non-Performing	No	Total
		3 Months	3 - 12 Months	1 - 5 Years	5 Years	Loans	Maturity	
Financial assets								
Interbank and money market items, net	16,962	67,409	210	167	-	-	233	84,981
Investments, net	-	7,915	14,535	33,495	11,242	-	6,054	73,241
Loans to customers	82,046	173,306	141,960	227,795	182,128	14,970	-	822,205
Financial liabilities								
Deposits	407,276	147,514	166,953	46,647	-	-	-	768,390
Interbank and money market items, net	7,150	37,656	2,391	9,494	13	-	-	56,704
Debt issued and borrowings	-	45,564	13,646	13,283	34,844	-	-	107,337

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
2012								
	Call	Not Over 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

6.5 Estimated fair value of financial instruments

The fair value of financial instruments has been estimated by using available market information and appropriate valuation methodologies for each type of financial instruments. A summary of carrying amounts and fair values of financial instruments as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
		2013	2012	
		Carrying Amount	Fair Value	Carrying Amount
Financial assets:				
Cash		28,216	28,216	25,079
Interbank and money market items, net		87,027	87,027	79,390
Derivatives assets		4,880	4,880	3,414
Investments, net		73,274	73,426	78,302
Loans to customers and accrued interest receivables, net		907,164	907,164	801,236
Total		<u>1,100,561</u>	<u>1,100,713</u>	<u>987,421</u>
Financial liabilities:				
Deposits		764,050	764,360	687,159
Interbank and money market items, net		55,497	55,497	48,821
Liability payable on demand		2,545	2,545	2,776
Derivatives liabilities		5,140	5,140	3,508
Debt issued and borrowings		174,605	174,834	154,629
Total		<u>1,001,837</u>	<u>1,002,376</u>	<u>896,893</u>

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash	28,168	28,168	25,060	25,060
Interbank and money market items, net	84,981	84,981	78,156	78,156
Derivatives assets	4,880	4,880	3,414	3,471
Investments, net	73,241	73,392	77,829	77,961
Loans to customers and accrued interest receivables, net	803,293	803,293	715,823	715,823
Total	<u>994,563</u>	<u>994,714</u>	<u>900,282</u>	<u>900,471</u>
Financial liabilities:				
Deposits	768,390	768,701	692,994	693,149
Interbank and money market items, net	56,704	56,704	48,366	48,366
Liability payable on demand	2,545	2,545	2,776	2,776
Derivatives liabilities	5,140	5,140	3,508	3,541
Debt issued and borrowings	107,337	107,342	103,739	103,949
Total	<u>940,116</u>	<u>940,432</u>	<u>851,383</u>	<u>851,781</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 are the approximated fair value.

Investments, net

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

Loans to customers and accrued interest receivables, net

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

Deposits

The fair value of deposits 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 is the approximated fair value.

Liabilities payable on demand

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

Debt issued and borrowings

The carrying amount of debt issued and borrowings presented in the statement of financial position is the approximated fair value, except for subordinated and long-term senior securities which fair values are based on the actual market prices.

Derivative assets and liabilities

Derivative assets and liabilities mainly comprise of forward foreign exchange contracts which derive their value from underlying interest rates and foreign exchange rates. The fair values of derivatives are determined by 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.

6.6 Capital funds

As a result of the revision on supervisory guideline on capital fund of commercial bank on November 8, 2012, the BOT issued a new supervisory guideline on capital funds for the commercial banks to comply with the BASEL III, a global regulatory framework of the Basel Committee on Banking Supervision (BCBS) which is effective in phases starting on January 1, 2013 up to January 1, 2019. During the period from January 1, 2013 to December 31, 2015, the minimum capital requirement ratio is 8.5% of total risk assets with the condition that Tier 1 capital shall not be less than 6.0% of total risk assets and common equity Tier 1 capital shall not be less than 4.5% of total risk assets.

Under the Basel II regulation, the minimum capital requirement ratio is 8.5% of total risk assets with the condition that the Tier 1 capital shall not be less than 4.25% of total risk 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 of the Bank.

The Bank maintains its capital funds in accordance with the criteria, methodologies and conditions prescribed by the BOT. As at December 31, 2013 and 2012, the Bank's total capital funds can be categorized as follows:

	Unit: Million Baht	
	2013 Basel III	2012 Basel II
Common Equity Tier 1 capital		
Issued and paid-up share capital	60,741	60,741
Premium on share capital	13,802	13,802
Statutory reserve	2,043	1,642
Unappropriated retained earning	12,011	9,260
Other comprehensive income	6,515	-
Less Deduction items from Common Equity Tier 1	(10,387)	(3,691)
Total Common Equity Tier 1 capital	84,725	
Additional Tier 1	-	-
Total Tier 1 capital	84,725	81,754
Tier 2 capital	37,600	44,799
Total capital fund	122,325	126,553

	Percentage	
	2013 Basel III	2012 Basel II
Total Common Equity Tier 1 capital / Total risk assets	10.17	n.a.
Total Tier 1 capital / Total risk assets	10.17	10.94
Total capital / Total risk assets	14.68	16.94

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

Location of disclosure	www.krungsri.com
Date of disclosure	With in April 2014
Information as at	December 31, 2013

7. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements in conformity with Thai Financial Reporting Standards principles requires management to make estimates and assumptions under certain circumstances. Such estimates and assumption affect reported amounts of revenues, expenses, assets and liabilities and require the disclosure of contingent assets and liabilities at the date of the financial statements that are differed estimates. The significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows:

7.1 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. In addition, any adjustments of the initial provision are finalized within 12 months after the acquisition date.

7.2 Allowance for doubtful accounts

The Bank and its subsidiaries estimate the minimum allowance for doubtful accounts in accordance with the BOT's guidelines. In addition, the Bank and its 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 its subsidiaries consider the value of collateral when deemed the primary 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 typically consists of land, buildings, and buildings under construction. Value of such collateral is based on independently and/or internally performed appraisals.

7.3 Allowance for properties for sale

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

7.4 Goodwill

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

7.5 Impairment of assets

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

7.6 Provisions

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

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

The probable loss arising from the impaired assets transferred to the Thai Asset Management Corporation (TAMC) is estimated from expected loss based on the maximum loss sharing scheme that the Bank and subsidiaries will absorb.

7.8 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 provision rate as that provided for the same debtor on the statement of financial position.

8. ADDITIONAL INFORMATION

8.1 Additional information of cash flows

8.1.1 Non-cash transactions of premises and equipment for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Premises and equipment payable at the beginning of the years	404	1,255	345	1,303
Purchases of premises and equipment	1,645	2,552	979	1,864
<u>Less Cash payment</u>	<u>(1,758)</u>	<u>(3,403)</u>	<u>(1,098)</u>	<u>(2,822)</u>
Premises and equipment payable at the end of the years	<u>291</u>	<u>404</u>	<u>226</u>	<u>345</u>

8.1.2 Non-cash transactions of computer software for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Computer software payable at the beginning of the years	243	30	205	30
Purchases of computer software	582	947	462	658
<u>Less Cash payment</u>	<u>(728)</u>	<u>(734)</u>	<u>(598)</u>	<u>(483)</u>
Computer software payable at the end of the years	<u>97</u>	<u>243</u>	<u>69</u>	<u>205</u>

8.1.3 Others non-cash transactions for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS 2013	2012	FINANCIAL STATEMENTS 2013	2012
Increase (decrease) in revaluation surplus on investments	(1,306)	862	(1,326)	861
Accumulated depreciation of premises appraisal deducted from premises revaluation surplus	(242)	(274)	(241)	(274)
Increase in Changes assets revaluation surplus	2,285	-	2,249	-
Properties for sale acquired from debt repayment	115	200	6	200
Properties and premises transferred to be properties foreclosed	83	25	83	25

8.1.4 The Extraordinary Meeting of Shareholders 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 Hong Kong 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 successfully completed on March 31, 2012.

Consolidated financial statements

Fair value 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 were determined, and there were retrospective adjustments to those provisional values as of the acquisition date.

8.1.5 Realized and unrealized gains (losses) on foreign exchange

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

8.2 Interbank and money market items, net (Asset)

Interbank and money market items, net (Asset) as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2013			2012		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	8,114	29,300	37,414	8,865	24,900	33,765
Commercial banks	1,831	17,840	19,671	1,710	30,283	31,993
Other financial institutions	248	20,537	20,785	4,215	8,834	13,049
Total	10,193	67,677	77,870	14,790	64,017	78,807
<u>Add</u> Accrued interest receivables	2	56	58	-	106	106
<u>Less</u> Allowance for doubtful accounts	-	(199)	(199)	-	(98)	(98)
Total domestic items	10,195	67,534	77,729	14,790	64,025	78,815
Foreign items						
US Dollar	6,745	385	7,130	125	22	147
Yen	276	-	276	-	-	-
Euro	267	-	267	-	-	-
Other currencies	1,416	209	1,625	131	297	428
Total foreign items	8,704	594	9,298	256	319	575
Total domestic and foreign items	18,899	68,128	87,027	15,046	64,344	79,390

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2013			2012		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	8,114	29,300	37,414	8,864	24,900	33,764
Commercial banks	-	17,730	17,730	477	30,283	30,760
Other financial institutions	248	20,537	20,785	4,215	8,834	13,049
Total	8,362	67,567	75,929	13,556	64,017	77,573
<u>Add</u> Accrued interest receivables	-	57	57	-	106	106
<u>Less</u> Allowance for doubtful accounts	-	(199)	(199)	-	(98)	(98)
Total domestic items	8,362	67,425	75,787	13,556	64,025	77,581
Foreign items						
US Dollar	6,641	385	7,026	125	22	147
Yen	276	-	276	-	-	-
Euro	267	-	267	-	-	-
Other currencies	1,416	209	1,625	131	297	428
Total foreign items	8,600	594	9,194	256	319	575
Total domestic and foreign items	16,962	68,019	84,981	13,812	64,344	78,156

8.3 Derivatives

8.3.1 Fair value and the notional amount classified by type of risk as at December 31, 2013 and 2012 are as follows:

Risk type	Unit: Million Baht					
	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Fair value / Readjustment based on an accrual basis		Notional Amount	Fair value / Readjustment based on an accrual basis		Notional Amount
	Asset	Liabilities		Asset	Liabilities	
Exchange rate	4,449	4,691	258,673	3,002	3,063	301,138
Interest rate	431	449	62,215	412	445	86,054
Total	<u>4,880</u>	<u>5,140</u>	<u>320,888</u>	<u>3,414</u>	<u>3,508</u>	<u>387,192</u>

8.3.2 Proportion of derivatives transactions classified by type of counterparty on the basis of notional amount as at December 31, 2013 and 2012 are as follows:

Counterparty	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
	Proportion (%)	Proportion (%)
Financial institution	82.05	84.86
Related Company	4.51	-
Third party	13.44	15.14
Total	<u>100.00</u>	<u>100.00</u>

8.4 Investments, net

Investments, net as at December 31, 2013 and 2012, consisted of the following:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
	2013				2012			
	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	974	2	-	976	2,527	2	-	2,529
Private sector's debt securities	21	-	-	21	61	-	-	61
	995	2	-	997	2,588	2	-	2,590
<u>Add Revaluation allowance</u>	2			-	2			-
Total	997			997	2,590			2,590
Securities Available-for-Sale								
Government and state enterprise securities	49,352	176	(93)	49,435	49,890	154	(25)	50,019
Private sector's debt securities	15,616	41	(103)	15,554	14,352	107	(6)	14,453
Domestic marketable equity Securities	5,746	300	(447)	5,599	6,677	1,020	(70)	7,627
	70,714	517	(643)	70,588	70,919	1,281	(101)	72,099
<u>Add Revaluation allowance</u>	(126)			-	1,180			-
<u>Less Allowance for impairment</u>	(92)			(92)	(373)			(373)
Total	70,496			70,496	71,726			71,726
Securities Held-to-Maturity								
Government and state enterprise securities	-				336			
Private sector's debt securities	50				250			
Investment in accounts receivable	1,279				2,964			
	1,329				3,550			
<u>Less Allowance for impairment</u>	(64)				(91)			
Total	1,265				3,459			
Securities for General Investments								
Domestic non-marketable equity securities	705				715			
Foreign non-marketable equity securities	29				28			
	734				743			
<u>Less Allowance for impairment</u>	(218)				(216)			
Total	516				527			
Total Investments, net	<u>73,274</u>				<u>78,302</u>			

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2013				2012			
	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	974	2	-	976	2,527	2	-	2,529
Private sector's debt securities	26	-	-	26	61	-	-	61
	1,000	2	-	1,002	2,588	2	-	2,590
<u>Add</u> Revaluation allowance	2			-	2			-
Total	1,002			1,002	2,590			2,590
Securities Available-for-Sale								
Government and state enterprise securities	49,352	176	(93)	49,435	49,890	154	(25)	50,019
Private sector's debt securities	15,548	41	(103)	15,486	13,775	107	(6)	13,876
Domestic marketable equity Securities	5,741	283	(447)	5,577	6,671	1,020	(66)	7,625
	70,641	500	(643)	70,498	70,336	1,281	(97)	71,520
<u>Add</u> Revaluation allowance	(143)			-	1,184			-
<u>Less</u> Allowance for impairment	(24)			(24)	(26)			(26)
Total	70,474			70,474	71,494			71,494
Securities Held-to-Maturity								
Government and state enterprise securities	-				336			
Private sector's debt securities	50				50			
Investment in accounts receivable	1,279				2,940			
	1,329				3,326			
<u>Less</u> Allowance for impairment	(64)				(91)			
Total	1,265				3,235			
Securities for General Investments								
Domestic non-marketable equity securities	673				682			
Foreign non-marketable equity securities	29				28			
	702				710			
<u>Less</u> Allowance for impairment	(202)				(200)			
Total	500				510			
Total Investments, net	<u>73,241</u>				<u>77,829</u>			

As at December 31, 2012, the investments classified as held-to-maturity debt securities (government and state enterprise securities) included the 10 year 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, issued by the Thai Asset Management Corporation (TAMC) for assets transferred to TAMC. During the years ended December 31, 2013 and 2012, TAMC redeemed promissory notes of the Bank of Baht 333 million and Baht 697 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, 2013 and 2012, revaluation surplus (deficit) on investments presented in the equity consists of the following:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Beginning balance	1,181	319	1,184	323
Increase (decrease) during the year	<u>(1,306)</u>	<u>862</u>	<u>(1,326)</u>	<u>861</u>
Ending balance	<u><u>(125)</u></u>	<u><u>1,181</u></u>	<u><u>(142)</u></u>	<u><u>1,184</u></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	
	2013	2012
Manufacturing	<u>-</u>	<u>3</u>
Total	<u><u>-</u></u>	<u><u>3</u></u>

In the consolidated and the Bank's financial statements as at December 31, 2013, the Bank and its subsidiaries had investments in available-for-sale securities and general investments of 3 and 1 companies, respectively, subject to being delisted from the SET, with cost of Baht 12 million and market price of Baht 0.

In the consolidated and the Bank's financial statements as at December 31, 2012, the Bank and its subsidiaries had investments in available-for-sale securities and general investments of 2 companies subject to being delisted from the SET, with cost of Baht 13 million and market price of Baht 0.

8.5 Investments in subsidiaries and associates, net

The Bank's investments in companies in which the Bank holds more than 20% of the paid-up capital, with the percentage of beneficial ownership and amount of investments as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht										
CONSOLIDATED FINANCIAL STATEMENTS										
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Ownership %	2013			2012		
					Investment (Cost)	Investment (Equity Method)	Dividend	Investment (Cost)	Investment (Equity Method)	Dividend
Associates										
Tesco Card Services Limited ⁽¹⁾	Credit cards and personal loans	Common Stock	780	50.00	390	966	-	390	886	-
Tesco Life Assurance Broker Limited ⁽²⁾	Life assurance Broker	Common Stock	2	50.00	-	34	-	-	20	-
Tesco General Insurance Broker Limited ⁽²⁾	General insurance broker	Common Stock	77	50.00	-	59	-	-	41	-
Metro Designee Company Limited ⁽³⁾	Special Purpose vehicle	Common Stock	-	21.90	-	-	-	-	-	-
Investments in associates, net					390	1,059	-	390	947	-

⁽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 BMCL breaches agreement with MRT or BMCL breaches the loan agreement with the creditor group

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2013						
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	-	-
CFG Services Company Limited	Hire-purchase and motorcycle loans	Common stock	190	99.99	26	-
		Preferred stock			1	-
Ayudhya Card Services Company Limited ⁽¹⁾	Credit cards and personal loans	Common stock	180	99.99	-	237
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	125	99.99	6,141	600
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	1,206	99.99	1,575	-
Siam Realty and Services Company Limited	Car leasing and personnel services	Common stock	100	99.99	100	30
Total Services Solutions Public Company Limited	Collection services	Common stock	331	99.99	1,614	-
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	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					34,783	902
<u>Less</u> Allowance for impairment					<u>(4,952)</u>	<u>-</u>
Investments in subsidiaries and associated company, net					<u>29,831</u>	<u>902</u>

⁽¹⁾ Subsidiary is in the process of liquidation

⁽²⁾ The company which was established for the transfer of the throughout rights as per the concession agreement between MRT and BMCL in case 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	190	99.99	26	-
		Preferred stock			1	-
Ayudhya Card Services Company Limited	Credit cards and personal loans	Common stock	180	99.99	4	-
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	125	99.99	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	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
<u>Less</u> Allowance for impairment					(2,667)	-
Investments in subsidiaries and associated company, net					<u>32,483</u>	<u>1,263</u>

⁽¹⁾ Subsidiary is in the process of liquidation

⁽²⁾ The company which was established for the transfer of the throughout rights as per the concession agreement between MRT and BMCL in case 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 YEAR ENDED DECEMBER 31, 2013

	Unit: Million Baht	
	2013	2012
Cash flows from operating activities		
Income before income tax	420	481
Adjustments to reconcile income to cash provided (paid) from operating activities		
Bad debt and doubtful accounts (reversal)	(3)	211
Loss on impairment of properties for sale	105	80
Depreciation and amortization	2	2
Gain on sales of properties for sale	(241)	(235)
Employment benefits expenses	4	4
Interest income, net	(109)	(38)
Dividend income	-	(2)
Dividend received	-	2
Interest received	162	209
Interest paid	(54)	(172)
Income tax paid	(124)	(79)
Income from operations before changes in operating assets and liabilities	162	463
(Increase) decrease in operating assets		
Investment in receivables	319	1,783
Loans to customers	125	254
Properties for sale	1,091	1,344
Other assets	107	(442)
Increase in operating liabilities		
Other liabilities	9	132
Net cash from operating activities	1,813	3,534
Cash flows from investing activities		
Cash paid for purchase of equipment	(2)	(4)
Net cash from investing activities	(2)	(4)
Cash flows from financing activities		
Proceeds from bill of exchange issued	45	42,540
Cash paid for repayment of bill of exchange	(1,848)	(46,150)
Net cash from financing activities	(1,803)	(3,610)
Net increase (decrease) in cash and cash equivalents	8	(80)
Cash and cash equivalents as at January 1,	13	93
Cash and cash equivalents as at December 31,	21	13

8.6 Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables, net as at December 31, 2013 and 2012 are as follows:

(1) Classified by products

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Overdrafts	52,359	46,547	52,095	46,111
Loan against contract	421,067	366,030	603,574	542,882
Trade bill	166,373	144,923	166,259	144,742
Hire-purchase receivable	269,453	234,404	-	-
Lease contract receivable	22,837	24,069	-	-
Credit card receivable	51,439	45,985	-	-
Others	4,486	7,424	277	135
Total	988,014	869,382	822,205	733,870
<u>Less</u> Deferred revenue	(44,512)	(39,374)	(75)	(39)
Loans to customers after deferred revenue, net	943,502	830,008	822,130	733,831
<u>Add</u> Accrued interest receivables	2,648	2,257	1,741	1,418
Loans to customers and accrued interest receivable after deferred revenue, net	946,150	832,265	823,871	735,249
<u>Less</u> Allowance for doubtful accounts				
1) BOT requirement :				
Individual approach	(18,200)	(14,591)	(13,677)	(13,780)
Collective approach	(4,499)	(3,429)	-	-
2) Surplus reserve	(14,767)	(12,286)	(6,242)	(5,629)
<u>Less</u> Revaluation allowance for debt restructuring	(1,520)	(723)	(659)	(17)
Total loans to customers, net	907,164	801,236	803,293	715,823

(2) Classified by currency and residence of debtors

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
2013						
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	925,134	505	925,639	814,414	817	815,231
US Dollar	13,356	2,935	16,291	13,231	984	14,215
Other currencies	585	987	1,572	562	-	562
Total	<u>939,075</u>	<u>4,427</u>	<u>943,502</u>	<u>828,207</u>	<u>1,801</u>	<u>830,008</u>

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2013						
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	803,761	505	804,266	718,237	817	719,054
US Dollar	13,356	2,936	16,292	13,231	984	14,215
Other currencies	585	987	1,572	562	-	562
Total	<u>817,702</u>	<u>4,428</u>	<u>822,130</u>	<u>732,030</u>	<u>1,801</u>	<u>733,831</u>

(3) Classified by business type and classification

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
2013						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	7,474	159	27	946	343	8,949
Manufacturing and trading	223,558	5,871	1,249	1,314	1,943	233,935
Real estate and construction	67,324	3,638	644	2,194	542	74,342
Public utilities and services	77,636	4,766	811	2,804	899	86,916
Housing loans	115,813	1,807	846	893	1,212	120,571
Others	<u>389,106</u>	<u>19,336</u>	<u>5,630</u>	<u>2,863</u>	<u>1,854</u>	<u>418,789</u>
Total	<u>880,911</u>	<u>35,577</u>	<u>9,207</u>	<u>11,014</u>	<u>6,793</u>	<u>943,502</u>

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	<u>334,252</u>	<u>12,748</u>	<u>2,640</u>	<u>1,598</u>	<u>828</u>	<u>352,066</u>
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

THE BANK'S FINANCIAL STATEMENTS

2013

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	7,453	159	27	62	126	7,827
Manufacturing and trading	222,100	5,854	1,061	910	1,079	231,004
Real estate and construction	66,717	3,601	644	2,190	359	73,511
Public utilities and services	77,632	4,766	809	2,786	653	86,646
Housing loans	115,813	1,808	846	893	1,001	120,361
Others	300,188	1,069	747	574	203	302,781
Total	<u>789,903</u>	<u>17,257</u>	<u>4,134</u>	<u>7,415</u>	<u>3,421</u>	<u>822,130</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>

(4) Classified by type of classification

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2013

	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	883,380	544,189	1	5,713
Special mention	35,747	17,944	2 , 11	3,664
Substandard	9,207	4,904	42, 100	4,419
Doubtful	11,014	5,612	42, 100	5,706
Doubtful of loss	<u>6,802</u>	<u>1,701</u>	100	<u>3,197</u>
Total	<u>946,150</u>	<u>574,350</u>		<u>22,699⁽¹⁾</u>
2. Surplus Reserve				<u>14,767⁽²⁾</u>
Total				<u>37,466</u>

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>

⁽¹⁾ Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2013 and 2012, of Baht 4,499 million and Baht 3,429 million, respectively

⁽²⁾ Including allowance for doubtful accounts of loans granted to subsidiaries as at December 31, 2013 and 2012, at the rate of 1% of Baht 218,354 million and Baht 208,851 million equal to Baht 2,183 million and Baht 2,089 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, 2013 and 2012, of Baht 1,520 million and Baht 723 million, respectively, and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2013 and 2012, of Baht 199 million and Baht 98 million, respectively

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2013

	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	791,563	463,460	1	4,957
Special mention	17,338	1,891	2	1,654
Substandard	4,134	1,282	100	1,718
Doubtful	7,415	3,668	100	4,167
Doubtful of loss	3,421	745	100	1,181
Total	<u>823,871</u>	<u>471,046</u>		<u>13,677</u>
2. Surplus Reserve				<u>6,242⁽¹⁾</u>
Total				<u>19,919</u>

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>19,409</u>

⁽¹⁾ Including allowance for doubtful accounts of loan granted to subsidiaries as at December 31, 2013 and 2012, at the rate of 1% of Baht 218,354 million and Baht 208,851 million, equal to Baht 2,183 million and Baht 2,089 million, respectively

⁽²⁾ Excluding revaluation allowance for debt restructuring as at December 31, 2013 and 2012, of Baht 659 million and Baht 17 million, respectively and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2013 and 2012, of Baht 199 million and Baht 98 million, respectively

For the years ended December 31, 2013 and 2012, 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		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Book value	4,158	6,761	4,656	5,688
Net book value	2,549	4,578	2,314	3,496
Sale price	2,670	4,781	2,314	3,496

As at December 31, 2013 and 2012, the Bank and Krungsri Ayudhya AMC Limited ("AMC") had non-performing loans which included interbank and money market items as follows:

Unit: Million Baht			
	2013		
	The Bank	AMC	The Bank and AMC
Non-performing loans	14,970	1,288	16,258
Percentage of total loans	1.68	100.00	1.82
Non-performing loans, net	7,835	969	8,804
Percentage of total loans, net	0.89	100.00	1.00

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

As at December 31, 2013 and 2012, the Bank and its subsidiaries' non-performing loans are Baht 27,014 million and Baht 21,292 million, respectively.

(5) Troubled debt restructuring

For the years ended December 31, 2013 and 2012, the Bank and its subsidiaries had restructured the following debts:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
Form of Restructuring	Number of Debtors	2013			2012			Fair Value
		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	
Modification of terms	15,035	7,622	-	-	15,056	3,700	-	-
Reduction of principal and interest	5,615	1,107	-	-	4,656	2,714	-	-
Various forms of restructuring	248	3,455	-	-	281	1,310	-	-
Total	20,898	12,184		-	19,993	7,724		-

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
Form of Restructuring	Number of Debtors	2013			2012			Fair Value
		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	
Modification of terms	965	4,924	-	-	1,055	2,912	-	-
Reduction of principal and interest	408	858	-	-	521	2,515	-	-
Various forms of restructuring	248	3,455	-	-	281	1,310	-	-
Total	1,621	9,237		-	1,857	6,737		-

For the years ended December 31, 2013 and 2012, the Bank and its subsidiaries calculated the net realizable value for the trouble debt restructured by the modification of terms using the present value of future cash flows under the restructured loan agreement, discounted by the market rate, together with the fair value of collateral as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
Method	2013				2012			
	Average Aging (Year)	Number of Debtor	Amount of Debt		Average Aging (Year)	Number of Debtor	Amount of Debt	
			Before	After			Before	After
			Restructuring	Restructuring			Restructuring	Restructuring
Present value of future cash flows	4.25	13,993	5,441	5,471	3.98	13,878	1,218	1,218
Fair value of collateral	6.44	1,042	2,181	2,181	6.17	1,178	2,482	2,351

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
Method	2013				2012			
	Average Aging (Year)	Number of Debtor	Amount of Debt		Average Aging (Year)	Number of Debtor	Amount of Debt	
			Before	After			Before	After
			Restructuring	Restructuring			Restructuring	Restructuring
Present value of future cash flows	5.44	37	2,795	2,795	6.67	27	561	561
Fair value of collateral	7.23	928	2,129	2,129	7.05	1,028	2,351	2,351

For the years ended December 31, 2013 and 2012, 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		THE BANK'S	
FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
2013	2012	2013	2012
Losses on debt restructured	1,579	989	654
Interest received from debt restructured	3,034	1,221	1,062

As at December 31, 2013 and 2012, the Bank and its subsidiaries recorded balances of total debt restructured and debt restructured during the years ended December 31, 2013 and 2012, in the statements of financial position as follows:

Unit: Million Baht			
CONSOLIDATED		THE BANK'S	
FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
2013	2012	2013	2012
Balances of total debt restructured	18,755	13,168	15,335
Balances of debt restructured during the years	11,063	4,475	8,168

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

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2013				
	Amount due per agreements			
	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	93,290	187,604	11,396	292,290
<u>Less</u> Unearned interest income				<u>(44,127)</u>
Present value of the minimum lease payments				248,163
<u>Less</u> Allowance for doubtful accounts				<u>(10,454)</u>
Total lease receivables, net				<u>237,709</u>

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

8.7 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2013							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	7,205	1,651	3,337	2,142	3,685	12,286	30,306
Doubtful accounts (reversal)	(1,490)	2,041	4,033	5,053	5,191	2,478	17,306
Bad debts written off	-	(28)	(2,917)	(274)	(4,580)	-	(7,799)
Bad debts written off from sales of NPLs	(2)	-	(34)	(1,215)	(1,099)	-	(2,350)
Other	-	-	-	-	-	3	3
Ending balance	<u>5,713</u>	<u>3,664</u>	<u>4,419</u>	<u>5,706</u>	<u>3,197</u>	<u>14,767</u>	<u>37,466</u>

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 (reversal)	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>

As at December 31, 2013 and 2012, the consolidated financial statements included the allowance for doubtful account of hire-purchase loans applying a collective approach basis in the amounts of Baht 4,499 million and Baht 3,429 million, respectively.

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2013						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	6,829	601	1,945	1,491	2,914	5,629	19,409
Doubtful accounts (reversal)	(1,870)	1,054	(193)	4,092	(456)	610	3,237
Bad debts written off	-	(1)	-	(201)	(178)	-	(380)
Bad debts written off from sales of NPLs	(2)	-	(34)	(1,215)	(1,099)	-	(2,350)
Other	-	-	-	-	-	3	3
Ending balance	<u>4,957</u>	<u>1,654</u>	<u>1,718</u>	<u>4,167</u>	<u>1,181</u>	<u>6,242</u>	<u>19,919</u>

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 (reversal)	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>

As at December 31, 2013 and 2012, the Bank estimated the minimum total allowance* under the BOT Guidelines of Baht 24,418 million and Baht 18,841 million, respectively for the consolidated financial statements and Baht 14,536 million and Baht 13,895 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:

	2013	Unit: Million Baht 2012
Consolidated financial statements	39,185	31,127
The Bank and Krungsri Ayudhya AMC Limited	21,403	20,512
The Bank's financial statements	20,777	19,525

As at December 31, 2013 and 2012, 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 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 2013			
	Number	Outstanding Balance	Collateral Allowance for Doubtful Accounts
Companies subject to be delisted by SET	3	2,612	991
Total	3	2,612	991

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
Total	4	2,629	655

8.8 Revaluation allowance for debt restructuring

Revaluation allowance for debt restructuring as at December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Beginning balance	723	503	17	27
Increase during the year	1,579	989	654	162
Amount written off	(781)	(769)	(12)	(172)
Ending balance	1,521	723	659	17

8.9 Properties for sale, net

Properties for sale, net as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2013	Acquisition	Disposition	Balance as at December 31, 2013
1. Assets acquired from debt repayment				
1.1 Immovable	11,504	195	(3,625)	8,074
1.2 Movable	539	5,371	(5,089)	821
Total	12,043	5,566	(8,714)	8,895
2. Others	74	70	(45)	99
Total properties for sale	12,117	5,636	(8,759)	8,994
<u>Less</u> Provision for impairment	(2,665)	(2,167)	2,703	(2,129)
Total properties for sale	9,452	3,469	(6,056)	6,865

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				
THE BANK'S FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2013	Acquisition	Disposition	Balance as at December 31, 2013
1. Assets acquired from debt repayment				
1.1 Immovable	6,896	150	(2,677)	4,369
1.2 Movable	12	-	(12)	-
Total	6,908	150	(2,689)	4,369
2. Others	71	70	(45)	96
Total properties for sale	6,979	220	(2,734)	4,465
<u>Less</u> Provision for impairment	(2,274)	(109)	941	(1,442)
Total properties for sale	4,705	111	(1,793)	3,023

Type of Properties For Sale	THE BANK'S FINANCIAL STATEMENTS			Unit: Million Baht
	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
Less Provision for impairment	(2,165)	(466)	357	(2,274)
Total properties for sale	5,937	(225)	(1,007)	4,705

Immovable assets for sale classified by external and internal appraisers as at December 31, 2013 and 2012 consist of the following:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS		Unit: Million Baht
	2013	2012	2013	2012	
Immovable assets-Foreclosed assets					
Appraised by external appraisers	2,343	3,805	1,921	3,382	
Appraised by internal appraisers	5,731	7,699	2,448	3,514	
Total	8,074	11,504	4,369	6,896	

8.10 Premises and equipment, net

Premises and equipment, net as at December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS			Unit: Million Baht
	Balance as at January 1, 2013	Increase	Decrease	Balance as at December 31, 2013
Land				
Cost	3,731	-	(100)	3,631
Appraisal increase (Year 2013)	3,740	1,481	(42)	5,179
Appraisal decrease (Year 2013)	(178)	(10)	109	(79)
Premises				
Cost	6,801	111	(86)	6,826
Appraisal increase (Year 2013)	6,074	3,043	(683)	8,434
Appraisal decrease (Year 2013)	(68)	(98)	32	(134)
Equipment	13,389	1,193	(1,115)	13,467
Leasehold improvement	2,085	318	(250)	2,153
Total	35,574	6,038	(2,135)	39,477
Less Accumulated depreciation				
Premises				
- Cost	(3,106)	(249)	8	(3,347)
- Appraisal increase (Year 2013)	(3,516)	(2,064)	308	(5,272)
Equipment	(9,430)	(1,218)	1,045	(9,603)
Leasehold improvement	(1,352)	(190)	203	(1,339)
Total	(17,404)	(3,721)	1,564	(19,561)
Construction in progress	130	215	(122)	223
Premises and equipment, net	18,300			20,139

				Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2012	Increase	Decrease	Balance as at December 31, 2012
Land				
Cost	3,775	-	(44)	3,731
Appraisal increase (Year 2009)	3,759	-	(19)	3,740
Appraisal decrease (Year 2009)	(190)	-	12	(178)
Premises				
Cost	6,332	525	(56)	6,801
Appraisal increase (Year 2009)	6,105	-	(31)	6,074
Appraisal decrease (Year 2009)	(70)	-	2	(68)
Equipment	12,860	1,923	(1,394)	13,389
Leasehold improvement	1,721	485	(121)	2,085
Total	<u>34,292</u>	<u>2,933</u>	<u>(1,651)</u>	<u>35,574</u>
<u>Less</u> Accumulated depreciation				
Premises				
- Cost	(2,877)	(259)	30	(3,106)
- Appraisal increase (Year 2009)	(3,291)	(242)	17	(3,516)
Equipment	(9,657)	(1,135)	1,362	(9,430)
Leasehold improvement	(1,305)	(145)	98	(1,352)
Total	<u>(17,130)</u>	<u>(1,781)</u>	<u>1,507</u>	<u>(17,404)</u>
Construction in progress	<u>406</u>	<u>464</u>	<u>(740)</u>	<u>130</u>
Premises and equipment, net	<u>17,568</u>			<u>18,300</u>

	Unit: Million Baht
	2013
	2012
Depreciation for the years	<u>1,838</u>
	<u>1,778</u>

As at December 31, 2013 and 2012, the Bank and its subsidiaries had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 7,971 million and Baht 7,749 million, respectively.

The equipments at cost of Baht 92 million and Baht 100 million, respectively, are under finance leases as at December 31, 2013 and 2012.

				Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2013	Increase	Decrease	Balance as at December 31, 2013
Land				
Cost	3,724	-	(94)	3,630
Appraisal increase (Year 2013)	3,740	1,477	(42)	5,175
Appraisal decrease (Year 2013)	(178)	(10)	109	(79)
Premises				
Cost	6,752	103	(86)	6,769
Appraisal increase (Year 2013)	6,074	2,907	(683)	8,298
Appraisal decrease (Year 2013)	(68)	(98)	32	(134)
Equipment	10,474	613	(545)	10,542
Leasehold improvement	1,010	181	(31)	1,160
Total	<u>31,528</u>	<u>5,173</u>	<u>(1,340)</u>	<u>35,361</u>
<u>Less</u> Accumulated depreciation				
Premises				
- Cost	(3,080)	(248)	8	(3,320)
- Appraisal increase (Year 2013)	(3,516)	(1,959)	308	(5,167)
Equipment	(7,642)	(880)	525	(7,997)
Leasehold improvement	(513)	(75)	24	(564)
Total	<u>(14,751)</u>	<u>(3,162)</u>	<u>865</u>	<u>(17,048)</u>
Construction in progress	<u>116</u>	<u>208</u>	<u>(104)</u>	<u>220</u>
Premises and equipment, net	<u>16,893</u>			<u>18,533</u>

				Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2012	Increase	Decrease	Balance as at December 31, 2012
Land				
Cost	3,767	-	(43)	3,724
Appraisal increase (Year 2009)	3,759	-	(19)	3,740
Appraisal decrease (Year 2009)	(190)	-	12	(178)
Premises				
Cost	6,298	509	(55)	6,752
Appraisal increase (Year 2009)	6,105	-	(31)	6,074
Appraisal decrease (Year 2009)	(70)	-	2	(68)
Equipment	9,937	1,421	(884)	10,474
Leasehold improvement	718	324	(32)	1,010
Total	30,324	2,254	(1,050)	31,528
<u>Less</u> Accumulated depreciation				
Premises				
- Cost	(2,853)	(257)	30	(3,080)
- Appraisal increase (Year 2009)	(3,290)	(243)	17	(3,516)
Equipment	(7,665)	(842)	865	(7,642)
Leasehold improvement	(463)	(70)	20	(513)
Total	(14,271)	(1,412)	932	(14,751)
Construction in progress	407	450	(741)	116
Premises and equipment, net	16,460			16,893
				Unit: Million Baht
				2013 2012
Depreciation for the years			1,383	1,412

As at December 31, 2013 and 2012, the Bank had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 6,200 million and Baht 5,942 million, respectively.

8.11 Goodwill and other intangible assets, net

Goodwill and other intangible assets, net as at December 31, 2013 and 2012 are as follows:

				Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2013	Increase	Decrease	Balance as at December 31, 2013
Cost				
Goodwill	9,947	-	-	9,947
Software	4,770	582	(59)	5,293
Other intangible assets	5,588	17	-	5,605
Total	20,305	599	(59)	20,845
Accumulated amortization				
Software	(2,428)	(491)	54	(2,865)
Other intangible assets	(2,442)	(657)	-	(3,099)
Total	(4,870)	(1,148)	54	(5,964)
Allowance for impairment	-	(20)	-	(20)
Goodwill and other intangible assets, net	15,435			14,861

				Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2012	Increase	Decrease	Balance as at December 31, 2012
Cost				
Goodwill	7,521	2,426	-	9,947
Software	3,938	947	(115)	4,770
Other intangible assets	4,494	1,119	(25)	5,588
Total	15,953	4,492	(140)	20,305
Accumulated amortization				
Software	(2,135)	(388)	95	(2,428)
Other intangible assets	(1,764)	(678)	-	(2,442)
Total	(3,899)	(1,066)	95	(4,870)
Goodwill and other intangible assets, net	12,054			15,435

		Unit: Million Baht
	2013	2012
Amortization for the years	1,148	1,066

As at December 31, 2013 and 2012, the Bank and its subsidiaries had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 1,419 million and Baht 1,199 million, respectively.

				Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2013	Increase	Decrease	Balance as at December 31, 2013
Cost				
Goodwill	1,054	-	-	1,054
Software	3,942	462	(5)	4,399
Other intangible assets	51	15	-	66
Total	5,047	477	(5)	5,519
Accumulated amortization				
Software	(1,973)	(404)	-	(2,377)
Other intangible assets	(6)	(7)	-	(13)
Total	(1,979)	(411)	-	(2,390)
Goodwill and other intangible assets, net	3,068			3,129

Unit: Million Baht			
THE BANK'S FINANCIAL STATEMENTS			
	Balance as at January 1, 2012	Increase	Decrease
			Balance as at December 31, 2012
Cost			
Goodwill	-	1,054	-
Software	3,308	658	(24)
Other intangible assets	13	38	-
Total	3,321	1,750	(24)
Accumulated amortization			
Software	(1,667)	(313)	7
Other intangible assets	(6)	-	-
Total	(1,673)	(313)	7
Goodwill and other intangible assets, net	1,648		3,068

Unit: Million Baht	
	2013
Amortization for the years	411
	2012
	311

As at December 31, 2013 and 2012, the Bank had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 1,089 million and Baht 940 million, respectively.

8.12 Deferred tax assets

Deferred tax assets as at December 31, 2013 and 2012 are as follows:

CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
2013	2012	2013	2012
Deferred tax assets	6,982	2,277	2,637

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

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS			
	Balance at January 1, 2013	Items as Recognized into Profit and Loss	Items as recognized into other comprehensive income
			Balance at December 31, 2013
Temporary differences			
Impairment of assets	663	(174)	-
Loans and accrued interest receivables, net	3,724	1,092	-
Provisions	1,586	(127)	(64)
Others	88	(29)	223
Total	6,061	762	159

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
Loans and accrued interest receivables, net	3,243	-	481	3,724
Provisions	1,453	-	148	1,586
Others	171	(118)	35	88
Total	<u>5,631</u>	<u>(118)</u>	<u>563</u>	<u>6,061</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS				
Balance at January 1, 2013	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2013	
Temporary differences				
Impairment of assets	551	(182)	-	369
Loans and accrued interest receivables, net	836	(113)	-	723
Provisions	1,123	(155)	(57)	911
Others	127	(76)	223	274
Total	<u>2,637</u>	<u>(526)</u>	<u>166</u>	<u>2,277</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
Loans and accrued interest receivables, net	490	-	346	836
Provisions	1,104	-	36	1,123
Others	158	12	(43)	127
Total	<u>2,356</u>	<u>12</u>	<u>286</u>	<u>2,637</u>

8.13 Other assets, net

Other assets, net as at December 31, 2013 and 2012, are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Accrued income	2,753	2,206	376	344
Prepayment	345	404	106	182
Other receivables	9,476	8,420	4,563	2,943
Others	936	1,268	1,414	877
Total	<u>13,510</u>	<u>12,298</u>	<u>6,459</u>	<u>4,346</u>

8.14 Deposits

Deposits as at December 31, 2013 and 2012 are as follows:

(1) Classified by product

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Current deposit	19,470	18,646	20,193	19,626
Savings deposit	383,471	350,814	387,083	355,664
Time deposit				
- Less than 6 months	133,061	147,053	133,065	147,055
- 6 months to 1 year	127,010	120,927	127,009	120,927
- over 1 year	101,038	49,719	101,040	49,722
Total	<u>764,050</u>	<u>687,159</u>	<u>768,390</u>	<u>692,994</u>

(2) Classified by currency and residence of depositors

	Unit: Million Baht					
	CONSOLIDATED FINANCIAL STATEMENTS					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	758,552	551	759,103	682,292	553	682,845
US Dollar	1,329	1,585	2,914	1,002	1,415	2,417
Other currencies	616	1,417	2,033	633	1,264	1,897
Total	<u>760,497</u>	<u>3,553</u>	<u>764,050</u>	<u>683,927</u>	<u>3,232</u>	<u>687,159</u>

	Unit: Million Baht					
	THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	762,893	551	763,444	688,127	553	688,680
US Dollar	1,329	1,585	2,914	1,002	1,415	2,417
Other currencies	615	1,417	2,032	633	1,264	1,897
Total	<u>764,837</u>	<u>3,553</u>	<u>768,390</u>	<u>689,762</u>	<u>3,232</u>	<u>692,994</u>

8.15 Interbank and money market items, net (Liability)

Interbank and money market items, net (liability) as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2013			2012		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	9,397	9,397	-	9,265	9,265
Commercial banks	576	23,610	24,186	1,358	24,120	25,478
Specialized financial institutions	31	4,564	4,595	181	6,026	6,207
Other financial institutions	5,289	5,419	10,708	5,558	688	6,246
Total domestic items	5,896	42,990	48,886	7,097	40,099	47,196
Foreign items						
US Dollar	22	6,563	6,585	56	1,532	1,588
Other currencies	26	-	26	37	-	37
Total foreign items	48	6,563	6,611	93	1,532	1,625
Total domestic and foreign items	5,944	49,553	55,497	7,190	41,631	48,821

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2013			2012		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	9,397	9,397	-	9,265	9,265
Commercial banks	576	23,610	24,186	1,358	22,710	24,068
Specialized financial institutions	31	4,564	4,595	181	6,026	6,207
Other financial institutions	6,495	5,420	11,915	6,513	688	7,201
Total domestic items	7,102	42,991	50,093	8,052	38,689	46,741
Foreign items						
US Dollar	22	6,563	6,585	56	1,532	1,588
Other currencies	26	-	26	37	-	37
Total foreign items	48	6,563	6,611	93	1,532	1,625
Total domestic and foreign items	7,150	49,554	56,704	8,145	40,221	48,366

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

1. As at December 31, 2013 and 2012, the outstanding balance of borrowing from the Bank of Thailand is Baht 9,397 million and Baht 9,265 million, respectively bearing an interest rate at 0.01% per annum. The loan is restricted to a soft loan program for flood relief in year 2011 provided to small and medium enterprises (SME) and individuals at a rate not over 3% per annum. The soft loan program duration is 5 years and will end 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 was 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 to finance small or medium enterprises directly and indirectly impacted by flooding in Thailand.

8.16 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2013 and 2012 are as follows:

CONSOLIDATED FINANCIAL STATEMENTS									Unit: Million Baht
	Currency	Interest rate (%)	Maturity	Domestic	2013 Foreign	Total	Domestic	2012 Foreign	Total
Subordinated									
Debentures	THB	4.70-5.50	2020-2022	34,844	-	34,844	34,844	-	34,844
Senior securities	THB	2.72-4.50	2014-2018	101,053	-	101,053	71,170	-	71,170
Bill of exchange	THB	1.85-3.80	2014	38,649	-	38,649	48,523	-	48,523
Other borrowings	THB	0.00-0.50	2014-2017	59	-	59	92	-	92
				174,605	-	174,605	154,629	-	154,629

Unit: Million Baht									
THE BANK'S FINANCIAL STATEMENTS									
	Currency	Interest rate	Maturity	Domestic	2013 Foreign	Total	Domestic	2012 Foreign	Total
		(%)							
Subordinated									
Debentures	THB	4.70-5.50	2020-2022	34,844	-	34,844	34,844	-	34,844
Senior securities	THB	2.72-4.50	2014-2016	62,230	-	62,230	39,112	-	39,112
Bill of exchange	THB	1.85-3.80	2014	10,204	-	10,204	29,691	-	29,691
Other borrowings	THB	0.00-0.50	2014-2017	59	-	59	92	-	92
				107,337	-	107,337	103,739	-	103,739

Additional information on debts issued and borrowings is as follows:

1. On June 23, 2010, the Bank issued subordinated debentures No. 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 years 1-3, 4.75% per annum for years 4-6 and 5.50% per annum for years 7-10, payable quarterly on the 23rd of March, June, September and December of each year. The Bank has the right to redeem debentures No. 1/2010 before the maturity date subject to the approval of the BOT. The Bank may redeem the debentures prior to the fifth anniversary of the issued date if the Bank is notified by the BOT 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 issued date or on any interest payment date after the fifth anniversary.

8.17 Provisions

Provisions for the years ended December 31, 2013 and 2012 are as follows:

	Unit: Million Baht				
	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2012	Increase (Decrease)	Balance at December 31, 2012	Increase (Decrease)	Balance at December 31, 2013
Provision for post-employment benefits obligation	2,792	150	2,942	(50)	2,892
Provision for loss on impairment of assets transferred to the Thai Asset Management Corporation	2,106	25	2,131	(2,131)	-
Provision for customer loyalty program	1,244	373	1,617	222	1,839
Others	754	(110)	644	1,047	1,691
Total	6,896	438	7,334	(912)	6,422

	Unit: Million Baht				
	THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2012	Increase (Decrease)	Balance at December 31, 2012	Increase (Decrease)	Balance at December 31, 2013
Provision for post-employment benefits obligation	2,358	75	2,433	(68)	2,365
Provision for loss on impairment of assets transferred to the Thai Asset Management Corporation	2,070	-	2,070	(2,070)	-
Provision for customer loyalty program	21	8	29	27	56
Others	721	(77)	644	1,044	1,688
Total	5,170	6	5,176	(1,067)	4,109

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, 2013 and 2012 are as follows:

	Unit: Million Baht			
	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Opening defined benefits obligation	2,942	2,792	2,433	2,358
Current service cost	261	238	193	179
Interest cost	115	106	95	90
Actuarial (gains) losses	(321)	(75)	(284)	(83)
Benefit paid	(107)	(119)	(73)	(111)
Transfer employee from subsidiaries	-	-	1	-
Curtailment/Settlement Loss/(Gain)	2	-	-	-
Closing defined benefit obligation	2,892	2,942	2,365	2,433

For the year ended December 31, 2013, the actuarial gains are recognized in the consolidated and the Bank's statements of comprehensive income in the amounts of Baht 321 million and Baht 284 million, respectively.

For the year ended December 31, 2013, the accumulated actuarial gains are recognized in the consolidated and the Bank's statements in the amounts of Baht 410 million and Baht 403 million, respectively

Amounts recognized in the statements of comprehensive income in respect of the defined benefit plans for the years ended December 31, 2013 and 2012, are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Current service cost	261	238	193	179
Interest on obligation	115	106	95	90
	<u>376</u>	<u>344</u>	<u>288</u>	<u>269</u>

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2013 and 2012 are as follows:

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
Financial assumptions		
Discount rate	4.5%	3.9%
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 were those which had outstanding balances as at December 31, 2000 and possessed certain characteristics as specified in the Emergency Decree on TAMC B.E. 2544 (TAMC Decree). The price of the sub-quality assets should equal the value of the collateral and not exceed the loan value less allowance for doubtful accounts, as determined by BOT guidelines. The Bank and its subsidiary received non-negotiable promissory notes upon TAMC's confirmations on the price. The notes matured in 10 years and bear the interest rate calculated based on the average rate of deposits, payable annually. The notes were 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 were realized, the first portion of the profits, not exceeding 20% of the transfer price of the sub-quality assets transferred to TAMC, would be allocated equally between TAMC and the Bank/subsidiary. The second portion of the profits would be allocated in full to the Bank/subsidiary. The two portions of the profits combined together should 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 was given to TAMC. In case when losses were realized, it would be shared between TAMC and the Bank/subsidiary. The Bank and its subsidiary would 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 was the residual amount of the first portion, an amount not exceeding 20% of the transfer price of the sub-quality assets transferred to TAMC would 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 was based on the fully repaid assets or the completed process of assets transfer in case of transfer of assets for repayment purposes.

As at December 31, 2012, the provisions for possible losses were set up in the amounts of Baht 2,131 million for the consolidated financial statements, and Baht 2,070 million for the Bank's financial statements which were presented as a part of provisions in the statement of financial position.

On June 9, 2011, TAMC was liquidated and consequently the Bank and its subsidiary have confirmed the profit and loss calculation report received from TAMC on September 11, 2013. As a result, during the year ended December 31, 2013, the Bank and its subsidiary recorded reversal on provision for possible losses in the consolidated and the Bank's financial statements of Baht 1,074 million and Baht 1,056 million, respectively, which presented negative amount in other operating expenses. The completion of payment was conducted in October 2013.

8.18 Deferred tax liabilities

Deferred tax liabilities as at December 31, 2013 and 2012, are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS 2013	2012	FINANCIAL STATEMENTS 2013	2012
Deferred tax liabilities	<u>2,603</u>	<u>2,505</u>	<u>1,824</u>	<u>1,617</u>

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

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2013	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2013
Temporary differences				
Asset appraisal surplus	1,260	(48)	457	1,669
Investments	585	(538)	(38)	9
Others	660	265	-	925
Total	<u>2,505</u>	<u>(321)</u>	<u>419</u>	<u>2,603</u>

					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					
Asset appraisal surplus	1,323	-	(58)	(5)	1,260
Investments	554	-	(137)	168	585
Others	399	282	(21)	-	660
Total	2,276	282	(216)	163	2,505

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2013	Items as recognized into Profit and Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2013
Temporary differences				
Asset appraisal surplus	1,259	(48)	450	1,661
Investments	237	(191)	(42)	4
Others	121	38	-	159
Total	<u>1,617</u>	<u>(201)</u>	<u>408</u>	<u>1,824</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					
Asset appraisal surplus	1,322	-	(58)	(5)	1,259
Investments	69	-	-	168	237
Others	61	62	(2)	-	121
Total	1,452	62	(60)	163	1,617

8.19 Finance lease liabilities

Finance lease liabilities as at December 31, 2013 and 2012 are as follows:

	Unit: Million Baht					
	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Principal	Interest	Payment	Principal	Interest	Payment
Within one year	28	3	31	17	4	21
One year to five years	57	4	61	73	6	79
Total	<u>85</u>	<u>7</u>	<u>92</u>	<u>90</u>	<u>10</u>	<u>100</u>

8.20 Other liabilities

Other liabilities as at December 31, 2013 and 2012, are as follows:

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Accrued expenses	9,630	9,041	7,050	6,577
Tax payable	3,938	2,959	1,526	1,200
Deposit	7,376	8,001	101	183
Other payable	3,971	3,322	2,158	1,638
Others	8,146	8,454	3,137	3,467
Total	<u>33,061</u>	<u>31,777</u>	<u>13,972</u>	<u>13,065</u>

8.21 Share capital

8.21.1 Authorized share capital

The Extraordinary General Meeting of shareholders No. 1/2013 of the Bank, held on October 31, 2013, approved the reduction of the Bank's registered capital from Baht 70,893,927,550 to Baht 60,741,437,470 and approved the increase of the Bank's registered capital from Baht 60,741,437,470 to Baht 75,741,437,470, by issuing not more than 1,500,000,000 new ordinary shares at par value of Baht 10. These new shares will be issued as a private placement to BTMU as follows:

Tranche 1: In case the aggregate amount of ordinary shares which BTMU acquires through Voluntary Tender Offer and from other kind of acquisition, combined with capital-increased shares that BTMU will receive as consideration for the business transfer of BTMU's Bangkok Branch is less than 50 percent of all issued shares of the Bank.

Tranche 2: In case there is no private placement of Tranche 1 or there are remaining shares from Tranche 1, the allotment shall be made as consideration and/or exchange for the transfer of the business of BTMU's Bangkok Branch.

The Bank registered the reduction and the increase of the Bank's registered capital with Ministry of Commerce on November 1, 2013.

8.21.2 Legal reserve

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

8.21.3 Dividend payment

The Annual General Meeting of Shareholder No. 100 held on April 24, 2012, approved the 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 totaling Baht 2,126 million with payment date on May 22, 2012.

The Board of Directors' Meeting No.8/2012 held on August 22, 2012, approved the interim 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 totaling Baht 2,430 million with payment date on September 20, 2012.

The Annual General Meeting of Shareholder No. 101 held on April 10, 2013, approved the dividend payment for the second half year ended December 31, 2012 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.40 per share totaling Baht 2,430 million with payment date on May 7, 2013.

The Board of Directors' Meeting No.8/2013 held on August 28, 2013, approved the interim dividend payment for the first half year ended June 30, 2013 to the shareholders of 6,074,143,747 ordinary shares at Baht 0.40 per share totaling Baht 2,430 million with payment date on September 26, 2013.

8.22 Assets with obligations and restrictions

As at December 31, 2013 and 2012, government and state enterprise securities with book value of Baht 5,857 million and Baht 4,412 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

8.23 Contingencies

Contingencies as at December 31, 2013 and 2012 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Avals to bills	1,270	977	1,270	977
Guarantees of loans	45	90	45	90
Liability under unmatured import bills	1,559	1,548	1,559	1,548
Letters of credit	9,335	8,043	9,335	8,043
Other contingencies				
- Unused overdraft limit	57,884	59,049	58,014	59,181
- Other guarantees	44,200	35,172	44,200	35,172
- Others	253	506	253	506
Total	<u>114,546</u>	<u>105,385</u>	<u>114,676</u>	<u>105,517</u>

The Bank and its subsidiaries have entered into a long-term information technology service agreement, which will expired in 2019 with a local company. As at December 31, 2013 and 2012, the Bank and its subsidiaries have a commitment to pay in the amounts of Baht 3,726 million and Baht 4,386 million, respectively.

As at December 31, 2013 and 2012, the Bank has commitments to pay regarding the information technology services the amounts of Baht 14 million and Baht 86 million, respectively.

8.24 Related party transactions

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

According to the Bank of Thailand's Notification and Sor.Nor.Sor. 19/2555 regarding the guideline on Consolidated Supervision (No.2) dated December 17, 2012, and Sor.Nor.Sor. 6/2553 regarding the Guideline on Consolidated Supervision dated June 28, 2010, the Bank is required to disclose the Inter-Group Transactions in the Financial Business Group Policy and the Risk Management for Inter-Group Transactions in the Financial Business Group Policy as follows:

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

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

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

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

Related party transactions are as follows:

8.24.1 Loans to, deposits, borrowing and contingencies with certain officers from the levels 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 have significant voting right either directly and indirectly, as at December 31, 2013 and 2012 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
	2013				2012			
	Loans	Deposits	Borrowings	Others*	Loans	Deposits	Borrowings	Others*
Parent companies								
The Bank of Tokyo-Mitsubishi UFJ Ltd, Bangkok Branch	-	1	-	12,844	-	-	-	-
The Bank of Tokyo-Mitsubishi UFJ Ltd, Singapore Branch	-	-	-	1,559	-	-	-	-
	-	1	-	14,403	-	-	-	-
Associates								
Tesco Card Services Limited	11,520	398	-	-	10,073	397	-	-
Tesco Life Assurance Broker Limited	-	75	-	-	-	47	-	-
Tesco General Insurance Broker Limited	-	308	-	-	-	231	-	-
<u>Less</u> Allowance for doubtful accounts	(115)	-	-	-	(101)	-	-	-
Total	11,405	781	-	-	9,972	675	-	-
Related companies having joint major shareholders or directors	3,605	3,559	-	2,742	1,335	4,099	1,700	418
<u>Less</u> Allowance for doubtful accounts	(31)	-	-	-	(13)	-	-	-
Total	3,574	3,559	-	2,742	1,322	4,099	1,700	418
Individual and related parties	268	637	-	-	244	547	21	-
<u>Less</u> Allowance for doubtful accounts	(1)	-	-	-	(1)	-	-	-
Total	267	637	-	-	243	547	21	-
Total	15,246	4,978	-	17,145	11,537	5,321	1,721	418

* Others contain investment, derivatives (notional amount) and contingencies

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2013				2012			
	Loans	Deposits	Borrowings	Others*	Loans	Deposits	Borrowings	Others*
Parent companies								
The Bank of Tokyo-Mitsubishi UFJ Ltd, Bangkok Branch	-	1	-	12,844	-	-	-	-
The Bank of Tokyo-Mitsubishi UFJ Ltd, Singapore Branch	-	-	-	1,559	-	-	-	-
	-	1	-	14,403	-	-	-	-
Subsidiaries								
Ayudhya Development Leasing Company Limited	10,371	20	-	44	10,013	45	-	161
Ayudhya Capital Auto Lease Public Company Limited	130,012	601	-	5	125,441	693	-	-
Ayudhya Total Solutions Public Company Limited	-	10	-	-	-	2,070	-	-
CFG Services Company Limited	8,391	29	-	2	5,273	17	-	-
Ayudhya Card Services Company Limited	-	-	-	-	4,600	247	-	-
Ayudhya Capital Services Company Limited	24,774	801	-	3	21,109	738	-	3
General Card Services Limited	11,492	335	-	-	11,658	268	-	-
Krungsriayudhya Card Company Limited	32,180	1,142	-	1	26,471	885	-	1
Siam Realty and Services Company Limited	580	43	-	-	496	71	-	-
Total Services Solutions Public Company Limited	-	193	700	-	-	246	400	-
Krungsri Asset Management Company Limited	-	218	150	656	-	104	300	613
Krungsri Ayudhya AMC Limited	554	17	-	38	2,357	15	-	38
Krungsri Securities Public Company Limited	-	991	-	-	-	853	-	-
Krungsri Factoring Company Limited	-	92	-	-	1,433	177	-	-
Krungsri Life Assurance Broker Company Limited	-	434	-	-	-	137	-	-
Krungsri General Insurance Broker Company Limited	-	621	-	-	-	224	-	-
Total	218,354	5,547	850	749	208,851	6,790	700	816
<u>Less</u> Allowance for doubtful accounts	(2,184)	-	-	-	(2,088)	-	-	-
Total	216,170	5,547	850	749	206,763	6,790	700	816

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2013				2012			
	Loans	Deposits	Borrowings	Others*	Loans	Deposits	Borrowings	Others*
Associates								
Tesco Card Services Limited	11,520	398	-	-	10,073	397	-	-
Tesco Life Assurance Broker Limited	-	75	-	-	-	47	-	-
Tesco General Insurance Broker Limited	-	308	-	-	-	231	-	-
<u>Less</u> Allowance for doubtful accounts	(115)	-	-	-	(101)	-	-	-
Total	11,405	781	-	-	9,972	675	-	-
Related companies having joint major shareholders or directors								
	3,605	3,559	-	2,742	1,335	4,099	1,700	418
<u>Less</u> Allowance for doubtful accounts	(31)	-	-	-	(13)	-	-	-
Total	3,574	3,559	-	2,742	1,322	4,099	1,700	418
Individual and related parties								
	221	637	-	-	196	547	21	-
Total	231,370	10,525	850	17,894	218,253	12,111	2,421	1,234

* Others contain investment, derivatives (notional amount) and contingencies

As at December 31, 2013 and 2012, the Bank charges interest rates to the officer or related parties at 1.00% - 15.99% p.a. and 1.00% - 18.99%, respectively.

As at December 31, 2013 and 2012, the allowance for doubtful accounts of loans granted to subsidiaries of Baht 2,184 million and Baht 2,088 million, respectively, are not eliminated but treated as surplus reserve in the consolidated financial statements.

As at December 31, 2013 and 2012, the Bank granted loans to Krungsri Ayudhya AMC Limited in the form of promissory notes of Baht 554 million at the interest rates of 3.10% per annum and short-term promissory notes of Baht 2,357 million at the interest rates of 3.57% - 4.00% per annum, respectively.

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

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS								
Unit: Million Baht								
	Business Type	2013			2012			
		Registered Share Capital	Ownership (%)	Investment Cost	Dividend Amount	Ownership (%)	Investment Cost	Dividend Amount
Related companies								
Sriayudhya Capital Insurance Public Company Limited	Investment holding company	250	9.72	373	27	10.92	419	14
<u>Less</u> Allowance for impairment				(6)	-		(7)	-
Investment in related companies, net				367	27		412	14

8.24.3 Income and expenses between the Bank and its subsidiaries, associates and related companies for the years ended December 31, 2013 and 2012 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

	2013				2012			
	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	407	375	2	-	354	150	2	-
Tesco General Insurance Broker Limited	-	20	3	-	-	13	3	-
Total	407	395	5	-	354	163	5	-
Related companies having joint major shareholders or directors								
	96	35	76	296	41	60	131	332
Total	96	35	76	296	41	60	131	332
Individual and related parties								
	7	8	12	-	6	4	13	-
Total	510	438	93	296	401	227	149	332

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2013				2012			
	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	378	3	-	-	404	3	-	-
Ayudhya Auto Lease Public Company Limited	-	-	-	-	-	-	5	-
Ayudhya Capital Auto Lease Public Company Limited	5,107	114	5	2	4,320	62	4	1
Ayudhya Total Solutions Public Company Limited	-	-	31	-	-	2	42	-
CFG Services Company Limited	324	27	-	-	223	25	1	-
Ayudhya Card Services Company Limited	72	59	-	-	133	74	-	-
Ayudhya Capital Services Company Limited	886	221	2	14	791	161	2	11
General Card Services Limited	424	9	2	-	445	8	2	1
Krungsri Ayudhya Card Company Limited	976	88	3	1	868	92	3	1
Siam Realty and Services Company Limited	17	2	-	443	17	1	-	435
Total Services Solutions Public Company Limited	-	2	15	62	-	3	11	70
Krungsri Asset Management Company Limited	-	266	6	8	-	125	9	6
Krungsri Ayudhya AMC Limited	53	18	-	-	171	31	-	-
Krungsri Securities Public Company Limited	-	23	24	6	-	21	19	3
Krungsri Factoring Company Limited	22	6	-	-	88	5	1	-
Krungsri Life Assurance Broker Company Limited	-	1	1	-	-	1	1	-
Krungsri General Insurance Broker Company Limited	-	1	2	-	-	-	1	-
Total	8,259	840	91	536	7,460	614	101	528
Associates								
Tesco Card Services Limited	407	21	2	-	354	12	2	-
Tesco General Insurance Broker Limited	-	11	3	-	-	13	3	-
Total	407	32	5	-	354	25	5	-
Related companies having joint major shareholders or directors								
	96	35	76	296	41	60	131	332
Total	96	35	76	296	41	60	131	332
Individual and related parties								
	7	8	12	-	6	4	13	-
Total	8,769	915	184	832	7,861	703	250	860

- 8.24.4 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 totaling 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, the Bank entered into agreements to sell non-performing loans (NPLs) to a subsidiary totaling Baht 33 million with book values of Baht 825 million and net book values of Baht 33 million. The sale amounts have been received.

- 8.24.5 For the years ended December 31, 2013 and 2012, related party transactions among subsidiaries included collection services and other services of Baht 887 million and Baht 826 million, respectively, and office and vehicle rental and facilities service of Baht 61 million and Baht 51 million, respectively.
- 8.24.6 For the years ended December 31, 2013 and 2012, subsidiaries had related party transactions from the licenses relevant to technology and software for Baht 72 million and Baht 59 million, respectively.
- 8.24.7 For the years ended December 31, 2013 and 2012, related party transactions among subsidiaries from other services were Baht 1,273 million and Baht 1,053 million, respectively.
- 8.24.8 The Extraordinary General Meeting of Shareholders No. 1/2013, held on October 31, 2013, approved the integration of the Bank and the Bank of Tokyo-Mitsubishi UFJ, Ltd., Bangkok Branch (BTMU's Bangkok Branch) by acquisition of the business of BTMU's Bangkok Branch and the entering into a Conditional Branch Purchase Agreement between the Bank as transferee and the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) as transferor and other related agreements which are asset acquisition and connected transactions.

From the date of the business transfer of BTMU's Bangkok Branch under the Conditional Branch Purchase Agreement, BTMU shall provide various services to the Bank as agreed between the Bank and BTMU prior to the transfer. Such services shall include existing services provided by BTMU to BTMU's Bangkok Branch and other services as necessary and appropriate to ensure continued service of BTMU's Bangkok Branch's customers after the transfer of the assets. The Bank and BTMU will also enter into a Master Service Agreement to provide various services to the Bank which will include but not be limited to (a) General Services Agreement (b) Trademark License Agreement (c) Software License Agreement (d) Other ancillary agreements as may be agreed between the parties under the Master Service Agreement.

From the date of the business transfer of BTMU's Bangkok Branch under the Conditional Branch Purchase Agreement until (1) the lapse of 10 years from the date of the transfer or (2) the date BTMU holds shares in the Bank less than 50 percent of all issued shares (whichever occurs later). The Bank may request for BTMU to provide funding assistance to the Bank and BTMU shall use its best efforts to provide such funding assistance after confirming that: (a) the price and condition for the Funding assistance is on an Arm's Length Basis and is beneficial to both parties; (b) Such funding assistance is aligned with the Bank's Asset and Liability Policy and Funding Policy; (c) Such funding assistance complies with the legal requirements. If BTMU agrees to provide funding assistance as requested by the Bank, the parties shall further agree on the type, amount, tenure and interest rate of such assistance.

- 8.24.9 The Extraordinary General Meeting of the Shareholders No. 2/2009 held on August 27, 2009, approved the Bank to accept the entire business transfer of Ayudhya Card Services Company Limited, which operated credit card and personal loan business and the Bank held 100% of total shares sold.

The Board of Directors Meeting No. 6/2012 held on June 27, 2012, resolved to adjust its operating plan whereby the Bank would not accept the entire business transfer of Ayudhya Card Services Company Limited as previously approved by the EGM referred above. However, Krungsriayudhya Card Company Limited, which operates credit card and personal loan businesses and the Bank currently holds 100% of the total shares sold, would consider accepting the entire business transfer of Ayudhya Card Services Company Limited. The adjusted business transfer plan was reported to the Annual General Meeting of Shareholders No. 101 held on April 10, 2013 for acknowledgement.

On July 24, 2013, Ayudhya Card Services Company Limited (AYCS) has already completed the transfer of its entire business to Krungsriayudhya Card Company Limited (KCC) at fair value of Baht 270 million for an exchange of new ordinary share of KCC totaling 10,552,000 shares as payment in lieu for AYCS entire business with total assets and total liabilities of Baht 4,256 million and Baht 4,054 million, respectively. The entire business transfer under share swap scheme was approved by AYCS's 2013 Annual General Meeting of Shareholders, held on April 26, 2013 and KCC's Extraordinary General Meeting of Shareholders No. 1/2013, held on July 24, 2013.

- 8.24.10 On April 21, 2012, Ayudhya Total Solutions Public Company Limited (AYTS) completed the transfer of its entire business to Ayudhya Capital Auto Lease Public Company Limited (AYCAL) at a net book value of Baht 721 million, comprising total assets and total liabilities of Baht 858 million and Baht 137 million, respectively on the transfer date, as approved by AYTS's Extraordinary Meeting of Shareholders No. 1/2011 as well as AYTS's Annual General Meeting of Shareholders No. 51 and AYCAL's Extraordinary Meeting of Shareholders No. 1/2011.

8.25 Management compensation

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

The Bank did not sell, give or lease any properties to 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, 2013 and 2012, 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	
	2013	2012	2013	2012
Short-term employee benefits	1,321	1,211	856	809
Post-employment benefits	37	31	21	19
Total	<u>1,358</u>	<u>1,242</u>	<u>877</u>	<u>828</u>

8.26 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, 2013 and 2012 which are summarized as follows:

TYPE OF LEASE	PERIOD	Unit: Million Baht			
		CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
		2013	2012	2013	2012
Land and/or premises and equipment	Within 1 year	741	460	703	489
	Greater than 1-5 years	782	581	831	537
	Greater than 5 years	81	85	81	85
		<u>1,604</u>	<u>1,126</u>	<u>1,615</u>	<u>1,111</u>

8.27 Operating Segments

The business segment results are prepared based on the Bank and its subsidiaries' internal management reporting which reflects the organizational management structure. The operating results by business segment provided to Chief Operating Decision Maker to make decision about resources allocations, and assess the performance of, operating segments. The operating segment results are measured in accordance with Thai Financial Reporting Standards, which are also adjusted in accordance with internal management accounting rules and practices. Amounts for each business segment are shown after the allocation of certain centralized costs, income from investment, and the application of transfer pricing, where appropriate. Transactions between segments are recorded on the same basis as the transaction conducted with the third party transactions. Transactions between segments are eliminated on consolidation.

The business segments are described below:

Retail: provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, bill of exchange, housing loan, credit cards, personal loans and sale finance loans, hire-purchase and leasing, wealth management and Bancassurance products.

Commercial: provides financial services and products to institutional clients including corporate, small and medium-sized businesses and financial institutions. Products and services comprise the full range of credit facilities from short term working capital, cash management, trade finance, treasury and money markets products; corporate finance, transactional banking and advisory services.

Others: encompasses other income and expenses generating activities that are not attributed to the business segments described above and eliminated transactions for preparation of consolidated financial statements.

During the years ended December 31, 2013 and 2012, no revenue from transactions with a single external customer or counter party amounted to 10% or more of the Bank's total revenue.

Operating segment by businesses for the years ended December 31, 2013 and 2012 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2013				
	Retail	Commercial	Others	Total
Interest income, net	29,394	15,540	5	44,939
Other operating income	17,299	7,106	(843)	23,562
Total operating income	46,693	22,646	(838)	68,501
Operating expenses	25,022	7,974	618	33,614
Impairment loss of loans and debt securities	13,057	5,809	93	18,959
Profit (loss) before tax	8,614	8,863	(1,549)	15,928
Taxation	1,790	2,435	(283)	3,942
Net Profit (loss)	6,824	6,428	(1,266)	11,986
Total assets	505,064	928,009	(253,491)	1,179,582

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2012				
	Retail	Commercial	Others	Total
Interest income, net	26,280	13,669	3	39,952
Other operating income	14,933	7,954	(1,651)	21,236
Total operating income	41,213	21,623	(1,648)	61,188
Operating expenses	23,971	6,594	233	30,798
Impairment loss of loans and debt securities	7,404	4,439	(458)	11,385
Profit (loss) before tax	9,838	10,590	(1,423)	19,005
Taxation	2,325	2,159	(147)	4,337
Net Profit (loss)	7,513	8,431	(1,276)	14,668
Total assets	438,834	880,469	(247,338)	1,071,965

8.28 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, 2013 and 2012 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2013				
	Domestic	Foreign	Elimination	Total
Total assets	1,181,074	11,336	(12,828)	1,179,582
Interbank and money market items, net (Assets)	85,811	1,216	-	87,027
Investments, net	73,008	266	-	73,274
Loans to customers and accrued interest receivable, net	902,778	4,386	-	907,164
Deposits	763,342	708	-	764,050
Interbank and money market items, net (Liabilities)	55,496	1	-	55,497
Debt issued and borrowings	174,605	-	-	174,605

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				
THE BANK'S FINANCIAL STATEMENTS				
2013				
	Domestic	Foreign	Elimination	Total
Total assets	1,074,911	11,336	(12,828)	1,073,419
Interbank and money market items, net (Assets)	83,765	1,216	-	84,981
Investments, net	72,975	266	-	73,241
Loans to customers and accrued interest receivable, net	798,907	4,386	-	803,293
Deposits	767,682	708	-	768,390
Interbank and money market items, net (Liabilities)	56,703	1	-	56,704
Debt issued and borrowings	107,337	-	-	107,337

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

(2) Results of operations classified by business

Results of operations classified by domestic and foreign business for the years ended December 31, 2013 and 2012 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2013				
	Domestic	Foreign	Elimination	Total
Interest income	71,255	126	-	71,381
Interest expenses	26,438	4	-	26,442
Net interest income	44,817	122	-	44,939
Fees and service income, net	14,526	26	-	14,552
Other operating income	12,990	(32)	(3,948)	9,010
Other operating expenses	56,403	118	(3,948)	52,573
Profit (loss) from operating before tax	15,930	(2)	-	15,928

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
THE BANK'S FINANCIAL STATEMENTS
2013

	Domestic	Foreign	Elimination	Total
Interest income	46,425	126	-	46,551
Interest expenses	24,263	4	-	24,267
Net interest income	22,162	122	-	22,284
Fees and service income, net	6,006	26	-	6,032
Other operating income	9,167	(32)	(3,948)	5,187
Other operating expenses	27,295	118	(3,948)	23,465
Profit (loss) from operating before tax	10,040	(2)	-	10,038

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

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

8.29 Interest income

Interest income for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED		Unit: Million Baht	
	FINANCIAL STATEMENTS		THE BANK'S	
	2013	2012	2013	2012
Interbank and money market items	2,709	2,481	2,689	2,470
Investment and trading transactions	157	206	159	206
Investment in debt securities	2,203	2,495	2,193	2,479
Loans to customers	46,751	42,563	41,510	38,328
Hire purchase and financial lease	19,561	16,895	-	-
Total interest income	71,381	64,640	46,551	43,483

8.30 Interest expenses

Interest expenses for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Deposits	15,701	13,450	15,751	13,496
Interbank and money market items	1,469	1,183	1,448	1,157
Contributions to Financial Institution Development Fund and Deposit Protection Agency	3,665	3,206	3,665	3,206
Debt issued and borrowing				
- Subordinated debenture	1,602	1,021	1,602	1,021
- Other	3,981	5,746	1,793	4,266
Borrowing fee expense	5	69	5	69
Other	19	12	3	-
Total interest expenses	<u>26,442</u>	<u>24,687</u>	<u>24,267</u>	<u>23,215</u>

8.31 Fees and service income, net

Fees and service income, net for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Fees and service income				
- Acceptances, aval and guarantees	505	518	505	518
- Other	18,261	15,916	7,378	6,716
Total fees and service income	<u>18,766</u>	<u>16,434</u>	<u>7,883</u>	<u>7,234</u>
Fees and service expenses	<u>4,214</u>	<u>3,699</u>	<u>1,851</u>	<u>1,518</u>
Total fees and service income, net	<u>14,552</u>	<u>12,735</u>	<u>6,032</u>	<u>5,716</u>

8.32 Gains from trading and foreign exchange transactions, net

Gains from trading and foreign exchange transactions, net for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Gains (losses) from trading and foreign exchange transactions				
- Foreign currency and derivative of currency	1,507	1,471	1,506	1,473
- Derivative of interest rates	(5)	(9)	(5)	(9)
- Debt securities	23	55	23	55
- Equity securities	42	25	(10)	(10)
- Other	(3)	-	-	-
Total	<u>1,564</u>	<u>1,542</u>	<u>1,514</u>	<u>1,509</u>

8.33 Gains on investments, net

Gains on investments, net for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Gains (losses) on sales of investments				
- Available-for-sale	644	436	644	436
- General investments	10	382	10	385
- Subsidiaries and associates	-	-	1,707	(1)
	<u>654</u>	<u>818</u>	<u>2,361</u>	<u>820</u>
Loss on impairment				
- Available-for-sale	(18)	-	(18)	-
- General investments	(3)	(18)	(3)	(18)
- Subsidiaries and associates	-	-	(2,284)	-
Total	<u>633</u>	<u>800</u>	<u>56</u>	<u>802</u>

8.34 Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Interbank and money market items	101	11	101	11
Securities held-to-maturity	(27)	41	(27)	41
Loans to customers	17,306	10,344	3,237	4,261
Loss on troubled debt restructuring	<u>1,579</u>	<u>989</u>	<u>654</u>	<u>162</u>
Total	<u>18,959</u>	<u>11,385</u>	<u>3,965</u>	<u>4,475</u>

8.35 Income tax

Income tax for the years ended December 31, 2013 and 2012 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Current tax for the period	5,026	5,114	1,690	1,919
Deferred tax	<u>(1,084)</u>	<u>(777)</u>	<u>325</u>	<u>(345)</u>
Total income tax expense	<u>3,942</u>	<u>4,337</u>	<u>2,015</u>	<u>1,574</u>

Reconciliation of effective tax rate

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2013		2012		2013		2012	
	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)
Profit before tax	15,928		19,006		10,038		8,070	
Income tax at the domestic tax rate	3,186	20.00	4,371	23.00	2,008	20.00	1,856	23.00
<u>Add</u> Tax effect of income and expense that are not exempt for tax purposes	1,394	8.75	492	2.59	617	6.15	155	1.92
<u>Less</u> Tax effect of income and expense that are not exempt for tax purposes	(638)	(4.00)	(526)	(2.77)	(610)	(6.08)	(437)	(5.42)
Income tax as per statements of comprehensive income	3,942	24.75	4,337	22.82	2,015	20.07	1,574	19.50

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 rates were reduced from 30% to 23% for an accounting period beginning on or after January 1, 2012 and 20% for accounting periods beginning on or after January 1, 2013 but not later than December 31, 2014.

Therefore, the Bank and its subsidiaries used a tax rate of 23% for the corporate income tax calculation for the year ended December 31, 2012 and used a tax rate of 20% for the corporate income tax calculation for the year ended December 31, 2013 to conform to such tax rate changes.

The Bank and its subsidiaries used the tax rates of 23% and 20% for the calculation of deferred tax for the year ended December 31, 2012 and 20% for the calculation of deferred tax for the year ended December 31, 2013.

8.36 Income tax related to other comprehensive income

Income tax related to other comprehensive income for the years ended December 31, 2013 and 2012 are as follows:

	Unit: Million Baht					
	CONSOLIDATED FINANCIAL STATEMENTS					
	2013	2012		2013	2012	
	Amount before tax	Tax income (expenses)	Net amount After tax	Amount before tax	Tax income (expenses)	Net amount After tax
Changes in assets revaluation surplus	2,285	(457)	1,828	-	-	-
Gains (losses) on remeasuring available-for-sale investment	(1,306)	261	(1,045)	862	(162)	700
Actuarial gains (losses) on defined benefit plans	321	(64)	257	75	(15)	60
Other comprehensive income	1,300	(260)	1,040	937	(177)	760

	Unit: Million Baht					
	THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Amount	Tax	Net	Amount	Tax	Net
	before tax	income	amount	before tax	income	amount
		(expenses)	After tax		(expenses)	After tax
Changes in assets revaluation surplus	2,249	(449)	1,800	-	-	-
Gains (losses) on remeasuring available-for-sale investment	(1,326)	265	(1,061)	861	(163)	698
Actuarial gains (losses) on defined benefit plans	285	(57)	228	84	(17)	67
Other comprehensive income	1,208	(241)	967	945	(180)	765

8.37 Event after the reporting period

The Board of Directors' meeting No. 2/2014 held on February 26, 2014, approved the dividend payment for the second half year ended December 31, 2013 to the shareholders of 6,074,143,747 ordinary shares, at Baht 0.40 per share totaling Baht 2,430 million with payment date on May 7, 2014.

8.38 Approval of financial statements

These financial statements have been approved for issue by the Bank's authorized directors and the Board of Director on February 26, 2014.