

Capital Requirement Disclosures

Basel II _ Pillar III

For the year ended 31 December 2011

Scope of Information Disclosure

According to the Bank of Thailand's guideline in the supervision of capital for commercial banks based on Basel II enforced at full consolidation. The financial group is required to maintain the minimum capital requirement corresponding to more complicated risk assessment methods leading to better measure the risks and embrace other relevant aspects of the financial group's encountered risks. The Financial Group is required to disclose both quantitative and qualitative data between December 31, 2011 and the latest disclosure of Solo Consolidation and Full Consolidation comprising of

1. ICBC (Thai) Public Company Limited.
2. ICBC (Thai) Leasing Company Limited

Besides the regulation mentioned above, the Bank of Thailand further requires the financial group to disclose other key relevant information regarding the capital to be easily accessible and to engender the transparency of the financial group's risks and capital information as follows.

Capital structure

The Financial Group and the Bank's capital as of December 31, 2011 and as of June 30, 2011 are composed of the followings.

(Unit: Thousand Baht)

The Financial Group	31 December 2011	30 June 2011
<u>Tier-1 Capital</u>		
Paid-up share capital	15,904,529	15,904,529
Investments in instruments already counted as other financial institutions' capital funds	(393,067)	(442,927)
Deficit	(2,003,400)	(2,393,389)
Total	13,508,062	13,068,213
<u>Tier-2 Capital</u>		
Reserve for assets classified as "Pass"	569,388	458,288
Revaluation surplus on investments in available-for-sale securities	14,267	10,287
Investments in instruments already counted as other financial institutions' capital funds	(393,067)	(442,927)
Total	190,588	25,648
Total Capital Funds of the Financial Group	13,698,650	13,093,861

(Unit: Thousand Baht)

The Bank		
	31 December 2011	30 June 2011
Tier-1 Capital		
Paid-up share capital	15,904,529	15,904,529
Investments in instruments already counted as other financial institutions' capital funds	(224,659)	(293,040)
Deficit	(2,257,639)	(2,530,969)
Total	13,422,231	13,080,520
Tier-2 Capital		
Reserve for assets classified as "Pass"	541,899	453,971
Revaluation surplus on investments in available-for-sale securities	14,267	10,287
Investments in instruments already counted as other financial institutions' capital funds	(224,659)	(293,040)
Total	331,507	171,218
Total Capital Funds of the Financial Group	13,753,738	13,251,738

Capital Adequacy

According to the Bank of Thailand's guideline in supervision of capital requiring commercial banks maintain the capital in proportion to the credit, market and operational risk weighted assets of at least 8.5%, the financial group has established the policy to maintain the regulatory capital in compliance with the methodologies and conditions as specified by the Bank of Thailand. To assess the capital adequacy for different types of risk, the financial group utilizes the approaches corresponding to complexity of transactions and size of the financial group as follows.

- Credit Risk Standardized Approach
- Market Risk Standardized Approach
- Operational Risk Basic Indicator Approach

Besides, the financial group has the capital adequacy assessment so as to comply with the Bank of Thailand's guideline in supervision of capital for the financial group.

The minimum capital requirement

According to the Basel II guideline in supervision of capital, the financial group and the Bank have to maintain the capital corresponding to each type of risk as follows.

1. Credit risk capital requirement

Based on the Standardized Approach, the minimum capital requirements classified by type of assets with the data as of December 31, 2011 and as of June 30, 2011 were as follows.

(Unit: Thousand Baht)

The Financial Group		
	<u>31 December 2011</u>	<u>30 June 2011</u>
Minimum Credit Risk Capital Requirement		
Performing Loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	517
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	213,792	139,995
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	3,622,024	2,977,863
Claims in the Regulatory Retails Portfolio	1,696,859	1,636,680
Residential Mortgage Loans	2,351	2,723
Other assets	177,613	199,813
Non-performing Loans	159,705	213,866
Total Credit Risk Capital Requirement of The Financial Group	<u>5,872,344</u>	<u>5,171,457</u>

(Unit: Thousand Baht)

The Bank		
	<u>31 December 2011</u>	<u>30 June 2011</u>
Minimum Credit Risk Capital Requirement		
Performing Loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	517
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	212,759	139,146
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	5,583,625	4,796,323
Claims in the Regulatory Retails Portfolio	6,737	6,862
Residential Mortgage Loans	2,350	2,723
Other assets	464,887	462,974
Non-performing Loans	127,336	194,745
Total Credit Risk Capital Requirement of The Bank	<u>6,397,694</u>	<u>5,603,290</u>

2. Market Risk Capital Requirement

The financial group and the Bank use the Standardized Approach for market risk capital calculation. The market risk capital requirement for the financial group and the bank as of December 31, 2011 amounted to 16,395 thousand baht and as of June 30, 2011 amounted to 30,656 thousand baht, respectively.

3. Operational Risk Capital Requirement

The Financial group and the Bank use the Basic Indicator Approach for capital requirement calculation. The financial group and the bank required for operational risk as of December 31, 2011 and as of June 30, 2011 were as follows.

(Unit :Thousand Baht)

<u>Minimum Capital Requirement</u>	31 December 2011		30 June 2011	
	<u>The financial group</u>	<u>The bank</u>	<u>The financial group</u>	<u>The bank</u>
Operational Risk Capital Requirement	369,623	257,924	340,732	255,155

Based on the Basel II guideline on capital calculation for all 3 types of risk, the financial group and the Bank maintained the Capital Adequacy Ratio as follows.

(Unit: Percent)

<u>Capital Adequacy Ratio</u>	The Financial Group			
	31 December 2011		30 June 2011	
	<u>The Financial Group</u>	<u>Regulatory requirement</u>	<u>The Financial Group</u>	<u>Regulatory requirement</u>
Tier 1 capital to risk assets	18.35	4.25	20.04	4.25
Total capital to risk assets	18.61	8.50	20.11	8.50

(Unit: Percent)

<u>Capital Adequacy Ratio</u>	The Bank			
	31 December 2011		30 June 2011	
	<u>The Bank</u>	<u>Regulatory requirement</u>	<u>The Bank</u>	<u>Regulatory requirement</u>
Tier 1 capital to risk assets	17.10	4.25	18.88	4.25
Total capital to risk assets	17.52	8.50	19.13	8.50

Credit Risk Policies

The financial group has established the credit risk policies and credit policies as the guidelines for credit approvals consideration to be within the portfolio risk tolerance of the financial group and the bank. The credit risk management policies comprise the lending to related parties policy, individual and group facility limits, the list of prohibited businesses lending, specific businesses lending, sectorial lending limits, other relevant policies to credit approval processes in line with the Bank of Thailand's regulations in order that the financial group has appropriate control of credit risk and sufficient credit and portfolio risk management. The policy also incorporates the processes of credit risk assessment and monitoring and controlling capital adequacy assessment process.

Definition of default and impairment of assets

The financial group has established the policy to define the default for the impairment of loan consideration whereby the incurrence of default corresponds to the overdue of either principal or interest of over 90 days after the due date or any loans qualitatively classified as non - performing.

Guideline for setting general and specific provision

The financial group sets the allowance for the doubtful loans in full in line with the minimum requirement set by the Bank of Thailand's guideline in Classification and Provisioning of the Financial Institution. For Non-performing loans, The Financial group and The Bank have set provision of 100% for the difference between the loan outstanding and the present value of the expected cash flow from the collateral liquidation.

Moreover, the financial group sets additional allowance for doubtful account for individual loans as follows.

1. In case that the financial group has considered the credit approval, extension of facility or restructuring and found that it is possible that the loans cannot be repaid in both principal and interest according to the contract, the Risk Management Division will recommend additional specific allowance for each individual loan.
2. For the debt in "Special Mention" classification, the financial group will consider to set the additional allowance for doubtful account except that there are any ground reasons to support that such allowances are not necessary.
3. For some industry sectors, countries or portfolios which have higher risk profiles, the Credit Risk Department may recommend increases in the allowances for debtors in those sectors, countries or portfolios.
4. The Financial group may set additional allowances upon the recommendations of Industrial and Commercial Bank of China Limited, the parent company, the BOT or the Bank's management, internal auditors, and external auditors.
5. Since the difficulties to receive recovery from enforcement of machinery, the Bank shall not use the machinery placed as collateral as a deductible.

The Financial Group and the Bank have the outstanding balance of financial statement before adjusting with the credit risk mitigation as of December 31, 2011 and 2010 as follows .

(Unit: Thousand Baht)

Items	The Financial group	
	31 December 2011	31 December 2010
On- Statements of financial position		
Total Net loans ^{1/}	76,421,434	58,179,205
Net investment in debt securities ^{2/}	11,265,516	10,293,667
Deposits (including accrued interest receivables)	373,590	586,519
Off- Statements of financial position ^{3/}		
Avals, Guarantee to loans and Letters of Credit	314,387	1,557,310
OTC derivatives	46,259,288	49,036,814
Undrawn committed lines	2,703,524	-

(Unit: Thousand Baht)

Items	The Bank	
	31 December 2011	31 December 2010
On- Statements of financial position		
Total Net loans ^{1/}	72,563,162	54,798,779
Net investment in debt securities ^{2/}	11,265,516	10,293,667
Deposits (including accrued interest receivables)	312,815	522,182
Off- Statements of financial position ^{3/}		
Avals, Guarantee to loans and Letters of Credit	314,387	1,557,310
OTC derivatives	46,259,288	49,036,814
Undrawn committed lines	2,703,524	-

^{1/} Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market

^{2/} Excluding accrued interest receivables and net the allowances for amortization and impairment of assets

^{3/} Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding balance of financial statement before adjusting with the credit risk mitigation classified by country as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Customer's country of residence	The Financial Group							
	31 December 2011							
	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	71,702,283	10,622,507	324,551	82,649,341	314,387	38,885,666	2,703,524	41,903,577
Asia Pacific Rim excluding Thailand	4,704,093	643,009	15,946	5,363,048	-	183,008	-	183,008
North America and Latin America	2,839	-	31,990	34,829	-	3,642,008	-	3,642,008
Africa and Middle East	3,767	-	-	3,767	-	-	-	-
Europe	8,452	-	1,103	9,555	-	3,548,606	-	3,548,606
Total	76,421,434	11,265,516	373,590	88,060,540	314,387	46,259,288	2,703,524	49,277,199

(Unit: Thousand Baht)

The Financial Group								
31 December 2010								
Customer's country of residence	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	58,067,033	10,293,667	502,200	68,862,900	1,557,310	38,370,640	-	39,927,950
Asia Pacific Rim excluding Thailand	93,787	-	76,032	169,819	-	32,052	-	32,052
North America and Latin America	6,507	-	6,762	13,269	-	-	-	-
Africa and Middle East	6,730	-	-	6,730	-	-	-	-
Europe	5,148	-	1,525	6,673	-	10,634,122	-	10,634,122
Total	58,179,205	10,293,667	586,519	69,059,391	1,557,310	49,036,814	-	50,594,124

(Unit: Thousand Baht)

The Bank								
31 December 2011								
Customer's country of residence	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	67,907,400	10,622,507	263,776	78,793,683	314,387	38,885,666	2,703,524	41,903,577
Asia Pacific Rim excluding Thailand	4,655,762	643,009	15,946	5,314,717	-	183,008	-	183,008
North America and Latin America	-	-	31,990	31,990	-	3,642,008	-	3,642,008
Africa and Middle East	-	-	-	-	-	-	-	-
Europe	-	-	1,103	1,103	-	3,548,606	-	3,548,606
Total	72,563,162	11,265,516	312,815	84,141,493	314,387	46,259,288	2,703,524	49,277,199

(Unit: Thousand Baht)

The Bank								
31 December 2010								
Customer's country of residence	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	54,732,753	10,293,667	437,864	65,464,284	1,557,310	38,370,640	-	39,927,950
Asia Pacific Rim excluding Thailand	66,026	-	76,032	142,058	-	32,052	-	32,052
North America and Latin America	-	-	6,762	6,762	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-	-
Europe	-	-	1,524	1,524	-	10,634,122	-	10,634,122
Total	54,798,779	10,293,667	522,182	65,614,628	1,557,310	49,036,814	-	50,594,124

^{1/} Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market

^{2/} Excluding accrued interest receivables and net the allowances for amortization and impairment of assets

^{3/} Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding balance of financial statement before adjusting with the credit risk mitigation classified by remaining maturities as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2011		
	Up to 1 year	Over 1 year	Total
On-Statements of financial position			
Total Net loans ^{1/}	26,939,559	49,481,875	76,421,434
Net investment in debt securities ^{2/}	3,988,765	7,276,751	11,265,516
Deposit (including accrued interest receivables)	373,590	-	373,590
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	314,387	-	314,387
Over-the-counter derivatives	25,116,932	21,142,356	46,259,288
Undrawn committed line	1,674,006	1,029,518	2,703,524

(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2010		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans ^{1/}	27,287,632	30,891,573	58,179,205
Net investment in debt securities ^{2/}	5,498,130	4,795,537	10,293,667
Deposit (including accrued interest receivables)	586,519	-	586,519
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	1,557,310	-	1,557,310
Over-the-counter derivatives	38,278,215	10,758,599	49,036,814
Undrawn committed line	-	-	-

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2011		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans ^{1/}	37,842,515	34,720,647	72,563,162
Net investment in debt securities ^{2/}	3,988,765	7,276,751	11,265,516
Deposit (including accrued interest receivables)	312,815	-	312,815
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	314,387	-	314,387
Over-the-counter derivatives	25,116,932	21,142,356	46,259,288
Undrawn committed line	1,674,006	1,029,518	2,703,524

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2010		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans ^{1/}	40,157,763	14,641,016	54,798,779
Net investment in debt securities ^{2/}	5,498,130	4,795,537	10,293,667
Deposit (including accrued interest receivables)	522,182	-	522,182
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	1,557,310	-	1,557,310
Over-the-counter derivatives	38,278,215	10,758,599	49,036,814
Undrawn committed line	-	-	-

^{1/} Including the interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market^{2/} Excluding the interest receivables and net the allowances for amortization and impairment of assets^{3/} Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding loans including the accrued interest receivable and investment in debt instruments before adjusting with the credit risk mitigation classified by country of borrowers according to the Bank of Thailand's guideline as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Customer's country of residence	The Financial group						Investment in doubtful loss debt securities
	31 December 2011						
	Loans and accrued interest receivables ^{1/}					Total	
Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss			
Thailand	69,879,571	5,248,379	721,258	544,767	760,070	77,154,045	-
Asia Pacific Rim excluding Thailand	4,705,211	2,838	963	-	-	4,709,012	-
North America and Latin America	2,998	-	-	-	-	2,998	-
Africa and Middle East	3,961	309	-	-	-	4,270	-
Europe	9,100	179	-	-	-	9,279	-
Total	74,600,841	5,251,705	722,221	544,767	760,070	81,879,604	-

(Unit: Thousand Baht)

Customer's country of residence	The Financial group						Investment in doubtful loss debt securities
	31 December 2010						
	Loans and accrued interest receivables ^{1/}					Total	
Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss			
Thailand	57,111,601	1,708,196	1,272,355	368,480	1,344,980	61,805,612	86,829
Asia Pacific Rim excluding Thailand	98,162	1,521	-	699	-	100,382	-
North America and Latin America	10,288	802	-	-	-	11,090	-
Africa and Middle East	7,490	-	-	-	-	7,490	-
Europe	6,077	-	-	108	-	6,185	-
Total	57,233,618	1,710,519	1,272,355	369,287	1,344,980	61,930,759	86,829

^{1/} Including net loans to interbank and money market

(Unit: Thousand Baht)

The Bank							
31 December 2011							
Customer's country of residence	Loans and accrued interest receivables ^{1/}						Investment in doubtful loss debt securities
	Pass	Special	Sub-standard	Doubtful	Doubtful	Total	
	Mentioned			Loss			
Thailand	66,092,903	880,636	220,339	286,656	758,617	68,239,151	-
Asia Pacific Rim excluding Thailand	4,655,771	-	-	-	-	4,655,771	-
North America and Latin America	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-
Total	70,748,674	880,636	220,339	286,656	758,617	72,894,922	-

(Unit: Thousand Baht)

The Bank							
31 December 2010							
Customer's country of residence	Loans and accrued interest receivables ^{1/}						Investment in doubtful loss debt securities
	Pass	Special	Sub-standard	Doubtful	Doubtful Loss	Total	
	Mentioned						
Thailand	52,461,903	70,710	1,061,709	268,516	1,226,581	55,089,419	86,829
Asia Pacific Rim excluding Thailand	66,026	-	-	-	-	66,026	-
North America and Latin America	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-
Total	52,527,929	70,710	1,061,709	268,516	1,226,581	55,155,445	86,829

^{1/} Including net loans to interbank and money market

General provision ,Specific provision and bad debt write-off loans including the interest receivable and the investments in debt instruments as of December 31, 2011 and 2010 classified by country of borrowers as follows.

(Unit: Thousand Baht)

The Financial Group				
31 December 2011				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision for investment in debt securities
	General provision	Specific provision	Bad debt written-off	
Thailand		674,982	620,307	35,381
Asia Pacific Rim excluding Thailand		190	-	919
North America and Latin America		2	-	-
Africa and Middle East		83	-	-
Europe		1	-	-
Total	569,388	675,258	620,307	36,300

(Unit: Thousand Baht)

The Financial Group				
31 December 2010				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision
	General provision	Specific provision	Bad debt written-off	for investment in debt securities
Thailand		636,905	977,984	332,335
Asia Pacific Rim excluding Thailand		-	-	-
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		35	-	-
Total	396,778	636,940	977,984	332,335

(Unit : Thousand Baht)

The Bank				
31 December 2011				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision
	General provision	Specific provision	Bad debt written-off	for investment in debt securities
Thailand		330,466	287,333	35,381
Asia Pacific Rim excluding Thailand		-	-	919
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		-	-	-
Total	541,899	330,466	287,333	36,300

(Unit : Thousand Baht)

The Bank				
31 December 2010				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		355,560	966,442	332,335
Asia Pacific Rim excluding Thailand		-	-	-
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		-	-	-
Total	378,869	355,560	966,442	332,335

^{1/} Total provision and during the period write-off for loans and accrued interest receivable to interbank and money market

The Financial group and the Bank have the total outstanding loans including interest receivable before credit risk mitigation classified by type of businesses of borrowers and by the Bank of Thailand's guideline for loan classification as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Type of business	The Financial Group					
	31 December 2011					
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	436,142	73,600	-	-	1,216	510,958
Manufacturing and commerce	15,233,923	529,380	217,966	53,806	388,369	16,423,444
Real estate and construction	5,662,894	181,223	14,464	169,094	270,653	6,298,328
Public utility and services	11,098,453	950,611	24,675	75,947	78,702	12,228,388
Housing loans	94,891	23,718	1,096	6,211	3,689	129,605
Others	42,074,538	3,493,147	464,020	239,709	17,441	46,288,881
Total	74,599,363	5,251,705	722,221	544,767	760,070	81,879,604

(Unit: Thousand Baht)

Type of business	The Financial Group					
	31 December 2010					
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	534,411	4,406	-	778	5,107	544,702
Manufacturing and commerce	17,368,404	72,384	432,987	66,619	816,344	18,756,738
Real estate and construction	4,048,770	71,580	277,754	209,580	331,842	4,939,526
Public utility and services	8,715,153	64,165	385,051	7,480	75,296	9,247,145
Housing loans	74,184	15,296	8,206	3,777	16,297	117,760
Others	26,492,696	1,482,688	168,357	81,053	100,094	28,324,888
Total	57,233,618	1,710,519	1,272,355	369,287	1,344,980	61,930,759

(Unit: Thousand Baht)

Type of business	The Bank					
	31 December 2011					
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	302,346	69,933	-	-	1,216	373,495
Manufacturing and commerce	12,885,986	409,574	200,462	49,428	386,916	13,932,366
Real estate and construction	4,888,697	75,896	350	165,365	270,653	5,400,961
Public utility and services	7,936,394	301,341	16,672	67,411	78,702	8,400,520
Housing loans	54,774	23,718	2,855	4,452	4,097	89,896
Others	44,680,477	174	-	-	17,033	44,697,684
Total	70,748,674	880,636	220,339	286,656	758,617	72,894,922

(Unit: Thousand Baht)

The Bank						
31 December 2010						
Type of business	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	424,183	-	-	778	5,108	430,069
Manufacturing and commerce	15,336,164	36,376	419,489	63,823	806,882	16,662,734
Real estate and construction	3,469,426	18,420	264,930	193,731	317,390	4,263,897
Public utility and services	5,590,563	341	369,083	6,407	56,095	6,022,489
Housing loans	74,281	15,296	8,207	3,777	18,931	120,492
Others	27,633,312	277	-	-	22,175	27,655,764
Total	52,527,929	70,710	1,061,709	268,516	1,226,581	55,155,445

General provision ,Specific provision and bad debt write-off loan including the accrued interest receivable and the investments in debt instruments classified by the type of businesses of the borrowers as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

The Financial Group						
Type of business	31 December 2011			31 December 2010		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		7,012	1,420		5,265	-
Manufacturing and commercial		284,583	220,854		329,250	920,892
Real estate and construction		10,205	98,422		98,375	6,624
Public utility and services		97,663	14,727		22,578	27,450
Housing loans		87	3,073		445	12,680
Others		275,708	281,811		181,027	10,338
Total	569,388	675,258	620,307	396,778	636,940	977,984

(Unit: Thousand Baht)

The Bank						
Type of business	31 December 2011			31 December 2010		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		-	1,420		1,421	-
Manufacturing and commercial		244,733	200,463		287,354	919,771
Real estate and construction		3,536	77,662		66,339	6,624
Public utility and services		82,110	-		-	27,367
Housing loans		87	3,073		446	12,680
Others		-	4,715		-	-
Total	541,899	330,466	287,333	378,869	355,560	966,442

Changes in the general provision and specific provision for the loans including the accrued interest receivable^{1/} as of December 31, 2011 and 2010 were as follows.

(Unit: Thousand Baht)

Items	The Financial Group					
	31 December 2011			31 December 2010		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	396,778	636,940	1,033,718	301,551	1,130,274	1,431,825
Bad debt written off	-	(620,307)	(620,307)	-	(977,984)	(977,984)
Increase (decrease) in provision during the period	172,610	658,625	831,235	95,227	484,650	579,877
Ending balance of year	569,388	675,258	1,244,646	396,778	636,940	1,033,718

(Unit: Thousand Baht)

Items	The Bank					
	31 December 2011			31 December 2010		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	378,869	355,560	734,429	293,748	995,188	1,288,936
Bad debt written off	-	(287,333)	(287,333)	-	(966,442)	(966,442)
Increase (decrease) in provision during the period	163,030	262,239	425,269	85,121	326,814	411,935
Ending balance of year	541,899	330,466	872,365	378,869	355,560	734,429

^{1/} Including loans and accrued interest receivables to interbank and money market

The outstanding balance of financial statement equivalence items classified by the type of assets by Standardized Approach as of December 31, 2011 and 2010 were as follows.

(Unit: Thousand Baht)

Type of assets	The Financial Group		
	31 December 2011		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
Performing loans			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	5,964,276	-	5,964,276
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	11,352,521	1,405,672	12,758,193
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	42,735,350	1,432,977	44,168,327
Claims in the Regulatory Retails Portfolio	26,650,043	-	26,650,043
Residential Mortgage Loans	79,003	-	79,003
Other assets	3,195,242	-	3,195,242
Non-performing loans	1,382,066	8,802	1,390,868
Total	91,358,501	2,847,451	94,205,952

(Unit: Thousand Baht)

Type of assets	The Financial Group		
	31 December 2010		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
Performing loans			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	7,164,906	-	7,164,906
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	4,930,929	994,572	5,925,501
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	37,166,539	361,123	37,527,662
Claims in the Regulatory Retails Portfolio	17,368,151	57,370	17,425,521
Residential Mortgage Loans	90,446	-	90,446
Other assets	4,649,112	-	4,649,112
Non-performing loans	2,408,553	23,683	2,432,236
Total	73,778,636	1,436,748	75,215,384

(Unit: Thousand Baht)

Type of assets	The Bank		
	31 December 2011		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
Performing loans			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	5,964,276	-	5,964,276
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	11,291,742	1,405,672	12,697,414
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	65,782,979	1,432,977	67,215,956
Claims in the Regulatory Retails Portfolio	120,987	-	120,987
Residential Mortgage Loans	79,003	-	79,003
Other assets	6,236,068	-	6,236,068
Non-performing loans	1,005,222	8,801	1,014,023
Total	90,480,277	2,847,450	93,327,727

^{1/} After multiplying by the credit conversion factor (CCF) and deducting specific provision

Type of assets	The Bank		
	31 December 2010		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
Performing loans			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	7,164,923	-	7,164,923
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	4,866,592	994,572	5,861,164
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	51,203,469	418,493	51,621,962
Claims in the Regulatory Retails Portfolio	101,316	-	101,316
Residential Mortgage Loans	90,446	-	90,446
Other assets	6,915,174	-	6,915,174
Non-performing loans	2,258,015	23,683	2,281,698
Total	72,599,935	1,436,748	74,036,683

^{1/} After multiplying by the credit conversion factor (CCF) and deducting specific provision

Credit Risk Exposures Classified by Credit Risk Weighted Asset Calculation Methods

- The list of the External Credit Rating Institutions (ECAI) that the financial group chooses to determine the risk weight for the borrowers in each type of the assets is as follows.
 - Sovereigns, provincial organizations, governmental entities, state enterprises, securities companies which the Bank of Thailand assigns the rating equal to loans to financial institutions. The financial group bases the rating determination on 3 ECAIs including Fitch Ratings, Moody's Investor Services and Standard and Poor's Rating Services.
 - Corporate borrowers

The financial group assigns the risk weight of 100% for every corporate borrower without considering its credit rating from the ECAI since the number of the Bank's current customers rated by the ECAI is very small and most of them have the risk weight of 100%, therefore, assigning all corporate borrowers at the risk weight of 100% for the credit risk capital calculation would not much different from the method of using the credit rating from ECAI .
- The process of assigning the ECAI credit rating to the borrowers.
 - For sovereigns, provincial organizations, governmental entities, state enterprises, securities companies that the Bank of Thailand treats their risk weight as the financial institutions, the financial group designates the risk weights in compliance with the Bank of Thailand's guidelines in designation of the risk weights corresponding to the type of borrowers.

The financial group and the bank have the outstanding balance of financial statement equivalence items^{1/} after considering the credit risk mitigation for each type of asset categorized by the risk weight through Standardized Approach as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Type of Assets	The Financial Group									
	31 December 2011									
	Rating				No Rating					
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	35 %	50 %	75 %	100 %	150 %
Performing loans										
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	11,997,491		-							
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,892,996	5,024,668	358,368	1,331,086						
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates									42,612,051	
Claims in the Regulatory Retails Portfolio								26,511,714	79,263	
Residential Mortgage Loans						79,003		-	-	
Other assets					1,090,647				2,089,567	
Non-performing loans							25,040		352,548	1,009,206

(Unit: Thousand Baht)

Type of Assets	The Financial Group									
	31 December 2010									
	Rating				No Rating					
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	35 %	50 %	75 %	100 %	150 %
Performing loans										
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	9,571,822		4,175							
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	3,089,042	1,002,909	2,583,533	1,029,275						
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates									34,894,974	
Claims in the Regulatory Retails Portfolio								17,239,157	30,009	
Residential Mortgage Loans						90,446		-	-	
Other assets					1,824,991				2,679,839	
Non-performing loans							51,553		260,655	2,109,498

^{1/} After multiplying by the credit conversion factor (CCF)

(Unit: Thousand Baht)

Type of Assets	The Bank									
	31 December 2011									
	Rating				No Rating					
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	35 %	50 %	75 %	100 %	150 %
Performing loans										
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	11,997,491		-							
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,892,996	4,963,889	358,368	1,331,086						
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates									65,689,702	
Claims in the Regulatory Retails Portfolio									79,263	
Residential Mortgage Loans						79,003		-	-	
Other assets					703,454				5,469,257	
Non-performing loans							9,883		16,840	984,190

1/ After multiplying by the credit conversion factor (CCF)

(Unit: Thousand Baht)

Type of Assets	The Bank									
	31 December 2010									
	Rating				No Rating					
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	35 %	50 %	75 %	100 %	150 %
Performing loans										
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	9,571,838		4,175							
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	3,089,042	938,425	2,583,533	1,029,275						
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates									48,919,495	
Claims in the Regulatory Retails Portfolio									59,002	
Residential Mortgage Loans						90,446		-	-	
Other assets					1,474,266				5,247,842	
Non-performing loans							34,693		143,937	2,097,058

1/ After multiplying by the credit conversion factor (CCF)

1. Credit Risk Mitigation by Standardized Approach

The financial group has established the policy in mitigating the credit risk of financial statement items for the purposes of capital maintenance and credit risk reduction in accordance with the Bank of Thailand's guidelines in the credit risk mitigation by Standardized Approach where the financial group has formulated the guidelines and working process regarding the document, contracts, or legal terms relating to the credit risk mitigation as follows.

- Shall maintain the document or contract relating to such credit risk mitigation obligating to and enforceable to all relevant parties.
- Shall have the processes and systems in considering the legal terms.
- Shall revise all relevant document and contracts to be continuously enforceable
- Shall have the processes in controlling other potential risks that are caused by employing the credit risk mitigation.
- Shall comply with the Bank of Thailand's guideline in information disclosure according to Pillar III
- Shall consider the contractual maturities and remaining maturities in the credit risk mitigation process to ensure that there would be no maturity mismatch between the exposures and the credit risk mitigation tools.

The credit risk mitigation by Simple Approach consists of

- Risk mitigation by the eligible financial collaterals
- Risk mitigation by the on-balance sheet netting
- Risk mitigation by guarantee and credit derivatives

The financial group has formulated the policy for the credit risk mitigation by means of on-balance sheet netting as follows.

- Shall have legal consideration regarding the enforceable on-balance netting contract in specifying which assets and liabilities are eligible in netting at any time.
- Shall be capable of monitoring and controlling the risks from maturity mismatch between the assets and liabilities for netting or roll-off risk.
- Shall be capable of monitoring and controlling the exposures on the netting basis.

2. Policy and processes for collateral management and assessment

Under the credit risk mitigation policy, the eligible financial collateral including those traded in the exchange and over-the-counter markets are subject to valuation at least semi-annually.

3. Major types of collaterals of the financial group

The main eligible financial collateral is deposit at bank; however, other eligible financial collaterals for credit risk mitigation before risk weighted assets and credit risk capital calculation include:

1. Cash, deposits at bank or deposit receipts issued by banks
2. Gold bullions

3. Debt instrument issued by the issuers rated by the ECAs as follows:

- Short-term debt instruments with the rating better or equal to A-3/P-3, sovereigns, central banks, provincial organizations, governmental entities, and state enterprises which the supervisory authority treats the risk weight as that of sovereigns and the rating of equivalent to BB- or higher.
- Other issuers, e.g. financial institutions, securities companies, corporate, provincial organizations, governmental entities, and state enterprises which the supervisory authority treats the risk weight as that of financial institutions and the rating of equivalent to BBB- or higher.
- Short-term debt instrument with rating better or equivalent to A-3/P-3

4. Non-rated by ECAs debt instruments with the characteristics as follows:

- Issuers are financial institutions and
- Listed in acceptable exchange bond market and
- Senior debt and other debt instruments issued by the financial group with rating better or equivalent to BBB- or A-3/P-3 and the same seniority as that with no rating
- No objective evidence for the financial group to revise the rating to below BBB- or A-3/P-3

5. Equity instruments including the convertible bonds listed in the Stock Exchange of Thailand

6. Unit trust invested in the eligible financial collaterals and marked to market on a daily basis

4. Main types of guarantors and protection sellers of credit derivative

The major current guarantors of the financial group are the Ministry of Finance mainly guaranteeing the state enterprise bond. Other guarantors and the protection sellers can be reckoned in the credit risk mitigation before risk weighted assets and credit risk capital calculations under the Credit Risk Mitigation Policy are:

- Sovereign, Multilateral Development Banks (MDBs), provincial organizations, and governmental entities
- State enterprises, financial institutions, and securities companies with the risk weight below that of the guaranteed counterparties

Corporate including the parent and subsidiary companies and the joint guarantee of credit risk must be rated higher or assigned with the risk weight lower than the guaranteed counterparties. The credit guarantors must be rated higher or equal to A- or A3.

5. Concentration of credit and market risk in each type of collaterals, guarantors, protection sellers of the credit derivative for the credit risk mitigation

Most credit risk mitigation by the eligible financial collaterals method is in forms of deposits at bank for reducing the credit risk in general loans, while the credit risk mitigation by guarantee of loan method is in forms of guarantee by the Ministry of Finance on the investment in debt instruments.

The financial group and the bank have the outstanding collateralized exposures in each type of asset by Standardized Approach classified by the types of collaterals as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Type of Assets	The Financial Group	
	31 December 2011	
	Eligible financial collaterals	Guarantees and Credit derivatives
Performing loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	-
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	5,964,615	-
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	1,545,325	17,949
Claims in the Regulatory Retails Portfolio	59,066	-
Residential Mortgage Loans	-	-
Other assets	63,357	-
Non-performing loans	4,074	-
Total	7,636,437	17,949

(Unit: Thousand Baht)

Type of Assets	The Financial Group	
	31 December 2010	
	Eligible financial collaterals	Guarantees and Credit derivatives
Performing loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	-
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,200,236	-
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,690,368	15,715
Claims in the Regulatory Retails Portfolio	91,096	-
Residential Mortgage Loans	-	-
Other assets	193,065	-
Non-performing loans	6,010	-
Total	5,180,774	15,715

(Unit: Thousand Baht)

The Bank

31 December 2011

Type of Assets	Eligible financial collaterals	Guarantees and Credit derivatives
Performing loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	-
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	5,964,615	-
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	1,515,302	17,949
Claims in the Regulatory Retails Portfolio	41,724	-
Residential Mortgage Loans	-	-
Other assets	63,357	-
Non-performing loans	3,110	-
Total	7,588,108	17,949

(Unit :Thousand Baht)

The Bank

31 December 2010

Type of Assets	Eligible financial collaterals	Guarantees and Credit derivatives
Performing loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	-
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,200,236	-
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,690,368	15,715
Claims in the Regulatory Retails Portfolio	42,313	-
Residential Mortgage Loans	-	-
Other assets	193,065	-
Non-performing loans	6,010	-
Total	5,131,992	15,715

Market risk in Trading Book

Market risk means the risks potentially from the changes in market prices or values caused by interest rates, exchange rates, equity and commodity price movements impacting net interest income and capital of financial institutions. Such changes have an impact through both general market risk and specific risk. The transactions with the market risk can be categorized as :

1. **Transactions in the Trading Book** include the positions of financial instruments and commodities with the intents of trading or hedging of other positions in the trading book and all types of financial derivatives with non-hedging intents for Banking Book positions. The transactions must be non-obligated in buying, selling or hedging with the holding period of no longer than 6 month.
2. **Transactions in the Banking Book** include the positions of financial instruments or other types of transactions with the intents of not for trading or the financial instrument with the initial intention to hold for long period of time or hold to maturity. The holding period must be at least 1 month.

The financial group has the Market Risk Management Policy to identify, measure, control and monitor the market risk both in Trading Book and the interest rate in Banking Book so as to efficiently manage the risk and comply with the Bank of Thailand's guideline in market risk management. The relevant market risks include:

1. Interest Rate Risk is the risk stemming from changes in interest rates resulting in the changes of values of assets, liabilities and off-balance sheet items especially in the medium- to long-term.
2. FX Risk is the risk stemming from negative impact caused by the changes of FX aggregate positions which may incur from the FX transactions for trading, partly hedging for Trade Finance customers, partly hedging for investment in FCY debentures, etc.
3. Price Risk is the risk stemming from the change in prices of equity or equity derivatives in the Proprietary Portfolio.

In managing market risk, the Portfolio Risk Management Department under Risk Management Division is responsible for monitoring and controlling any potential market risk incurred by the operation of Treasury Division where the Asset and Liability Committee (ALCO) determines most of the market risk limits which are approved by the Board of Executive Directors (EXCOM). ALCO meeting is organized at least once a month to review the market risk and formulate the risk management strategies under changes in financial market environment. For the Market Risk Management Policy, the Portfolio Risk Management Department shall propose through the Group Risk Committee and EXCOM while the policy shall be approved by the Board of Directors (BoD).

The measurement of market risk in the Trading Book embraces all types of market risk including interest rate risk, FX risk, and price risk. Besides, the financial group assesses the risk and capital adequacy on a regular basis both in normal and crisis situations by means of assessing the Trading Book position at least on a daily basis based on marking to market, marking to model or other appropriate prices. The gain/loss from each transaction in the Trading Book is subject to the stop loss limits. Moreover, the financial group conducts the stress test on the Trading book for all relevant risks while stress test assumptions shall be revised to be in line with economic and financial market condition and to encompass the possibility of negative impacts on the net interest income and the financial group's capital on a regular basis.

The risk management tools include control limits, which curb the maximum amounts that the Treasury Division can invest, and stop loss limits, restraining the maximum loss acceptable to the financial group in consistent with the Business plan, strategies of the financial group and economic, political, financial market conditions domestically and internationally.

The financial group has calculated the market risk capital by using the Standardized Approach which is appropriate to the characteristics of investment portfolio of the financial group. Even though the volumes in the Trading Book of the financial group tend to rise, the transactions are not complicated and most of them are to serve the customers while the financial group's own positions are not composed at large proportion. The market risk capital requirements as of December 31, 2011 and 2010 were as follows.

Market Risk Capital Requirement	(Unit: Thousand Baht)	
	The Financial Group and The Bank	
	31 December 2011	31 December 2010
Interest Rate Risk	6,394	23,025
Equity Price Risk	-	1,082
Foreign Exchange Risk	9,036	11,314
Commodity Price Risk	-	-
Total market risk capital requirement	15,430	35,421

Operational Risk

Operational risk is the risks from damages caused by the short of good corporate governance in the organization and lack of the appropriate controls. It may relate to the internal processes, staff, working systems, or external events and have the negative impact on the interest income and the financial group's capital.

The policy of the financial group specifies the guideline to prevent and manage the relevant risks and includes the definitions, objectives, sources of risk, operational risk management principles and operational risk working procedures which encompasses risk identification, assessment, analysis, designation of risk control processes, application of risk controlling and monitoring.

At present, the financial group use Basic Indicator Approach (BIA) corresponding to the characteristics and complexity of the financial group's business operation.

Equity related exposures

Most of the equity in the Banking Book were obtained from debt restructuring and can be classified into two categories; namely, Marketable Securities – the equity exposures of which the market prices are available and are free from selling limitation, therefore, they can be classified as Available-for-Sale securities and must be marked to market at least once a month where the gain/loss shall be recorded in the equity while the recognized realized gain/loss when selling is recorded in the income statement, and General Investment Securities – the equity obtained from debt restructuring or with inability to sell condition, therefore, the exposures are recognized at the historical cost on the balance sheet and deducted by provision and subject to the impairment test at the occurrence of objective evidence of impairment according to the Accounting Standard.

The investments in equity for other purposes which can be classified as either Marketable Securities portfolio, subject to marking to market regularly, or General Investment portfolio, recorded on the balance sheet at historical cost and subject to impairment test, are in Banking Book of which the holding period shall be at least 1 month, according to the financial group's policy in Banking Book.

Profit/loss is not strongly affected as they are recorded only when selling exists. Thus, equity risk management in Banking Book has no need to set the investment limit and stop loss limit.

Nonetheless, apart from the investment limit and stop loss limit, the financial group also conducts the stress test on the equity prices in both Trading and Banking Books but the severity of the assumptions are different depending on the liquidity of the equity in each book and the impact of the prices from buying/selling in a large amount.

The valuation according to the Accounting Standard shall be carried out based on the book type of the equity aforementioned. Firstly, the latest bid price shall be considered. If it is not available, the price estimated from the model used widespread among major players in the market, academically legitimate and employed the market inputs as much as possible while using the inputs internally from the financial group the least shall be used. Moreover, such models shall be tested mathematically and validated by the unit independent from the one developing the model. Nonetheless, if the price cannot be obtained from the market or model, the historical cost could possibly be used as the last preference.

The financial group and the Bank have the outstanding equity related exposures in the Banking Book as of December 31, 2011 and 2010 as follows.

(Unit: Thousand Baht)

Equity position	The Financial Group	
	31 December	31 December
	2011	2010
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand:-		
• Historical Cost	38,625	38,625
• Market Values	70,329	59,369
1.2 Other equity values	429,614	383,094
2. Gain (Loss) from selling of the equity in this period	16	11,750
3. Gain (Loss) from marking to market of the Available-for-Sale equity	31,704	20,743
4. Minimum capital requirement under Standardized Approach	42,495	37,609

(Unit: Thousand Baht)

Equity position	The Bank	
	31 December	31 December
	2011	2010
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand :-		
• Historical Cost	38,625	38,625
• Market Values	70,329	59,369
1.2 Other equity values	3,633,718	2,847,968
2. Gain (Loss) from selling of the equity in this period	16	11,750
3. Gain (Loss) from marking to market of the Available-for-Sale equity	31,704	20,743
4. Minimum capital requirement under Standardized Approach	314,844	247,124

Interest rate risk in the Banking Book

The interest rate risk on the financial group's balance sheet items from the mismatch of the repricing periods of assets and liabilities both of the financial statement. Such a difference indicates the level of risk or the magnitude of impact of the change in an interest rate that the financial group encounters.

Owing to no trading position in debt instrument, the interest rate risk of the financial group mainly comes from the Banking Book where the financial group assesses the impact of the interest rates of assets and liabilities through both Net Interest Income (NII), measuring the impact of a change in interest rate on the net interest income in the next 12 months, and Economic Value of Equity (EVE), measuring the impact of a change in interest rate on all assets and liabilities to perceive the impact on the overall portfolio of the financial group.

However, the financial group has engaged in the interest rate swaps, comprising the swap transactions that receive floating rate and pay fixed and some of the swap transactions that receive fixed and pay floating rates in order to partly hedge the interest rate risk.

The financial group employs Repricing Gap Report in measuring and managing the interest rate in the Banking Book in which the control limit has been set at the acceptable level. The Portfolio Risk Management Department is responsible in arranging the gap report and reporting to the relevant sub-committees/committees as well as the Bank of Thailand on a regular basis.

In addition, the financial group conducts the stress test on the interest rate risk in the Banking Book based on the assumptions in line with the principle of extreme but plausible scenarios and divided into individual currencies in quarterly basis in order to report to the Group Risk Committee for consideration and revision of risk management strategy and the action plans to handle any adverse outcomes of the stress tests.

At present, the financial group does not have the behavioral adjustments on both assets and liabilities, e.g. behavioral adjustment on prepayment schedule and the rollover of the deposit.

The Repricing Gap report in Banking Book in Baht in consolidated financial statement on a quarterly basis and separate financial statement on a monthly basis is reported to the Asset and Liabilities Committee, and a report on interest rate risk is generated by currency in order to be reported to the Bank of Thailand on a quarterly basis.

The impacts of a change in interest rate on earnings of the financial group and the bank for the years ended 31December 2011 and 2010 were as follows.

(Unit : Million Baht)

Currency	The Financial Group			
	Year end 2011		Year end 2010	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	23.446	-23.446	14.278	-14.278
US Dollar	-29.063	29.063	-9.550	9.550
Euro	-0.004	0.004	0.006	-0.006
Total impact of the change in interest rate	-5.621	5.621	4.734	-4.734
Expected net interest income in the next 12 month	4,118.06		2,335.24	
% of the expected net interest income in the next 12 months	-0.136%	0.136%	0.203%	-0.203%
% of current capital funds	-0.041%	0.041%	0.037%	-0.037%

The Bank

Currency	Year end 2011		Year end 2010	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	58.338	-58.338	14.278	-14.278
US Dollar	-29.062	29.062	-9.550	9.550
Euro	-0.004	0.004	0.006	-0.006
Total impact of the change in interest rate	29.272	-29.272	4.734	-4.734
Expected net interest income in the next 12 month	3,305.33		1,581.39	
% of the expected net interest income in the next 12 months	0.886%	-0.886%	0.299%	-0.299%
% of current capital funds	0.213%	-0.213%	0.036%	-0.036%