

**Industrial and Commercial Bank of China (Thai)
Public Company Limited and its Subsidiary**

Interim financial statements
For the six-month ended 30 June 2014
and
Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Industrial and Commercial Bank of China (Thai) Public Company Limited

Audit Report

I have audited the accompanying interim consolidated and the Bank's financial statements of Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary and of Industrial and Commercial Bank of China (Thai) Public Company Limited, respectively, which comprise the consolidated and the Bank's statements of financial position as at 30 June 2014, the consolidated and the Bank's statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the interim Consolidated and the Bank's Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these interim consolidated and the Bank's financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim consolidated and the Bank's 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the interim consolidated and the Bank's financial statements present fairly, in all material respects, the consolidated and the Bank's financial position of the Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary, and of Industrial and Commercial Bank of China (Thai) Public Company Limited, respectively, as at 30 June 2014 and of their consolidated and the Bank's financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
11 September 2014

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Statement of financial position

	<i>Note</i>	Consolidated		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
Assets					
		<i>(in thousand Baht)</i>			
Cash		343,023	403,646	342,130	402,877
Interbank and money market items, net	8	13,680,298	7,453,544	13,472,453	7,144,502
Derivative assets	9	352,447	402,466	352,447	402,466
Investments, net	10	32,175,915	30,832,130	32,175,915	30,832,130
Investments in a subsidiary and an associate, net	11, 12	465,396	463,197	4,554,874	4,554,874
Loans to customers and accrued interest receivables, net	13				
Loans to customers		158,372,681	146,114,549	104,586,908	105,172,664
Accrued interest receivables		170,757	206,896	171,405	218,880
Total loans to customers and accrued interest receivables		158,543,438	146,321,445	104,758,313	105,391,544
<i>Less</i> deferred revenue		(7,238,362)	(8,171,356)	(1,129)	-
<i>Less</i> allowance for doubtful accounts	16	(3,506,875)	(3,397,761)	(2,391,589)	(2,423,467)
<i>Less</i> revaluation allowance for debt restructuring	17	(20,801)	(19,461)	(20,801)	(19,461)
Total loans to customers and accrued interest receivables, net		147,777,400	134,732,867	102,344,794	102,948,616
Properties foreclosed, net	18	958,539	987,883	826,340	869,984
Premises and equipment, net	19	169,681	179,926	110,533	113,329
Intangible assets, net	20	64,499	72,426	54,749	62,465
Leasehold right, net		170,566	175,758	170,566	175,758
Deferred tax assets, net	21	432,705	359,660	16,523	66,173
Accrued income, net		322,152	312,610	317,777	299,337
Receivables on credit support for derivative contracts		592	135,287	592	135,287
Other receivables, net		166,194	171,903	88,039	92,413
Other assets, net	22	28,849	30,763	16,855	18,471
Total assets		197,108,256	176,714,066	154,844,587	148,118,682

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Statement of financial position

		Consolidated		The Bank	
	Note	30 June	31 December	30 June	31 December
Liabilities and equity		2014	2013	2014	2013
		(in thousand Baht)			
Liabilities					
Deposits	24	91,742,461	83,734,809	91,742,662	83,734,983
Interbank and money market items	25	37,153,415	44,785,767	37,153,415	42,585,767
Liabilities payable on demand		197,723	15,458	197,723	15,458
Derivative liabilities	9	189,482	1,131,227	189,482	1,131,227
Debt issued and borrowings	26	42,969,966	28,417,377	1,693,180	3,250,820
Employee benefit obligations	27	150,184	133,347	114,731	103,145
Other provisions	28	23,700	132,450	23,700	132,450
Accrued interest payables		731,985	685,900	549,476	536,615
Subscription in advance	34	5,839,881	-	5,839,881	-
Other liabilities	29	1,256,262	1,493,432	703,435	817,044
Total liabilities		180,255,059	160,529,767	138,207,685	132,307,509
Equity					
Share capital	30				
Authorised share capital					
451,081 non-cumulative preference shares of Baht 8.92 each		4,023	4,023	4,023	4,023
1,590,001,864 ordinary shares of Baht 8.92 each		14,182,817	14,182,817	14,182,817	14,182,817
Issued and paid-up share capital					
451,081 non-cumulative preference shares of Baht 8.92 each		4,023	4,023	4,023	4,023
1,590,001,864 ordinary shares of Baht 8.92 each		14,182,817	14,182,817	14,182,817	14,182,817
Other components of equity	10.3, 31, 32	304,012	198,651	304,012	198,651
Retained earnings					
Appropriated					
Legal reserve	31	200,000	200,000	200,000	200,000
Unappropriated		2,162,345	1,598,808	1,946,050	1,225,682
Equity attributable to the Bank's shareholders		16,853,197	16,184,299	16,636,902	15,811,173
Non-controlling interest		-	-	-	-
Total equity		16,853,197	16,184,299	16,636,902	15,811,173
Total liabilities and equity		197,108,256	176,714,066	154,844,587	148,118,682

.....
(Mr. Zhigang Li)
Chief Executive Officer

.....
(Mr. Guohui Song)
Senior Executive Vice President

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Statement of comprehensive income

	<i>Note</i>	Consolidated		The Bank	
		Six month period ended		Six month period ended	
		30 June		30 June	
		2014	2013	2014	2013
<i>(in thousand Baht)</i>					
Interest income	37	4,393,149	3,833,512	2,903,096	2,821,520
Interest expense	38	2,383,270	1,780,389	1,802,634	1,549,458
Net interest income		2,009,879	2,053,123	1,100,462	1,272,062
Fees and service income		157,127	233,388	49,522	41,679
Fees and service expense		6,131	1,954	6,131	1,954
Net fees and service income	39	150,996	231,434	43,391	39,725
Net trading income	40	22,578	23,474	22,583	23,525
Net gain (loss) on investments	41	(725)	3,829	(725)	3,829
Share of profit of associate	12	5,668	67,822	-	-
Gains on disposals of equipment, properties foreclosed and other assets		56,160	130,834	53,656	124,728
Bad debts recovered		65,914	155,548	18,417	122,945
Dividend income		8,787	7,279	12,256	23,789
Gain on disposal of non-performing loans	13.7	235,496	-	235,496	-
Other operating income		48,572	59,360	7,282	23,380
Total operating income		2,603,325	2,732,703	1,492,818	1,633,983
Other operating expenses					
Employee expenses		541,302	577,885	351,924	337,684
Directors' remuneration	42	9,625	6,097	9,625	5,946
Premises and equipment expenses		95,077	85,236	58,570	56,767
Taxes and duties		82,778	109,345	75,685	87,728
Amortisation expense on intangible assets		10,112	10,599	8,074	8,689
Reversal of estimate for loss sharing of TAMC	28	-	(200,000)	-	(200,000)
Losses on properties foreclosed (reversal)		471,621	244,991	(1,286)	(5,909)
Others		160,464	158,125	60,791	69,824
Total other operating expenses		1,370,979	992,278	563,383	360,729
Bad debts, doubtful accounts and impairment losses	43	522,778	1,149,446	23,539	838,949
Profit before tax		709,568	590,979	905,896	434,305
Income tax expense	44	146,031	102,878	185,528	84,667
Profit for the period		563,537	488,101	720,368	349,638

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Statement of comprehensive income

	<i>Note</i>	Consolidated		The Bank	
		Six month period ended		Six month period ended	
		30 June		30 June	
		2014	2013	2014	2013
<i>(in thousand Baht)</i>					
Other comprehensive income	44				
Net change in fair value of					
available-for-sale investments		131,701	(49,341)	131,701	(49,341)
Income tax on other comprehensive income		(26,340)	18,835	(26,340)	18,835
Other comprehensive income for the period,					
net of income tax		105,361	(30,506)	105,361	(30,506)
Total comprehensive income for the period		668,898	457,595	825,729	319,132
Profit attributable to					
Shareholders of the Bank		563,537	488,101	720,368	349,638
Non-controlling interest		-	-	-	-
Profit for the period		563,537	488,101	720,368	349,638
Total comprehensive income attributable to					
Shareholders of the Bank		668,898	457,595	825,729	319,132
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		668,898	457,595	825,729	319,132
Earnings per share of the Bank					
Basic earnings per share <i>(in Baht)</i>	45	0.35	0.31	0.45	0.22

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Statement of changes in equity

		Consolidated						
Note	Issued and		Other components			Total equity	Non - controlling interest	Total equity
	paid-up share capital		of equity	Retained earnings		attributable to the		
	Preference shares	Ordinary shares	Revaluation surplus on available-for-sale investments	Legal reserve	Unappropriated	Bank's shareholders		
(in thousand Baht)								
Six month period ended 30 June 2013								
	4,023	14,182,817	287,916	100,000	684,854	15,259,610	-	15,259,610
Comprehensive income for the period								
	-	-	-	-	488,101	488,101	-	488,101
44	-	-	(30,506)	-	-	(30,506)	-	(30,506)
Total comprehensive income for the period								
	-	-	(30,506)	-	488,101	457,595	-	457,595
Balance at 30 June 2013								
	4,023	14,182,817	257,410	100,000	1,172,955	15,717,205	-	15,717,205
Six month period ended 30 June 2014								
Balance at 1 January 2014								
	4,023	14,182,817	198,651	200,000	1,598,808	16,184,299	-	16,184,299
Comprehensive income for the period								
	-	-	-	-	563,537	563,537	-	563,537
44	-	-	105,361	-	-	105,361	-	105,361
Total comprehensive income for the period								
	-	-	105,361	-	563,537	668,898	-	668,898
Balance at 30 June 2014								
	4,023	14,182,817	304,012	200,000	2,162,345	16,853,197	-	16,853,197

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Statement of changes in equity

		The Bank					
		Issued and		Other components of equity	Retained earnings		
		paid-up share capital		Revaluation surplus on			
	Note	Preference shares	Ordinary shares	available-for-sale investments	Legal reserve	Unappropriated	Total equity
(in thousand Baht)							
Six month period ended 30 June 2013							
Balance at 1 January 2013		4,023	14,182,817	287,916	100,000	267,400	14,842,156
Comprehensive income for the period							
Profit for the period		-	-	-	-	349,638	349,638
Other comprehensive income	44	-	-	(30,506)	-	-	(30,506)
Total comprehensive income for the period		-	-	(30,506)	-	349,638	319,132
Balance at 30 June 2013		4,023	14,182,817	257,410	100,000	617,038	15,161,288
Six month period ended 30 June 2014							
Balance at 1 January 2014		4,023	14,182,817	198,651	200,000	1,225,682	15,811,173
Comprehensive income for the period							
Profit for the period		-	-	-	-	720,368	720,368
Other comprehensive income	44	-	-	105,361	-	-	105,361
Total comprehensive income for the period		-	-	105,361	-	720,368	825,729
Balance at 30 June 2014		4,023	14,182,817	304,012	200,000	1,946,050	16,636,902

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Statement of cash flows

	Consolidated		The Bank	
	Six month period ended		Six month period ended	
	30 June		30 June	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit before tax	709,568	590,979	905,896	434,305
<i>Adjustments for</i>				
Depreciation and amortisation	43,092	40,734	28,380	30,049
Bad debts, doubtful accounts and impairment losses	522,778	1,149,446	23,539	838,949
Losses of write-off of fixed assets	28	506	23	-
Gain on disposal of properties foreclosed	(56,165)	(131,362)	(53,656)	(124,728)
Losses on properties foreclosed (reversal)	471,598	244,991	(1,309)	(5,909)
Legal Execution Department receivable	-	(576)	-	(576)
Net gain on investments	725	(3,829)	725	(3,829)
Gain on disposal of non-performing loans	(235,496)	-	(235,496)	-
Proceeds from disposal of non-performing loans	330,000	-	330,000	-
Gain on sales of equipment	5	21	-	-
Net trading income	(22,583)	(23,474)	(22,583)	(23,525)
Employee benefit obligations	16,948	13,035	11,586	9,023
Provisions for other liabilities	1,133	1,800	1,133	1,800
Reversal of estimate for loss sharing of TAMC	-	(200,000)	-	(200,000)
Other income from revaluation of other receivables	(747)	(1,127)	(747)	(1,127)
Share of profit of associate	(5,668)	(67,822)	-	-
Net interest income	(2,249,294)	(2,053,123)	(1,100,462)	(1,272,062)
Dividend income	(8,787)	(7,279)	(12,256)	(23,789)
Proceeds from interest	3,918,826	3,541,585	2,441,908	2,537,887
Interest paid	(1,689,096)	(1,302,965)	(1,713,342)	(1,251,894)
Proceeds from dividend	8,787	7,279	8,787	7,279
Income tax paid	(226,871)	(61,039)	(165,610)	(14,451)
Income from operations before changes in operating assets and liabilities	1,528,781	1,737,780	446,516	937,402
<i>(Increase) decrease in operating assets</i>				
Interbank and money market items	(6,266,939)	4,002,777	(6,366,883)	3,992,654
Derivative assets	968,916	165,665	968,916	165,665
Loans to customers	(13,648,612)	(23,198,576)	487,647	(8,198,298)
Properties foreclosed	(386,572)	(41,277)	98,125	238,885
Receivables on credit support for derivative contracts	134,696	(4)	134,696	(4)
Fee receivable	8,897	3,065	-	-
Other receivables	6,456	30,291	5,121	16,593
Other assets	29,986	(49,941)	28,439	(16,245)

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Statement of cash flows

	Consolidated		The Bank	
	Six month period ended		Six month period ended	
	30 June		30 June	
	2014	2013	2014	2013
	(in thousand Baht)			
Cash flows from operating activities				
<i>Increase (decrease) in operating liabilities</i>				
Deposits	8,007,653	5,441,595	8,007,680	5,439,616
Interbank and money market items	(7,632,352)	2,528,948	(5,432,352)	1,328,949
Liabilities payable on demand	182,265	16,373	182,265	16,373
Derivative liabilities	(1,838,058)	(32,820)	(1,838,058)	(32,768)
Accrued expense	(50,586)	(228,256)	(46,745)	(213,711)
Other liabilities	(351,787)	(94,416)	(213,520)	(109,230)
Net cash from (used in) operating activities	(19,307,256)	(9,718,796)	(3,538,153)	3,565,881
Cash flows from investing activities				
Interest received	476,800	226,503	476,800	226,503
Dividend received	3,469	16,510	3,469	16,510
Increase in long-term investments	(1,236,486)	(3,043,476)	(1,236,486)	(3,043,476)
Investment in receivables	351	(1,915)	351	(1,915)
Purchases of investments in a subsidiary	-	-	-	(500,000)
Purchases of equipment	(19,807)	(35,105)	(14,573)	(7,755)
Sales of equipment	-	68	-	-
Purchases of intangible assets	(2,429)	(13,594)	(359)	(13,347)
Net cash (used in) investing activities	(778,102)	(2,851,009)	(770,798)	(3,323,480)
Cash flows from financing activities				
Interest paid from borrowing and long-term debt issued	(357,208)	(184,129)	(34,018)	(62,361)
Proceeds from borrowings and long-term debt issued	37,307,649	16,166,545	3,884,161	3,230,099
Repayment of borrowings and long-term debt issued	(22,764,132)	(3,386,274)	(5,441,820)	(3,386,274)
Finance lease payments	(1,455)	(2,468)	-	(709)
Subscription in advance	5,839,881	-	5,839,881	-
Net cash from (used in) financing activities	20,024,735	12,593,674	4,248,204	(219,245)
Net increase in cash	(60,623)	23,869	(60,747)	23,156
Cash at 1 January	403,646	368,845	402,877	367,960
Cash at 30 June	343,023	392,714	342,130	391,116

The accompanying notes are an integral part of these financial statements.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements

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Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Notes to the interim financial statements

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Audit Committee on 11 September 2014.

1 General information

Industrial and Commercial Bank of China (Thai) Public Company Limited, “the Bank”, is incorporated in Thailand and has its registered office at No. 622, Sukhumvit Road, Klongton Sub-district, Klongtoey District, Bangkok.

The parent company during the financial period was Industrial and Commercial Bank of China Limited, which is incorporated in the People’s Republic of China. The Parent Company of the Bank holds 97.70% of the issued and paid-up share capital of the Bank.

The principal activities of the Bank is the provision of financial products and services through its branches network in Thailand.

Detail of the Bank’s subsidiary as at 30 June 2014 and 31 December 2013 are given in notes 11 and 34.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standard (TAS) No.34 (revised 2012) *Interim Financial Reporting*, whereby the Bank chooses to present the interim financial statements in the same full format as the annual financial statements are presented and have also been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (FAP); and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 11/2553, directive dated 3 December 2010, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

The FAP has issued the following new and revised TFRS relevant to the Bank and its subsidiary’s operations and effective for annual accounting periods beginning on or after 1 January 2014:

TFRS	Topic
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 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
TFRS 5 (revised 2012)	Non-current Assets held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Notes to the interim financial statements

TFRS	Topic
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 13	Customer Loyalty Programmes
TFRIC 18	Transfers of Assets from Customers

The initial application of these new and revised TFRS has resulted in changes in certain of the Bank and its subsidiary's accounting policies. The effects of these changes, are immaterial to the overall financial statements and disclosed in note 3.

(b) *Basis of measurement*

The interim financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- derivative financial instruments held for trading purpose are measured at fair value;
- available-for-sale financial assets are measured at fair value.
- investment in an associate are accounted for in the consolidated financial statements using the equity method.

(c) *Functional and Presentation currency*

The interim financial statements are presented in Thai Baht, which is the Bank and its subsidiary's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

(d) *Use of estimates and judgments*

The preparation of interim financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

In preparing these interim financial statements, the significant judgements made by management in applying the Bank and its subsidiary's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 4(u)	Current and deferred taxation
Note 6	Fair value of financial instruments
Note 9	Derivatives
Note 16	Allowance for doubtful accounts
Note 27	Measurement of defined benefit obligations
Note 28 & 33	Other provision and contingencies

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Notes to the interim financial statements

3 Changes in accounting policies

(a) Overview

From 1 January 2014, consequent to the adoption of new and revised TFRS as set out in note 2, the Bank and its subsidiary have changed their accounting policies in the following areas:

- Accounting for customer loyalty programmes

Details of this new accounting policy adopted by the Bank and its subsidiary is included in note 3 (b) below.

(b) Accounting for customer loyalty programmes

From 1 January 2014, the Bank has adopted TFRIC 13 – Customer Loyalty Programmes.

TFRIC 13 addresses the accounting for an entity's obligation to provide free or discounted goods or services ('awards') in the future under a customer loyalty programme. TFRIC 13 requires that award credits are accounted for as a separately identified component of the sales transactions in which they are granted (the 'initial sale'). The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The revenue and costs ascribed to the awards are only recognised when the award credits are redeemed or the entity otherwise fulfils its obligations in respect of the awards. The Bank's accounting policy for customer loyalty programmes is as follows:

The Bank has a customer loyalty programme whereby customers are awarded credits (Points) entitling customers to the right to purchase products from the Bank at a discount or qualify for a free gift. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points is estimated by reference to the fair value of the right to purchase products at a discount or fair value of the free gift. The fair value is estimated based on the amount of the discount adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised only when the Points are redeemed and the Bank has fulfilled its obligations to supply the products. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed in exchange for discounted products, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to profit or loss when it is no longer considered probable that the Points will be redeemed.

The effects of the change is immaterial to the overall financial statements.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

(a) Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiary (together referred to as "the Bank and its subsidiary") and interests in associates.

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Subsidiary

Subsidiary is an entity controlled by the Bank. Control exists when the Bank has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of a subsidiary have been changed where necessary to align them with the policies adopted by the Bank, except that the subsidiary calculates depreciation of motor vehicles using the sum-of-the-years digits method. However, the effect of the use of a different method of depreciation for motor vehicles is not significant to the consolidated financial statements as a whole.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Bank and its subsidiary derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associate

Associate is an entity in which the Bank and its subsidiary has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Bank and its subsidiary holds between 20% and 50% of the voting power of another entity.

Investments in an associate are accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Bank and its subsidiary's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Bank and its subsidiary, from the date that significant influence commences until the date that significant influence ceases. When the Bank and its subsidiary's share of losses exceeds its interest in an associate, the Bank and its subsidiary's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its subsidiary has incurred legal or constructive obligations or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Bank and its Subsidiary's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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The Bank and its subsidiary do not treat investments in any mutual funds in which they hold more than 50% of outstanding units as investments in a subsidiary because they do not have control over the financial and operating policies of these funds. In case that the Bank and its subsidiary receive shares as a result of debt restructuring of a borrower, which causes the Bank and its subsidiary to hold more than 50 % or 20 % of the paid-up share capital of such company, the Bank and its subsidiary will not treat that investee company as a subsidiary or an associate, respectively, since they intend to hold such investment temporarily and will treat it as a general investment. Such investment is stated at cost less allowance for impairment losses (if any).

(b) Revenue

Interest and discounts on loans

Interest on loans is recognised as revenue on an accrual basis over the term of the loans based on the amount of principal outstanding. For loans on which principal and/or interest payments have been defaulted for more than three months from the due dates, the Bank and its subsidiary cease accrual of interest income and reverse the interest previously accrued as revenue from its accounts. Interest is then recognised as revenue on a cash basis until settlement of such overdue balance has been received from the debtors.

The Bank recognises interest income on restructured loans on the same accrual basis used for loans discussed above with reference to interest rates stipulated in the agreements (excluding interest charged and suspended for payment in the future), with the exception of restructured loans that are subject to monitoring for compliance with restructuring conditions, interest income on which is to be recognised on a cash basis until the borrower has been able to comply with the restructuring conditions for a period of not less than three consecutive months or three consecutive installments, whichever is longer.

Interest or discounts, which are already included in the face value of notes receivable or loans, are recorded as deferred interest and taken up as revenue evenly throughout the term of the notes or loans.

Hire purchase and finance lease income

The subsidiary recognises income from hire-purchase and finance lease contracts based on the effective interest method, over the period of the contracts. For hire purchase and finance lease receivables on which installments have defaulted and are overdue for more than three months from the due dates, the subsidiary ceases accrual of revenue and reverses the revenue previously accrued but not collected. Interest is then recognised as revenue on a cash basis until settlement of such overdue balance.

Interest and dividends on investments

Interest on investments is recognised as revenue on the effective interest method. Dividends from securities are recognised as revenue when the right to receive the payment is established.

Gains (losses) on investments

Gains (losses) on investments are recognised as revenue/expenses on the trade or settlement dates.

Gains (losses) on derivatives trading

Gains (losses) on derivatives trading are recognised as revenue/expenses on the trade or settlement dates.

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Notes to the interim financial statements

Fees and service income

Fees are recognised as revenue on an accrual basis and service income is recognised as revenue when services are rendered taking into account the stage of completion.

(c) Expense

Interest expenses

Interest expenses are recognised as expense on an accrual basis.

Commissions and direct expenses from the hire purchase and finance lease business

Commissions and initial direct expenses at the inception of a hire-purchase and finance lease contracts are deferred and amortised as expenses throughout the contract period, using the effective interest rate method, with the amortisation deducted from interest income.

Other expenses

Other expenses are recognised on an accrual basis.

(d) Securities purchased under resale agreements/Securities sold under repurchase agreements

The Bank enters into agreements to purchase securities or to sell securities that include agreements to sell or purchase the securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to resale commitments are presented as assets under the caption of “Interbank and money market items” in the statements of financial position, and the underlying securities are treated as collateral to the receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of “Interbank and money market items” in the statements of financial position, at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

Differences between the purchase and sale considerations are recognised as interest income or expenses over the transaction periods.

(e) Derivatives

The Bank has entered into transactions involving derivatives in order to respond to clients’ needs and to manage its own foreign exchange and interest rate risks. Derivative contracts are measured according to the purpose of entering into those transactions as follows:

Trading Book

As at the end of reporting period, foreign exchange contracts are measured at fair value. Gains or losses arising from revaluation are recognised as income or expense in profit or loss from operations.

The fair values of foreign exchange contracts are determined, using the forward exchange rates at the end of reporting period for the contract periods remaining on those dates.

Banking Book (Not held for trading)

As at the end of reporting period, the Bank recognises foreign exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts on an accrual basis as follows:

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Notes to the interim financial statements

- (a) The currency exchange components are translated at the exchange rates ruling as at the end of reporting period. Unrealised gains or losses on translation are recognised as income or expense in profit or loss from operations. Forward points are amortised on a straight-line basis over the contract periods and recognised as income or expense in profit or loss from operations.
- (b) Interest rate swap components are recognised on an accrual basis, in the same manner as the hedged assets or liabilities. Interest income or interest expense is recognised over the term of the contract periods as income or expense in profit or loss from operations.

These measurement methods are in compliance with the principles stipulated by the Bank of Thailand's Notification.

(f) *Investments*

Investments in an associate and a subsidiary

Investments in an associate and a subsidiary in the Bank's financial statements are accounted for using the cost method, net of accumulated impairment (if any). Investments in an associate in the consolidated financial statements are accounted for using the equity method. Under this method, the investment is initially recorded at the acquisition cost and is adjusted to reflect the attributable share of the profit or loss from the operation of associate proportionately to its investment holding percentage and is reduced by the amount of dividend received.

If the Bank receives shares as a result of debt restructuring of a borrower, and as a result the Bank holds more than 50 percent or 20 percent of the paid-up share capital of such company, the Bank will not treat the investee company as a subsidiary or an associate, respectively, but will treat it as a general investment since the Bank intends to hold such investment temporarily. Such investment are stated at cost less allowance for impairment losses (if any).

Investments in other debt and equity securities

Debt securities that the Bank and its subsidiary has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences on monetary items are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses (if any).

Fair values of securities

For government securities and state enterprise securities, fair values are calculated by using the Bank of Thailand formula, based on the yield curve of The Thai Bond Market Association or other financial institutions.

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For private sector debt securities which can be freely traded on an open market or for which quoted market prices are readily available, the last trading price quoted by The Thai Bond Market Association is used as a fair value. In the absence of such price, fair value is determined applying the yield curve of The Thai Bond Market Association or other financial institutions, adjusted for an appropriate risk premium, in accordance with the criteria established by the Bank of Thailand. For private sector debt securities, which cannot be freely traded on an open market or for which a quoted market price is not readily available, the Bank uses the fair value that is determined by financial institutions who issued or sold those securities. The fair value of investment in receivables that are not freely traded in an open market, is calculated using the investment yield as at the investment date, and thereafter adjusted by a change in credit risk of the debtor being invested.

The fair value of marketable equity securities is determined at the last bid price quoted on the last working day of the reporting period/year of the Stock Exchange of Thailand

Fair value of investment units is determined using the net asset value announced as of the end of the reporting period.

Disposal of investments

Purchases and sales of investments in equity securities are recognised on the trade dates, while purchases and sales of investments in debt securities are recognised on the settlement dates.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Bank and its subsidiary disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

Losses on impairment of investments are recognised as expenses in profit or loss from operation.

In the event the Bank reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification dates. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss from operation or recorded as revaluation surplus (deficit) on investments in equity, depending on the type of investment that is reclassified.

The Bank considers available-for-sale investments and general investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

(g) Loans to customers

Loans to customers are presented at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue and unearned discounts on loans to customers are deducted from the loans to customers balances.

Hire purchase receivables and finance lease receivables

Hire purchase receivables and finance lease receivables are stated at outstanding balances according to the hire-purchase and finance lease contracts net of outstanding balances of unearned income, which are presented net of deferred commission expenses and initial direct costs.

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Notes to the interim financial statements

(h) Allowance for doubtful accounts

The Bank provides allowance for doubtful accounts in accordance with the BOT guidelines, using the minimum rates stipulated by the BOT. The Bank sets provision for “pass” loans (including restructured receivables) and “special-mention” loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivables) after deducting collateral value, calculated in accordance with the BOT’s guidelines. For non-performing loans, the Bank sets provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, discounted using the discount rate and duration expected to be able to dispose the collateral as stipulated in the BOT’s notifications.

The subsidiary provides an allowance for doubtful accounts with reference to number of months past due and provisioning rates as stipulated in the BOT’s notifications. Allowance for doubtful accounts is set for “pass” and “special-mention” loans at minimum rates of 1% and 2%, respectively, of the loan balances after deducting collateral value, calculated in accordance with the BOT’s guidelines, and at 100% of the balances of non-performing loans after deducting the present value of expected future cash flows from collateral disposal, calculated in accordance with the BOT’s guidelines.

In addition, the Bank has a loan loss provisioning policy whereby it provides additional allowance for certain exposures of the Bank and its subsidiary that are classified as “Pass” and “Special Mention”, at rates higher than the minimum rates specified by BOT. Such rates are determined taking into considerations the probability of the loans becoming non-performing loans (PD) and the loss rates if those loans are not recovered in full (LGD), adjusted by an additional amount of allowance and considered on a case by case basis from the analysis of the situation of debtor, repayment record of debt, collection experience from the debtor, value of collateral and economic environment.

The Bank writes off bad debts in accordance with the BOT’s guidelines and as approved by the Executive Committee where by it will reverse the related allowance for doubtful accounts against the decrease in bad debts and doubtful accounts in profit or loss from operation. At the same time, the Bank writes off the balances of bad debts and charges them against bad debts and doubtful accounts as expenses in profit or loss from operation. All bad debts recovered are recognised as revenue in profit or loss from operation.

Allowance for doubtful accounts made in the period is recognised as bad debts and doubtful account expense in profit or loss from operation.

(i) Troubled debt restructuring

The Bank records troubled debt restructuring transactions with reference to criteria stipulated by the Bank of Thailand.

In cases where the troubled debt restructuring involves debt/asset swaps and/or debt/equity swaps, the Bank records assets and/or equity received in settlement of debts at their fair value less estimated selling expenses (if any) provided that it does not exceed the book value of outstanding principal and accrued interest receivables. Losses arising from the excess of the carrying value over the fair value of those assets and equity transferred are recognised as expense in profit or loss from operation, taking into account existing allowance for doubtful accounts.

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In cases where the troubled debt restructuring involves modification of the repayment conditions, the Bank records losses arising from revaluation of the fair value of the debts after restructuring determined by the present value of expected cash flows to be received in accordance with new restructuring agreements, discounted by the Bank's minimum interest rates on loans to large customers. The lower of the then-determined present value and the carrying value is accounted for as allowance for revaluation on debt restructuring and recognised as an expense in profit or loss from operation in the period in which the debt is restructured. Such allowance is amortised and recognised as revenue in profit or loss from operation over the remaining period of the restructuring periods or is reviewed by revaluing the net present value of expected cash flows to be received over the remaining period.

Losses arising from debt restructuring through waivers of principal and/or recorded accrued interest receivables are recognised as expenses in profit or loss from operation.

(j) *Properties foreclosed*

Properties foreclosed are stated at the lower of cost at the acquisition date and net realisable value. Net realisable value is determined with reference to the appraisal value less estimated selling expenses.

Gains or losses on disposals of properties foreclosed are recorded as revenue or expenses in profit or loss from operation when significant risk and rewards have been transferred to the buyer. Impairment loss is recognised as expenses in profit or loss from operation

The management uses the BOT's regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal values, types and characteristics of assets, the period of time for which to be recouped from disposals and changes in the economic conditions.

(k) *Premises and equipment*

Recognition and measurement

Owned assets

Land is stated at cost. Premises and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

Leased assets

Leased assets in terms of which the Bank and its subsidiary substantially assumes all the risk and rewards of ownership are classified as finance leases. Premises and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

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Subsequent costs

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its subsidiary, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of premises and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged as expenses to profit or loss from operation, using a straight-line basis over the estimated useful lives of each component of an item of assets (except for the depreciation of motor vehicles of a subsidiary, which is calculated by reference to their cost, after deducting residual values, on the sum-of-the-years digits method). The estimated useful lives are as follows:

Buildings	34 years
Furniture, fixtures and office equipment	1 - 3, 5 and 10 years
Motor vehicles	5 - 7 years

No depreciation is provided on freehold land.

Depreciation methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

Disposal of premises and equipment

The Bank and its subsidiary derecognized an item of premises and equipment upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised in profit or loss from operation when the Bank and its subsidiary derecognised that assets .

(I) Intangible assets

Intangible assets that are acquired by the Bank and its subsidiary and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

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Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer softwares	5-10	years
Deferred license fee	10	years

Amortisation methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

(m) Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation and impairment loss. Amortisation is recognised as expense in profit or loss on a straight-line basis over the lease period of 30 years.

(n) Sales of commercial papers

Commercial papers sold at a discount without recourse are recorded by crediting the “Notes receivable” account.

Commercial papers sold at a discount without an aval or an acceptance with recourse, are recorded as liabilities under the caption of “Liabilities from sale of commercial papers”. Commercial papers with an aval or acceptance from other commercial banks or other financial institutions, sold at a discount with recourse, are recorded by crediting the “Notes receivable” account, and disclosed such commitment as a part of “Contingent liabilities”.

(o) Impairment

The carrying amounts of the Bank and its subsidiary assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale financial asset is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset’s value in use and fair value less costs to sell. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial asset carried at amortised cost and available-for-sale financial asset that are debt securities, the reversal is recognised in profit or loss.

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost.

(q) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are salaries, wages, bonuses and contributions to the social fund which are measured on an undiscounted basis and expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank and its subsidiary have a present legal or constructive obligation to pay this amount as a result of past service provided by employee, and the obligation can be estimated reliably.

Post-employment benefits

The Bank and its subsidiary operates a number of post-employment benefits including both defined contribution plans and defined benefit plans.

Defined contribution plans

The Bank and its subsidiary pay fixed contributions into a separate entity (a provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

The Bank and its subsidiary treat the severance payments they must make to employees upon retirement under labor law as post-employment retirement benefit plan.

The Bank and its subsidiary's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank and its subsidiary's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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The calculation is performed by a qualified actuary using the projected unit credit method. The determination is made involving various assumptions, including discount rate, future salary increase rate, staff turnover rate and mortality rate.

The Bank and its subsidiary recognise all actuarial gains and losses arising from defined benefit plans and all expenses related to defined benefit plans in profit or loss.

(r) Provisions

Provisions are recognized when the Bank and its subsidiary have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Profit or loss sharing from management of non-performing assets

In calculation of profit or loss sharing from management of non-performing assets transferred to Thai Asset Management Corporation (“TAMC”), the Bank estimates the amounts expected to be recouped from debtors or the underlying collaterals or the guarantors for which management exercises judgment in determination of assumptions with respect to recovery rates on the outstanding debts under the debt restructuring agreements or collateral value. The management considers that the assumptions used are appropriate based on the availability of information to the Bank and current circumstances. The different assumptions used and the change in circumstances in the future may affect the estimated amount of loss sharing already recorded.

Litigation

The Bank and its subsidiary have contingent liabilities as a result of litigation being made against them for claims of compensation. The management has used judgement to assess of the results of the litigation and recorded provisions as at the end of reporting period. However, actual results could differ from the estimates.

(s) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank and its subsidiary at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date.

(t) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(u) Income tax

Income tax expense for the period comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiary expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiary takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank and its subsidiary believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank and its subsidiary to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) *Earnings per share*

Basic EPS is calculated by dividing the profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares and preference shares which are equivalent to the ordinary shares outstanding during the periods.

Since November 2012, the conversion preference of the preference shares expired. Therefore, the preference shares' rights are equivalent to the ordinary shares.

(w) *Operating segments*

Segment results that are reported to the Bank's executive committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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5 Financial risk management

Financial risk management policies

The Board of Directors has established a risk management framework covering the Bank and its subsidiary to ensure risks are effectively managed on an ongoing basis. The Board of Directors has set up a risk management committee governing the Bank and its subsidiary which reports regularly to the Board of Directors on their activities.

Credit risk

Credit risk is the risk that the party to a financial agreement fails to honour an obligation and consequently cause the Bank and its subsidiary to incur a financial loss. The Bank and its subsidiary have disclosed significant concentrations of credit risk in Note 13.3 to the financial statements. The maximum amount of credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statements of financial position. The risk from off-financial position items is presented in Note 33 to the financial statements.

In addition, the Bank manages credit risk through careful consideration of credit approval process, analysis of risk factors and the ability to service debts of borrowers and performing credit review to examine process, which examines and reviews the quality of the Bank's loan portfolio so as to prevent and provide a remedy for problem loans in the future.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the value of financial assets and liabilities, net interest earnings, operations and cash flows of the Bank and its subsidiary.

The Bank manages interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels.

As at 30 June 2014 and 31 December 2013, significant financial assets and liabilities classified by types of interest rate are as follows:

	Consolidated 30 June 2014			
	Floating interest rate	Fixed interest rate	Non interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	343	343
Interbank and money market items, net	167	11,982	1,531	13,680
Investments, net	1,446	30,412	318	32,176
Loans to customers ⁽¹⁾	80,596	67,744	2,794	151,134
Total financial assets	82,209	110,138	4,986	197,333
<i>Financial liabilities</i>				
Deposits	6,220	85,354	168	91,742
Interbank and money market items	2,941	34,014	198	37,153
Liabilities payable on demand	-	-	198	198
Debt issued and borrowings	-	42,970	-	42,970
Total financial liabilities	9,161	162,338	564	172,063
On-financial reporting items, net	73,048	(52,200)	4,422	25,270
Off-financial reporting items				
Avals to bill and guarantee on loan	-	-	(237)	(237)
Letters of credit	-	-	(386)	(386)
Other contingencies including derivatives	8,000	(8,043)	(4,952)	(4,995)

⁽¹⁾Net of deferred revenue

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	Consolidated 31 December 2013			
	Floating interest rate	Fixed interest rate	Non interest bearing	Total
	<i>(in million Baht)</i>			
Financial assets				
Cash	-	-	404	404
Interbank and money market items, net	201	5,986	1,267	7,454
Investments, net	3,010	27,568	254	30,832
Loans to customers ⁽¹⁾	63,785	71,412	2,746	137,943
Total financial assets	66,996	104,966	4,671	176,633
Financial liabilities				
Deposits	6,406	77,068	261	83,735
Interbank and money market items	3,511	41,018	257	44,786
Liabilities payable on demand	-	-	15	15
Debt issued and borrowings	-	28,417	-	28,417
Total financial liabilities	9,917	146,503	533	156,953
On-financial reporting items, net	57,079	(41,537)	4,138	19,680
Off-financial reporting items				
Avals to bill and guarantee on loan	-	-	(226)	(226)
Letters of credit	-	-	(228)	(228)
Other contingencies including derivatives	14,500	(14,556)	(6,096)	(6,152)

⁽¹⁾Net of deferred revenue

	The Bank 30 June 2014			
	Floating interest rate	Fixed interest rate	Non interest bearing	Total
	<i>(in million Baht)</i>			
Financial assets				
Cash	-	-	342	342
Interbank and money market items, net	2	11,982	1,488	13,472
Investments, net	1,446	30,412	318	32,176
Loans to customers ⁽¹⁾	80,596	22,779	1,211	104,586
Total financial assets	82,044	65,173	3,359	150,576
Financial liabilities				
Deposits	6,220	85,355	168	91,743
Interbank and money market items	2,941	34,014	198	37,153
Liabilities payable on demand	-	-	198	198
Debt issued and borrowings	-	1,693	-	1,693
Total financial liabilities	9,161	121,062	564	130,787
On-financial reporting items, net	72,883	(55,889)	2,795	19,789
Off-financial reporting items				
Avals to bill and guarantee on loan	-	-	(14,437)	(14,437)
Letters of credit	-	-	(386)	(386)
Other contingencies including derivatives	8,000	(8,043)	(4,952)	(4,995)

⁽¹⁾Net of deferred revenue

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The Bank				
31 December 2013				
	Floating interest rate	Fixed interest rate	Non interest bearing	Total
	<i>(in million Baht)</i>			
Financial assets				
Cash	-	-	403	403
Interbank and money market items, net	3	5,986	1,156	7,145
Investments, net	3,010	27,568	254	30,832
Loans to customers ⁽¹⁾	63,785	40,034	1,354	105,173
Total financial assets	66,798	73,588	3,167	143,553
Financial liabilities				
Deposits	6,406	77,068	261	83,735
Interbank and money market items	3,511	38,818	257	42,586
Liabilities payable on demand	-	-	15	15
Debt issued and borrowings	-	3,251	-	3,251
Total financial liabilities	9,917	119,137	533	129,587
On-financial reporting items, net	56,881	(45,549)	2,634	13,966
Off-financial reporting items				
Avals to bill and guarantee on loan	-	-	(5,826)	(5,826)
Letters of credit	-	-	(228)	(228)
Other contingencies including derivatives	14,500	(14,556)	(6,096)	(6,152)
⁽¹⁾ Net of deferred revenue				

The following table shows the contractual repricing or maturity dates, whichever are earlier, for significant financial assets and liabilities exposed to interest rate risk:

Consolidated								
30 June 2014								
	At call	1 - 3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non interest bearing	Non performing loans	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	343	-	343
Interbank and money market items, net	167	5,575	6,407	-	-	1,531	-	13,680
Investment, net	-	8,101	8,768	13,084	1,905	318	-	32,176
Loans to customers ⁽¹⁾	29	82,588	28,683	35,185	1,855	-	2,794	151,134
Total financial assets	196	96,264	43,858	48,269	3,760	2,192	2,794	197,333
Financial liabilities								
Deposits	12,734	57,865	20,704	251	20	168	-	91,742
Interbank and money market items	2,941	25,684	7,272	1,058	-	198	-	37,153
Liabilities payable on demand	-	-	-	-	-	198	-	198
Debt issued and borrowings	-	20,440	2,166	20,364	-	-	-	42,970
Total financial liabilities	15,675	103,989	30,142	21,673	20	564		172,063
On-financial reporting items, net	(15,479)	(7,725)	13,716	26,596	3,740	1,628	2,794	25,270
Off-financial reporting items								
Avals to bill and guarantee on loan	-	-	-	-	-	(237)	-	(237)
Letters of credit	-	-	-	-	-	(386)	-	(386)
Other contingencies including derivatives	-	5,500	(40)	(5,503)	-	(4,952)	-	(4,995)
⁽¹⁾ Net of deferred revenue								

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	Consolidated 31 December 2013							
	At call	1 - 3 months	Reprice within 3 - 12 months	1 - 5 years <i>(in million Baht)</i>	Reprice over 5 years	Non interest bearing	Non performing loans	Total
Financial assets								
Cash	-	-	-	-	-	404	-	404
Interbank and money market items, net	201	3,392	2,594	-	-	1,267	-	7,454
Investments, net	-	12,292	6,842	9,972	1,472	254	-	30,832
Loans to customers ⁽¹⁾	71	76,733	17,701	38,368	2,324	-	2,746	137,943
Total financial assets	272	92,417	27,137	48,340	3,796	1,925	2,746	176,633
Financial liabilities								
Deposits	16,060	56,224	10,344	846	-	261	-	83,735
Interbank and money market items	3,511	39,908	2	1,108	-	257	-	44,786
Liabilities payable on demand	-	-	-	-	-	15	-	15
Debt issued and borrowings	-	11,014	5,632	11,771	-	-	-	28,417
Total financial liabilities	19,571	107,146	15,978	13,725	-	533	-	156,953
On-financial reporting items, net	(19,299)	(14,729)	11,159	34,615	3,796	1,392	2,746	19,680
Off-financial reporting items								
Avals to bill and guarantee on loan	-	-	-	-	-	(226)	-	(226)
Letters of credit	-	-	-	-	-	(228)	-	(228)
Other contingencies including derivatives	-	6,000	1,500	(7,556)	-	(6,096)	-	(6,152)
⁽¹⁾ Net of deferred revenue								

⁽¹⁾Net of deferred revenue

	The Bank 30 June 2014							
	At call	1 - 3 months	Reprice within 3 - 12 months	1 - 5 years <i>(in million Baht)</i>	Reprice over 5 years	Non interest bearing	Non performing loans	Total
Financial assets								
Cash	-	-	-	-	-	342	-	342
Interbank and money market items, net	2	5,575	6,407	-	-	1,488	-	13,472
Investments, net	-	8,101	8,768	13,084	1,905	318	-	32,176
Loans to customers ⁽¹⁾	1,261	78,588	18,864	4,654	8	-	1,211	104,586
Total financial assets	1,263	92,264	34,039	17,738	1,913	2,148	1,211	150,576
Financial liabilities								
Deposits	12,734	57,866	20,704	251	20	168	-	91,743
Interbank and money market items	2,941	25,684	7,272	1,058	-	198	-	37,153
Liabilities payable on demand	-	-	-	-	-	198	-	198
Debt issued and borrowings	-	1,683	-	10	-	-	-	1,693
Total financial liabilities	15,675	85,233	27,976	1,319	20	564	-	130,787
On-financial reporting items, net	(14,412)	7,031	6,063	16,419	1,893	1,584	1,211	19,789
Off-financial reporting items								
Avals to bill and guarantee on loan	-	-	-	-	-	(14,437)	-	(14,437)
Letters of credit	-	-	-	-	-	(386)	-	(386)
Other contingencies including derivatives	-	5,500	(40)	(5,503)	-	(4,952)	-	(4,995)

⁽¹⁾Net of deferred revenue

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The Bank							
31 December 2013							
	At call	Reprice within 1 - 3 months	Reprice within 3 - 12 months	Reprice over 5 years 1 - 5 years	Reprice over 5 years	Non interest bearing	Non performing loans
							Total
<i>(in million Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	403	-
Interbank and money market items, net	3	3,392	2,594	-	-	1,156	-
Investments, net	-	12,293	6,842	9,972	1,471	254	-
Loans to customers ⁽¹⁾	9,518	76,403	11,305	6,576	17	-	1,354
Total financial assets	9,521	92,088	20,741	16,548	1,488	1,813	1,354
Financial liabilities							
Deposits	16,060	56,224	10,344	846	-	261	-
Interbank and money market items	3,511	37,708	2	1,108	-	257	-
Liabilities payable on demand	-	-	-	-	-	15	-
Debt issued and borrowings	-	3,241	-	10	-	-	-
Total financial liabilities	19,571	97,173	10,346	1,964	-	533	-
On-financial reporting items, net	(10,050)	(5,085)	10,395	14,584	1,488	1,280	1,354
Off-financial reporting items							
Avals to bill and guarantee on loan	-	-	-	-	-	(5,826)	-
Letters of credit	-	-	-	-	-	(228)	-
Other contingencies including derivatives	-	6,000	1,500	(7,556)	-	(6,096)	-

⁽¹⁾Net of deferred revenue

The average balances of the significant financial assets or liabilities of the Bank generating revenues or incurring expenses, calculated based on the average balances outstanding during the periods, and the average interest rates for the six-month periods ended 30 June 2014 and 2013 can be summarized as follows:

	Consolidated					
	2014		Average interest rate (%)	2013		Average interest rate (%)
	Average Balances (in million Baht)	Interest		Average Balances (in million Baht)	Interest	
Interest-bearing financial assets						
Interbank and money market items (Assets)	15,066	236	3.13	2,943	24	1.65
Investments	29,793	500	3.35	16,306	297	3.64
Loans to customers ⁽²⁾	146,204	3,657	5.00	119,156	3,512	5.90
Interest-bearing financial liabilities						
Deposits	92,311	1,210 ⁽¹⁾	2.62	73,111	1,078 ⁽¹⁾	2.95
Interbank and money market items (Liabilities)	46,294	390	1.68	36,649	283	1.55
Debt issued and borrowings	32,938	544	3.30	11,914	226	3.80

⁽¹⁾Excluding remittance and Bank Protection Act.

⁽²⁾Net of deferred revenue

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	The Bank					
	2014			2013		
	Average Balances (in million Baht)	Interest	Average interest rate (%)	Average Balances (in million Baht)	Interest	Average interest rate (%)
Interest-bearing financial assets						
Interbank and money market items (Assets)	14,866	236	3.17	2,790	24	1.74
Investments	29,793	500	3.35	16,306	297	3.64
Loans to customers ⁽²⁾	107,106	2,167	4.05	102,069	2,500	4.90
Interest-bearing financial liabilities						
Deposits	92,312	1,210 ⁽¹⁾	2.62	73,113	1,078 ⁽¹⁾	2.95
Interbank and money market items (Liabilities)	43,808	330	1.51	33,978	232	1.37
Debt issued and borrowings	1,703	23	2.74	2,617	47	3.53

⁽¹⁾ Excluding remittance and Bank Protection Act.

⁽²⁾ Net of deferred revenue

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the Bank incurring a financial loss.

The Bank has established a liquidity management policy, to ensure that the Bank has sufficient liquidity to meet debt and other obligations when due in normal circumstances, and has the liquidity contingency plans in place to handle crisis situations, as well as to ensure that management of liquidity strikes an appropriate balance between costs and benefits. The liquidity management policy is approved by the Group Risk Management Committee, the Executive Committee and the Board of Directors, respectively.

To manage the Bank's liquidity, the Treasury Division projects funding demand and identifies appropriate sources of funds consistent with the Bank's business and strategic plans. For the purpose of liquidity risk management, the Bank has set risk limits, required liquidity ratios, and liquidity control procedures, and the liquidity gap and liquidity management's performance are reported to the Asset and Liability Committee (ALCO) on a monthly basis. Moreover, the Risk Management Division closely monitors risk to ensure it remains within the limits set, and reports to the Group Risk Management Committee on a regular basis.

Moreover, the Bank has also formulated the liquidity contingency plans to handle any potential liquidity problems. These plans designate working procedures and explicitly assign roles and responsibilities to the relevant parties.

The Asset and Liability Committee has the following roles and responsibilities:

1. Review and verify the validity of the assumptions used by the Treasury Division
2. Formulate strategies relating to the regular and daily liquidity management
3. Ensure that liquidity management is efficient and appropriate policies and procedures for liquidity risk are established
4. Set interest rate policy
5. Ensure that the Bank has adequate information systems to measure, monitor, control and report liquidity risk
6. Approve the limits for mismatches in sources and uses of fund
7. Diversify sources of funds
8. Verify the liquidity contingency plan

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Group liquidity management is decentralized, with the subsidiary, ICBC (Thai) Leasing Co., Ltd. independently managing its own cash inflows and outflows. ICBC (Thai) Leasing Co., Ltd. sources funds mainly from the Bank, which will provide liquidity support, with the amount of funds based on Limited of Authority via the Board of Directors. Nevertheless, the Bank performs regular controlling and monitoring of the liquidity risk of its subsidiary and the subsidiary's liquidity gap is reported to the Asset and Liability Committee on a monthly basis.

The major uses of funds by the Bank are lending to corporate customers and investment in investment grade securities, but the Bank also designates limits to diversify the use of funds, such as limits on individual industries and lending limits for each individual. The Bank's main sources of funds are public deposits and borrowings. The Bank has set guidelines to reduce deposit concentrations, such as limits of the amount deposited per customer and limits of the amount deposited per corporate customer and per state enterprise.

The Bank has employed a conservative liquidity management policy, whereby it holds appropriate amounts of liquid assets, which can be easily converted into cash if liquidity problems arise. The Bank also maintains liquidity ratios in accordance with its expected liquidity requirement levels, for which there are three defined levels, depending on the economic, political and money market conditions. Such ratios are closely monitored on a daily basis.

The Bank generates reports and sets limits in liquidity management as follows:

1. Daily reports on the liquidity ratios used in determining the required amount of liquid assets, including liquid assets to total deposits ratio, liquid assets to top 20 large depositors ratio
2. Daily reports on amounts and types of liquid assets and their returns
3. Liquidity gap report, indicating expected cash inflows and outflows in different tenors, and cumulative net liquidity excess or shortfall, which reflects the period to maturity both on the basis of the contract and after behavioral adjustment. Liquidity gap reports are prepared on a monthly basis for normal circumstances and on a quarterly basis for crisis situations.
4. Monthly reports on liquidity ratios, to be used to provide indications of the Bank's liquidity and early warnings, including loan to deposit ratio, loan to asset ratio, investment to asset ratio, liquid asset to total asset ratio, liquid asset to short-term to 1-month deposit ratio, borrowing to total asset ratio, deposit to total asset ratio, proportion of large depositors to total deposits, maximum deposit withdrawal per day and rollover rate
5. Annual liquidity risk self assessment report
6. Monthly reports on any transactions or facilities exceeding approved limits
7. Monthly reports on the ratio of net liquidity deficit to deposits, the ratio of deposits from corporate customers and public enterprises and individual deposits.

The Bank also conducts stress tests on a quarterly basis, and regularly reviews the assumptions used to ensure they reflect current economic conditions, business strategies, and other relevant current and future factors. Stress test scenarios include a bank-specific crisis, a general market crisis and a combination of both scenarios that it is thought would have a severely adverse impact, and the Bank has prepared action plans to respond to the occurrence of such events. In addition, the Bank has prepared reports on its Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), in accordance with the BOT's guideline.

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As at 30 June 2014 and 31 December 2013, significant financial assets and liabilities are classified according to their contractual maturity as follows:

Consolidated								
30 June 2014								
	At call	0 – 3 Months	Maturity within 3 – 12 Months	1 – 5 years (in million Baht)	Over 5 years	No maturity	Non performing assets	Total
Financial assets								
Cash	-	-	-	-	-	343	-	343
Interbank and money market, net	1,689	5,573	6,418	-	-	-	-	13,680
Investments, net	-	7,508	8,422	14,023	1,905	318	-	32,176
Loans to customers ⁽¹⁾	77	24,490	44,148	69,768	9,857	-	2,794	151,134
Total financial assets	1,766	37,571	58,988	83,791	11,762	661	2,794	197,333
Financial liabilities								
Deposits	12,902	57,865	20,704	252	19	-	-	91,742
Interbank and money market	3,140	25,684	7,272	1,057	-	-	-	37,153
Liabilities payable on demand	198	-	-	-	-	-	-	198
Debt issued and borrowings	-	20,440	2,166	20,364	-	-	-	42,970
Total financial liabilities	16,240	103,989	30,142	21,673	19	-	-	172,063
On-financial reporting items, net	(14,474)	(66,418)	28,846	62,118	11,743	661	2,794	25,270
Off-financial reporting items								
Avals to bill and guarantees on loans	-	(9)	(209)	-	(19)	-	-	(237)
Letters of credit	-	(386)	-	-	-	-	-	(386)
Other contingencies including derivatives	-	(198)	(2,018)	(80)	(2,077)	(622)	-	(4,995)

⁽¹⁾Net of deferred revenue

⁽¹⁾Net of deferred revenue

Consolidated								
31 December 2013								
	At call	0 - 3 Months	Maturity within 3 - 12 Months	1 - 5 years	Over 5 years	No maturity	Non Performing assets	Total
(in million Baht)								
Financial assets								
Cash	-	-	-	-	-	404	-	404
Interbank and money market, net	1,463	3,381	2,596	-	-	14	-	7,454
Investments, net	-	11,601	6,253	11,252	1,472	254	-	30,832
Loans to customers ⁽¹⁾	121	22,657	32,770	70,285	9,364	-	2,746	137,943
Total financial assets	1,584	37,639	41,619	81,537	10,836	672	2,746	176,633
Financial liabilities								
Deposits	16,321	56,224	10,344	846	-	-	-	83,735
Interbank and money market	3,768	39,908	2	1,108	-	-	-	44,786
Liabilities payable on demand	15	-	-	-	-	-	-	15
Debt issued and borrowings	-	11,014	5,632	11,771	-	-	-	28,417
Total financial liabilities	20,104	107,146	15,978	13,725	-	-	-	156,953
On-financial reporting items, net	(18,520)	(69,507)	25,641	67,812	10,836	672	2,746	19,680
Off-financial reporting items								
Avals to bill and guarantees on loans	-	(169)	(57)	-	-	-	-	(226)
Letters of credit	(36)	(187)	(5)	-	-	-	-	(228)
Other contingencies including derivatives	(19)	(666)	(4,292)	(732)	-	(443)	-	(6,152)

⁽¹⁾Net of deferred revenue

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The Bank
30 June 2014

	At call	0 - 3 Months	Maturity within 3 - 12 Months	1 - 5 years	Over 5 years	No maturity	Non Performing assets	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	342	-	342
Interbank and money market, net	1,481	5,573	6,418	-	-	-	-	13,472
Investments, net	-	7,508	8,422	14,023	1,905	318	-	32,176
Loans to customers ⁽¹⁾	1,308	20,492	34,329	39,236	8,010	-	1,211	104,586
Total financial assets	2,789	33,573	49,169	53,259	9,915	660	1,211	150,576
Financial liabilities								
Deposits	12,902	57,865	20,704	252	20	-	-	91,743
Interbank and money market	3,140	25,684	7,272	1,057	-	-	-	37,153
Liabilities payable on demand	198	-	-	-	-	-	-	198
Debt issued and borrowings	-	1,683	-	10	-	-	-	1,693
Total financial liabilities	16,240	85,232	27,976	1,319	20	-	-	130,787
On-financial reporting items, net	(13,451)	(51,659)	21,193	51,940	9,895	660	1,211	19,789
Off-financial reporting items								
Avals to bill and guarantees on loans	-	(9)	(209)	(14,200)	(19)	-	-	(14,437)
Letters of credit	-	(386)	-	-	-	-	-	(386)
Other contingencies including derivatives	-	(198)	(2,018)	(80)	(2,077)	(622)	-	(4,995)

⁽¹⁾Net of deferred revenue

The Bank
31 December 2013

	At call	0 - 3 Months	Maturity within 3 - 12 Months	1 - 5 years	Over 5 years	No maturity	Non Performing assets	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	403	-	403
Interbank and money market, net	1,154	3,381	2,596	-	-	14	-	7,145
Investments, net	-	11,601	6,253	11,252	1,472	254	-	30,832
Loans to customers ⁽¹⁾	9,568	22,327	26,373	38,494	7,057	-	1,354	105,173
Total financial assets	10,722	37,309	35,222	49,746	8,529	671	1,354	143,553
Financial liabilities								
Deposits	16,321	56,224	10,344	846	-	-	-	83,735
Interbank and money market	3,768	37,708	2	1,108	-	-	-	42,586
Liabilities payable on demand	15	-	-	-	-	-	-	15
Debt issued and borrowings	-	3,241	-	10	-	-	-	3,251
Total financial liabilities	20,104	97,173	10,346	1,964	-	-	-	129,587
On-financial reporting items, net	(9,382)	(59,864)	24,876	47,782	8,529	671	1,354	13,966
Off-financial reporting items								
Avals to bill and guarantee on loan	-	(169)	(57)	(5,600)	-	-	-	(5,826)
Letters of credit	(36)	(187)	(5)	-	-	-	-	(228)
Other contingencies including derivatives	(19)	(666)	(4,292)	(732)	-	(443)	-	(6,152)

⁽¹⁾Net of deferred revenue

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities. Since the Bank has foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Bank has a policy to hedge this foreign exchange exposure through management of its net foreign exchange position and operating in accordance with a risk management policy.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Notes to the interim financial statements

The Bank and its subsidiary's significant foreign currency position as at 30 June 2014 and 31 December 2013 can be summarized as follows:

	US dollar	Renminbi	Yen	Consolidated 30 June 2014 Euro (in million Baht)	Others	Total
Financial assets						
Cash	-	35	-	-	-	35
Interbank and money market, net	2,509	6,816	1	-	13	9,339
Investments, net	10,972	261	-	-	-	11,233
Loans to customers ⁽¹⁾	51,898	68	-	39	1	52,006
Total financial assets	65,379	7,180	1	39	14	72,613
Financial liabilities						
Deposits	1,214	110	12	2	1	1,339
Interbank and money market	25,210	9	465	-	-	25,684
Total financial liabilities	26,424	119	477	2	1	27,023
On-financial reporting items, net	38,955	7,061	(476)	37	13	45,590
Off-financial reporting items						
Avals to bill and guarantee on loan	(2)	(209)	-	-	(20)	(231)
Letters of credit	(365)	(15)	-	(6)	-	(386)
Other contingencies including derivatives	(39,378)	(7,105)	459	(32)	(3)	(46,059)
Average exchange rate as at 30 June 2014	32.455	5.2274	0.320348	44.2748		
(Baht per 1 foreign currency unit)						
⁽¹⁾ Net of deferred revenue						

	US dollar	Renminbi	Yen	Consolidated 31 December 2013 Euro (in million Baht)	Others	Total
Financial assets						
Cash	-	80	-	-	-	80
Interbank and money market, net	1,344	2,607	1	1	6	3,959
Investments, net	9,890	2,918	-	-	-	12,808
Loans to customers ⁽¹⁾	37,688	123	-	47	-	37,858
Total financial assets	48,922	5,728	1	48	6	54,705
Financial liabilities						
Deposits	423	72	12	1	-	508
Interbank and money market	28,688	1	454	-	-	29,143
Total financial liabilities	29,111	73	466	1	-	29,651
On-financial reporting items, net	19,811	5,655	(465)	47	6	25,054
Off-financial reporting items						
Avals to bill and guarantee on loan	(2)	(216)	-	-	-	(218)
Letters of credit	(140)	(81)	(2)	(5)	-	(228)
Other contingencies including derivatives	(20,247)	(5,629)	466	(43)	-	(25,453)
Average exchange rate as at 31 December 2013	32.8136	5.4087	0.313042	45.0217		
(Baht per 1 foreign currency unit)						
⁽¹⁾ Net of deferred revenue						

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements

	<div> <div>The Bank</div> <div>30 June 2014</div> <div> <div>US dollar</div> <div>Renminbi</div> <div>Yen</div> <div>Euro</div> <div>Others</div> </div> <div>(in million Baht)</div> </div>					Total
Financial assets						
Cash	-	35	-	-	-	35
Interbank and money market, net	2,509	6,816	1	-	13	9,339
Investments, net	10,972	261	-	-	-	11,233
Loans to customers ⁽¹⁾	51,898	68	-	39	1	52,006
Total financial assets	65,379	7,180	1	39	14	72,613
Financial liabilities						
Deposits	1,214	110	12	2	1	1,339
Interbank and money market	25,210	9	465	-	-	25,684
Total financial liabilities	26,424	119	477	2	-	27,023
On-financial reporting items, net	38,955	7,061	(476)	37	13	45,590
Off-financial reporting items						
Avals to bill and guarantee on loan	(2)	(209)	-	-	(20)	(231)
Letters of credit	(365)	(15)	-	(6)	-	(386)
Other contingencies including derivatives	(39,378)	(7,105)	459	(32)	(3)	(46,059)
Average exchange rate as at 30 June 2014	32.455	5.2274	0.320348	44.2748		
(Baht per 1 foreign currency unit)						

⁽¹⁾ Net of deferred revenue

	The Bank					
	31 December 2013					
	US dollar	Renminbi	Yen	Euro	Others	Total
	(in million Baht)					
Financial assets						
Cash	-	80	-	-	-	80
Interbank and money market, net	1,344	2,607	1	1	6	3,959
Investments, net	9,890	2,918	-	-	-	12,808
Loans to customers ⁽¹⁾	37,688	123	-	47	-	37,858
Total financial assets	48,922	5,728	1	48	6	54,705
Financial liabilities						
Deposits	423	72	12	1	-	508
Interbank and money market	28,688	1	454	-	-	29,143
Total financial liabilities	29,111	73	466	1	-	29,651
On-financial reporting items, net	19,811	5,655	(465)	47	6	25,054
Off-financial reporting items						
Avals to bill and guarantee on loan	(2)	(216)	-	-	-	(218)
Letters of credit	(140)	(81)	(2)	(5)	-	(228)
Other contingencies including derivatives	(20,247)	(5,629)	466	(43)	-	(25,453)
Average exchange rate as at 31 December 2013	32.8136	5.4087	0.313042	45.0217		
(Baht per 1 foreign currency unit)						

⁽¹⁾ Net of deferred revenue

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements

Derivatives

The Bank engages in derivatives activities as required in the normal course of business of the Bank to meet its clients' needs and to manage the risks of the Bank arising from fluctuations in foreign exchange rates and interest rates.

The Bank has a policy to mitigate risk associated with derivatives by stipulating policies and limits that require risk reporting and control procedures for the various types of risk, as a control over derivative activities. The Bank manages the credit risk associated with derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, so that the Bank is able to maintain risk at acceptable levels.

The Bank has entered into interest rate swap contracts in order to manage risk associated with loans and investments, as follows:

	Consolidated and The Bank			
	30 June 2014		31 December 2013	
	Notional amount	Maturity	Notional amount	Maturity
	(in million Baht)			
<i>Interest rate swap contracts</i>				
Receive floating interest rates and pay fixed interest rates	8,000	2014-2016	14,750	2014-2016
Receive fixed interest rate and pay floating interest rate	-	-	250	2014

The Bank has entered into cross currency interest rate swap contracts in order to manage the risk associated with investments in foreign debt securities, as follows:

Consolidated and The Bank				
	30 June 2014		31 December 2013	
	Notional amount	Maturity	Notional amount	Maturity
	(in million Baht)			
<i>Cross currency interest rate swap contracts</i>				
Receive interest at a fixed rate on Baht notional amounts and to pay interest at a fixed rate on USD notional amounts	1,168	2015-2016	1,181	2015-2016

As at 30 June 2014 and 31 December 2013, financial derivatives, classified by their maturities, are as follows:

Consolidated and The Bank						
	30 June 2014			31 December 2013		
	Not over 1 year	Over 1 year	Total	Not over 1 year	Over 1 year	Total
	(in million Baht)					
Forward exchange contracts						
Bought	12,641	261	12,902	12,473	-	12,473
Sold	45,751	1,144	46,895	25,288	-	25,288
Interest rate swap contracts	2,500	5,500	8,000	7,500	7,500	15,000
Cross currency and interest rate swap contracts						
Sold	616	552	1,168	-	1,181	1,181

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Notes to the interim financial statements

6 Fair value of financial instruments

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction by using quoted market prices or estimates using other valuation techniques.

A summary of book value and fair value of significant financial assets and liabilities are as follows:

	Consolidated			
	30 June 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	343	343	404	404
Interbank and money market items, net	13,680	13,680	7,454	7,454
Derivative assets	352	280	402	63
Investments, net	32,176	32,176	30,832	30,832
Loans to customers, net	147,777	147,388	134,733	134,181
Total financial assets	194,328	193,867	173,825	172,934
<i>Financial liabilities</i>				
Deposits	91,742	91,743	83,735	83,737
Interbank and money market items	37,153	37,153	44,786	44,786
Liabilities payable on demand	198	198	15	15
Derivative liabilities	189	226	1,131	895
Debt issued and borrowings	42,970	43,187	28,417	28,491
Total financial liabilities	172,252	172,507	158,084	157,924

	The Bank			
	30 June 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	342	342	403	403
Interbank and money market items, net	13,472	13,472	7,145	7,145
Derivative assets	352	280	402	63
Investments, net	32,176	32,176	30,832	30,832
Loans to customers, net	102,345	102,362	102,949	102,971
Total financial assets	148,687	148,632	141,731	141,414
<i>Financial liabilities</i>				
Deposits	91,743	91,743	83,735	83,737
Interbank and money market items	37,153	37,153	42,586	42,586
Liabilities payable on demand	198	198	15	15
Derivative liabilities	189	226	1,131	895
Debt issued and borrowings	1,693	1,693	3,251	3,251
Total financial liabilities	130,976	131,013	130,718	130,484

Methods and assumptions in estimating fair values of financial instruments

The following methods and assumptions are used by the Bank in estimating fair market values of financial instruments as disclosed herein:

Cash and interbank and money market items (Assets)

The fair value of cash, short-term interbank and money market items and floating rate instruments is their carrying amounts presented in the statements of financial position. The estimated fair value of fixed interest bearing items is based on discounted cash flows using the prevailing money market rates on similar instruments.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

Notes to the interim financial statements

Available-for-sale securities and held-to-maturity debt instruments

The fair value is based on quoted market prices, where available. If quoted market prices are not available, market value is based on quoted market prices of comparable instruments after adjustment for the risk involved or the net asset values of such securities.

General investments

The fair value of general investments is based on the carrying amount presented in the statements of financial position.

Loans to customers

For variable floating-rate loans to customers that reprice frequently and have no significant change in credit risk, fair value is based on carrying value. Fair value of fixed rate loans to customers that reprice within 1 year of the reporting date approximates the carrying value at the reporting date. Fair value for other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar terms to customers of similar credit quality.

Deposits

The fair value disclosed for deposits which are payable on demand by the depositor is equal to the carrying value of such deposits. The carrying amounts of variable-rate, fixed-term money market accounts, certificates of deposit and fixed rate deposits repricing within 1 year approximate their market value at the reporting date. Fair value for other fixed interest deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate expected monthly maturities on time deposits.

Interbank and money market items (liabilities) and Debt issued and borrowings

The fair value of interbank and money market items and debt issued and borrowings and/or items which bear variable rates of interest approximates their carrying amount at the reporting date. Fair value for fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

Liabilities payable on demand

The fair value of liabilities payable on demand approximates carrying amount.

Derivatives

The fair values of foreign exchange contracts, interest rate contracts and other contracts are determined by estimating the amount that would be paid or received to terminate the contract or replace them at their current market rates, and are disclosed in Note 9.

7 Maintenance of capital fund

The Bank and its subsidiary, which are financial institutions, are subject to various capital and regulatory requirements of the BoT. Under these capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and its subsidiary must satisfy specific capital guidelines that involve, among others, quantitative measures of the Bank's assets, liabilities and certain off-financial reporting items as calculated in accordance with regulatory accounting practices. The Bank's and its subsidiary' capital amounts and classifications are also subject to qualitative judgments by the BoT as to components, risk weightings, and other factors. These capital and regulatory requirements are subject to change, as considered necessary by the BoT.

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Notes to the interim financial statements

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. According to the Bank of Thailand's regulations, capital fund as at 8 November 2012 and 17 December 2012 and thereafter must be calculated according to Basel III. The Bank and financial group comply with the regulatory capital according to Basel III since 1 January 2013.

As at 30 June 2014 and 31 December 2013, the Bank maintains its capital fund in accordance with Basel III and the Bank's total capital funds and capital ratio in accordance with Basel III can be categorised as follows:

	The Bank	
	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	14,186,840	14,186,840
Legal reserve	200,000	200,000
Retained earnings after appropriations	1,225,682	89,329
Other comprehensive income	178,418	95,302
Less Capital deduction items on CET1	(27,473)	(66,173)
Total Tier 1 capital	15,763,467	14,505,298
Tier 2 capital		
Allowance for classified assets of "pass" category and specific allowance	826,704	632,764
Capital deduction items on Tier 2 capital	(248,280)	(257,160)
Total Tier 2 capital	578,424	375,604
Total capital funds	16,341,891	14,880,902

	The Bank		
	30 June 2014	31 December 2013 (%)	BOT Requirement
Capital ratio			
Tier 1 capital to total risk assets	14.53	13.32	6.00
Tier 1 common equity to total risk assets	14.53	13.32	4.50
Tier 2 capital to total risk assets	0.53	0.35	-
Total capital / Total risk assets	15.06	13.67	8.50

As Disclosures of capital maintenance information under the Notification of the Bank of Thailand, the Public Disclosures of Capital Maintenance for Commercial Banks in accordance with the BoT's directive number SOR NOR SOR 4/2556, dated 2 May 2013, the Bank has made the Disclosures of Capital Maintenance and Information security risks for the Bank and financial group as at 31 December 2013 in the Bank's website, www.icbcthai.com, on 29 April 2014. The Bank will disclose the Capital Maintenance and Information security risks for the Bank and financial group at 30 June 2014 and within October 2014.

Capital management

The primary objectives of the Bank's capital management are to support business growth and to maintain a capital adequacy ratio and the credit rating.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements

8 Interbank and money market items, net (Assets)

	Consolidated					
	30 June 2014		31 December 2013			
	Demand	Time	Total	Demand	Time	Total
	<i>(in thousand Baht)</i>					
Domestic items						
Bank of Thailand	1,271,574	800,000	2,071,574	846,620	-	846,620
Commercial Banks	268,373	1,000,000	1,268,373	330,236	-	330,236
Specialised financial institutions	2,950	-	2,950	5,361	1,450,000	1,455,361
Other financial institutions	-	1,004,599	1,004,599	13,779	854,400	868,179
Total	1,542,897	2,804,599	4,347,496	1,195,996	2,304,400	3,500,396
Add accrued interest receivables	2	846	848	111	1,358	1,469
Less allowance for doubtful accounts	-	(7,505)	(7,505)	-	(6,415)	(6,415)
Total domestic items, net	1,542,899	2,797,940	4,340,839	1,196,107	2,299,343	3,495,450
Foreign items						
US Dollar	103,306	2,450,121	2,553,427	247,870	1,107,000	1,354,870
AUD	626	-	626	848	-	848
Renminbi	24,371	6,959,356	6,983,727	25,186	2,660,643	2,685,829
Euro	86	-	86	657	-	657
HKD	4,455	-	4,455	2,493	-	2,493
Other currencies	9,244	-	9,244	3,682	-	3,682
Total	142,088	9,409,477	9,551,565	280,736	3,767,643	4,048,379
Add accrued interest receivables	-	12,815	12,815	-	3,566	3,566
Less deferred revenue	-	(83,922)	(83,922)	-	(56,402)	(56,402)
Less allowance for doubtful accounts	-	(140,999)	(140,999)	-	(37,449)	(37,449)
Total foreign items, net	142,088	9,197,371	9,339,459	280,736	3,677,358	3,958,094
Total domestic and foreign items, net	1,684,987	11,995,311	13,680,298	1,476,843	5,976,701	7,453,544

	The Bank					
	30 June 2014		31 December 2013			
	Demand	Time	Total	Demand	Time	Total
	<i>(in thousand Baht)</i>					
Domestic items						
Bank of Thailand	1,271,574	800,000	2,071,574	846,620	-	846,620
Commercial Banks	63,480	1,000,000	1,063,480	26,559	-	26,559
Specialised financial institutions	-	-	-	-	1,450,000	1,450,000
Other financial institutions	-	1,004,599	1,004,599	13,780	854,400	868,180
Total	1,335,054	2,804,599	4,139,653	886,959	2,304,400	3,191,359
Add accrued interest receivables	-	846	846	106	1,358	1,464
Less allowance for doubtful accounts	-	(7,505)	(7,505)	-	(6,415)	(6,415)
Total domestic items, net	1,335,054	2,797,940	4,132,994	887,065	2,299,343	3,186,408
Foreign items						
US Dollar	103,306	2,450,121	2,553,427	247,869	1,107,000	1,354,869
AUD	626	-	626	848	-	848
Renminbi	24,371	6,959,356	6,983,727	25,185	2,660,643	2,685,828
Euro	86	-	86	657	-	657
HKD	4,455	-	4,455	2,494	-	2,494
Other currencies	9,244	-	9,244	3,683	-	3,683
Total	142,088	9,409,477	9,551,565	280,736	3,767,643	4,048,379
Add accrued interest receivables	-	12,815	12,815	-	3,566	3,566
Less deferred revenue	-	(83,922)	(83,922)	-	(56,402)	(56,402)
Less allowance for doubtful accounts	-	(140,999)	(140,999)	-	(37,449)	(37,449)
Total foreign items, net	142,088	9,197,371	9,339,459	280,736	3,677,358	3,958,094
Total domestic and foreign items, net	1,477,142	11,995,311	13,472,453	1,167,801	5,976,701	7,144,502

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Notes to the interim financial statements

9 Derivatives

Trading book

The fair value and the notional amount classified by type of risk

Type of risk	Consolidated and The Bank					
	30 June 2014			31 December 2013		
	Fair value		Notional	Fair value		Notional
	Assets	Liabilities	amount ⁽¹⁾	Assets	Liabilities	amount ⁽¹⁾
	<i>(in thousand Baht)</i>					
Foreign exchange rates	10,916	10,988	5,022,243	169,350	153,168	7,692,041
Total	10,916	10,988	5,022,243	169,350	153,168	7,692,041

⁽¹⁾ Disclosed only in case that the Bank has the commitment on the payment side.

Proportion of derivative trading transaction classified by types of counterparty, determined on the basis of the notional amount

Counterparties	Consolidated and The Bank	
	30 June 2014	31 December 2013
	<i>(%)</i>	
Financial institutions	87.15	89.94
Corporations	12.85	10.06
Total	100.00	100.00

Derivatives not entered for trading purposes

The Bank has commitments under forward foreign exchange contracts, interest rate swap contracts and cross currency and interest rates swap contracts, which are measured based on an accrual basis. The gains or losses on exchange as a result of translation to the reporting period-end rates under the accrual basis are recorded as a part of “Derivative assets” or “Derivative liabilities” in the statements of financial position and interest receivables or payables that are determined as they accrue based on the contracts as at the end of reporting period are recorded as a part of “Accrued income” or recorded as “Accrued interest payables”, as the case may be, in the statements of financial position.

Type of risk	Consolidated and The Bank					
	30 June 2014			31 December 2013		
	Carrying value ⁽²⁾		Notional	Carrying value ⁽²⁾		Notional
	Assets	Liabilities	amount ⁽¹⁾	Assets	Liabilities	amount ⁽¹⁾
	<i>(in thousand Baht)</i>					
Foreign exchange rates	331,981	126,219	54,731,046	227,152	916,461	30,088,547
Interest rate	— ⁽³⁾	— ⁽³⁾	8,000,000	— ⁽³⁾	— ⁽³⁾	15,000,000
Cross currency	9,550 ⁽³⁾	52,275 ⁽³⁾	1,168,380	5,964 ⁽³⁾	61,598 ⁽³⁾	1,181,290
Total	341,531	178,494	63,899,426	233,116	978,059	46,269,837

⁽¹⁾ Disclosed only in case that the Bank has the commitment on the payment side.

⁽²⁾ Carrying value is the value determined based on an accrual basis as described in accounting policy regarding to derivatives for banking book.

⁽³⁾ Not included interest receivables and payables, which are recorded as a part of “Accrued income” or recorded as “Accrued interest payables” in the statements of financial position, as the case maybe.

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10 Investments, net

10.1 Classified by type of investments

	Consolidated and The Bank	
	30 June 2014	31 December 2013
	Fair value (in thousand Baht)	
<i>Available-for-sale securities</i>		
Government and state enterprise securities	20,625,069	17,769,346
Foreign debt securities	11,143,831	12,719,010
Domestic equity securities	226,366	161,720
Investment in receivables	89,056	89,407
Total	32,084,322	30,739,483
	Cost	
<i>General investments</i>		
Domestic non-marketable equity securities	100,523	100,622
Less allowance for impairment	(8,930)	(7,975)
Net	91,593	92,647
Total investments, net	32,175,915	30,832,130

As at 30 June 2014 and 31 December 2013, Baht 5,544 million and Baht 3,815 million, respectively of the banking bond portfolio which are classified as available-for-sale securities, are pledged as security on a contract for repurchase agreements.

10.2 Classified by the remaining periods to maturity of the debt securities

	Consolidated and The Bank			
	30 June 2014			
	Periods to maturity			
	1 year	1-5 years	Over 5 years	Total
	(in thousand Baht)			
Available-for-sale securities				
Government and state enterprise securities	11,947,876	7,113,747	1,627,895	20,689,518
Foreign debt securities	3,833,026	6,677,333	372,783	10,883,142
Investment in receivables	89,056	-	-	89,056
Total	15,869,958	13,791,080	2,000,678	31,661,716
Add (less) allowance for revaluation	60,237	231,746	(95,743)	196,240
Total available-for-sale securities	15,930,195	14,022,826	1,904,935	31,857,956
Total debt securities	15,930,195	14,022,826	1,904,935	31,857,956

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements

	Consolidated and The Bank			
	31 December 2013			
	Periods to maturity			
	1 year	1-5 years	Over 5 years	Total
	<i>(in thousand Baht)</i>			
Available-for-sale securities				
Government and state enterprise securities	12,322,478	3,951,651	1,628,421	17,902,550
Foreign debt securities	5,405,870	7,050,750	-	12,456,620
Investment in receivables	89,407	-	-	89,407
Total	17,817,755	11,002,401	1,628,421	30,448,577
<i>Add (less) allowance for revaluation</i>	<i>36,081</i>	<i>250,004</i>	<i>(156,899)</i>	<i>129,186</i>
Total available-for-sale securities	17,853,836	11,252,405	1,471,522	30,577,763
Total debt securities	17,853,836	11,252,405	1,471,522	30,577,763

10.3 Revaluation surplus on available-for-sale investments

	Consolidated and The Bank	
	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>	
<i>Revaluation surplus on available-for-sale investments</i>		
Debt securities	196,240	129,186
Equity securities	183,775	119,128
Total	380,015	248,314
<i>Less deferred tax</i>	<i>(76,003)</i>	<i>(49,663)</i>
Total, net of deferred tax	304,012	198,651

10.4 Promissory notes from Thai Asset Management Corporation

During 2001 to 2003, the Bank transferred non-performing loans to the Thai Asset Management Corporation (“TAMC”) whereby TAMC issued non-transferable promissory notes for the value of the assets transferred. On the face of the notes indicated the amounts accounting to the transfer prices, the issuance dates (being the same as the transfer dates), and the maturity dates being 10 years after the issuance dates. The promissory notes are availed by the Financial Institutions Development Fund (“FIDF”) and may be redeemed by TAMC prior to maturity.

As a result of transferring non-performing loans to TAMC, the Bank received promissory notes from TAMC of Baht 2,599 million, maturing from 31 October 2011 to 30 September 2013 in settlement for transfer prices of non-performing loans transferred, and the Bank classified such promissory notes as held-to-maturity debt securities. As of 31 December 2013, TAMC has made fully payment and redeemed promissory notes.

The Bank is jointly responsible, together with TAMC, for future profit or loss sharing from TAMC’s management of the non-performing loans.

- If there are profits, the first portion not exceeding 20 percent of the transfer price shall be equally shared between the Bank and TAMC. The second portion shall be fully given to the Bank; provided that, when added to the first portion, the sum shall not exceed the difference between the book value and the transfer price. Any remaining profits after the second portion shall be for TAMC.

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- If there are losses, the first portion not exceeding 20 percent of the transfer price shall be borne solely by the Bank. The second portion remaining after the first portion that does not exceed 20 percent of transfer price shall be equally shared and borne between the Bank and TAMC. Any remaining losses after the second portion shall be borne by TAMC.

The Bank is still jointly liable for share of the profit or loss at the end of fifth and tenth years counting from 1 July 2001.

In 2013, the Bank was informed of its share of losses after completion of the remaining asset management process from TAMC, which was lower than the amount originally provided for. Accordingly, the Bank has reversed a provision for loss sharing amounting to Baht 177 million from Baht 222 million which has been presented as reversal of expense within other operating expenses. Further, the Bank also made a payment of Baht 23 million which has been reversed from the provision made.

Accordingly, as at 30 June 2014, the Bank has provision of Baht 22 million (*31 December 2013: Baht 22 million*), which is presented as a part of "Other provision". The share of losses is in the process of negotiation with TAMC and is not final amount to be settled.

10.5 Investments in companies with holding of 10% and upwards

Investments in securities of which the Bank and its subsidiary hold 10% or more of the paid-up capital of the investee company (but not record these securities as investments in subsidiaries and associates), which is recorded as a part of general investments and classified as long-term investments, were as follows:

Consolidated and The Bank						
30 June 2014						
Company's name	Type of business	Type of securities held	Ownership interest (%)	Paid-up capital (in thousand Baht)	Cost	
Bangkok BTMU Company Limited	Lending and investment holding businesses	Ordinary shares	10	200,000	20,390	
Total					20,390	

Consolidated and The Bank						
31 December 2013						
Company's name	Type of business	Type of securities held	Nature of Relation ship	Ownership interest (%)	Paid-up capital (in thousand Baht)	Cost
Bangkok BTMU Company Limited	Lending and investment holding businesses	Ordinary shares	Related Through the Bank's director	10	200,000	20,390
Total						20,390

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10.6 Investments in companies with problems in their financial positions and operating results

	Consolidated and The Bank					
	30 June 2014			31 December 2013		
	Cost	Fair value	Allowance for impairment (in thousand Baht)	Cost	Fair value	Allowance for impairment
Companies with problems in their financial positions and operating results	9,817	887	(8,930)	9,817	1,842	(7,975)

11 Investments in a subsidiary, net

Investments in a subsidiary as at 30 June 2014 and 31 December 2013, and dividend income from those investments for the six-month periods ended 30 June 2014 and 2013, were as follows:

The Bank

Name of subsidiary	Type of business	Ownership interest		Paid-up capital		Cost		Dividend income for the six-month period ended 30 June	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013		
		(%)				(in million Baht)			
ICBC (Thai) Leasing Company Limited ⁽¹⁾	Finance lease and hire purchase	99.99	99.99	4,250	4,250	4,250	4,250	-	-

⁽¹⁾ The subsidiary is incorporated in Thailand.

12 Investment in an associate, net

Investment in associate as at 30 June 2014 and 31 December 2013, and dividend income from this investment for the six-month periods ended 30 June 2014 and 2013 were as follows:

Consolidated

30 June 2014

Name of associate	Type of business	Country of incorporation	Ownership interest	Paid-up capital				Dividend income for the six-month period ended 30 June 2014
					Cost	Equity	Fair value of listed securities	
				(%)			(in million Baht)	
Finansia Syrus Securities Public Company Limited	Securities business	Thailand	23.56	880	305	465	446	3
					305	465	446	3

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Name of associate	Type of business	Country of incorporation	Ownership interest	Paid-up capital (%)	Consolidated 31 December 2013			Dividend income for the six-month period ended 30 June 2013
					Cost	Equity	Fair value of listed securities (in million Baht)	
Finansia Syrus Securities Public Company Limited	Securities business	Thailand	23.56	748	305	463	497	17
					<u>305</u>	<u>463</u>	<u>497</u>	<u>17</u>

The following summarised financial information on interests in equity-accounted investees which have been proportionately consolidated in the consolidated financial statements represents the Group's share:

Name of associate	Ownership interest (%)	30 June 2014		For the six-month period ended 30 June 2014		
		Total assets	Total liabilities	Total revenue (in million Baht)	Total expenses	Net profit
Finansia Syrus Securities Public Company Limited	23.56	4,028	2,048	696	662	34

Name of associate	Ownership interest (%)	31 December 2013		For the six-month period ended 30 June 2013		
		Total assets	Total liabilities	Total revenue (in million Baht)	Total expenses	Net profit
Finansia Syrus Securities Public Company Limited	23.56	4,035	2,069	1,428	1,141	287

13 Loans to customers and accrued interest receivables, net

13.1 Classified by types of loans

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Overdrafts	683,368	769,928	683,368	769,928
Loans	53,740,798	55,413,847	53,536,494	55,343,037
Notes receivable	48,035,046	29,182,699	50,367,046	49,059,699
Hire-purchase receivables	51,528,418	56,501,643	-	-
Finance leases receivables	4,385,051	4,246,432	-	-
Total loans to customers	<u>158,372,681</u>	<u>146,114,549</u>	<u>104,586,908</u>	<u>105,172,664</u>
Less deferred revenue	<u>(7,238,362)</u>	<u>(8,171,356)</u>	<u>(1,129)</u>	<u>-</u>
Total loans to customers, net of deferred revenue	<u>151,134,319</u>	<u>137,943,193</u>	<u>104,585,779</u>	<u>105,172,664</u>
Add accrued interest receivables	<u>170,757</u>	<u>206,896</u>	<u>171,405</u>	<u>218,880</u>
Total loans to customers, net of deferred revenue and accrued interest receivables	<u>151,305,076</u>	<u>138,150,089</u>	<u>104,757,184</u>	<u>105,391,544</u>
Less allowance for doubtful accounts				
- allowance established per BoT regulations	(1,646,847)	(1,527,493)	(773,657)	(954,025)
- allowance established in excess of BoT regulations	(1,860,028)	(1,870,268)	(1,617,932)	(1,469,442)
Less revaluation of allowance for debt restructuring	<u>(20,801)</u>	<u>(19,461)</u>	<u>(20,801)</u>	<u>(19,461)</u>
Loans to customers and accrued interest receivables, net	<u>147,777,400</u>	<u>134,732,867</u>	<u>102,344,794</u>	<u>102,948,616</u>

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13.2 Classified by currency and residential status of customers

	Consolidated					
	30 June 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	99,128,775	-	99,128,775	100,085,163	-	100,085,163
US Dollar	15,837,389	36,060,129	51,897,518	7,892,287	29,795,617	37,687,904
Renminbi	15,822	52,472	68,294	12,926	110,243	123,169
Euro	38,958	-	38,958	46,842	-	46,842
Pound sterling	774	-	774	-	-	-
SG Dollar	-	-	-	115	-	115
Total ⁽¹⁾	115,021,718	36,112,601	151,134,319	108,037,333	29,905,860	137,943,193

⁽¹⁾ Total Loans to customers net of deferred revenues.

	The Bank					
	30 June 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	52,580,235	-	52,580,235	67,314,634	-	67,314,634
US Dollar	15,837,389	36,060,129	51,897,518	7,892,287	29,795,617	37,687,904
Renminbi	15,822	52,472	68,294	12,926	110,243	123,169
Euro	38,958	-	38,958	46,842	-	46,842
Pound sterling	774	-	774	-	-	-
SG Dollar	-	-	-	115	-	115
Total ⁽¹⁾	68,473,178	36,112,601	104,585,779	75,266,804	29,905,860	105,172,664

⁽¹⁾ Total Loans to customers net of deferred revenues.

13.3 Classified by business types and loan classification

	Consolidated				
	30 June 2014				
	Pass	Special mention	Substandard	Doubtful	Total
	<i>(in thousand Baht)</i>				
Agriculture and mining	556,656	-	-	-	556,656
Manufacturing and commerce	65,620,166	253,686	-	33,790	66,531,812
Property development and construction	8,329,212	38,286	4,247	-	8,835,548
Infrastructure and services	20,778,091	292,640	-	-	21,134,600
Housing loans	25,134	6,022	-	243	35,060
Others	48,523,080	3,916,851	1,035,089	548,629	54,040,643
Total ⁽¹⁾	143,832,339	4,507,485	1,039,336	582,662	151,134,319

⁽¹⁾ Total Loans to customers net of deferred revenues.

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Consolidated						
31 December 2013						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
	<i>(in thousand Baht)</i>					
Agriculture and mining	269,214	60,467	-	-	11,947	341,628
Manufacturing and commerce	52,288,822	431,856	-	1,567	782,461	53,504,706
Property development and construction	7,348,447	65,481	5,077	-	467,942	7,886,947
Infrastructure and services	19,465,584	291,928	-	-	64,079	19,821,591
Housing loans	30,292	6,198	-	2,505	1,489	40,484
Others	50,599,641	4,339,009	984,275	407,919	16,993	56,347,837
Total⁽¹⁾	<u>130,002,000</u>	<u>5,194,939</u>	<u>989,352</u>	<u>411,991</u>	<u>1,344,911</u>	<u>137,943,193</u>

⁽¹⁾ Total Loans to customers net of deferred revenues.

The Bank						
30 June 2014						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
	<i>(in thousand Baht)</i>					
Agriculture and mining	556,656	-	-	-	-	556,656
Manufacturing and commerce	67,748,414	253,686	-	33,790	624,170	68,660,060
Property development and construction	8,329,212	38,286	4,247	-	463,803	8,835,548
Infrastructure and services	20,778,091	292,640	-	-	63,869	21,134,600
Housing loans	25,134	6,022	-	243	3,661	35,060
Others	5,012,184	334,677	-	-	16,994	5,363,855
Total⁽¹⁾	<u>102,449,691</u>	<u>925,311</u>	<u>4,247</u>	<u>34,033</u>	<u>1,172,497</u>	<u>104,585,779</u>

⁽¹⁾ Total Loans to customers net of deferred revenues.

The Bank						
31 December 2013						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
	<i>(in thousand Baht)</i>					
Agriculture and mining	269,214	60,467	-	-	11,947	341,628
Manufacturing and commerce	72,095,183	431,856	-	1,567	782,461	73,311,067
Property development and construction	7,348,447	65,481	5,077	-	467,942	7,886,947
Infrastructure and services	19,465,584	291,928	-	-	64,079	19,821,591
Housing loans	30,292	6,198	-	2,505	1,489	40,484
Others	3,399,311	354,643	-	-	16,993	3,770,947
Total⁽¹⁾	<u>102,608,031</u>	<u>1,210,573</u>	<u>5,077</u>	<u>4,072</u>	<u>1,344,911</u>	<u>105,172,664</u>

⁽¹⁾ Total Loans to customers net of deferred revenues.

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13.4 Loans classified by type of classification

Consolidated 30 June 2014				
	Loans to customers and accrued interest receivables less deferred revenue	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts
<i>(in thousand Baht)</i>				
Minimum allowance as per BoT's Regulations				
Pass	143,996,940	49,605,873	1	496,059
Special mention	4,513,641	1,289,874	2	25,798
Substandard	1,039,336	516,377	100	516,377
Doubtful	582,662	307,471	100	307,471
Doubtful of loss	1,172,497	301,142	100	301,142
				1,646,847
Excess allowance				1,860,028
Total	151,305,076	52,020,737		3,506,875

⁽¹⁾ Net balance used in setting up allowance for doubtful accounts is (a) debt balances (excluding accrued interest receivable) and net of collateral in case of loans classified as “pass” and “special-mention” or (b) debt balances remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals in case of loans classified as “sub-standard”, “doubtful” and “doubtful of loss”.

Consolidated 31 December 2013				
	Loans to customers and accrued interest receivables less deferred revenue	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts
<i>(in thousand Baht)</i>				
Minimum allowance as per BoT's Regulations				
Pass	130,200,893	45,522,740	1	455,227
Special mention	5,202,912	1,351,981	2	27,040
Substandard	989,382	484,206	100	484,206
Doubtful	411,991	212,109	100	212,109
Doubtful of loss	1,344,911	348,911	100	348,911
				1,527,493
Excess allowance				1,870,268
Total	138,150,089	47,919,947		3,397,761

⁽¹⁾ Net balance used in setting up allowance for doubtful accounts is (a) debt balances (excluding accrued interest receivable) and net of collateral in case of loans classified as “pass” and “special-mention” or (b) debt balances remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals in case of loans classified as “sub-standard”, “doubtful” and “doubtful of loss”.

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	Loans to customers and accrued interest receivables less deferred revenue	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts
<i>(in thousand Baht)</i>				
Minimum allowance as per BoT's Regulations				
Pass	102,614,938	45,683,714	1	456,837
Special mention	931,468	348,285	2	6,966
Substandard	4,248	-	100	-
Doubtful	34,033	8,712	100	8,712
Doubtful of loss	1,172,497	301,142	100	301,142
				<u>773,657</u>
Excess allowance				1,617,932
Total	104,757,184	46,341,853		2,391,589

⁽¹⁾ Net balance used in setting up allowance for doubtful accounts is (a) debt balances (excluding accrued interest receivable) and net of collateral in case of loans classified as “pass” and “special-mention” or (b) debt balances remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals in case of loans classified as “sub-standard”, “doubtful” and “doubtful of loss”.

The Bank
31 December 2013

	Loans to customers and accrued interest receivables less deferred revenue	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts
<i>(in thousand Baht)</i>				
Minimum allowance as per BoT's Regulations				
Pass	102,818,907	59,529,006	1	595,290
Special mention	1,218,547	412,874	2	8,257
Substandard	5,107	-	100	-
Doubtful	4,072	1,567	100	1,567
Doubtful of loss	1,344,911	348,911	100	348,911
				<u>954,025</u>
Excess allowance				1,469,442
Total	105,391,544	60,292,358		2,423,467

⁽¹⁾ Net balance used in setting up allowance for doubtful accounts is (a) debt balances (excluding accrued interest receivable) and net of collateral in case of loans classified as “pass” and “special-mention” or (b) debt balances remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals in case of loans classified as “sub-standard”, “doubtful” and “doubtful of loss”.

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13.5 Non-Performing Loans

As at 30 June 2014 and 31 December 2013, the Bank used the guidelines specified in the BoT's notification dated 3 August 2008 in determining Non-Performing Loans which consist of loans classified as sub-standard, doubtful, doubtful of loss and loss under the BoT's guideline. The amounts are as follows:

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Non-Performing Loans (net of allowance for doubtful accounts)	1,646,835	1,679,372	879,395	981,927
% of Non-Performing Loans to total loans (net)	1.03	1.18	0.77	0.89
Non-Performing Loans (gross)	2,794,495	2,746,255	1,210,777	1,354,061
% of Non-Performing Loans to total loans	1.73	1.91	1.05	1.22

13.6 Non-accrual loans

Non-accrual loans, gross, (including loans to financial institutions) as at 30 June 2014 and 31 December 2013 are as follows:

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Loans where recognition of income has been suspended (principal only)	2,790,249	2,741,178	1,206,531	1,348,984
% of loans where recognition of income has been suspended ⁽¹⁾	1.65	1.90	1.05	1.21

⁽¹⁾ The denominator base included interbank and money market items (loans).

The above loans for customers exclude overdue loans, which had been already restructured and qualified for classification as "Pass" or "Special-mention".

13.7 Gain on disposal of non-performing loans

During the year 2014, the Bank reached an agreement with an asset management company to dispose off two of its non-performing loans. The carrying amount of the loans were Baht 94.5 million. The Bank received Baht 330 million, resulting in a gain of Baht 235.5 million for the six-month period ended 30 June 2014. Previously, the Bank had written off Baht 315.1 million for the above mentioned loans.

13.8 Loans to a subsidiary

Company's name	Types of loans	Maturity	Interest rate as at		Amounts principal outstanding	
			30 June 2014	31 December 2013	30 June 2014	31 December 2013
			<i>(% per annum)</i>		<i>(in million Baht)</i>	
ICBC (Thai) Leasing Company Limited	Revolving loan	At call	3.85	4.00	1,232	9,447
	Revolving loan		4.45-5.22	4.45-5.22	1,100	10,430
	(30 June 2014: June 2015 - July 2015)					
	31 December 2013: January 2014 - July 2015)					
Total					2,332	19,877
Allowance for doubtful accounts					1,008	1,008

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Allowance for doubtful accounts represents the minimum allowance required under BoT guidelines and an additional allowance of Baht 984 million as at 30 June 2014 (*31 December 2013: Baht 809 million*) recorded at the parent company level to account for expected losses arising in the hire purchase and finance lease receivable portfolio. In the consolidated accounts, the allowance for doubtful accounts is allocated against the hire purchase and finance lease receivable portfolio (Note 15).

13.8 Loans to companies having problems with financial position and operating results

	Consolidated and The Bank							
	30 June 2014				31 December 2013			
	No. of companies	Loans and accrued interest receivables	Collateral	Allowance for doubtful accounts	No. of companies	Loans and accrued interest receivables	Collateral	Allowance for doubtful accounts
				(in million Baht)				
Listed companies identified for delisting/under rehabilitation	1	2	2	2	1	4	4	4

14 Troubled debt restructuring

During the periods ended 30 June 2014 and 2013, details of restructured debts as at the date of restructuring, classified by the restructuring method were as follows:

	Consolidated 30 June 2014				
	Number of debtors	Outstanding balances before restructuring	Outstanding balances after restructuring	Average period of the remaining term of debt restructuring	Loss on debt restructuring ⁽¹⁾
			(in million Baht)		
Changes of repayment conditions	8	410	394	4 years	10
Loans and accrued interest receivables as at 30 June 2014 ⁽²⁾	143,616		151,305		

	The Bank 30 June 2014				
	Number of debtors	Outstanding balances before restructuring	Outstanding balances after restructuring	Average period of the remaining term of debt restructuring	Loss on debt restructuring ⁽¹⁾
			(in million Baht)		
Changes of repayment conditions	8	410	394	4 years	10
Loans and accrued interest receivables as at 30 June 2014 ⁽²⁾	1,112		104,757		

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Consolidated 30 June 2013					
	Number of debtors	Outstanding balances before restructuring after restructuring <i>(in million Baht)</i>		Average period of the remaining term of debt restructuring	Loss on debt restructuring ⁽¹⁾
Changes of repayment conditions	<u>10</u>	<u>394</u>	<u>394</u>	6 years	<u>2</u>
Loans and accrued interest receivables as at 30 June 2013 ⁽²⁾	<u>141,993</u>		<u>129,727</u>		
The Bank 30 June 2013					
	Number of debtors	Outstanding balances before restructuring after restructuring <i>(in million Baht)</i>		Average period of the remaining term of debt restructuring	Loss on debt restructuring ⁽¹⁾
Changes of repayment conditions	<u>10</u>	<u>394</u>	<u>394</u>	6 years	<u>2</u>
Loans and accrued interest receivables as at 30 June 2013 ⁽²⁾	<u>796</u>		<u>102,029</u>		

⁽¹⁾ Losses on debt restructuring are the amount before deducting allowance for doubtful already provided in the accounts on the restructuring date.

⁽²⁾ Net of deferred revenue

Additional information relating to restructuring debtors for the six-month periods ended 30 June 2014 and 2013 are as follows:

	Consolidated and The Bank	
	2014	2013
	(in million Baht)	
Interest income recognised in profit or loss	45	54
Cash collection from debtors		
Principle	125	211
Interest	33	49

As at 30 June 2014 and 31 December 2013, the Bank and its subsidiary have outstanding balances relating to restructured loans for the consolidated and the Bank's financial statement amounting to Baht 1,182 million and 1,305 million, respectively.

During the six-month periods ended 30 June 2014 and 2013 the Bank reversed allowance for revaluation on debt restructuring amounting to Baht 6.5 and 0.8 million respectively and amortised allowance for revaluation on debt restructuring as interest income for the six-month periods ended 30 June 2014 and 2013 totaling Baht 1.8 million and Baht 2.0 million, respectively.

As at 30 June 2014 and 31 December 2013, the Bank has no commitment to additionally lend to its debtors after debt restructuring.

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15 Hire purchase and finance lease receivables

As at 30 June 2014 and 31 December 2013, the subsidiary had net hire purchase and financial lease receivables, which the majority is hire purchase or finance lease contracts for motor vehicles, airplanes, machinery and equipment for businesses. The average contract periods are 1 to 12 years (31 December 2013: 1 to 7 years) years and the interest rates are fixed as specified in the contracts.

Consolidated					
30 June 2014					
	Less than 1 year	1 – 5 years	Over 5 years (in million Baht)	Non- performing loan	Total
Total of gross investments in the lease	16,729	35,196	2,075	1,913	55,913
Less deferred revenue ⁽¹⁾	(2,788)	(3,890)	(229)	(329)	(7,236)
Present value of the lease payments	<u>13,941</u>	<u>31,306</u>	<u>1,846</u>	<u>1,584</u>	<u>48,677</u>
Allowance for doubtful accounts					2,123
Hire purchase and finance lease receivables, net					<u>46,554</u>

⁽¹⁾ Net of commission and initial direct expense incurred at the inception of contracts.

Allowance for doubtful accounts represents the minimum allowance required under BoT guidelines and an additional allowance of Baht 984 million as at 30 June 2014 (31 December 2013: Baht 809 million) recorded in the current period at the parent company level to account for expected losses arising in the hire purchase and finance lease receivable portfolio.

Consolidated					
31 December 2013					
	Less than 1 year	1 – 5 years	Over 5 years (in million Baht)	Non- performing loan	Total
Total of gross investments in the lease	17,839	39,923	2,592	394	60,748
Less deferred revenue ⁽¹⁾	(3,182)	(4,646)	(266)	(77)	(8,171)
Present value of the lease payments	<u>14,657</u>	<u>35,277</u>	<u>2,326</u>	<u>317</u>	<u>52,577</u>
Allowance for doubtful accounts					1,982
Hire purchase and finance lease receivables, net					<u>50,595</u>

⁽¹⁾ Net of commission and initial direct expense incurred at the inception of contracts.

15.1 Classified by aging

As at 30 June 2014 and 31 December 2013, hire purchase and financial lease receivables are classified by the due date of the contracts as follows:

Consolidated	
	30 June 2014
	31 December 2013
	(in million Baht)
Not yet due	43,511
Overdue:	
Not over than 90 days	3,582
91 - 180 days	1,035
181 - 365 days	549
	<u>48,677</u>
Allowance for doubtful accounts	<u>2,123</u>
	<u>50,800</u>

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16 Allowance for doubtful accounts

Consolidated							
30 June 2014							
	Pass	Special mention	Sub - standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations	Total
	<i>(in thousand Baht)</i>						
Beginning balance	455,227	27,040	484,206	212,109	348,911	1,870,268	3,397,761
Bad debt and doubtful accounts	40,832	(1,242)	32,171	95,362	310,478	(10,240)	467,361
Bad debt written off	-	-	-	-	(358,247)	-	(358,247)
Ending balance	<u>496,059</u>	<u>25,798</u>	<u>516,377</u>	<u>307,471</u>	<u>301,142</u>	<u>1,860,028</u>	<u>3,506,875</u>

Consolidated							
31 December 2013							
	Pass	Special mention	Sub - standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations	Total
	<i>(in thousand Baht)</i>						
Beginning balance	342,341	22,848	408,584	130,229	58,751	1,120,329	2,083,082
Bad debt and doubtful accounts	112,886	4,192	75,622	81,880	839,937	749,939	1,864,456
Bad debt written off	-	-	-	-	(549,777)	-	(549,777)
Ending balance	<u>455,227</u>	<u>27,040</u>	<u>484,206</u>	<u>212,109</u>	<u>348,911</u>	<u>1,870,268</u>	<u>3,397,761</u>

The Bank							
30 June 2014							
	Pass	Special mention	Sub - standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations	Total
	<i>(in thousand Baht)</i>						
Beginning balance	595,290	8,257	-	1,567	348,911	1,469,442	2,423,467
Bad debt and doubtful accounts	(138,453)	(1,291)	-	7,145	(47,769)	148,490	(31,878)
Bad debt written off	-	-	-	-	-	-	-
Ending balance	<u>456,837</u>	<u>6,966</u>	<u>-</u>	<u>8,712</u>	<u>301,142</u>	<u>1,617,932</u>	<u>2,391,589</u>

The Bank							
31 December 2013							
	Pass	Special mention	Sub - standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations	Total
	<i>(in thousand Baht)</i>						
Beginning balance	614,129	9,510	239,460	21,707	58,132	745,872	1,688,810
Bad debt and doubtful accounts	(18,839)	(1,253)	(239,460)	(20,140)	365,976	723,570	809,854
Bad debt written off	-	-	-	-	(75,197)	-	(75,197)
Ending balance	<u>595,290</u>	<u>8,257</u>	<u>-</u>	<u>1,567</u>	<u>348,911</u>	<u>1,469,442</u>	<u>2,423,467</u>

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17 Revaluation of allowance for debt restructuring

	Consolidated and The Bank	
	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>	
Beginning balance	19,461	23,997
Increase (decrease) during the period/year	3,118	(673)
Written off during the period/year	(1,778)	(3,863)
Ending balance	20,801	19,461

18 Properties foreclosed, net

The majority of properties foreclosed are from auction bidding and settlement of debts by the restructured debtors.

In cases where the debtors restructure their debts by means of a debt/asset swap, the Bank may grant buyback rights or first refusal rights to certain debtors for a certain period, at prices as agreed in the debt restructuring agreements.

The details of properties foreclosed are as follows:

	Consolidated 30 June 2014				
Type of properties foreclosed	Beginning balance	Addition	Disposal <i>(in thousand Baht)</i>	Ending balance	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties	967,807	-	(44,434)	923,373 ⁽¹⁾	29,146
Movable assets	218,655	933,001	(887,296)	264,360	-
Total	1,186,462	933,001	(931,730)	1,187,733	29,146
Assets from auction bidding					
Immovable properties	104,602	-	(1,080)	103,522	-
Total	104,602	-	(1,080)	103,522	-
Total properties foreclosed	1,291,064	933,001	(932,810)	1,291,255	29,146
<i>Less allowance for impairment</i>	<i>(303,181)</i>	<i>(390,723)</i>	<i>361,188</i>	<i>(332,716)</i>	<i>(16,619)</i>
Total properties foreclosed, net	987,883	542,278	(571,622)	958,539	12,527

⁽¹⁾ As of 30 June 2014, the value of immovable assets acquired from debt settlement was appraised by external appraisers and internal appraisers in the amount of Baht 639 million and Baht 284 million, respectively.

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Consolidated					
31 December 2013					
Type of properties foreclosed	Beginning balance	Addition	Disposal (in thousand Baht)	Ending balance	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties	1,163,754	-	(195,947)	967,807 ⁽¹⁾	29,146
Movable assets	138,743	1,440,736	(1,360,824)	218,655	-
Total	1,302,497	1,440,736	(1,556,771)	1,186,462	29,146
Assets from auction bidding					
Immovable properties	108,242	12,300	(15,940)	104,602	-
Total	108,242	12,300	(15,940)	104,602	-
Total properties foreclosed	1,410,739	1,453,036	(1,572,711)	1,291,064	29,146
Less allowance for impairment	(354,480)	(375,087)	426,386	(303,181)	(16,619)
Total properties foreclosed, net	1,056,259	1,077,949	(1,146,325)	987,883	12,527

⁽¹⁾ As of 31 December 2013, the value of immovable assets acquired from debt settlement was appraised by external appraisers and internal appraisers in the amount of Baht 639 million and Baht 328 million, respectively.

The Bank					
30 June 2014					
Type of properties foreclosed	Beginning balance	Addition	Disposal (in thousand Baht)	Ending balance	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties	967,807	-	(44,434)	923,373 ⁽¹⁾	29,146
Total	967,807	-	(44,434)	923,373	29,146
Assets from auction bidding					
Immovable properties	104,602	-	(1,080)	103,522	-
Total	104,602	-	(1,080)	103,522	-
Total properties foreclosed	1,072,409	-	(45,514)	1,026,895	29,146
Less allowance for impairment	(202,425)	825	1,045	(200,555)	(16,619)
Total properties foreclosed, net	869,984	825	(44,469)	826,340	12,527

⁽¹⁾ As of 30 June 2014, the value of immovable assets acquired from debt settlement was appraised by external appraisers and internal appraisers in the amount of Baht 639 million and Baht 284 million, respectively.

The Bank					
31 December 2013					
Type of properties foreclosed	Beginning balance	Addition	Disposal (in thousand Baht)	Ending balance	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties	1,163,754	-	(195,947)	967,807 ⁽¹⁾	29,146
Total	1,163,754	-	(195,947)	967,807	29,146
Assets from auction bidding					
Immovable properties	108,242	12,300	(15,940)	104,602	-
Total	108,242	12,300	(15,940)	104,602	-
Total properties foreclosed	1,271,996	12,300	(211,887)	1,072,409	29,146
Less allowance for impairment	(318,745)	93,989	22,331	(202,425)	(16,619)
Total properties foreclosed, net	953,251	106,289	(189,556)	869,984	12,527

⁽¹⁾ As of 31 December 2013, the value of immovable assets acquired from debt settlement was appraised by external appraisers and internal appraisers in the amount of Baht 639 million and Baht 328 million, respectively.

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19 Premises and equipment, net

	Land	Buildings	Consolidated Furniture, fixtures and office equipment (in thousand Baht)	Motor vehicles	Total
<i>Cost</i>					
At 1 January 2013	8,500	6,892	407,453	118,235	541,080
Additions	-	449	62,664	6,215	69,328
Transfers	-	3,782	(3,750)	-	32
Disposals/write-off	-	-	(8,669)	(7,542)	(16,211)
At 31 December 2013 and 1 January 2014	8,500	11,123	457,698	116,908	594,229
Additions	-	-	10,692	6,879	17,571
Disposals/write-off	-	-	(8,461)	-	(8,461)
At 30 June 2014	8,500	11,123	459,929	123,787	603,339
<i>Accumulated depreciation</i>					
At 1 January 2013	-	(686)	(284,369)	(92,184)	(377,239)
Depreciation charge for the year	-	(305)	(40,246)	(12,083)	(52,634)
Disposals/write-off	-	-	8,029	7,541	15,570
At 31 December 2013 and 1 January 2014	-	(991)	(316,586)	(96,726)	(414,303)
Depreciation charge for the period	-	(608)	(22,487)	(4,692)	(27,787)
Disposals/write-off	-	-	8,432	-	8,432
At 30 June 2014	-	(1,599)	(330,641)	(101,418)	(433,658)
<i>Net book value</i>					
At 1 January 2013	8,500	6,206	123,084	26,051	163,841
At 31 December 2013 and 1 January 2014	8,500	10,132	141,112	20,182	179,926
At 30 June 2014	8,500	9,524	129,288	22,369	169,681

As at 30 June 2014, the Bank and its subsidiary have motor vehicles acquired under financial leases with net book values amounting to Baht 13.1 million (31 December 2013: Baht 12.7 million)

The gross amount of the Bank and its subsidiary' fully depreciated premises and equipment that was still in use as at 30 June 2014 amounted to Baht 262.5 million (31 December 2013: Baht 249.6 million).

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	Land	Buildings	The Bank Furniture, fixtures and office equipment <i>(in thousand Baht)</i>	Motor vehicles	Total
Cost					
At 1 January 2013	8,500	6,892	338,301	98,470	452,163
Additions	-	449	23,024	-	23,473
Transfers	-	3,782	(3,782)	-	-
Disposals/write-off	-	-	-	(7,480)	(7,480)
At 31 December 2013 and 1 January 2014	8,500	11,123	357,543	90,990	468,156
Additions	-	-	7,982	4,359	12,341
Disposal/write-off	-	-	(8,386)	-	(8,386)
At 30 June 2014	8,500	11,123	357,139	95,349	472,111
Accumulated depreciation					
At 1 January 2013	-	(686)	(247,305)	(82,773)	(330,764)
Depreciation charge for the year	-	(305)	(22,865)	(8,373)	(31,543)
Disposals/write-off	-	-	-	7,480	7,480
At 31 December 2013 and 1 January 2014	-	(991)	(270,170)	(83,666)	(354,827)
Depreciation charge for the period	-	(608)	(11,630)	(2,876)	(15,114)
Disposal/write-off	-	-	8,363	-	8,363
At 30 June 2014	-	(1,599)	(273,437)	(86,542)	(361,578)
Net book value					
At 1 January 2013	8,500	6,206	90,996	15,697	121,399
At 31 December 2013 and 1 January 2014	8,500	10,132	87,373	7,324	113,329
At 30 June 2014	8,500	9,524	83,702	8,807	110,533

As at 30 June 2014, the Bank has no motor vehicles acquired under financial leases (*31 December 2013: Baht 2.7 million*).

The gross amount of the Bank's fully depreciated premises and equipment that was still in use as at 30 June 2014 amounted to Baht 234.1 million (*31 December 2013: Baht 229.6 million*).

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20 Intangible assets, net

	Consolidated			
	Computer softwares	Computer softwares under development	Deferred license fee	Total
	(in thousand Baht)			
Cost				
At 1 January 2013	365,888	541	16,050	382,479
Addition	4,674	899	10,700	16,273
Disposal/write-off	(17)	-	-	(17)
Transfers	325	(357)	-	(32)
At 31 December 2013 and 1 January 2014	370,870	1,083	26,750	398,703
Addition	2,162	23	-	2,185
Disposal/write-off	(1,615)	-	-	(1,615)
At 30 June 2014	371,417	1,106	26,750	399,273
Amortisation				
At 1 January 2013	(305,431)	-	(153)	(305,584)
Amortisation for the year	(18,019)	-	(2,674)	(20,693)
At 31 December 2013 and 1 January 2014	(323,450)	-	(2,827)	(326,277)
Amortisation for the period	(8,764)	-	(1,348)	(10,112)
Disposal/write-off	1,615	-	-	1,615
At 30 June 2014	(330,599)	-	(4,175)	(334,774)
Net book value				
At 1 January 2013	60,457	541	15,897	76,895
At 31 December 2013 and 1 January 2014	47,420	1,083	23,923	72,426
At 30 June 2014	40,818	1,106	22,575	64,499
The Bank				
	Computer softwares	Computer softwares under development	Deferred license fee	Total
	(in thousand Baht)			
Cost				
At 1 January 2013	337,931	-	16,050	353,981
Addition	3,856	-	10,700	14,556
At 31 December 2013 and 1 January 2014	341,787	-	26,750	368,537
Addition	358	-	-	358
Disposal/write-off	(1,615)	-	-	(1,615)
At 30 June 2014	340,530	-	26,750	367,280
Amortisation				
At 1 January 2013	(289,055)	-	(153)	(289,208)
Amortisation for the year	(14,190)	-	(2,674)	(16,864)
At 31 December 2013 and 1 January 2014	(303,245)	-	(2,827)	(306,072)
Amortisation for the period	(6,726)	-	(1,348)	(8,074)
Disposal/write-off	1,615	-	-	1,615
At 30 June 2014	(308,356)	-	(4,175)	(312,531)
Net book value				
At 1 January 2013	48,876	-	15,897	64,773
At 31 December 2013 and 1 January 2014	38,542	-	23,923	62,465
At 30 June 2014	32,174	-	22,575	54,749

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21 Deferred tax

Deferred tax assets and liabilities were as follows:

	Consolidated	
	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>	
Deferred tax assets	718,618	614,731
Deferred tax liabilities	(285,913)	(255,071)
Net	432,705	359,660

	The Bank	
	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>	
Deferred tax assets	105,073	140,299
Deferred tax liabilities	(88,550)	(74,126)
Net	16,523	66,173

Movements in total deferred tax assets and liabilities during the period / year were as follows:

	At 1 January 2014	Consolidated (Charged) / Credited to:		At 30 June 2014
		Profit or loss (Note 44)	Other comprehensive income	
		<i>(in thousand Baht)</i>		
Deferred tax assets				
Investments	24,464	-	(11,916)	12,548
Loans to customers and accrued interest receivables	241,338	29,689	-	271,027
Properties foreclosed	60,636	5,907	-	66,543
Other assets	226,575	97,606	-	324,181
Provisions	53,160	(18,361)	-	34,799
Other liabilities	8,558	962	-	9,520
Total	614,731	115,803	(11,916)	718,618
Deferred tax liabilities				
Investments	(74,126)	-	(14,424)	(88,550)
Investments in an associate	(15,832)	(220)	-	(16,052)
Loans to customers and accrued interest receivables	(157,563)	(15,632)	-	(173,195)
Debt issued and borrowings	(7,550)	(566)	-	(8,116)
Total	(255,071)	(16,418)	(14,424)	(285,913)
Net	359,660	99,385	(26,340)	432,705

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	Consolidated		
	(Charged) / Credited to:		
	At	Profit or loss	Other comprehensive income
	1 January 2013		31 December 2013
		<i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>			
Investments	-	-	24,464
Loans to customers and accrued interest receivables	119,132	122,206	-
Properties foreclosed	70,897	(10,261)	-
Other assets	141,955	84,620	-
Provisions	88,999	(35,839)	-
Other liabilities	7,666	892	-
Total	428,649	161,618	24,464
<i>Deferred tax liabilities</i>			
Investments	(71,979)	-	(2,147)
Investments in an associate	(8,327)	(7,505)	-
Loans to customers and accrued interest receivables	(126,026)	(31,537)	-
Debt issued and borrowings	(6,201)	(1,349)	-
Total	(212,533)	(40,391)	(2,147)
Net	216,116	121,227	22,317

	The Bank		
	(Charged) / Credited to:		
	At	Profit or loss	Other comprehensive income
	1 January 2014	(Note 44)	30 June 2014
		<i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>			
Investments	24,464	-	(11,916)
Loans to customers and accrued interest receivables	26,640	(2,959)	-
Properties foreclosed	40,485	(374)	-
Other assets	850	(100)	-
Provisions	47,119	(19,433)	-
Other liabilities	741	(444)	-
Total	140,299	(23,310)	(11,916)
<i>Deferred tax liabilities</i>			
Investments	(74,126)	-	(14,424)
Total	(74,126)	-	(14,424)
Net	66,173	(23,310)	(26,340)

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	The Bank		
	(Charged) / Credited to:		
	At 1 January 2013	Profit or loss Other comprehensive income (in thousand Baht)	At 31 December 2013
Deferred tax assets			
Investments	-	-	24,464
Loans to customers and accrued interest receivables	28,290	(1,650)	26,640
Properties foreclosed	63,749	(23,264)	40,485
Other assets	1,246	(396)	850
Provisions	84,402	(37,283)	47,119
Other liabilities	384	357	741
Total	178,071	(62,236)	140,299
Deferred tax liabilities			
Investments	(71,979)	-	(74,126)
Total	(71,979)	-	(74,126)
Net	106,092	(62,236)	66,173

22 Other assets, net

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	(in thousand Baht)			
Prepaid expenses	11,183	13,037	7,883	9,536
Deposit	14,443	14,389	6,711	6,605
Advance	671	616	622	592
Others	2,552	2,721	1,639	1,738
Total	28,849	30,763	16,855	18,471

23 Classified assets

	Consolidated			
	30 June 2014			
	Loans to customers and accrued interest receivables ⁽²⁾	Investments	Properties foreclosed	Other assets
	(in million Baht)			
Pass	154,260 ⁽¹⁾	-	-	-
Special mention	4,514	-	-	-
Substandard	1,039	-	-	-
Doubtful	583	-	-	-
Doubtful of loss	1,172	8	333	633
Total	161,568	8	333	633

⁽¹⁾ The classified debts included loans to the financial institutions, which are presented as a part of “interbank and money market items” (assets) in the statements of financial position.

⁽²⁾ Net of deferred revenue

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Consolidated
31 December 2013

	Loans to customers and accrued interest receivables ⁽²⁾	Investments	Properties foreclosed (in million Baht)	Other assets	Total
Pass	136,213 ⁽¹⁾	-	-	-	136,213
Special mention	5,203	-	-	-	5,203
Substandard	989	-	-	-	989
Doubtful	412	-	-	-	412
Doubtful of loss	1,345	8	303	359	2,015
Total	144,162	8	303	359	144,832

⁽¹⁾ The classified debts include loans to the financial institutions, which are presented as a part of “interbank and money market items” (assets) in the statements of financial position.

⁽²⁾ Net of deferred revenue

The Bank
30 June 2014

	Loans to customers and accrued interest receivables ⁽²⁾	Investments	Properties foreclosed (in million Baht)	Other assets	Total
Pass	112,878 ⁽¹⁾	-	-	-	112,878
Special mention	931	-	-	-	931
Substandard	4	-	-	-	4
Doubtful	34	-	-	-	34
Doubtful of loss	1,172	8	201	4	1,385
Total	115,019	8	201	4	115,232

⁽¹⁾ The classified debts included loans to the financial institutions, which are presented as a part of “interbank and money market items” (assets) in the statements of financial position.

⁽²⁾ Net of deferred revenue

The Bank
31 December 2013

	Loans to customers and accrued interest receivables ⁽²⁾	Investments	Properties foreclosed (in million Baht)	Other assets	Total
Pass	108,831 ⁽¹⁾	-	-	-	108,831
Special mention	1,219	-	-	-	1,219
Substandard	5	-	-	-	5
Doubtful	4	-	-	-	4
Doubtful of loss	1,345	8	202	4	1,559
Total	111,404	8	202	4	111,618

⁽¹⁾ The classified debts included loans to the financial institutions, which are presented as a part of “interbank and money market items” (assets) in the statements of financial position.

⁽²⁾ Net of deferred revenue

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24 Deposits

24.1 Classified by product

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Demand	8,387,558	11,641,694	8,387,640	11,641,829
Savings	4,506,492	4,652,953	4,506,611	4,652,992
Fixed				
- Less than 6 months	49,910,838	49,386,784	49,910,838	49,386,784
- 6 months and less than 1 year	16,809,196	9,716,969	16,809,196	9,716,969
- Over 1 year	12,128,377	8,336,409	12,128,377	8,336,409
Total	<u>91,742,461</u>	<u>83,734,809</u>	<u>91,742,662</u>	<u>83,734,983</u>

24.2 Classified by currency and residence of customer

	Consolidated					
	30 June 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	89,204,461	1,199,266	90,403,727	82,376,787	850,289	83,227,076
US Dollar	772,628	440,943	1,213,571	419,541	3,897	423,438
Other currencies	61,004	64,159	125,163	49,008	35,287	84,295
Total	<u>90,038,093</u>	<u>1,704,368</u>	<u>91,742,461</u>	<u>82,845,336</u>	<u>889,473</u>	<u>83,734,809</u>

	The Bank					
	30 June 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	89,204,662	1,199,266	90,403,928	82,376,961	850,289	83,227,250
US Dollar	772,628	440,943	1,213,571	419,541	3,897	423,438
Other currencies	61,004	64,159	125,163	49,008	35,287	84,295
Total	<u>90,038,294</u>	<u>1,704,368</u>	<u>91,742,662</u>	<u>82,845,510</u>	<u>889,473</u>	<u>83,734,983</u>

25 Interbank and money market items (Liabilities)

	Consolidated					
	30 June 2014			31 December 2013		
	Demand	Time	Total	Demand	Time	Total
	<i>(in thousand Baht)</i>					
Domestic items:						
Bank of Thailand	-	1,058,296	1,058,296	-	1,107,996	1,107,996
Commercial banks	9,541	464,504	474,045	540	5,600,000	5,600,540
Other financial institutions	2,972,410	7,280,882	10,253,292	3,545,552	5,622,188	9,167,740
Total domestic items	<u>2,981,951</u>	<u>8,803,682</u>	<u>11,785,633</u>	<u>3,546,092</u>	<u>12,330,184</u>	<u>15,876,276</u>

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
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	Consolidated					
	30 June 2014			31 December 2013		
	Demand	Time	Total	Demand	Time	Total
	<i>(in thousand Baht)</i>					
Foreign items:						
US Dollar	-	25,210,219	25,210,219	-	28,687,857	28,687,857
Thai Baht	157,563	-	157,563	221,634	-	221,634
Total foreign items	157,563	25,210,219	25,367,782	221,634	28,687,857	28,909,491
Total domestic and foreign items	3,139,514	34,013,901	37,153,415	3,767,726	41,018,041	44,785,767

	The Bank					
	30 June 2014			31 December 2013		
	Demand	Time	Total	Demand	Time	Total
	<i>(in thousand Baht)</i>					
Domestic items:						
Bank of Thailand	-	1,058,296	1,058,296	-	1,107,996	1,107,996
Commercial banks	9,541	464,504	474,045	540	3,400,000	3,400,540
Other financial institutions	2,972,410	7,280,882	10,253,292	3,545,552	5,622,188	9,167,740
Total domestic items	2,981,951	8,803,682	11,785,633	3,546,092	10,130,184	13,676,276
Foreign items:						
US Dollar	-	25,210,219	25,210,219	-	28,687,857	28,687,857
Thai Baht	157,563	-	157,563	221,634	-	221,634
Total foreign items	157,563	25,210,219	25,367,782	221,634	28,687,857	28,909,491
Total domestic and foreign items	3,139,514	34,013,901	37,153,415	3,767,726	38,818,041	42,585,767

26 Debt issued and borrowings

As at 30 June 2014 and 31 December 2013, debt issued and borrowings which were dominated entirely in Thai Baht consist of the following:

	Consolidated					
	30 June 2014			31 December 2013		
	Maturity dates	Interest rate (%)	Amount <i>(in thousand Baht)</i>	Maturity dates	Interest rate (%)	Amount <i>(in thousand Baht)</i>
Bills of Exchange	2014-2015	2.48-3.75	1,693,180	2014-2015	2.53-3.75	2,650,838
Secured debentures	2014-2019	3.24-3.98	14,186,754	2014-2015	3.79-3.98	5,597,732
Unsecured debentures	2014-2018	2.20-4.50	27,090,032	2014-2017	2.80-4.50	20,168,807
Total			42,969,966			28,417,377

	The Bank					
	30 June 2014			31 December 2013		
	Maturity dates	Interest rate (%)	Amount <i>(in thousand Baht)</i>	Maturity dates	Interest rate (%)	Amount <i>(in thousand Baht)</i>
Bills of Exchange	2014-2015	2.48-3.75	1,693,180	2014-2015	2.53-3.75	2,650,838
Unsecured debentures	-	-	-	2014	3.78	599,982
Total			1,693,180			3,250,820

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27 Employee benefit obligations

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in million Baht)</i>			

Statement of financial position

obligations for:

Post-employment benefits	<u>150</u>	<u>133</u>	<u>115</u>	<u>103</u>
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	Consolidated		The Bank	
<i>Six-month period ended 30 June</i>	2014	2013	2014	2013
	<i>(in million Baht)</i>			

Statement of comprehensive income:

Recognised in profit or loss:

Post-employment benefits	<u>17</u>	<u>15</u>	<u>12</u>	<u>11</u>
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The Bank and its subsidiary operate a defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

Obligation under the statement of financial position can be summarized as follow:

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in million Baht)</i>			
Present value of unfunded obligations	<u>150</u>	<u>133</u>	<u>115</u>	<u>103</u>
Statement of financial position obligations	<u>150</u>	<u>133</u>	<u>115</u>	<u>103</u>

Movement in the present value of the defined benefit obligations:

	Consolidated		The Bank	
	For the six-month period ended 30 June 2014	For the year ended 31 December 2013	For the six-month period ended 30 June 2014	For the year ended 31 December 2013
	<i>(in million Baht)</i>			
Defined benefit obligations at the beginning of the period/year	133	116	103	93
Benefits paid by the plan	-	(5)	-	(5)
Current service costs and interest	17	29	12	21
Actuarial gains	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(6)</u>
Defined benefit obligations at the end of the period/year	<u>150</u>	<u>133</u>	<u>115</u>	<u>103</u>

Expense recognised in the statement of comprehensive income

	Consolidated		The Bank	
<i>Six-month period ended 30 June</i>	2014	2013	2014	2013
	<i>(in million Baht)</i>			
Employee expense				
Current service costs	15	13	10	9
Interest on obligation	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>17</u>	<u>15</u>	<u>12</u>	<u>11</u>

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary

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The principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated and The Bank	
	30 June 2014	31 December 2013
	(%)	
Discount rate	3.60	3.60
Future salary increases	6	6
Staff turnover rate	0 - 19	0 - 19

Assumptions regarding future mortality are based on published statistics and mortality tables

	2014	2013	2012	2011	2010
		Consolidated			
		(in million Baht)			
Present value of long-term Employee benefit obligation	150	133	116	113	92

	2014	2013	2012	2011	2010
		The Bank			
		(in million Baht)			
Present value of long-term Employee benefit obligation	115	103	93	94	80

28 Other provisions

	Consolidated and The Bank		
	Share losses from management of non-performing loans (Note 10.4)	Loss from lawsuit	Total
	(in thousand Baht)		
At 1 January 2013	222,000	106,700	328,700
Provisions made	-	3,750	3,750
Provisions reversed	(176,591)	-	(176,591)
Payment made	(23,409)	-	(23,409)
At 31 December 2013 and 1 January 2014	22,000	110,450	132,450
Provisions made	-	900	900
Payment made	-	(109,650)	(109,650)
At 30 June 2014	22,000	1,700	23,700

In May 2014, the Bank was ordered by Supreme Court to pay Baht 109.65 million to a provident fund against the claim lodged by the fund since 1999. The Bank had already recorded the provision of Baht 108.75 million as at 31 December 2013.

29 Other liabilities

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	(in thousand Baht)			
Other payables	344,485	620,464	75,574	161,997
Cash received in advance	117,876	85,512	1,828	9,914
Accrued expenses	371,436	385,322	341,530	351,575
Withholding tax payable	18,517	14,174	16,504	11,633
Special business tax payable	23,471	19,281	23,471	19,281
Payables under finance lease contracts	12,912	12,565	-	958
Corporate income tax payable	239,742	221,429	158,294	161,686
Others	127,823	134,685	86,234	100,000
Total	1,256,262	1,493,432	703,435	817,044

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30 Share capital

		For the six-month period ended 30 June 2014		For the year ended 31 December 2013	
	Par value per share (in Baht)	Number	Amount	Number	Amount
		(thousand shares / thousand Baht)			
<i>Authorised</i>					
Ordinary shares					
At the beginning of the period/year					
- ordinary shares	8.92	1,590,002	14,182,817	1,590,002	14,182,817
- preference shares	8.92	451	4,023	451	4,023
At the end of the period/year					
- ordinary shares	8.92	1,590,002	14,182,817	1,590,002	14,182,817
- preference shares	8.92	451	4,023	451	4,023
<i>Issued and paid-up</i>					
Ordinary shares					
At the beginning of the period/year					
- ordinary shares	8.92	1,590,002	14,182,817	1,590,002	14,182,817
- preference shares	8.92	451	4,023	451	4,023
At the end of the period/year					
- ordinary shares	8.92	1,590,002	14,182,817	1,590,002	14,182,817
- preference shares	8.92	451	4,023	451	4,023

Preference shares of the Bank are divided into Class A and Class B shares, both of which are non-cumulative dividend-paying shares. Holders of Class B preference shares are entitled to preferential receipt of dividends and return of capital over holders of Class A preference shares and ordinary shares. If the Bank reduces its capital as a result of operating losses on assets held prior to the injection of capital funds by the Ministry of Finance, the Bank is to reduce the capital of the ordinary shares and the Class A preference shares first, to the extent that this does not exceed the accumulated loss as at the date that the Ministry of Finance injected funds plus any subsequent losses on the assets held prior to that date. If the Bank reduces capital as a result of operating losses on assets acquired after the Ministry of Finance injected funds, the Bank is to reduce the capital of the ordinary shares first and then the Class A preference shares and Class B preference shares proportionately. All preference shares had a period of 10 years, which expired in November 2009. Hence, rights of preference shareholders has been the same as those of the ordinary shareholders since then.

Holders of both classes of preference shares are entitled to convert the shares they hold into ordinary shares, with the conversion ratio of 1:1. All Class A preference shares were already converted into ordinary shares before the year 2010 and the Class B preference shareholders are still entitled to convert the remaining Class B preference shares into ordinary shares.

The holders of ordinary shares and preferred shares are entitled to receive dividends as declared, and are entitled to one vote per share at the shareholders' meeting of the Bank.

Industrial and Commercial Bank of China (Thai) Public Company Limited and its Subsidiary
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31 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

Pursuant to Section 116 of the Public Companies Act B.E. 2535, the Bank is required to allocate not less than 5% of its annual net profit, less any accumulated deficit brought forward (if any), to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

On 28 April 2014, the Annual General Meeting of Shareholders No.21/2014 resolved to approve the appropriation of Baht 100 million to a legal reserve from profit for the year 2013.

Other components of equity

Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments account within equity comprise the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

32 Other components of equity

	Consolidated and The Bank	
	For the six-month period ended 30 June 2014	For the year ended 31 December 2013
	<i>(in thousand Baht)</i>	
Balance at the beginning of the period/year	198,651	287,916
Net change in fair value recognized in equity, net of tax	105,361	(89,265)
Balance at the ending of the period/year	304,012	198,651

33 Contingent liabilities and commitments

33.1 Commitments

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in million Baht)</i>			
Avals to bills and Guarantees of loans	237	226	14,437	5,826
Letter of credit	386	228	386	228
Other contingencies				
- Undrawn committed line	2,229	2,428	2,229	2,428
- Other guarantees	2,962	3,004	2,962	3,004
- Others	31	26	31	26
Total	5,845	5,912	20,045	11,512

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33.2 Contingent liabilities from litigations

In September 2010, the Bank and a real estate development company, which had transferred assets to the Bank to settle debt, were ordered by the Court of First Instance to jointly return house booking deposits amounting to Baht 1.7 million plus interest at 7.5 percent per annum to 3 homebuyers, who had lodged complaints via Office of the Consumer Protection Board. The Bank disagreed with the order and lodged an appeal with the Appeal Court. Later, on 18 January 2012, the Appeal Court overturned the decision, and dismissed the plaintiff's case. The plaintiff did not agree with the Appeal Court's decision, and submitted a petition to the Supreme Court. The case is currently being considered by the Supreme Court. However, as at 30 June 2014 and 31 December 2013, the Bank has recorded a provision of Baht 1.7 million.

As at 30 June 2014 and 31 December 2013, the Bank and ACL Securities Company Limited (a former subsidiary of the Bank that the Bank has already divested) had contingent liabilities as a result of a litigation claim brought by a former executive of ACL Securities Company Limited, who sued the Bank and ACL Securities Company Limited in a civil law case, claiming compensation of approximately Baht 117 million for a tort and breach of contract. The Court of the First Instance dismissed the case on 18 August 2011. Later, on 17 October 2011, the plaintiff appealed the case and the Bank and such company lodged statements of objection on 24 January 2012. On 18 July 2013 the Court of the First Instance read the judgment of the Appeal Court that renders the judgment to confirm the judgment of the Court of the First Instance. On 11 October 2013, the plaintiff lodged an appeal with the Supreme Court and both Bank and ACL Securities Company Limited filed statements of objection on 28 November 2013. The case is currently being considered by the Supreme Court.

In addition, on 5 October 2012 the former executive of ACL Securities Company Limited sued the Bank and ACL Securities Company Limited in a labour case, seeking damages of approximately Baht 52 million for unfair dismissal. This case arose in the ordinary course of the business of ACL Securities Company Limited. Subsequently, on 18 February 2013, the Central Labour Court dismissed the case. On 26 March 2013 the plaintiff lodged the appeal but the Central Labour Court dismissed the appeal since it was made due to the question of fact that is prohibited by the law. The plaintiff therefore lodged the appeal with the Central Labour Court. On 10 April 2013 the Central Labour Court ordered to revert this case to the Supreme Court for consideration. The case is currently being considered by the Supreme Court. The opinion of the Bank's management is that it is highly unlikely that the Bank and such company will have to pay the claimed amount. As at 30 June 2014 and 31 December 2013, the Bank therefore did not create a provision for the claim.

34 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank and its subsidiary if the Bank and its subsidiary have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and its subsidiary are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank had significant business transactions with its major shareholder of the Bank, companies that are related with the major shareholder of the Bank, the Bank's subsidiary and related companies, including transactions with directors or management employees from executive vice president level or equivalent position upward, persons related to the related persons, entities in which the related persons have management authority, or entities in which the Bank or Directors or such management employees from executive vice president level or equivalent position upward or persons related to the related persons hold in the aggregate more than 10 percent of the issued share capital.

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Relationship with key management and related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Industrial and Commercial Bank of China Limited	China	The ultimate parent company of the Bank and a subsidiary
ICBC (Thai) Leasing Company Limited	Thailand	A subsidiary of the Bank
Finansia Syrus Securities Public Company Limited	Thailand	An associated of the Bank
Industrial and Commercial Bank of China (Asia) Limited	Hong Kong	The Company that are related with the ultimate parent company
Industrial and Commercial Bank of China (Macau) Limited	Macau	The Company that are related with the ultimate parent company
Bangkok BTMU Company Limited	Thailand	The Company that are related through the Bank's directors until 30 April 2014
M-Home SPV 3 Company Limited	Thailand	The Company that are related through the Bank's management
Siam Piwat Company Limited	Thailand	The Company that are related through the Bank's directors until 30 April 2014
Siam Piwat Holding Company Limited	Thailand	The Company that are related through the Bank's directors until 30 April 2014
Key management personnel	Thai /Chinese	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiary.

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Interest income	With reference to the terms and prices as offered to other customers
Interest expense	Market rates and/or charged in compliance with the criteria specified by the Bank of Thailand
Dividend income	As announced by the investee company
Fee income	With reference to the terms and prices as offered to other customers

Significant transaction for the periods ended 30 June 2014 and 2013 with related parties were as follows:

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in million Baht)</i>			
Parent				
Interest income	-	1	-	1
Fee income	-	7	-	7
Interest expenses	145	46	145	46
Associate				
Interest income	-	4	-	4
Interest expenses	4	1	4	1
Dividend income	-	-	3	17
Subsidiary				
Interest income	-	-	259	683
Fee income	-	-	15	14

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<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in million Baht)</i>			
Related companies				
Interest income	-	8	-	8
Interest expenses	2	-	2	-
Dividend income	-	2	-	2
Key management and directors				
Interest expense	1	-	1	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	97	98	72	53
Post-employment benefits	4	15	2	2

Directors and management's remuneration

The Bank's directors and executives from the bank of executive vice president upwards do not receive benefits, either in monetary or non-monetary terms, other than the normal benefits such as monthly directors' remuneration, meeting allowances, salaries and bonuses, as the case may be. Directors who are executives of the Bank do not receive director's remuneration, in accordance with the Bank's policy, and the representative directors who are executives of Industrial and Commercial Bank of China Limited do not receive director's remuneration, in accordance with Industrial and Commercial Bank of China Limited's policies, except for those benefits granted in accordance with employment agreements such as housing allowances, medical expenses, life and accident insurance and home trip expenses, in accordance with the established criteria. Nevertheless, directors with permanent residence abroad can reimburse expenses of travelling and accommodation incurred in connection with the operation of the Bank's business, at the amount actually incurred.

Balances with related parties were as follows:

	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in million Baht)</i>			
Interbank and money market items (assets)				
Industrial and Commercial Bank of China Limited	377	62	377	62
Industrial and Commercial Bank of China (Asia) Limited	23	14	23	14
Industrial and Commercial Bank of China (Macau) Limited	-	23	-	23
Investments				
ICBC (Thai) Leasing Company Limited	-	-	4,250	4,250
Finansia Syrus Securities Public Company Limited	465	463	305	305
Bangkok BTMU Company Limited ⁽¹⁾	20	20	20	20
Loans to customers				
ICBC (Thai) Leasing Company Limited	-	-	2,332	19,877
Accrued interest receivables				
ICBC (Thai) Leasing Company Limited	-	-	1	12
Allowance for doubtful accounts				
Industrial and Commercial Bank of China Limited	3	-	3	-
ICBC (Thai) Leasing Company Limited	-	-	1,008	1,008

⁽¹⁾ The relationship ended as at 30 April 2014

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	Consolidated		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in million Baht)</i>			
<i>Other assets</i>				
Industrial and Commercial Bank of China Limited	5	-	5	-
Finansia Syrus Securities Public Company Limited	1	1	1	1
<i>Interbank and money market items (liabilities)</i>				
Industrial and Commercial Bank of China Limited	19,939	21,110	19,939	21,110
Industrial and Commercial Bank of China (Asia) Limited	-	3,127	-	3,127
Industrial and Commercial Bank of China (Macau) Limited	325	-	325	-
Finansia Syrus Securities Public Company Limited	485	183	482	183
<i>Deposits and debts issued and borrowings</i>				
M-Home SPV 3 Company Limited	22	9	22	9
Siam Piwat Company Limited ⁽¹⁾	-	24	-	24
Related persons	66	49	66	49
<i>Subscription in advance</i>				
Industrial and Commercial Bank of China Limited	5,840	-	5,840	-
<i>Other liabilities</i>				
ICBC (Thai) Leasing Company Limited	-	-	16	-
<i>Off-financial reporting items</i>				
<i>Letter of guarantee</i>				
Industrial and Commercial Bank of China Limited	14	14	14	14
<i>Guarantee on loans</i>				
ICBC (Thai) Leasing Company Limited	-	-	14,200	5,600
<i>Forward exchange contracts-bought</i>				
Industrial and Commercial Bank of China Limited	2,647	1,077	2,647	1,077
Industrial and Commercial Bank of China (Asia) Limited	1	73	1	73

Movements of loans (included interbank and money market items - assets) to related parties are as follows:

	1 January 2014	Increase	The Bank Repayment <i>(in million Baht)</i>	30 June 2014	Period of contract
ICBC (Thai) Leasing Company Limited	9,447	25,043	(33,258)	1,232	On call
ICBC (Thai) Leasing Company Limited	10,430	-	(9,330)	1,100	5/6/2013 - 20/7/2015
Industrial and Commercial Bank of China Limited	-	3,160	(3,160)	-	17/4/2014
Industrial and Commercial Bank of China Limited	62	332	17	377	11/4/2014 - 10/10/2014
Industrial and Commercial Bank of China (Macau) Limited	23	-	(23)		27/1/2014
Industrial and Commercial Bank of China (Asia) Limited	14	3,667	(3,638)	44	On call

⁽¹⁾ The relationship ended as at 30 April 2014

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Movements of deposits, debts issued and borrowings (included interbank and money market items – liabilities) from related companies are as follows:

	1 January 2014	Increase	The Bank Repayment (in million Baht)	30 June 2014	Period of contract
ICBC (Thai) Leasing Company Limited	-	32,517	(32,517)	-	On call
Industrial and Commercial Bank of China Limited	222	1,683	(1,747)	158	On call
Industrial and Commercial Bank of China Limited	20,901	96,281	(97,388)	19,794	19/3/2014 - 22/10/2014
Industrial and Commercial Bank of China (Macau) Limited	-	1,295	(970)	325	27/6/2014 - 14/7/2014
Industrial and Commercial Bank of China (Asia) Limited	3,127	-	(3,127)	-	10/1/2014
Finansia Syrus Securities Public Company Limited	183	4,967	(4,665)	485	On call
M-Home SPV 3 Company Limited	9	92	(79)	22	On call
Siam Piwat Company Limited ⁽¹⁾	24	-	(24)	-	14/1/2014 30/6/2014 -
Related persons	10	39	(30)	19	30/6/2015
Related persons	39	143	(135)	47	On call

⁽¹⁾ The relationship ended as at 30 April 2014

35 Long-term lease agreements

The Bank and its subsidiary have entered into several lease agreements in respect of the lease of office building space and equipment. The terms of the agreements are generally between 0.5 year to 15 years. Long-term leases agreements classified by the remaining rental expenses to be paid for long-term leases agreements are as follows:

	Consolidated 30 June 2014	31 December 2013	The Bank 30 June 2014	31 December 2013
Within one year	107	122	73	84
After one year but within five years	122	131	78	92
After five years	25	31	25	31
Total	254	284	176	207

36 Segment information

Information about reportable segments was as follows:

The Bank and its subsidiary's business operations involve 2 principal segments: (1) banking business and (2) hire purchase/finance leases business that form the basis of how information is presented to the chief operating decision maker. Respective business segments serve both corporate and retail customers, however retail represents an insignificant portion of the total at the bank level. These operations are carried on in Thailand. The Bank has determined that the Chief Operating Decision Maker is the Executive Committee.

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Below is financial information by segment of the Bank and its subsidiary:

Financial performance <i>Six-month period ended</i> 30 June 2014	Consolidated				
	Banking business	Hire purchase/ finance leases business	Total <i>(in million Baht)</i>	Elimination entries	Total
Net interest income	1,101	894	1,995	15	2,010
Fee and service income and other income, net	65	123	188	(15)	173
Share of profit from associates	6	-	6	-	6
Other operating income	327	91	418	(3)	415
Other operating expenses	(563)	(808)	(1,371)	-	(1,371)
Profit before bad debt, doubtful accounts and impairment losses	936	300	1,236	(3)	1,233
Bad debt, doubtful accounts and impairment losses	(24)	(499)	(523)	-	(523)
Profit from operation before income tax expense	912	(199)	713	(3)	710
Income tax expenses	(186)	40	(146)	-	(146)
Profit for the period	726	(159)	567	(3)	564

Financial position as at 30 June 2014

Investment in associates	465	-	465	-	465
Total assets	154,829	48,718	203,547	(6,439)	197,108
Total liabilities	138,208	44,396	182,604	(2,349)	180,255

Financial performance <i>Six-month period ended</i> 30 June 2013	Consolidated				
	Banking business	Hire purchase/ finance leases business	Total <i>(in million Baht)</i>	Elimination entries	Total
Net interest income	1,272	767	2,039	14	2,053
Fee and service income and other income, net	67	205	272	(14)	258
Share of profit from associates	68	-	68	-	68
Other operating income	294	75	369	(16)	353
Other operating expenses	(360)	(632)	(992)	-	(992)
Profit before bad debt, doubtful accounts and impairment losses	1,341	415	1,756	(16)	1,740
Bad debt, doubtful accounts and impairment losses	(839)	(310)	(1,149)	-	(1,149)
Profit from operation before income tax expense	502	105	607	(16)	591
Income tax expense	(85)	(18)	(103)	-	(103)
Profit for the period	417	87	504	(16)	488

Financial position as at
31 December 2013

Investment in associates	463	-	463	-	463
Total assets	148,103	52,613	200,716	(24,002)	176,714
Total liabilities	132,308	48,132	180,440	(19,910)	160,530

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37 Interest income

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Interbank and money market item	235,668	34,114	235,578	33,975
Investments in debt securities	499,502	338,680	499,502	338,680
Loans to customers	1,912,017	1,770,027	2,166,695	2,448,238
Hire-purchase and finance leases	1,745,426	1,690,610	785	546
Others	536	81	536	81
Total	4,393,149	3,833,512	2,903,096	2,821,520

38 Interest expenses

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Deposits	1,210,064	1,077,700	1,210,064	1,077,705
Interbank and money market items	389,868	283,232	329,825	231,922
Contributions to Deposit Protection Agency and Bank of Thailand	239,414	193,211	239,414	193,211
Debt issued - debentures	513,279	199,246	1,740	23,056
Borrowings	21,572	23,177	21,572	23,177
Borrowing fee expense	9,073	3,823	19	387
Total	2,383,270	1,780,389	1,802,634	1,549,458

39 Net fees and service income

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Fees and service income</i>				
Acceptances, avals and guarantees	9,355	11,368	24,385	25,253
Letter of credit fee income	6,067	3,201	6,067	3,378
Hire purchase/finance lease fee income	122,635	205,771	-	-
Others	19,070	13,048	19,070	13,048
Total fees and service income	157,127	233,388	49,522	41,679
Fees and service expense	(6,131)	(1,954)	(6,131)	(1,954)
Net fees and service income	150,996	231,434	43,391	39,725

40 Net trading income

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Gain (loss) on trading and foreign exchange transactions</i>				
Foreign currencies and foreign currency related derivatives	22,578	23,474	22,583	23,525
Total	22,578	23,474	22,583	23,525

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41 Net gain (loss) on investments

<i>Six-month periods ended 30 June</i>	Consolidated and The Bank	
	2014	2013
	<i>(in thousand Baht)</i>	
Gains (losses) on sales - General investment	230	-
Losses on impairment of General investment	(955)	-
Reversal of allowance for impairment - General investment	-	3,829
Net gain (loss) on investments	(725)	3,829

42 Directors' remuneration

Directors' remuneration represents the benefits (exclusive of salaries and related benefits payable to directors who are executives of the Bank and its subsidiary) paid to the Bank and subsidiary's directors in accordance with Section 90 of the Public Limited Companies Act.

43 Bad debt, doubtful accounts and impairment losses

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Bad debts and doubtful accounts				
Interbank and money market items	47,564	(45,980)	47,564	(45,980)
Loans to customers	467,361	1,193,288	(31,878)	882,791
Loss on debt restructuring	7,853	2,138	7,853	2,138
Total	522,778	1,149,446	23,539	838,949

44 Income tax expense

Income tax recognised in profit or loss

<i>Six-month periods ended 30 June</i>	<i>Note</i>	Consolidated		The Bank	
		2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Current tax expense					
Current period		245,651	112,026	162,218	44,518
Adjustment for prior periods		(235)	(3,693)	-	-
		245,416	108,333	162,218	44,518
Deferred tax expense					
Movements in temporary differences	21	(99,385)	(5,455)	23,310	40,149
Total income tax expense		146,031	102,878	185,528	84,667

Income tax recognized in other comprehensive income

<i>Six-month period ended 30 June</i>	Consolidated and the Bank					
	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Other comprehensive income available-for-sale securities	131,701	(26,340)	105,361	(49,341)	18,835	(30,506)
Total	131,701	(26,340)	105,361	(49,341)	18,835	(30,506)

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Reconciliation of effective tax rate

<i>Six-month periods ended 30 June</i>	Consolidated		2013	
	2014			
	<i>Rate (%)</i>		<i>Rate (%)</i>	
		<i>(in thousand Baht)</i>		
Profit before income tax expense		709,568		590,979
Income tax using the Thai corporation tax rate	20	141,914	20	118,195
Income not subject to tax		-		(11,624)
Expense not deductible for tax purpose		4,352		-
Over provided in prior period		(235)		(3,693)
Total	21⁽¹⁾	146,031	17⁽¹⁾	102,878

⁽¹⁾ Effective tax rate

<i>For the six-month periods ended 30 June</i>	The Bank		2013	
	2014			
	<i>Rate (%)</i>		<i>Rate (%)</i>	
		<i>(in thousand Baht)</i>		
Profit before income tax expense		905,896		434,305
Income tax using the Thai corporation tax rate	20	181,179	20	86,861
Income not subject to tax		-		(2,194)
Expense not deductible for tax purpose		4,349		-
Total	20⁽¹⁾	185,528	19⁽¹⁾	84,667

⁽¹⁾ Effective tax rate

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

45 Basic earnings per share

The calculations of basic earnings per share for the six-month periods ended 30 June 2014 and 2013 were based on the profit for the periods attributable to shareholders of the Bank and the weighted average number of ordinary shares and preference shares which are equivalent to the ordinary shares outstanding during the periods as follows:

<i>Six-month periods ended 30 June</i>	Consolidated		The Bank	
	2014	2013	2014	2013
Profit attributable to shareholders of the Bank <i>(in million Baht)</i>	564	488	720	350
Weighted average number of ordinary shares and preference shares which are equivalent to the ordinary shares outstanding <i>(million shares)</i>	1,590	1,590	1,590	1,590
Earnings per share (basic) <i>(in Baht)</i>	0.35	0.31	0.45	0.22

46 Events after the reporting period

On 4 August 2014, the Extraordinary General Meeting of the Shareholders No.1/2014 approved the increase of the Bank's registered capital in the amount of Baht 5,977,181,490.12 from the current registered capital of Baht 14,186,840,269.40 to Baht 20,164,021,759.52 by issuing 670,087,611 new ordinary shares at the par value of Baht 8.92 per share.

Accordingly, on 4 September 2014, the Bank has registered the paid-up capital increased Baht 20,132,093,886.16 with the Ministry of Commerce and the Bank has received an increased paid-up capital Baht 5,945,253,616.76 on 26 August 2014 by transferring in subscription account.