

Industrial and Commercial Bank of China (Thai)  
Public Company Limited and its subsidiary  
Report and interim financial statements  
For the six-month period ended 30 June 2011

## **Report of Independent Auditor**

To the Shareholders of

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

I have audited the accompanying consolidated statements of financial position of Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary as at 30 June 2011 and 31 December 2010, the consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2011 and 2010, and the separate financial statements of Industrial and Commercial Bank of China (Thai) Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Bank and its subsidiary as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position 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 as at 30 June 2011 and 31 December 2010, and the results of their operations and cash flows for the six-month periods ended 30 June 2011 and 2010, in accordance with generally accepted accounting principles.

As described in Note 3 to the financial statements, during the current period, the Bank and its subsidiary adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in their preparation and presentation of these interim financial statements.

Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited

Bangkok: 21 September 2011

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

**Statements of financial position**

**As at 30 June 2011 and 31 December 2010**

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
<b>Assets</b>					
Cash		264,773	272,817	263,847	272,364
Interbank and money market items - net	7	15,474,600	4,567,309	15,424,649	4,502,972
Derivative assets	8	611,782	1,184,159	611,782	1,184,159
Investments - net	9	7,865,272	10,452,454	7,865,272	10,452,454
Investments in subsidiary and associate - net	10, 11	299,776	290,296	3,255,170	2,755,170
Loans to customers and accrued interest receivables	13				
Loans to customers		65,557,497	57,818,612	56,542,018	51,039,688
Accrued interest receivables		48,273	112,650	50,780	116,260
Total loans to customers and accrued interest receivables		65,605,770	57,931,262	56,592,798	51,155,948
Less: Deferred revenue		(4,201,584)	(3,114,614)	(371)	(1,106)
Allowance for doubtful accounts	14.1	(1,035,340)	(1,003,796)	(795,189)	(704,507)
Allowance for revaluation on debt restructuring	14.2	(10,987)	(11,725)	(10,987)	(11,725)
Loans to customers and accrued interest receivables - net		60,357,859	53,801,127	55,786,251	50,438,610
Properties foreclosed - net	15	1,120,259	1,214,853	1,102,604	1,206,836
Premises and equipments - net	16	180,278	196,274	153,799	171,465
Intangible assets - net	17	109,422	130,992	97,517	119,021
Leasehold rights - net		202,388	207,714	202,388	207,714
Accrued income - net		99,564	78,244	86,807	71,087
Receivables on credit support for derivative contracts		305,468	465,638	305,468	465,638
Other receivables - net		368,935	465,045	282,248	333,223
Other assets	18	24,729	44,999	16,288	40,353
<b>Total assets</b>		<b>87,285,105</b>	<b>73,371,921</b>	<b>85,454,090</b>	<b>72,221,066</b>
<b>Liabilities and shareholders' equity</b>					
Deposits	20	23,410,379	27,017,194	23,411,134	27,019,899
Interbank and money market items	21	4,185,567	1,788,852	3,185,567	1,288,852
Liabilities payable on demand		12,840	252,976	12,840	252,976
Derivative liabilities		708,403	1,056,405	708,403	1,056,405
Debts issued and borrowings	22	43,230,656	27,786,141	43,230,656	27,786,141
Provisions for post-employments benefits	23.1	103,964	-	88,638	-
Other provisions for liabilities	23.2, 40.2	103,421	99,650	103,421	99,650
Accrued interest payables		216,843	187,143	216,745	187,070
Payables on Credit Support for derivative contracts		206,006	446,842	206,006	446,842
Other liabilities	24	1,014,059	968,807	451,952	465,094
<b>Total liabilities</b>		<b>73,192,138</b>	<b>59,604,010</b>	<b>71,615,362</b>	<b>58,602,929</b>

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

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

**Statements of financial position (continued)**

**As at 30 June 2011 and 31 December 2010**

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
<b>Shareholders' equity</b>					
Share capital	25				
Registered					
451,081 non-cumulative dividend preference shares of Baht 10 each (31 December 2010: 2,733,641 non-cumulative dividend preference shares of Baht 10 each)		4,511	27,336	4,511	27,336
1,590,001,864 ordinary shares of Baht 10 each (31 December 2010: 1,587,719,304 ordinary shares of Baht 10 each)		15,900,018	15,877,193	15,900,018	15,877,193
Issued and fully paid					
451,081 non-cumulative dividend preference shares of Baht 10 each (31 December 2010: 464,332 non-cumulative preference shares of Baht 10 each)		4,511	4,643	4,511	4,643
1,590,001,864 ordinary shares of Baht 10 each (31 December 2010: 1,589,988,613 ordinary shares of Baht 10 each)		15,900,018	15,899,886	15,900,018	15,899,886
Other component of in shareholders' equity - revaluation surplus on investments	26	191,838	164,577	191,838	164,577
Deficit		(2,003,400)	(2,301,195)	(2,257,639)	(2,450,969)
Equity attributable to the Bank's shareholders		14,092,967	13,767,911	13,838,728	13,618,137
Non-controlling interest of the subsidiary		-	-	-	-
<b>Total shareholders' equity</b>		<b>14,092,967</b>	<b>13,767,911</b>	<b>13,838,728</b>	<b>13,618,137</b>
<b>Total liabilities and shareholders' equity</b>		<b>87,285,105</b>	<b>73,371,921</b>	<b>85,454,090</b>	<b>72,221,066</b>
		-	-	-	-

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

Mr. Wencong Li

Senior Executive Vice President

Mr. Guohui Song

Senior Executive Vice President

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

Statements of comprehensive income

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Interest income	29	2,027,384	1,409,869	1,570,353	1,186,378
Interest expenses	30	(672,675)	(401,814)	(657,916)	(389,134)
<b>Net interest income</b>		<b>1,354,709</b>	<b>1,008,055</b>	<b>912,437</b>	<b>797,244</b>
Fees and service income	31	109,794	60,464	19,442	21,254
Fees and service expenses	31	-	(198)	-	-
<b>Net fees and service income</b>		<b>109,794</b>	<b>60,266</b>	<b>19,442</b>	<b>21,254</b>
Gains (losses) on tradings and foreign exchange transactions	32	(16,915)	4,182	(16,915)	4,182
Gains (losses) on investments	33	(1,430)	18,507	(1,430)	18,507
Share of profit from investments under equity method	11.1	18,959	10,081	-	-
Gains on disposals of assets		118,251	13,395	112,641	11,281
Bad debts recovery		143,470	60,533	129,166	55,662
Other operating income		25,698	39,660	19,050	34,963
<b>Total operating income</b>		<b>1,752,536</b>	<b>1,214,679</b>	<b>1,174,391</b>	<b>943,093</b>
<b>Other operating expenses</b>					
Personnel expenses		425,428	330,531	281,670	236,506
Directors' remuneration	35	2,315	5,442	2,015	5,142
Premises and equipment expenses		71,986	69,697	56,043	57,687
Amortisation expense on intangible assets		23,896	23,094	22,053	22,037
Taxes and duties		70,477	45,660	55,246	37,173
Fees and service expenses		21,848	13,739	11,849	9,106
Losses on impairment of properties foreclosed and other assets (reversal)		11,199	6,199	(3,674)	(5,457)
Loss on unwinding of cross currency interest rate swap contracts	42.5	-	31,077	-	31,077
Provisions for liabilities		3,772	3,500	3,772	3,500
Other expenses		71,258	51,907	36,638	39,115
<b>Total other operating expenses</b>		<b>702,179</b>	<b>580,846</b>	<b>465,612</b>	<b>435,886</b>
Bad debt, doubtful accounts and impairment loss	36	(473,005)	(296,929)	(324,090)	(244,667)
<b>Profit before income tax</b>		<b>577,352</b>	<b>336,904</b>	<b>384,689</b>	<b>262,540</b>
Income tax	37	(187,364)	(87,755)	(111,359)	(65,677)
<b>Profit for the periods</b>		<b>389,988</b>	<b>249,149</b>	<b>273,330</b>	<b>196,863</b>
<b>Other comprehensive income</b>					
Gains on valuation of available-for-sale investments		27,261	176,748	27,261	176,748
<b>Total other comprehensive income</b>		<b>27,261</b>	<b>176,748</b>	<b>27,261</b>	<b>176,748</b>
<b>Total comprehensive income</b>		<b>417,249</b>	<b>425,897</b>	<b>300,591</b>	<b>373,611</b>

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

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

**Statements of comprehensive income (continued)**

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

Notes	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Profit for the periods attributable to:</b>				
Equity holders of the Bank	389,988	249,149	273,330	196,863
Non-controlling interest of a subsidiary	-	-		
	<u>389,988</u>	<u>249,149</u>		
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	417,249	425,897	300,591	373,611
Non-controlling interest of a subsidiary	-	-		
	<u>417,249</u>	<u>425,897</u>		
<b>Earnings per share of equity holders of the Bank</b>				
Basic earning per share (Baht per share)	38			
	<u>0.25</u>	<u>0.16</u>	<u>0.17</u>	<u>0.12</u>

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

Mr.Wencong Li

Senior Executive Vice President

Mr.Guohui Song

Senior Executive Vice President

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

**Statements of cash flows**

**For the six-month periods ended 30 June 2011 and 2010**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from operating activities</b>				
Profit before income tax	577,352	336,904	384,689	262,540
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:				
Share of profit from investment under equity method	(18,959)	(10,081)	-	-
Depreciation and amortisation	54,474	56,168	48,526	51,442
Bad debt, doubtful accounts and impairment loss	473,005	296,929	324,090	244,667
Gains on disposals of equipment	(3,147)	(155)	(3,155)	-
Gains on disposals of properties foreclosed	(115,104)	(13,240)	(109,486)	(11,281)
Losses on write-off of fixed assets	1,339	-	1,339	-
Losses on impairment of properties foreclosed and other assets (reversal)	9,913	6,199	(4,960)	(5,457)
Losses (gains) on investments	1,430	(18,507)	1,430	(18,507)
Losses (gains) on tradings and foreign exchange transactions	16,915	(4,182)	16,915	(4,182)
Losses on unwinding of cross currency interest rate swap contracts	-	27,413	-	27,413
Provisions for liabilities	3,772	3,500	3,772	3,500
Provisions for post employment benefits	11,771	-	8,638	-
Other income from revaluation of other receivables	(2,768)	(2,873)	(2,768)	(2,873)
Accrued fee income	(5,600)	-	-	-
Decrease in expenses as a result of transferring receivables under Legal Execution Department	(633)	(822)	(633)	(822)
Increase (decrease) in other accrued expenses	(101,624)	31,006	(101,817)	29,174
	902,136	708,259	566,580	575,614
Net interest income	(1,354,709)	(1,008,055)	(912,437)	(797,244)
Dividend income	(5,036)	(24,886)	(14,516)	(26,466)
Cash received on interest income	1,896,786	1,306,676	1,440,983	1,083,952
Cash paid on interest expenses	(244,081)	(287,015)	(244,084)	(274,270)
Cash received on dividend income	5,036	24,886	5,036	24,886
Cash paid on income tax	(131,768)	(24,039)	(86,787)	(1,723)
<b>Income from operating activities before changes in operating assets and liabilities</b>	1,068,364	695,826	754,775	584,749
(Increase) decrease in operating assets				
Interbank and money market items	(10,910,918)	(667,750)	(10,925,306)	(668,661)
Derivative assets	793,714	(192,890)	793,714	(192,890)
Current investments	9,268	456	9,268	456
Loans	(7,320,343)	924,451	(5,786,233)	1,004,884
Properties foreclosed	367,920	11,282	218,700	19,770
Receivables on credit support for derivative contracts	160,170	(142,702)	160,170	(142,702)
Other receivables	189,040	-	134,812	-
Other assets	20,042	(34,843)	23,837	29,287

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

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

**Statements of cash flows (continued)**

**For the six-month periods ended 30 June 2011 and 2010**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Increase (decrease) in operating liabilities				
Deposits	(3,606,815)	(1,078,468)	(3,608,765)	(1,081,817)
Interbank and money market items	2,396,716	2,866,210	1,896,716	2,866,800
Liabilities payable on demand	(240,136)	(358,289)	(240,136)	(358,289)
Derivative liabilities	(580,699)	108,836	(580,699)	108,836
Payables on credit support for derivative contracts	(240,836)	204,445	(240,836)	204,445
Other liabilities	43,991	85,552	16,560	31,808
<b>Net cash provided by (used in) operating activities</b>	<b>(17,850,522)</b>	<b>2,422,116</b>	<b>(17,373,423)</b>	<b>2,406,676</b>
<b>Cash flows from investing activities</b>				
Cash paid for investment in a subsidiary	-	-	(500,000)	-
(Increase) decrease in long-term investments	2,596,738	(777,008)	2,596,738	(777,008)
Cash received on interest income from investments	153,002	156,616	153,002	156,616
Cash received on dividend income from a subsidiary and an associate	9,480	1,580	9,480	1,580
Cash received on disposals of equipment	3,251	813	3,246	-
Cash paid for purchases of equipment	(10,428)	(24,141)	(5,403)	(11,844)
Cash paid for acquisition of intangible assets	(2,127)	(6,043)	(549)	(2,575)
<b>Net cash provided by (used in) investing activities</b>	<b>2,749,916</b>	<b>(648,183)</b>	<b>2,256,514</b>	<b>(633,231)</b>
<b>Cash flows from financing activities</b>				
Cash received on long-term loans and long-term debts issued	175,428,707	33,232,051	175,428,707	33,232,051
Cash paid on repayments of long-term loans and long-term issued debts	(159,984,192)	(34,815,369)	(159,984,192)	(34,815,369)
Cash paid on interest expense on borrowings	(349,776)	(139,410)	(335,041)	(139,410)
Cash paid for liabilities under lease agreements	(2,177)	(1,004)	(1,082)	(425)
<b>Net cash provided by (used in) financing activities</b>	<b>15,092,562</b>	<b>(1,723,732)</b>	<b>15,108,392</b>	<b>(1,723,153)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,044)</b>	<b>50,201</b>	<b>(8,517)</b>	<b>50,292</b>
Cash and cash equivalents at beginning of the periods	272,817	304,774	272,364	304,402
<b>Cash and cash equivalents at end of the periods</b>	<b>264,773</b>	<b>354,975</b>	<b>263,847</b>	<b>354,694</b>
	-	-	-	-

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



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

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements							
Equity attributable to the Bank's shareholders							
Issued and paid-up share capital		Other component in shareholders' equity - revaluation surplus on investments		Total equity attributable to the Bank's shareholders		Equity attributable to minority shareholders of a subsidiary	
Preference shares	Ordinary shares		Deficit				Total
<b>Balance as at 31 December 2009</b>	27,874	15,876,655	73,666	(2,854,700)	13,123,495	-	13,123,495
Total comprehensive income for the period	-	-	176,748	249,149	425,897	-	425,897
Conversion of preference shares to ordinary shares	(538)	538	-	-	-	-	-
<b>Balance as at 30 June 2010</b>	<u>27,336</u>	<u>15,877,193</u>	<u>250,414</u>	<u>(2,605,551)</u>	<u>13,549,392</u>	<u>-</u>	<u>13,549,392</u>
<b>Balance as at 31 December 2010</b>	4,643	15,899,886	164,577	(2,301,195)	13,767,911	-	13,767,911
Cumulative effect of the change in accounting policy regarding employee benefit (Note 3)	-	-	-	(92,193)	(92,193)	-	(92,193)
Total comprehensive income for the period	-	-	27,261	389,988	417,249	-	417,249
Conversion of preference shares to ordinary shares	(132)	132	-	-	-	-	-
<b>Balance as at 30 June 2011</b>	<u>4,511</u>	<u>15,900,018</u>	<u>191,838</u>	<u>(2,003,400)</u>	<u>14,092,967</u>	<u>-</u>	<u>14,092,967</u>

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

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

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements				
	Issued and paid-up share capital		Other component in shareholders' equity - revaluation surplus on investments	Deficit	Total
	Preference shares	Ordinary shares			
<b>Balance as at 31 December 2009</b>	27,874	15,876,655	73,666	(2,884,496)	13,093,699
Total comprehensive income for the period	-	-	176,748	196,863	373,611
Conversion of preference shares to ordinary shares	(538)	538	-	-	-
<b>Balance as at 30 June 2010</b>	<u>27,336</u>	<u>15,877,193</u>	<u>250,414</u>	<u>(2,687,633)</u>	<u>13,467,310</u>
<b>Balance as at 31 December 2010</b>	4,643	15,899,886	164,577	(2,450,969)	13,618,137
Cumulative effect of change in accounting policy regarding employee benefit (Note 3)	-	-	-	(80,000)	(80,000)
Total comprehensive income for the period	-	-	27,261	273,330	300,591
Conversion of preference shares to ordinary shares	(132)	132	-	-	-
<b>Balance as at 30 June 2011</b>	<u>4,511</u>	<u>15,900,018</u>	<u>191,838</u>	<u>(2,257,639)</u>	<u>13,838,728</u>

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

**Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary**  
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**For the six-month periods ended 30 June 2011 and 2010**

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**Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary**  
**Notes to interim financial statements**  
**For the six-month periods ended 30 June 2011 and 2010**

**1. The Bank's general information**

Industrial and Commercial Bank of China (Thai) Public Company Limited was registered to be a publicly limited company under Thai laws on 15 April 1993 and it has been licensed by the Ministry of Finance on 21 December 2005 to operate commercial banking business in Thailand. Its registered address is at No. 622, Sukhumvit Road, Klongton Sub-district, Klongtoey District, Bangkok. As at 30 June 2011 and 31 December 2010, the Bank has altogether 19 branches including a head office.

On 21 April 2010, Industrial and Commercial Bank of China Limited, who made the tender offer to buy all shares of the Bank, reported the result of its tender offer for securities of the Bank to the Secretary of the Office of the Securities and Exchange Commission and made full payment for its purchase of shares. It purchased all 1,546,568,601 shares being offered for sale in response to the tender offer or equivalent to 97.24 percent of the issued and paid-up share capital of the Bank.

Later on 25 June 2010, the Bank's Extraordinary General Meeting of the Shareholders No. 1/2010 resolved to approve the change of the Bank's name from ACL Bank Public Company Limited to Industrial and Commercial Bank of China (Thai) Public Company Limited. The change was registered with Department of Business Development, the Ministry of Commerce on 8 July 2010. In addition, the meeting also resolved to approve the voluntary delisting of the Bank's shares from the Stock Exchange of Thailand since following completion of the tender offer in April 2010, Industrial and Commercial Bank of China Limited had held 97.24% of the issued and paid-up share capital of the Bank and was thus duty-bound to comply with the conditions stated in the tender offer. Moreover, because of such shareholding of the Bank of Industrial and Commercial Bank of China Limited, the Bank would not be able to meet the listing requirement of the Stock Exchange of Thailand that a listed company must maintain not less than 150 minority ordinary shareholders with an aggregate shareholding of not less than 15% of the issued and paid-up share capital of the Bank.

Hence, Industrial and Commercial Bank of China Limited made a tender offer in order to delist the Bank's shares from Stock Exchange of Thailand, with the offer period running from 28 December 2010 until 3 March 2011. On 8 March 2011, Industrial and Commercial Bank of China Limited reported to the Secretary of the Office of the Securities and Exchange Commission that the results of its tender offer were that it had purchased 7,350,381 shares being offered for sale, or equivalent to 0.46% of the issued and paid-up share capital. The total shares of the Bank held by Industrial and Commercial Bank of China Limited is 1,553,918,982 shares, or equivalent to 97.70% of the issued and paid-up share capital. The Bank applied to delist its 1,590,452,945 shares from the Stock Exchange of Thailand, comprised of 1,590,001,864 ordinary shares and 451,081 preferred shares, and the SEC ordered the shares of the Bank delisted from Stock Exchange of Thailand effective from 19 March 2011.

As at 30 June 2011 and 31 December 2010, Industrial and Commercial Bank of China Limited is the major shareholder of the Bank, holding 97.70% and 97.24% of the issued and paid-up share capital of the Bank, respectively.

As at 30 June 2011 and 31 December 2010, the Bank has only one subsidiary, which was established as a limited company under Thai laws, has been operating its businesses in Thailand and has core business in leasing and hire purchase businesses.

## **2. Basis of preparation of financial statements**

### **2.1 Basis of preparation of interim financial statements**

These interim financial statements have been prepared in accordance with Thai Accounting Standards No. 34 (revised 2009) "Interim Financial Reporting", whereby the Bank chooses to present the interim financial statements in the same full format as the annual financial statements.

These financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and the presentation of the financial statements has been made in compliance with the Bank of Thailand's notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011. Hence, the Bank and its subsidiary reclassified certain items of the comparative financial statements as described in Note 43 to the financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 5 to the financial statements regarding significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from these Thai language financial statements.

## 2.2 Basis of consolidation

- (a) These consolidated financial statements include the financial statements of Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary as follows:

Type of business	Percentage of shares held by the Bank as at	30		31		Revenue included as a percentage to the consolidated totals for the six-month periods ended 30 June		Profit for the periods included as a percentage to the consolidated totals for the six-month periods ended 30 June <sup>(1)</sup>	
		June		December		2011		2010	
		2011		2010		2011		2010	
		2011		2010		2011		2010	
Leasing Sinn Asia Company Limited	Hire purchase	99.99	99.99	31.64	28.15	41.86	28.45	27.10	17.57

<sup>(1)</sup> Not include other comprehensive income

- (b) Subsidiary is fully consolidated as from the date of acquisition, being the date on which the Bank obtains control, and continued to be consolidated until the date when such control ceases.
- (c) The financial statements of the subsidiary are prepared using the same significant accounting policies as the Bank.
- (d) Material balances and transactions between the Bank and its subsidiary have been eliminated from the consolidated financial statements.
- (e) Minority interests represent the portion of net income or loss and net assets of a subsidiary that is not held by the Bank and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position.

## 2.3 Separate financial statements

The separate financial statements, which present investments in a subsidiary and an associated company under the cost method, have been prepared solely for the benefit of the public.

### 3. Application of new accounting standards during the period

During the current period, the Bank and its subsidiary adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

#### Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

#### Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources



Financial Reporting Standard Interpretations:

TFRIC 15                      Agreements for the Construction of Real Estate

Accounting Standard Interpretations:

SIC 31                      Revenue-Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements for the current period, except for the following accounting standards.

#### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as an expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment retirement benefits using actuarial techniques. The Bank and its subsidiary previously accounted for such employee benefits when they were incurred.

Hence, the Bank and its subsidiary have changed this accounting policy since the beginning of the current year and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current period. This resulted in the decrease in the retained earnings brought forward as at 1 January 2011 in the consolidated and separate financial statements by Baht 92 million and Baht 80 million, respectively. The cumulative effect of such changes in the accounting policy has already been presented under the heading of “Cumulative effect of the change in accounting policy regarding employee benefits” in the statements of changes in shareholders’ equity.

In addition, the change in such accounting policy also has the effect of decreasing profit for the periods in the consolidated and separate financial statements for the six-month period ended 30 June 2011 by Baht 12 million, or 0.0074 Baht per share and Baht 9 million, or 0.0054 Baht per share, respectively.

#### **4. New accounting standards issued during the period not yet effective**

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

SIC 10      Government Assistance - No Specific Relation to Operating Activities

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

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

## **5. Significant accounting policies**

### **5.1 Revenue recognition**

#### **(a) 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.

#### **(b) Hire purchase income**

Hire purchase income is recognised as revenue, using the effective interest rate method, over the period of the contracts. For hire purchase receivables on which installments have been defaulted and overdue for more than three months from the due dates, the subsidiary cease accrual of revenue and reverse the revenue previously accrued 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.

(c) Finance lease income

Finance lease income is recognised as revenue, using the effective interest rate method, over the period of the contracts. For finance lease receivables on which installments have been defaulted and overdue for more than three months from the due dates, the subsidiary ceases accrual of revenue and reverse the revenue previously accrued 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.

(d) Interest and dividends on investments

Interest on investments is recognised as revenue on an accrual basis based on the effective rate method. Dividends from securities are recognised as revenue when the right to receive the dividends is established.

(e) Gains (losses) on investments

Gains (losses) on investments are recognised as revenue/expenses on the transaction dates.

(f) Gains (losses) on derivatives trading

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

(g) 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.

## **5.2 Expense recognition**

### **(a) Interest expenses**

Interest expenses are recognised as expense on an accrual basis.

The subsidiary recorded the financial fees related to borrowings typically incurred on or before signing of facility agreements and before actual drawdown of the loans as deferred financial expenses and amortised using the effective interest rate method over the term of the loans. The amortisation of deferred financial fees is included in determining borrowing costs.

### **(b) Commissions and direct expenses from the hire purchase business**

Commission and initial direct expenses at the inception of a hire-purchase contract are deferred and to be amortised as expenses throughout the contract period, using the effective interest method, with the amortisation deducted from interest income.

## **5.3 Cash and cash equivalents**

Cash and cash equivalents include cash, cheques and cheques in transit.

## **5.4 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.

## **5.5 Investments in securities**

- (a) Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the fair value of these securities are included in determining income.
- (b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and gains or losses will be included in determining income when the securities are sold.
- (c) Investments in debt securities, expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective interest rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- (d) Investments in non-marketable equity securities, which the Bank classifies as general investments, are stated at cost net of allowance for loss on diminution in value (if any).

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 as gains or losses in determining income or recorded as revaluation surplus (deficit) on investments in shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as gain or loss in determining income. If the Bank and its subsidiary dispose of only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

### ***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.

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 its counter-party.

The fair value of marketable securities is calculated based on the latest bid price on the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of debt securities is calculated by using the last trading price quoted by the Thai Bond Market Association. The fair value of investment units is based on their net asset value as at the statement of financial position.

## **5.6 Investments in a subsidiary and an associated company**

### Separate financial statements

Investments in a subsidiary and an associated company, recorded in the separate financial statements, are stated at cost net of allowance for impairment on investments in a subsidiary and an associated company (if any). Losses on impairment are recorded as expense in determining income.

### Consolidated financial statements

Investments in an associated company, recorded in the consolidated financial statements, are recorded using the equity method. Under this method, investments are initially recorded at the acquisition cost and are adjusted to reflect the attributable share of the profits or losses from the operations of the associated company, in proportion to the investments.

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 associated company, respectively, but will treat it as a general investment since the Bank intends to hold such investment temporarily. Such investments are valued at cost less allowance for impairment losses (if any).

## **5.7 Loans and receivables**

Loans are presented at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Unearned income and discounts on loans are deducted from the loan balances.

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

## **5.8 Allowance for doubtful accounts**

- (a) The Bank provides allowance for doubtful accounts in accordance with the Notifications of the BOT and adjusts it based on amount for which it expects not to be recouped from debtors. Such amount is determined based on an evaluation of the current status of the debtors, taking into consideration relevant risk and value of the underlying collateral.

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.

- (b) The subsidiary operating leasing and hire-purchase businesses provides an allowance for doubtful accounts with reference to number of months overdue 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 balance 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.

At the statement of financial position date, the adequacy of the allowance for doubtful accounts is reviewed taking into consideration past collection experience and the current status of receivables.

- (c) Allowance for doubtful accounts of other receivables is set aside by the amount of debt that may not be collectible, determined based on a review of the current status of the debtors on the statement of financial position.
- (d) The Bank writes off bad debts following the BOT's guidelines and as approved by the Board of Executive Directors. The Bank reverses allowance for doubtful accounts and recognises bad debts written-off as expense. All bad debts recovered are recognised as income.

## **5.9 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 the transfer of assets and/or equity, the Bank records assets and/or equity received in settlement of debts at their fair value less estimated selling expenses (if any) providing that it does not exceed the book value of outstanding principal and accrued interest receivables. Losses arising from the excess of the book value over the fair value of those assets and equity transferred are recognised as expense, taking into account existing allowance for doubtful accounts.

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 debtor 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 rate for loan to large customer. The lower of the then-determined present value and the recorded outstanding loans and accrued interest receivables due from a debtor is accounted for as allowance for revaluation on debt restructuring and recognised as expenses in statements of comprehensive income for the period in which the debt is restructured. Such allowance is amortised and recognised as revenue in the statements of comprehensive income over the remainder 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.



## 5.10 Properties foreclosed

Properties foreclosed are stated at the lower of cost at the acquisition date and net realisable value. Cost at the acquisition date of properties foreclosed is stated at their fair value but it is not to exceed the balance of principal and accrued interest receivables. Net realisable value is determined based on to the latest available appraisal value less estimated selling expenses.

Gains or losses on disposals of properties foreclosed are recorded as revenue or expenses in determining income when significant risk and rewards have been transferred.

Impairment loss is recognised as expense in determining income.

## 5.11 Premises and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on a straight-line method over the following estimated periods of useful lives.

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

No depreciation is determined for land and assets in progress.

Depreciation is reconised as expense.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised as expense when the asset is derecognised.

### **5.12 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and allowance for impairment (if any). The Bank and its subsidiary amortise intangible assets with finite useful lives or with useful lives, which can be estimated on a systematic basis over their economic benefit lives and test for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation periods and the amortisation method of such intangible assets are reviewed at least at each financial year-end. The amortised amount recognised as expenses.

Intangible assets of the Bank and its subsidiary with finite useful lives, or with useful lives that can be estimated on a systematic basis, are computer software and of which the estimated useful lives are 5 and 10 years.

### **5.13 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortization and allowance for impairment (if any). Leasehold rights are amortised on a straight-line basis over the lease period of 30 years and the amortisation amounts are recognised as expenses.

### **5.14 Long-term leases**

Leases of motor vehicles which transfer substantially all the risks and rewards of ownership to the Bank and its subsidiary, as a lessee, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the net present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are recorded as long-term liabilities, while the interest element is recognised as expense over the lease periods. Assets acquired under finance leases are depreciated over the shorter of the useful lives of the assets and the lease periods.

Lease not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Operating lease payments recognised as an expenses on straight line basis over the lease term.

### **5.15 Sales of commercial papers**

Commercial papers sold without recourse are recorded by crediting the notes receivable account.

Commercial papers without an aval or acceptance and sold at a discount 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, are sold at a discount with recourse, recorded by crediting the notes receivable account, and disclosed such as a part of "Contingent liabilities".

### **5.16 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank and its subsidiary, whether directly or indirectly, or which are under common control with the Bank and its subsidiary.

They also include associated company and individuals which directly or indirectly own a voting interest in the Bank and its subsidiary that gives them significant influence over the Bank and its subsidiary, key management personnel, directors and officers with authority in the planning and direction of the Bank's and its subsidiary's operations, together with closed family members of such persons and companies which are controlled or influenced by them, whether directly or indirectly.

### **5.17 Impairment of assets**

At each reporting date, the Bank and its subsidiary perform impairment reviews in respect of the premises and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. the Bank and its subsidiary also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised as expense.

In assessing impairment of asset other than goodwill, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Bank and its subsidiary estimate the asset's recoverable amount. A previously recognised impairment loss for assets other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of comprehensive income.

## **5.18 Employee benefits**

### ***Short-term employment benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

### ***Post employment benefits***

#### Defined contribution plans

The Bank, its subsidiary and the employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank and its subsidiary. The fund's assets are held in a separate trust fund and the Bank and its subsidiary's contributions are recognised as expenses when incurred.

#### Defined benefit plans

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

The obligation under such post-employment benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate and mortality rate.

Actuarial gains or losses arising from such post-employment benefit plan are recognised in determining income.

### **5.19 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the statement of financial position date.

Gains and losses on exchange are included in determining income.

### **5.20 Provisions**

Provisions are recognised 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, and a reliable estimate of such obligation can be made.

### **5.21 Income tax**

Income tax is provided in the accounts based on the taxable profits determined in accordance with tax legislation.

### **5.22 Derivatives**

The Bank has entered into off-balance sheet transactions involving derivatives in order to respond to clients' needs and to manage its own foreign exchange and interest rate risks. Obligations under derivative contracts are regarded as off-balance sheet items and made according to the purpose of entering into those transactions as follows.

#### Trading Book

As at the statement of financial position dates, foreign exchange contracts are measured at fair value. Gains/Losses arising from revaluation are recognised in statements of comprehensive income.

The fair values of foreign exchange contracts are determined, using the forward exchange rates at the statement of financial position dates for the contract periods remaining on those dates.

#### Banking Book (Not held for trading)

As at the statement of financial position dates, the Bank recognises foreign exchange contracts, interest rate swap contracts, and cross currency and interest rate swap contracts on an accrual basis as follows:

- (a) The currency exchange components are translated at the exchange rates ruling on the statement of financial position dates, with unrealised gains or losses on translation recognised in statements of comprehensive income. Premiums or discounts on contracts are amortised on a straight-line basis over the contract periods.

- (b) Interest rate swap components are recognised on an accrual basis, in the same manner as the hedged assets and liabilities. That is, interest income or interest expense is recognised in the statements of comprehensive income over the term of the contract periods.

These measurement methods are in compliance with the principles stipulated by the Bank of Thailand's Notification No. 67/2551 dated 3 August 2008.

## **6. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

### **6.1 Recognition and derecognition of assets and liabilities**

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether risk and rewards of those assets and liabilities have been transferred, based on their best knowledge of the current events and arrangements.

### **6.2 Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **6.3 Allowance for doubtful accounts provided on loans and receivables**

Allowances for doubtful debts on loans and accrued interest receivables are intended to adjust the value of loans and receivables for probable credit losses. The management follows the BOT's guidelines regarding the provision of allowance for doubtful debts, including the use of judgment to estimate losses expected to be incurred on loans and accrued interest receivables, taking into consideration an analysis of each debtor's status, payment history, collection experience from the debtor, the value of collateral and surrounding economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful debts and adjustments to the allowances may therefore be required in the future.

#### **6.4 Fair value of financial instruments**

In determining the fair value of financial instruments that are not freely traded in an open market or for which quoted market prices are not readily available, the management exercises judgment in estimating the fair value of such financial instruments, using the generally accepted valuation method. The inputs used in such fair value calculation are comparable to those from the observable markets, taking into consideration of liquidity and correlation and long-term volatility of financial instruments

#### **6.5 Impairment of equity investments**

The Bank treats available-for-sale investments and general investments as impaired when the management judges that 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.

#### **6.6 Allowance for impairment on properties foreclosed**

The Bank and its subsidiary determine allowance for impairment on properties foreclosed when net realisable value of such assets falls below their book value. The management uses the BOT’s regulation 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. However, the use of different estimates and assumptions could affect the amounts of allowance for impairment and adjustments to the allowances may therefore be required in the future.

#### **6.7 Premises and equipment and Depreciation**

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and salvage values of the Bank and its subsidiary’s premises and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses (if any) in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

## **6.8 Intangible assets**

In consideration of impairment on intangible assets, it requires management to forecast cash flows that will be generated by the assets or the cash generating units, and to select a suitable discount rate in order to determine the present value of those cash flows. In addition, in amortising intangible assets, the management estimates the useful lives of those intangible assets that have finite useful lives and reviews these estimates whenever circumstances change.

## **6.9 Profit and 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 amount of loss sharing already recorded.

## **6.10 Provisions for post-employment benefits**

The obligation under the post-employment retirement benefit plan is calculated using actuarial techniques, which estimation based on various assumptions. Management had to exercise judgement to determine the appropriateness of these assumptions, which concerned the discount rate, future salary increase rate and staff turnover rate and mortality rate based on their knowledge of current events and arrangement. However, actual post-employment benefit payment may differ from the estimates.

## **6.11 Litigation**

The Bank has contingent liabilities as a result of litigation being made against the Bank for claims of compensation. The management has used judgement to assess of the results of the litigation and recorded provisions for liabilities as at the statement of financial position dates. However, actual results could differ from the estimates.



## 7. Interbank and money market items (assets)

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
<b>Domestic items</b>						
Bank of Thailand	277,864	200,000	477,864	200,768	200,000	400,768
Commercial banks	146,874	8,010,000	8,156,874	100,197	3,000,000	3,100,197
Specialised Financial Institutions	-	4,400,000	4,400,000	-	900,000	900,000
Other financial institutions	-	-	-	-	40,000	40,000
<b>Total</b>	<b>424,738</b>	<b>12,610,000</b>	<b>13,034,738</b>	<b>300,965</b>	<b>4,140,000</b>	<b>4,440,965</b>
Add: Accrued interest receivables	-	1,248	1,248	3	265	268
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	(17,400)	(17,400)
<b>Domestic items - net</b>	<b>424,738</b>	<b>12,608,248</b>	<b>13,032,986</b>	<b>300,968</b>	<b>4,122,865</b>	<b>4,423,833</b>
<b>Foreign items</b>						
USD currency	35,632	2,344,761	2,380,393	12,231	119,098	131,329
AUD currency	1,676	-	1,676	1,536	-	1,536
Renminbi currency	1,153	54,373	55,526	2	4,946	4,948
Euro currency	1,302	16,734	18,036	2,323	-	2,323
Pound sterling currency	397	-	397	614	-	614
Other currencies	4,542	-	4,542	2,676	-	2,676
<b>Total</b>	<b>44,702</b>	<b>2,415,868</b>	<b>2,460,570</b>	<b>19,382</b>	<b>124,044</b>	<b>143,426</b>
Add: Accrued interest receivables	-	2,814	2,814	-	629	629
Less: Allowance for doubtful accounts	-	(21,770)	(21,770)	-	(579)	(579)
<b>Foreign items - net</b>	<b>44,702</b>	<b>2,396,912</b>	<b>2,441,614</b>	<b>19,382</b>	<b>124,094</b>	<b>143,476</b>
<b>Total domestic and foreign items</b>	<b>469,440</b>	<b>15,005,160</b>	<b>15,474,600</b>	<b>320,350</b>	<b>4,246,959</b>	<b>4,567,309</b>

(Unit: Thousand Baht)

## Separate financial statements

	30 June 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
<b>Domestic items</b>						
Bank of Thailand	277,864	200,000	477,864	200,768	200,000	400,768
Commercial banks	96,926	8,010,000	8,106,926	35,861	3,000,000	3,035,861
Specialised Financial Institutions	-	4,400,000	4,400,000	-	900,000	900,000
Other financial institutions	-	-	-	-	40,000	40,000
<b>Total</b>	<b>374,790</b>	<b>12,610,000</b>	<b>12,984,790</b>	<b>236,629</b>	<b>4,140,000</b>	<b>4,376,629</b>
Add: Accrued interest receivables	-	1,245	1,245	2	265	267
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	(17,400)	(17,400)
<b>Domestic items - net</b>	<b>374,790</b>	<b>12,608,245</b>	<b>12,983,035</b>	<b>236,631</b>	<b>4,122,865</b>	<b>4,359,496</b>
<b>Foreign items</b>						
USD currency	35,632	2,344,761	2,380,393	12,231	119,098	131,329
AUD currency	1,676	-	1,676	1,536	-	1,536
Renminbi currency	1,153	54,373	55,526	2	4,946	4,948
Euro currency	1,302	16,734	18,036	2,323	-	2,323
Pound sterling currency	397	-	397	614	-	614
Other currencies	4,542	-	4,542	2,676	-	2,676
<b>Total</b>	<b>44,702</b>	<b>2,415,868</b>	<b>2,460,570</b>	<b>19,382</b>	<b>124,044</b>	<b>143,426</b>
Add: Accrued interest receivables	-	2,814	2,814	-	629	629
Less: Allowance for doubtful accounts	-	(21,770)	(21,770)	-	(579)	(579)
<b>Foreign items - net</b>	<b>44,702</b>	<b>2,396,912</b>	<b>2,441,614</b>	<b>19,382</b>	<b>124,094</b>	<b>143,476</b>
<b>Total domestic and foreign items</b>	<b>419,492</b>	<b>15,005,157</b>	<b>15,424,649</b>	<b>256,013</b>	<b>4,246,959</b>	<b>4,502,972</b>

## 8. Derivatives

### 8.1 Trading derivatives

(Unit: Thousand Baht)

Type of risk	Consolidated and separate financial statements					
	30 June 2011			31 December 2010		
	Fair value		Notional amount <sup>(1)</sup>	Fair value		Notional amount <sup>(1)</sup>
	Assets	Liabilities		Assets	Liabilities	
Currency	484,849	568,933	29,162,150	975,407	972,248	34,519,503
Interest rate	-	1,451	900,000	-	-	-
Total	484,849	570,384	30,062,150	975,407	972,248	34,519,503

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

Below are the proportions of derivatives transactions classified by counterparty, determined on the basis of the notional amount, as at 30 June 2011 and 31 December 2010.

Counterparties	Consolidated and separate financial statements	
	30 June 2011	31 December 2010
Financial institutions	98.06%	95.77%
Companies within Group	0.36%	0.09%
Third parties	1.58%	4.14%
Total	100.00%	100.00%

### 8.2 Derivatives not held for trading (Banking Book)

As at 30 June 2011 and 31 December 2010, the Bank has commitments under 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 adjustment to the 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 as at the statement of financial position dates based on the contracts are recorded as a part of "Other assets" or "Accrued interest expenses", as the case may be, in the statements of financial position.

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	30 June 2011			31 December 2010		
	Book value <sup>(2)</sup>		Notional amount <sup>(1)</sup>	Book value <sup>(2)</sup>		Notional amount <sup>(1)</sup>
	Assets	Liabilities		Assets	Liabilities	
<b>Type of risk</b>						
Currency	62,489	135,265	6,262,519	132,078	84,157	4,385,298
Interest rate	- <sup>(3)</sup>	- <sup>(3)</sup>	22,500,000	- <sup>(3)</sup>	23,698 <sup>(3)</sup>	11,380,000
Currency and interest rate	64,444	2,754 <sup>(3)</sup>	926,121	76,674 <sup>(3)</sup>	- <sup>(3)</sup>	693,480
<b>Total</b>	<b>126,933</b>	<b>138,019</b>	<b>29,688,640</b>	<b>208,752</b>	<b>107,855</b>	<b>16,458,778</b>

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

<sup>(2)</sup> Book value are the value determined based on accrual basis as described in accounting policy regarding to derivatives not held for trading.

<sup>(3)</sup> Not include interest receivables and payables, which are recorded as a part of other assets or accrued interest expenses, as the cash maybe.

## 9. Investments

### 9.1 Classified by types of investments

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	30 June 2011		31 December 2010	
	Cost/ Amortised cost	Fair Value	Cost/ Amortised cost	Fair Value
<b>Trading securities</b>				
Domestic marketable equity securities	-	-	6,602	6,620
Total	-	-	6,602	6,620
Add: Allowance for revaluation	-	-	18	-
Trading securities – net	-	-	6,620	6,620
<b>Available-for-sale securities</b>				
Government and state enterprises securities	3,583,579	3,544,738	6,049,120	6,028,392
Private sector debt securities	20,018	20,045	451,703	371,624
Foreign debt securities	2,856,995	3,064,787	2,518,672	2,681,619
Domestic marketable equity securities	38,625	61,485	38,625	59,369
Total	6,499,217	6,691,055	9,058,120	9,141,004
Add: Allowance for revaluation	191,838	-	164,577	-
Less: Allowance for impairment	-	-	(81,693)	-
Available-for-sale securities - net	6,691,055	6,691,055	9,141,004	9,141,004
<b>Held-to-maturity debt securities</b>				
Government and state enterprises securities	903,419		1,034,032	
Private sector debt securities	400,000		400,000	
Total	1,303,419		1,434,032	
Less: Allowance for impairment	(222,000)		(222,000)	
Held-to-maturity debt securities - net	1,081,419		1,212,032	
<b>General investments</b>				
Domestic non-marketable equity securities	104,716		424,447	
Less: Allowance for impairment	(11,918)		(331,649)	
General investments – net	92,798		92,798	
<b>Investments – net</b>	<b>7,865,272</b>		<b>10,452,454</b>	

As at 30 June 2011 and 31 December 2010, investments of the Bank and its subsidiary were not subject to any restrictions on their holding and disposal, except that the Bank has placed government bonds amounting to Baht 4 million and Baht 4 million, respectively, which it classifies as available-for-sale securities, with the Court as security.

## 9.2 Classified by the remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

Consolidated and separate financial statements				
30 June 2011				
Periods to maturity				
	1 year	Over 1 year to 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>				
Government and state enterprises securities	1,556,301	2,027,278	-	3,583,579
Private sector debt securities	20,018	-	-	20,018
Foreign debt securities	157,971	1,593,880	1,105,144	2,856,995
Total	1,734,290	3,621,158	1,105,144	6,460,592
Add (less): Allowance for revaluation	(11,902)	71,809	109,071	168,978
Available-for-sale securities - net	1,722,388	3,692,967	1,214,215	6,629,570
<b>Held-to-maturity debt securities</b>				
Government and state enterprises securities	877,915	25,504	-	903,419
Private sector debt securities	400,000	-	-	400,000
Total	1,277,915	25,504	-	1,303,419
Less: Allowance for impairment	(222,000)	-	-	(222,000)
Held-to-maturity debt securities - net	1,055,915	25,504	-	1,081,419
<b>Debt securities - net</b>	<b>2,778,303</b>	<b>3,718,471</b>	<b>1,214,215</b>	<b>7,710,989</b>

(Unit: Thousand Baht)

Consolidated and separate financial statements				
31 December 2010				
Periods to maturity				
	1 year	Over 1 year to 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>				
Government and state enterprises securities	4,354,791	1,694,329	-	6,049,120
Private sector debt securities	451,702 <sup>(1)</sup>	-	-	451,702
Foreign debt securities	-	1,434,244	1,084,428	2,518,672
Total	4,806,493	3,128,573	1,084,428	9,019,494
Add (less): Allowance for revaluation	(5,510)	69,946	79,398	143,834
Less: Allowance for impairment	(81,693)	-	-	(81,693)
Available-for-sale securities - net	4,719,290	3,198,519	1,163,826	9,081,635
<b>Held-to-maturity debt securities</b>				
Government and state enterprises securities	987,607	46,425	-	1,034,032
Private sector debt securities	-	400,000	-	400,000
Total	987,607	446,425	-	1,434,032
Less: Allowance for impairment	(222,000)	-	-	(222,000)
Held-to-maturity debt securities - net	765,607	446,425	-	1,212,032
<b>Debt securities - net</b>	<b>5,484,897</b>	<b>3,644,944</b>	<b>1,163,826</b>	<b>10,293,667</b>

<sup>(1)</sup> Includes debt securities that have already matured

### 9.3 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 avaled by the Financial Institutions Development Fund (“FIDF”) and may be redeemed by TAMC prior to maturity.

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.

- 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.

The Bank received performance reports on non-performing loan management from TAMC. TAMC informed the Bank that there are profits or losses to share. However, such share of profits or losses was on only certain transferred non-performing loans. The Bank has therefore not recorded such share of profits or losses. Total shares of profits or losses will be known when the liquidation process of TAMC is completed. However, as at 30 June 2011 and 31 December 2010, the Bank estimated its share of losses of Baht 222 million and Baht 222 million, respectively, that may be arisen from the management of the non-performing loans. Such amount has been presented as an allowance for impairment against promissory notes received from TAMC, which are recorded as a part of held-to-maturity debt securities.

On the last working day of each year, TAMC shall calculate interest based on a quarterly average deposit rate and pay interest on an annual basis at the end of every year.

As a result of transferring non-performing loans to TAMC, the Bank received promissory notes from TAMC of Baht 2,599 million, maturing on 31 October 2011, 30 November 2011, 29 March 2012, 12 April 2012, 31 October 2012, 31 March 2013 and 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. Up to 30 June 2011 and 31 December 2010, TAMC made payment and redeemed promissory notes totalling Baht 1,696 million and Baht 1,565 million, respectively. Following such redemptions, the balances of promissory notes as at 30 June 2011 and 31 December 2010 were Baht 903 million and Baht 1,034 million, respectively.

During the periods ended 30 June 2011 and 2010, the Bank recognised interest income on promissory notes from TAMC totalling Baht 6 million and Baht 8 million, respectively.

## 9.4 Investment in a related company

The Bank has the following investment in a related company, where the Bank holds 10% or more of the paid-up share capital of the investee company, which is recorded as a part of general investments and classified as long-term investments, is presented below.

(Unit: Thousand Baht)

Consolidated and separate financial statements						
Company's name	Type of business	Type of invested in securities	Nature of relationship	30 June 2011		
				Paid-up capital	Shareholding percentage	Cost
					%	
<u>Related company</u>						
Bangkok BTMU Company Limited	Lending and investment holding businesses	Ordinary shares	Related through the Bank's management	200,000	10.00	20,390
Total investment in a related company						<u>20,390</u>

(Unit: Thousand Baht)

Consolidated and separate financial statements						
Company's name	Type of business	Type of invested in securities	Nature of relationship	31 December 2010		
				Paid-up capital	Shareholding percentage	Cost
					%	
<u>Related company</u>						
Bangkok BTMU Company Limited	Lending and investment holding businesses	Ordinary shares	Related through the Bank's management	200,000	10.00	20,390
Total investment in a related company						<u>20,390</u>

## 9.5 Investments in companies having problems relating to financial position and operating results

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	30 June 2011			31 December 2010		
	Cost	Fair value	Allowance for impairment	Cost	Fair value	Allowance for impairment
Listed companies under delisting conditions	-	-	-	110	-	(110)
Companies with problems regarding to financial status and operating performance	13,911	1,992	(11,919)	333,532	1,993	(331,539)
Defaulted debt securities	-	-	-	81,693	-	(81,693)



## 10. Investments in a subsidiary

As at 30 June 2011 and 31 December 2010, investments in a subsidiary, which is accounted for under the cost method in the separate financial statements, consist of investments in ordinary shares of the following company:

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements							
		Paid-up capital		Shareholding percentage		Book value under the cost method		Dividends received for the six-month periods ended 30 June	
		30 June	31 December	30 June	31 December	30 June	31 December	2011	2010
		2011	2010	2011	2010	2011	2010	2011	2010
				%	%				
Leasing Sinn Asia Company Limited	Hire purchase	3,000	2,500	99.99	99.99	3,000	2,500	-	-

During the year 2010, the subsidiary called up partial payment of the additional shares and the Bank made payment of Baht 1.5 billion on 15 July 2010. On 20 July 2010, the subsidiary registered with the Ministry of Commerce the increase of its share capital as a result of the issue of additional 200 million ordinary shares with a par value of Baht 10 each. Following the registration of the capital increase, the subsidiary's registered share capital stands at Baht 3 billion, comprising 300 million ordinary shares with a par value of Baht 10 each. As at 31 December 2010, the subsidiary had fully paid-up 200 million shares with a par value of Baht 10 each and 50% paid-up 100 million shares with a par value of Baht 10 each. The Bank made payment of Baht 500 million for the remaining unpaid shares on 26 January 2011.

## 11. Investments in an associated company

### 11.1 Details of the associated company

As at 30 June 2011 and 31 December 2010, investments in an associated company in the consolidated and separate financial statements consist of investments in ordinary shares of the following company:

(Unit: Million Baht)

Company's name	Type of business	Country of incorporation	Shareholding percentage		Consolidated financial statements		Separate financial statements	
			30 June	31 December	Equity method		Cost method	
			2011	2010	30 June	31 December	30 June	31 December
			2011	2010	2011	2010	2011	2010
			%	%				
Finansia Syrus Securities Public Company Limited	Securities business	Thailand	24.51	24.51	300	290	255	255

(Unit: Million Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Shares of profit from investment in an associated company for the six-month periods ended 30 June			
	2011	2010	2011	2010
Finansia Syrus Securities Public Company Limited	19.0	10.1	9.5	1.6

The profit sharing from investment in an associated company for the years ended 30 June 2011 and 2010, amounting to Baht 19.0 million and Baht 10.1 million, respectively, was calculated from management accounts of the associated company as shown in Note 11.2

## 11.2 Summary financial information of the associated company

Financial information of the associated company as at 30 June 2011 and 31 December 2010 and for the six-month periods ended 30 June 2011 and 2010, as summarised from its financial statements, which were prepared by the management of the associated company, is presented below.

(Unit: Million Baht)

Company's name	Paid-up share capital		Total assets		Total liabilities		Total revenue for the six-month periods ended 30 June		Profit for the six-month periods ended 30 June <sup>(1)</sup>	
	30 June	31 December	30 June	31 December	30 June	31 December	2011	2010	2011	2010
	2011	2010	2011	2010	2011	2010				
Finansia Syrus Securities Public Company Limited	516	516	3,517	2,767	2,229	1,503	765	485	77	21

<sup>(1)</sup> Not include other comprehensive income

As at 30 June 2011 and 31 December 2010, the fair values of the associated company, which were computed from the last bid price as at the last business day of Stock Exchange of Thailand only on the share portion held by the Bank, were Baht 235 million and Baht 253 million, respectively.

## 12. Reconciliations of shareholders' equity between those stated in the consolidated financial statements and the separate financial statements

(Unit: Thousand Baht)

	30 June 2011	31 December 2010
Equity attributable to the Bank's shareholders in the separate financial statements	13,838,728	13,618,137
<u>Reconciled items</u>		
Accumulated share of gains (losses) from investments under equity method	465,084	351,138
Accumulated dividend received from subsidiaries and an associated company	(210,845)	(201,364)
Total amounts of reconciled items	254,239	149,774
Equity attributable to the Bank's shareholders in the consolidated financial statements	<u>14,092,967</u>	<u>13,767,911</u>

## 13. Loans to customers and accrued interest receivables

### 13.1 Classified by types of loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Overdrafts	1,143,645	1,130,158	1,143,645	1,130,158
Loans	21,498,582	20,872,622	21,244,842	20,609,301
Notes receivable	11,325,132	12,264,029	34,153,531	29,300,229
Hire purchase receivables	31,235,011	23,178,032	-	-
Financial lease receivables	355,127	373,771	-	-
Total loans to customers	65,557,497	57,818,612	56,542,018	51,039,688
Less: Deferred revenues	(4,201,584)	(3,114,614)	(371)	(1,106)
Total loans to customers net of deferred revenues	61,355,913	54,703,998	56,541,647	51,038,582
Add: Accrued interest receivables	48,273	112,650	50,780	116,260
Total loans to customers net of deferred revenues and accrued interest receivables	61,404,186	54,816,648	56,592,427	51,154,842
Less: Allowance for doubtful accounts				
- BOT's minimum requirement provision	(615,499)	(751,499)	(639,424)	(659,278)
- Excess reserve	(419,841)	(252,297)	(155,765)	(45,229)
Allowance for revaluation on debt restructuring	(10,987)	(11,725)	(10,987)	(11,725)
Loans to customers and accrued interest receivables - net	<u>60,357,859</u>	<u>53,801,127</u>	<u>55,786,251</u>	<u>50,438,610</u>

## 13.2 Classified by remaining periods to maturity of loan agreements

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
Not over 1 year <sup>(1)</sup>	24,273,396	24,019,151	23,078,593	24,423,701
Over 1 year	37,082,517	30,684,847	33,463,054	26,614,881
Total loans to customers <sup>(2)</sup>	61,355,913	54,703,998	56,541,647	51,038,582
Add: Accrued interest receivables	48,273	112,650	50,780	116,260
Total	61,404,186	54,816,648	56,592,427	51,154,842

<sup>(1)</sup> Included expired contracts

<sup>(2)</sup> Total loans to customers net of deferred revenues

## 13.3 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2011			31 December 2010		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	61,158,242	-	61,158,242	54,632,734	-	54,632,734
US dollar	180,920	-	180,920	59,002	-	59,002
Euro	16,533	-	16,533	12,262	-	12,262
Other currencies	218	-	218	-	-	-
Total <sup>(1)</sup>	61,355,913	-	61,355,913	54,703,998	-	54,703,998

<sup>(1)</sup> Total loans to customers net of deferred revenues.

(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2011			31 December 2010		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	56,343,976	-	56,343,976	50,967,318	-	50,967,318
US dollar	180,920	-	180,920	59,002	-	59,002
Euro	16,533	-	16,533	12,262	-	12,262
Other currencies	218	-	218	-	-	-
Total <sup>(1)</sup>	56,541,647	-	56,541,647	51,038,582	-	51,038,582

<sup>(1)</sup> Total loans to customers net of deferred revenues.

## 13.4 Classified by types of business and loan classification

(Unit: Thousand Baht)

Consolidated financial statements						
30 June 2011						
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	316,282	70,122	-	662	15,634	402,700
Manufacturing and commerce	18,094,233	358,030	252,850	56,876	600,811	19,362,800
Real estate and construction	3,628,504	94,026	16,317	340,804	181,104	4,260,755
Public utilities and services	6,032,883	8,713	52,665	304,078	44,104	6,442,443
Housing loans	64,439	24,611	1,579	5,722	6,373	102,724
Others	28,432,832	1,927,563	254,544	146,409	23,143	30,784,491
Total <sup>(1)</sup>	56,569,173	2,483,065	577,955	854,551	871,169	61,355,913

<sup>(1)</sup> Total loans to customers net of deferred revenues.

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2010						
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	420,262	-	-	778	17,055	438,095
Manufacturing and commerce	18,685,687	36,325	399,767	63,823	769,030	19,954,632
Real estate and construction	3,466,671	20,052	262,114	193,718	346,528	4,289,083
Public utilities and services	5,719,811	265	368,995	6,387	44,104	6,139,562
Housing loans	74,337	13,600	7,560	3,776	19,335	118,608
Others	21,970,832	1,376,889	177,384	94,422	144,491	23,764,018
Total <sup>(1)</sup>	50,337,600	1,447,131	1,215,820	362,904	1,340,543	54,703,998

<sup>(1)</sup> Total loans to customers net of deferred revenues.

(Unit: Thousand Baht)

Separate financial statements						
30 June 2011						
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	316,282	70,122	-	662	15,634	402,700
Manufacturing and commerce	40,668,893	358,030	252,850	56,876	600,811	41,937,460
Real estate and construction	3,628,504	94,026	16,317	340,804	181,104	4,260,755
Public utilities and services	6,032,883	8,713	52,665	304,078	44,104	6,442,443
Housing loans	64,439	24,611	1,579	5,722	6,373	102,724
Others	3,373,636	221	-	-	21,708	3,395,565
Total <sup>(1)</sup>	54,084,637	555,723	323,411	708,142	869,734	56,541,647

<sup>(1)</sup> Total loans to customers net of deferred revenues.

(Unit: Thousand Baht)

Separate financial statements						
31 December 2010						
Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total	
Agriculture and mining	420,262	-	-	778	17,055	438,095
Manufacturing and commerce	35,458,566	36,325	399,767	63,823	769,030	36,727,511
Real estate and construction	3,466,671	20,052	262,114	193,718	346,528	4,289,083
Public utilities and services	5,719,811	265	368,995	6,387	44,104	6,139,562
Housing loans	74,337	13,600	7,560	3,776	19,335	118,608
Others	3,303,738	277	-	-	21,708	3,325,723
Total <sup>(1)</sup>	48,443,385	70,519	1,038,436	268,482	1,217,760	51,038,582

<sup>(1)</sup> Total loans to customers net of deferred revenues.

### 13.5 Classified by loan classification

(Unit: Thousand Baht)

Consolidated financial statements				
30 June 2011				
Loans to customers and accrued interest receivables	Net balance used in made allowance for doubtful accounts <sup>(1)</sup>	Minimum percentage	Allowance for doubtful accounts	
		%		
Pass	56,587,481	22,368,288	1	223,683
Special-mention	2,505,025	455,377	2	9,107
Sub-standard	578,090	283,982	100	283,982
Doubtful	854,551	78,575	100	78,575
Doubtful of loss	879,039	20,152	100	20,152
Total <sup>(2)</sup>	61,404,186	23,206,374		615,499
Excess reserve				419,841
Total				1,035,340

<sup>(1)</sup> Net balance used in made allowance for doubtful accounts for pass and special-mention loans excluded accrued interest receivable net of collateral or debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals for substandard, doubtful and doubtful of loss loans.<sup>(2)</sup> Total loans to customers and accrued interest receivables net of deferred revenues.

(Unit: Thousand Baht)

## Consolidated financial statements

31 December 2010

	Loans to customers and accrued interest receivables	Net balance used in made allowance for doubtful accounts <sup>(1)</sup>	Minimum	Allowance for
			percentage	doubtful accounts
			%	
Pass	50,418,661	20,843,700	1	208,437
Special-mention	1,447,272	246,222	2	4,924
Sub-standard	1,239,045	317,310	100	317,310
Doubtful	362,904	85,258	100	85,258
Doubtful of loss	1,348,766	135,570	100	135,570
Total <sup>(2)</sup>	<u>54,816,648</u>	<u>21,628,060</u>		751,499
Excess reserve				<u>252,297</u>
Total				<u><u>1,003,796</u></u>

<sup>(1)</sup> Net balance used in made allowance for doubtful accounts for pass and special-mention loans excluded accrued interest receivable net of collateral or debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals for substandard, doubtful and doubtful of loss loans.

<sup>(2)</sup> Total loans to customers and accrued interest receivables net of deferred revenues.

(Unit: Thousand Baht)

## Separate financial statements

30 June 2011

	Loans to customers and accrued interest receivables	Net balance used in made allowance for doubtful accounts <sup>(1)</sup>	Minimum	Allowance for
			percentage	doubtful accounts
			%	
Pass	54,105,452	42,920,072	1	429,201
Special-mention	577,683	49,966	2	999
Sub-standard	323,546	177,795	100	177,795
Doubtful	708,142	11,896	100	11,896
Doubtful of loss	877,604	19,533	100	19,533
Total <sup>(2)</sup>	<u>56,592,427</u>	<u>43,179,262</u>		639,424
Excess reserve				<u>155,765</u>
Total				<u><u>795,189</u></u>

<sup>(1)</sup> Net balance used in made allowance for doubtful accounts for pass and special-mention loans excluded accrued interest receivable net of collateral or debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals for substandard, doubtful and doubtful of loss loans.

<sup>(2)</sup> Total loans to customers and accrued interest receivables net of deferred revenues.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2010				
	Loans to customers and accrued interest receivables	Net balance used in made allowance for doubtful accounts <sup>(1)</sup>	Minimum percentage	Allowance for doubtful accounts
			%	
Pass	48,528,055	36,088,992	1	360,890
Special-mention	70,660	-	2	-
Sub-standard	1,061,661	243,725	100	243,725
Doubtful	268,483	41,060	100	41,060
Doubtful of loss	1,225,983	13,603	100	13,603
Total <sup>(2)</sup>	<u>51,154,842</u>	<u>36,387,380</u>		<u>659,278</u>
Excess reserve				<u>45,229</u>
Total				<u><u>704,507</u></u>

<sup>(1)</sup> Net balance used in made allowance for doubtful accounts for pass and special-mention loans excluded accrued interest receivable net of collateral or debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposals for substandard, doubtful and doubtful of loss loans.

<sup>(2)</sup> Total loans to customers and accrued interest receivables net of deferred revenues.

### 13.6 Non-accrued loans to customers

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Non-accrued loans (principal only)	2,233,260	2,634,719	1,830,872	2,240,131
Percentage of total loans <sup>(1)</sup>	2.94%	4.49%	2.57%	4.07%

<sup>(1)</sup> The denominator base included interbank and money market items (loans).



### 13.7 Loans to companies having problems with financial position and operating results

As at 30 June 2011 and 31 December 2010, the Bank had loans and accrued interest receivables due from companies having problems with their financial position and operating results, and set aside allowances for doubtful accounts as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements							
	Number of loans		Debt balances		Collateral		Allowance for doubtful accounts and allowance for revaluation	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Listed companies under rehabilitation and/or delisting conditions	2	2	21	21	21	21	-	-

### 13.8 Troubled debt restructuring

The Bank entered into troubled debt restructuring contracts with its debtors during the six-month periods ended 30 June 2011 and the year ended 31 December 2010 as follows:

(Unit: Million Baht)

	Separate financial statements			
	For the six-month periods ended 30 June 2011		For the year ended 31 December 2010	
	Number of debtors	Outstanding balances before restructuring	Number of debtors	Outstanding balances before restructuring
Restructured debts	23	612	26	398

The restructured debts discussed above can be classified by methods of debt restructuring as follows:

(Unit: Million Baht)

Separate financial statements								
For the six-month period ended 30 June 2011								
Number of debtors	Debt balances		Average period of the remaining	Type of assets transferred	Fair value	Loss on debt restructuring <sup>(1)</sup>	Present value	
	Before restructuring	After restructuring	term of debt restructuring				loss from debt restructuring	
Modification of terms of payments	23	612	612	6 years	-	-	0.5	6
Total restructured debts	23	612	612		-	-	0.5	6
Loans and accrued interest receivables as at 30 June 2011	798		56,592					

<sup>(1)</sup> Losses on debt restructuring are the amounts before deducting allowance for doubtful accounts already provided for troubled debts in the accounts on the restructuring dates.

(Unit: Million Baht)

Separate financial statements								
For the year ended 31 December 2010								
Number of debtors	Debt balances		Average period of the remaining	Type of assets transferred	Fair value	Loss on debt restructuring <sup>(1)</sup>	Present value	
	Before restructuring	After restructuring	term of debt restructuring				loss from debt restructuring	
Modification of terms of payments	26	398	398	2 years	-	-	-	-
Total restructured debts	26	398	398		-	-	-	-
Loans and accrued interest receivables as at 31 December 2010	890		51,155					

<sup>(1)</sup> Losses on debt restructuring are the amounts before deducting allowance for doubtful accounts already provided for troubled debts in the accounts on the restructuring dates.

Additional information for the six-month periods ended 30 June 2011 and 2010 relating to the restructured debts is as follows:

(Unit: Million Baht)

	Separate financial statements	
	For the six-month periods ended	For the six-month periods ended
	30 June 2011	30 June 2010
Part of debt forgiven to debtors during the periods in case that they fulfilled debt restructuring conditions during the periods	-	-
Interest income recognised in statements of comprehensive income	126	58
Settlement by debtors		
Principal	135	149
Interest	121	52

As at 30 June 2011 and 31 December 2010, troubled debtors, which the Bank has completed restructuring, can be summarized as follows:

(Unit: Million Baht)

	Separate financial statements	
	Number of debtors	Debt balances after restructuring
Balance of restructured debts up to 30 June 2011	130	1,579
Balance of restructured debts up to 31 December 2010	153	1,683

During the six-month periods ended 30 June 2011 and 2010, the Bank reversed allowance for revaluation on debt restructuring amounting to Baht 6.3 million and Baht 0.1 million, respectively, and amortised allowance for revaluation on debt restructuring as interest income totaling Baht 0.3 million and Baht 0.3 million, respectively.

As at 30 June 2011 and 31 December 2010, the Bank has no commitment to additionally lend to its debtors after debt restructuring.

The Bank was not able to estimate the amount of future losses on outstanding loans currently being restructured at this stage.

### 13.9 Hire purchase receivables/financial lease receivables of subsidiary company

As at 30 June 2011 and 31 December 2010, the subsidiary had net hire-purchase and financial lease receivables amounting to Baht 27,389 million and Baht 20,438 million, respectively, the majority of which is hire purchase or financial lease contracts for motor vehicles, machinery and equipment for their customers' operating businesses. The average contract periods are 1 to 7 years and the interest rates are fixed as specified in the contracts.

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2011				
Amounts due under agreements				
Not over 1 year	1-5 years	Over 5 years	Non- performing loans	Total
Aggregate initial investments under the contracts	9,083	21,566	839	31,590
Less: Unearned income <sup>(1)</sup>	(1,698)	(2,464)	(21)	(4,201)
Present value of minimum lease payments	7,385	19,102	818	27,389
Allowance for doubtful accounts				(238)
Hire purchases/finance leases receivables - net				27,151

<sup>(1)</sup> Net of commissions and initial direct expenses incurred at the inception of contracts.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010				
Amounts due under agreements				
Not over 1 year	1-5 years	Over 5 years	Non- performing loans	Total
Aggregate initial investments under the contracts	6,935	15,865	579	23,582
Less: Unearned income <sup>(1)</sup>	(1,299)	(1,798)	(17)	(3,144)
Present value of minimum lease payments	5,636	14,067	562	20,438
Allowance for doubtful accounts				(297)
Hire purchases/finance leases receivables - net				20,141

<sup>(1)</sup> Net of commissions and initial direct expenses incurred at the inception of contracts.

### 13.10 Hire purchase receivables/financial lease receivables of a subsidiary classified by aging

As at 30 June 2011 and 31 December 2010, hire purchase and financial lease receivables balances of a subsidiary engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

	(Unit: Million Baht)	
	30 June 2011	31 December 2010
Current or overdue not over 90 days	26,987	20,043
Overdue 91 - 365 days	401	272
Overdue more than 1 year	1	123
Debtors under legal actions	-	-
<b>Total</b>	<b>27,389</b>	<b>20,438</b>
Allowance for doubtful accounts provided in the accounts	238	297

### 13.11 Loans to a subsidiary and an associated company

As at 30 June 2011 and 31 December 2010, the Bank has loans to subsidiary and associated company as follows:

Company's name	Types of loans	Period of contract As at 30 June 2011	Interest rate 30 June 2011 (percentage per annum)	Amount outstanding	
				30 June 2011	31 December 2010
				Million Baht	Million Baht
<b><u>Subsidiaries</u></b>					
Leasing Sinn Asia Company Limited	Revolving loan	At call	4.15	1,820	3,564
Leasing Snn Asia Company Limited	Revolving loan	Dec 08 - Jan 15	3.50 - 4.76	21,008	13,472
<b><u>Associated</u></b>					
Finansia Syrus Securiteis Public Company Limited	Term loan	Sep 09 - Mar 11	6.75	-	40
<b>Total</b>				<b>22,828</b>	<b>17,076</b>

## 14. Allowance for doubtful accounts and allowance for revaluation on debt restructuring

### 14.1 Allowance for doubtful accounts

(Unit: Thousand Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2011						
Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balance - beginning of the period	208,437	4,924	317,310	85,258	135,570	1,003,796
Allowance for doubtful accounts	15,246	4,183	(33,328)	(6,683)	319,216	466,178
Bad debt written-off	-	-	-	-	(434,634)	(434,634)
Balance - end of the period	<u>223,683</u>	<u>9,107</u>	<u>283,982</u>	<u>78,575</u>	<u>20,152</u>	<u>1,035,340</u>

(Unit: Thousand Baht)

Consolidated financial statements						
For the year ended 31 December 2010						
Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balance - beginning of the year	225,111	12,095	271,026	352,153	60,603	1,419,466
Allowance for doubtful accounts	(16,674)	(7,171)	46,429	(257,407)	1,043,318	562,314
Bad debt written-off	-	-	(145)	(9,488)	(968,351)	(977,984)
Balance - end of the year	<u>208,437</u>	<u>4,924</u>	<u>317,310</u>	<u>85,258</u>	<u>135,570</u>	<u>1,003,796</u>

(Unit: Thousand Baht)

Separate financial statements						
For the six-month period ended 30 June 2011						
Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balance - beginning of the period	360,890	-	243,725	41,060	13,603	704,507
Allowance for doubtful accounts	68,311	999	(65,930)	(29,164)	232,510	317,262
Bad debt written-off	-	-	-	-	(226,580)	(226,580)
Balance - end of the period	<u>429,201</u>	<u>999</u>	<u>177,795</u>	<u>11,896</u>	<u>19,533</u>	<u>795,189</u>

(Unit: Thousand Baht)

Separate financial statements						
For the year ended 31 December 2010						
Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balance - beginning of the year	292,348	7,269	241,500	333,644	4,692	1,276,578
Allowance for doubtful accounts	68,542	(7,269)	2,225	(292,584)	975,354	394,372
Bad debt written-off	-	-	-	-	(966,443)	(966,443)
Balance - end of the year	<u>360,890</u>	<u>-</u>	<u>243,725</u>	<u>41,060</u>	<u>13,603</u>	<u>704,507</u>

## 14.2 Allowance for revaluation on debt restructuring

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the six-month	For the year ended
	period ended 30 June 2011	31 December 2010
Balance - beginning of the period/year	11,725	12,358
Decrease during the period/year	(399)	(124)
Amortise during the period/year	(339)	(509)
Balance - end of the period/year	<u>10,987</u>	<u>11,725</u>

## 15. Properties foreclosed

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.

For the six-month period ended 30 June 2011 and the year ended 31 December 2010, movements of properties foreclosed can be summarized as follows:

(Unit: Thousand Baht)

Type of properties foreclosed	Consolidated financial statements				
	For the six-month period ended 30 June 2011				
	Balance as at 31 December 2010	Increases	Disposals	Balance as at 30 June 2011	Portion subject to disposal restrictions, buyback rights or first refusal rights
<b>Assets transferred in settlement of debts</b>					
Immovable assets					
Internal appraiser	374,195	-	(36,851)	337,344	29,146
External appraiser	938,805	-	(53,723)	885,082	69,404
Movable assets	10,143	175,142	(163,047)	22,238	-
<b>Assets from auction bidding</b>					
Immovable assets					
Internal appraiser	213,714	640	(36,630)	177,724	-
Total	1,536,857	175,782	(290,251)	1,422,388	98,550
Less: Allowance for impairment	(322,004)	(23,838)	43,713	(302,129)	(37,369)
Properties foreclosed – net	<u>1,214,853</u>	<u>151,944</u>	<u>(246,538)</u>	<u>1,120,259</u>	<u>61,181</u>

(Unit: Thousand Baht)

## Consolidated financial statements

For the year ended 31 December 2010

Type of properties foreclosed	Balance as at 31 December 2009	Increases	Disposals	Balance as at 31 December 2010	Portion subject to disposal restrictions, buyback rights or first refusal rights
<b>Assets transferred in settlement of debts</b>					
Immovable assets					
Internal appraiser	430,333	-	(56,138)	374,195	39,477
External appraiser	938,805	-	-	938,805	69,404
Movable assets	2,058	163,539	(155,454)	10,143	-
<b>Assets from auction bidding</b>					
Immovable assets					
Internal appraiser	269,451	12,850	(68,587)	213,714	-
Total	1,640,647	176,389	(280,179)	1,536,857	108,881
Less: Allowance for impairment	(354,102)	1,216	30,882	(322,004)	(42,711)
Properties foreclosed – net	1,286,545	177,605	(249,297)	1,214,853	66,170

(Unit: Thousand Baht)

## Separate financial statements

For the year ended 31 December 2010

Type of properties foreclosed	Balance as at 31 December 2010	Increases	Disposals	Balance as at 30 June 2011	Portion subject to disposal restrictions, buyback rights or first refusal rights
<b>Assets transferred in settlement of debts</b>					
Immovable assets					
Internal appraiser	374,195	-	(36,851)	337,344	29,146
External appraiser	938,805	-	(53,723)	885,082	69,404
<b>Assets from auction bidding</b>					
Immovable assets					
Internal appraiser	213,714	640	(36,630)	177,724	-
Total	1,526,714	640	(127,204)	1,400,150	98,550
Less: Allowance for impairment	(319,878)	5,189	17,143	(297,546)	(37,369)
Properties foreclosed – net	1,206,836	5,829	(110,061)	1,102,604	61,181



(Unit: Thousand Baht)

Separate financial statements					
For the year ended 31 December 2010					
Type of properties foreclosed	Balance as at 31 December 2009	Increases	Disposals	Balance as at 31 December 2010	Portion subject to disposal restrictions, buyback rights or first refusal rights
<b>Assets transferred in settlement of debts</b>					
Immovable assets					
Internal appraiser	430,333	-	(56,138)	374,195	39,477
External appraiser	938,805	-	-	938,805	69,404
<b>Assets from auction bidding</b>					
Immovable assets					
Internal appraiser	269,451	12,850	(68,587)	213,714	-
Total	1,638,589	12,850	(124,725)	1,526,714	108,881
Less: Allowance for impairment	(353,727)	27,574	6,275	(319,878)	(42,711)
Properties foreclosed - net	1,284,862	40,424	(118,450)	1,206,836	66,170

**16. Premises and equipment**

(Unit: Thousand Baht)

Consolidated financial statements					
For the six-month period ended 30 June 2011					
	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
<b>Cost</b>					
31 December 2010	8,500	6,892	365,791	134,474	515,657
Additions	-	-	10,700	-	10,700
Disposals/written-off	-	-	(13,027)	(9,782)	(22,809)
30 June 2011	8,500	6,892	363,464	124,692	503,548
<b>Accumulated depreciation</b>					
31 December 2010	-	(281)	(234,545)	(84,557)	(319,383)
Depreciation charged for the period	-	(100)	(15,568)	(9,585)	(25,253)
Accumulated depreciation on disposals/written-off	-	-	11,584	9,782	21,366
30 June 2011	-	(381)	(238,529)	(84,360)	(323,270)
<b>Net book value</b>					
31 December 2010	8,500	6,611	131,246	49,917	196,274
30 June 2011	8,500	6,511	124,935	40,332	180,278
<b>Depreciation included in statements of comprehensive income for the six-month periods ended</b>					
30 June 2010					27,747
30 June 2011					25,253

(Unit: Thousand Baht)

## Consolidated financial statements

For the year ended 31 December 2010

	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
<b>Cost</b>					
31 December 2009	8,500	6,892	357,859	115,718	488,969
Additions	-	-	26,814	20,156	46,970
Transfer in	-	-	11,371	-	11,371
Transfer out	-	-	(12,746)	-	(12,746)
Disposals/written-off	-	-	(17,507)	(1,400)	(18,907)
31 December 2010	8,500	6,892	365,791	134,474	515,657
<b>Accumulated depreciation</b>					
31 December 2009	-	(79)	(217,012)	(65,130)	(282,221)
Depreciation charged for the year	-	(202)	(34,020)	(20,205)	(54,427)
Accumulated depreciation on disposals/written-off	-	-	16,487	778	17,265
31 December 2010	-	(281)	(234,545)	(84,557)	(319,383)
<b>Net book value</b>					
31 December 2009	8,500	6,813	140,847	50,588	206,748
31 December 2010	8,500	6,611	131,246	49,917	196,274
<b>Depreciation included in statements of comprehensive income for the years ended</b>					
31 December 2009					65,224
31 December 2010					54,427

(Unit: Thousand Baht)

## Separate financial statements

For the six-month period ended 30 June 2011

	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
<b>Cost</b>					
31 December 2010	8,500	6,892	326,817	118,506	460,715
Additions	-	-	4,911	-	4,911
Disposals/written-off	-	-	(12,879)	(9,782)	(22,661)
30 June 2011	8,500	6,892	318,849	108,724	442,965
<b>Accumulated depreciation</b>					
31 December 2010	-	(281)	(213,461)	(75,508)	(289,250)
Depreciation charged for the year	-	(100)	(12,143)	(8,905)	(21,148)
Accumulated depreciation on disposals/written-off	-	-	11,450	9,782	21,232
30 June 2011	-	(381)	(214,154)	(74,631)	(289,166)
<b>Net book value</b>					
31 December 2010	8,500	6,611	113,356	42,998	171,465
30 June 2011	8,500	6,511	104,695	34,093	153,799
<b>Depreciation included in statements of comprehensive income for the six-month periods ended</b>					
30 June 2010					24,080
30 June 2011					21,148

(Unit: Thousand Baht)

Separate financial statements					
For the year ended 31 December 2010					
	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
<b>Cost</b>					
31 December 2009	8,500	6,892	334,202	103,446	453,040
Additions	-	-	10,539	15,060	25,599
Transfer in	-	-	5,770	-	5,770
Transfer out	-	-	(7,145)	-	(7,145)
Disposals/written-off	-	-	(16,549)	-	(16,549)
31 December 2010	<u>8,500</u>	<u>6,892</u>	<u>326,817</u>	<u>118,506</u>	<u>460,715</u>
<b>Accumulated depreciation</b>					
31 December 2009	-	(79)	(201,444)	(56,824)	(258,347)
Depreciation charged for the year	-	(202)	(27,866)	(18,684)	(46,752)
Accumulated depreciation on disposals/written-off	-	-	15,849	-	15,849
31 December 2010	<u>-</u>	<u>(281)</u>	<u>(213,461)</u>	<u>(75,508)</u>	<u>(289,250)</u>
<b>Net book value</b>					
31 December 2009	<u>8,500</u>	<u>6,813</u>	<u>132,758</u>	<u>46,622</u>	<u>194,693</u>
31 December 2010	<u>8,500</u>	<u>6,611</u>	<u>113,356</u>	<u>42,998</u>	<u>171,465</u>
<b>Depreciation included in statements of comprehensive income for the years ended</b>					
31 December 2009					<u>45,852</u>
31 December 2010					<u>46,752</u>

As at 30 June 2011 and 31 December 2010, the Bank and its subsidiary have motor vehicles acquired under financial leases with net book values amounting to Baht 11.4 million and Baht 11.7 million, respectively (the Bank only: 7.5 Baht million and Baht 8.4 million, respectively).

As at 30 June 2011 and 31 December 2010, the Bank and its subsidiary have certain assets which have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to Baht 239 million and 230 million, respectively (the Bank only: Baht 225 million and Baht 228 million, respectively).

## 17. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statements					
	Net book value				Net book value as at 30 June 2011
	as at				
	31 December 2010	Increase	Transferred in/ (transferred out)	Amortisation	
Computer software	128,616	1,502	-	(23,896)	106,222
Computer software under development	2,376	824	-	-	3,200
<b>Total</b>	<b>130,992</b>	<b>2,326</b>	<b>-</b>	<b>(23,896)</b>	<b>109,422</b>

(Unit: Thousand Baht)

Consolidated financial statements					
	Net book value				Net book value as at 31 December 2010
	as at				
	31 December 2009	Increase	Transferred in/ (transferred out)	Amortisation	
Computer software	162,693	2,118	10,965	(47,160)	128,616
Computer software under development	5,364	6,602	(590)	(9,000)	2,376
<b>Total</b>	<b>168,057</b>	<b>8,720</b>	<b>10,375</b>	<b>(56,160)</b>	<b>130,992</b>

(Unit: Thousand Baht)

Separate financial statements					
	Net book value				Net book value as at 30 June 2011
	as at				
	31 December 2010	Increase	Transferred in/ (transferred out)	Amortisation	
Computer software	117,005	24	-	(22,053)	94,976
Computer software under development	2,016	525	-	-	2,541
<b>Total</b>	<b>119,021</b>	<b>549</b>	<b>-</b>	<b>(22,053)</b>	<b>97,517</b>

(Unit: Thousand Baht)

Separate financial statements					
	Net book value				Net book value as at 31 December 2010
	as at				
	31 December 2009	Increase	Transferred in/ (transferred out)	Amortisation	
Computer software	159,431	187	1,965	(44,578)	117,005
Computer software under development	197	2,409	(590)	-	2,016
<b>Total</b>	<b>159,628</b>	<b>2,596</b>	<b>1,375</b>	<b>(44,578)</b>	<b>119,021</b>

As at 30 June 2011 and 31 December 2010, the remaining amortization periods of intangible assets are 1 - 59 months and 2 - 59 months, respectively (the Bank only: 5 - 55 months and 6 - 42 months, respectively).

## 18. Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
Accounts receivable from sale of investments	-	19,161	-	19,161
Prepaid expenses	12,881	12,378	8,104	11,122
Deposits	9,617	11,504	6,371	8,440
Others	2,231	1,956	1,813	1,630
<b>Total other assets</b>	<b>24,729</b>	<b>44,999</b>	<b>16,288</b>	<b>40,353</b>

## 19. Classification of assets

As at 30 June 2011 and 31 December 2010, the quality of assets of the Bank and its subsidiary classified in accordance with the Notification of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	Loans to customers and accrued interest receivables <sup>(1)</sup>		Investments		Properties foreclosed		Other assets		Total	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Pass	71,178	54,417	-	-	-	-	-	-	71,178	54,417
Special-mention	2,505	1,447	-	-	-	-	-	-	2,505	1,447
Sub-standard	578	1,239	-	-	-	-	-	-	578	1,239
Doubtful	855	363	-	-	-	-	-	-	855	363
Doubtful of loss	879	1,349	234	635	302	322	48	38	1,463	2,344
<b>Total</b>	<b>75,995</b>	<b>58,815</b>	<b>234</b>	<b>635</b>	<b>302</b>	<b>322</b>	<b>48</b>	<b>38</b>	<b>76,579</b>	<b>59,810</b>

<sup>(1)</sup> 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.

(Unit: Million Baht)

## Separate financial statements

	Separate financial statements															
	Loans to customers and accrued interest receivables <sup>(1)</sup>				Investments				Properties foreclosed		Other assets		Total			
	30		31		30		31		30		31		30		31	
	June	December	June	December	June	December	June	December	June	December	June	December	June	December	June	December
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
Pass	68,696	52,527	-	-	-	-	-	-	-	-	-	-	-	68,696	52,527	
Special-mention	578	71	-	-	-	-	-	-	-	-	-	-	-	578	71	
Sub-standard	324	1,062	-	-	-	-	-	-	-	-	-	-	-	324	1,062	
Doubtful	708	268	-	-	-	-	-	-	-	-	-	-	-	708	268	
Doubtful of loss	878	1,226	234	635	298	320	2	2	2	2	2	2	2	1,412	2,183	
<b>Total</b>	<b>71,184</b>	<b>55,154</b>	<b>234</b>	<b>635</b>	<b>298</b>	<b>320</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>71,718</b>	<b>56,111</b>	

<sup>(1)</sup> 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.

## 20. Deposits

### 20.1 Classified by types of deposits

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	At call	5,786,181	7,129,169	5,786,226
Savings deposits	1,543,889	2,505,296	1,544,599	2,507,934
Time deposits				
- Less than 6 months	7,859,232	6,011,163	7,859,232	6,011,163
- 6 months and up to 1 year	1,824,069	3,506,432	1,824,069	3,506,432
- Over 1 year	6,397,008	7,865,134	6,397,008	7,865,134
<b>Total deposits</b>	<b>23,410,379</b>	<b>27,017,194</b>	<b>23,411,134</b>	<b>27,019,899</b>

### 20.2 Classified by remaining periods of deposit contracts

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	Not over 1 year (included matured contracts)	20,423,463	21,366,689	20,424,218
Over 1 year	2,986,916	5,650,505	2,986,916	5,650,505
<b>Total deposits</b>	<b>23,410,379</b>	<b>27,017,194</b>	<b>23,411,134</b>	<b>27,019,899</b>

## 20.3 Classified by currencies and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2011			31 December 2010		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	23,235,434	39,972	23,275,406	26,894,484	66,480	26,960,964
US dollar	126,165	-	126,165	52,902	-	52,902
Other currencies	8,808	-	8,808	3,328	-	3,328
<b>Total deposits</b>	<b>23,370,407</b>	<b>39,972</b>	<b>23,410,379</b>	<b>26,950,714</b>	<b>66,480</b>	<b>27,017,194</b>

(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2011			31 December 2010		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	23,236,189	39,972	23,276,161	26,897,189	66,480	26,963,669
US dollar	126,165	-	126,165	52,902	-	52,902
Other currencies	8,808	-	8,808	3,328	-	3,328
<b>Total deposits</b>	<b>23,371,162</b>	<b>39,972</b>	<b>23,411,134</b>	<b>26,953,419</b>	<b>66,480</b>	<b>27,019,899</b>

## 21. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand	-	-	-	-	4,600	4,600
Commercial banks	-	2,000,000	2,000,000	15	500,000	500,015
Specialised Financial Institutions	-	1,600,000	1,600,000	-	-	-
Other financial institutions	541,567	44,000	585,567	427,396	50,659	478,055
<b>Total domestic</b>	<b>541,567</b>	<b>3,644,000</b>	<b>4,185,567</b>	<b>427,411</b>	<b>555,259</b>	<b>982,670</b>
<b>Foreign</b>						
Baht currency	-	-	-	504,669	-	504,669
USD currency	-	-	-	-	301,513	301,513
<b>Total foreign</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,669</b>	<b>301,513</b>	<b>806,182</b>
<b>Total domestic and foreign</b>	<b>541,567</b>	<b>3,644,000</b>	<b>4,185,567</b>	<b>932,080</b>	<b>856,772</b>	<b>1,788,852</b>



(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand	-	-	-	-	4,600	4,600
Commercial banks	-	1,000,000	1,000,000	15	-	15
Specialised Financial Institutions	-	1,600,000	1,600,000	-	-	-
Other financial institutions	541,567	44,000	585,567	427,396	50,659	478,055
Total domestic	541,567	2,644,000	3,185,567	427,411	55,259	482,670
<b>Foreign</b>						
Baht currency	-	-	-	504,669	-	504,669
USD currency	-	-	-	-	301,513	301,513
Total foreign	-	-	-	504,669	301,513	806,182
Total domestic and foreign	541,567	2,644,000	3,185,567	932,080	356,772	1,288,852

## 22. Debts issued and borrowings

As at 30 June 2011 and 31 December 2010, the Bank and its subsidiary had debts issued and borrowings as followings:

Classification	Currency	Interest rate (as at 30 June 2011)	Maturities	(Unit: Thousand Baht)	
				Consolidated and separate financial statements	
				30 June 2011	31 December 2010
Bill of Exchange	Baht	0.5% - 3.7%	2011 - 2014	43,230,646	27,785,893
Promissory Notes	Baht	0.5%	Matured	10	248
Total				43,230,656	27,786,141

## 23. Provisions

### 23.1 Provisions for post-employment benefits

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

Change in provisions for post-employment benefits is as follows:

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policies regarding employee benefit (Note 3)	92	80
Current service cost	10	8
Interest cost	2	1
Benefits paid	-	-
Balance as at 30 June 2011	<u>104</u>	<u>89</u>

The principal assumptions used in determining provision for retirement benefit on an actuarial basis are shown below.

	Consolidated and separate financial statements	
	30 June 2011	31 December 2010
Future salary increases	6	6
Turnover rate (Depend on ages of employees)	0-20	0-20
Discount rate	4	4

### 23.2 Provisions for other liabilities

	(Unit: Thousand Baht)		
	Consolidated and separate financial statements		
	Loss from lawsuit	Others	Total
Balance - beginning of the period	99,650	-	99,650
Increase during the period	1,800	1,971	3,771
Balance - ending of the period	<u>101,450</u>	<u>1,971</u>	<u>103,421</u>

## 24. Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
Other payables	587,896	666,148	188,032	275,730
Accrued expenses	166,448	121,038	119,474	74,258
Withholding tax payable	15,821	12,426	14,127	10,903
Special business tax payable	10,434	8,206	10,434	8,206
Payables under finance lease contracts	10,158	12,334	6,985	8,067
Corporate income tax payable	183,295	127,699	109,092	84,521
Others	40,007	20,956	3,808	3,409
Total other liabilities	<u>1,014,059</u>	<u>968,807</u>	<u>451,952</u>	<u>465,094</u>

## 25. Share capital

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 the Class A preference shares and Class B preference shares proportionately. All preferences have a period of 10 years, which expired in November 2009. Hence, rights of preference shareholders are now the same as those of the ordinary shareholders.

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

During the six-month period ended 30 June 2011, 13,251 Class B preference shares were converted into ordinary shares. After conversion, as at 30 June 2011, there were 1,590,001,864 ordinary shares in issue, and 451,081 Class B preference shares outstanding and during the year ended 31 December 2010, 2,323,139 Class B preference shares were converted into ordinary shares. After conversion, as at 31 December 2010, there were 1,589,988,613 ordinary shares in issue, and 464,332 Class B preference shares outstanding.

The registered capital of the Bank as presented in the statements of financial position as at 30 June 2011 and 31 December 2010 is the registered capital per the Bank's Memorandum of Association.

Reconciliation of number of ordinary shares and preference shares

	(Unit: Shares)	
	For the six-month period ended 30 June 2011	For the year ended 31 December 2010
<u>Registered share capital</u>		
<u>Ordinary shares</u>		
Number of ordinary shares at the beginning of the period/year	1,587,719,304	1,087,923,532
Registered conversion of preference shares into ordinary shares	2,282,560	499,795,772
Number of ordinary shares at the end of the period/year	<u>1,590,001,864</u>	<u>1,587,719,304</u>
<u>Preference shares</u>		
Number of preference shares at the beginning of the period/year	2,733,641	502,529,413
Registered conversion of preference shares into ordinary shares	(2,282,560)	(499,795,772)
Number of preference shares at the end of the period/year	<u>451,081</u>	<u>2,733,641</u>
<u>Issued and paid-up share capital</u>		
<u>Ordinary shares</u>		
Number of ordinary shares at the beginning of the period/year	1,589,988,613	1,587,665,474
Conversion of preference shares into ordinary shares	13,251	2,323,139
Number of ordinary shares at the end of the period/year	<u>1,590,001,864</u>	<u>1,589,988,613</u>
<u>Preference shares</u>		
Number of preference shares at the beginning of the period/year	464,332	2,787,471
Conversion of preference shares into ordinary shares	(13,251)	(2,323,139)
Number of preference shares at the end of the period/year	<u>451,081</u>	<u>464,332</u>

## 26. Other component of shareholders' equity - revaluation surplus on investments

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the six-month period ended	For the year ended
	30 June 2011	31 December 2010
Balances - beginning of the period/year	164,577	73,666
Increase from changes in value of securities	51,749	142,196
Decrease from changes in value of securities	(25,372)	(43,118)
Transfer to gains (losses) on sale of investments	884	(8,167)
Balances - end of the period/year	191,838	164,577

## 27. Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking business B.E. 2551. As at 30 June 2011 and 31 December 2010, the capital funds are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	30 June 2011	31 December 2010
<u>Tier 1 capital</u>		
Registered and fully paid share capital	15,904,529	15,904,529
Investments in instruments already counted as other financial institutions' capital funds	(293,040)	(289,283)
Deficit	(2,530,969)	(2,687,632)
Total	13,080,520	12,927,614
<u>Tier 2 capital</u>		
Reserve for assets classified as "Pass"	453,971	378,869
Revaluation surplus on investments in available-for-sale securities	10,287	9,334
Investments in instruments already counted as other financial institutions' capital funds	(293,040)	(289,283)
Total	171,218	98,920
Total capital funds	13,251,738	13,026,534

As at 30 June 2011 and 31 December 2010, the calculation of capital ratios which are determined in accordance with the criteria regulating capital funds of commercial banks as announced in the Notification of the Bank of Thailand, are as follows:

(Unit: Percentage)

Capital ratios	Separate financial statements			
	30 June 2011		31 December 2010	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	18.88	4.25	20.40	4.25
Total capital to risk assets	19.13	8.50	20.55	8.50

In order to comply with the Bank of Thailand's notification on Base II's Pillar III, Re: Public Disclosure of Capital Maintenance Information for Commercial Banks, on 29 April 2011, the Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2010 through the Bank's website at [www.icbcthai.com](http://www.icbcthai.com) and will disclose capital adequacy and capital risk exposure information as of 30 June 2011 through the Bank's website within October 2011.

## 28. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act. B.E. 2535, the Bank is required to set aside a statutory reserve of at least 5 percent of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of registered share capital. The statutory reserve is not available for dividend distribution.

## 29. Interest Income

Interest income in the statement of comprehensive income for the six-month periods ended 30 June 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2011	2010	2011	2010
Interbank and money market items	69,212	32,486	69,122	32,440
Investments in debt securities	159,131	164,149	159,131	164,149
Loans	938,109	797,952	1,341,512	989,789
Hire purchase and finance lease	860,932	415,282	588	-
Total interest incomes	2,027,384	1,409,869	1,570,353	1,186,378

### 30. Interest expenses

Interest expenses in the statement of comprehensive income for the six-month periods ended 30 June 2011 and 2010 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2011	2010	2011	2010
Deposits	238,045	196,248	238,047	196,147
Interbank and money market items	26,063	15,313	11,302	2,735
Contributions to the Deposit Protection Agency	49,117	63,832	49,117	63,832
Borrowings	359,450	126,421	359,450	126,420
Total interest expenses	<u>672,675</u>	<u>401,814</u>	<u>657,916</u>	<u>389,134</u>

### 31. Fees and service income - net

Fees and service income - net in the statement of comprehensive income for the six-month periods ended 30 June 2011 and 2010 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2011	2010	2011	2010
Fees and service income				
- Acceptances, aval and guarantees	5,971	7,656	5,971	7,656
- Letter of credit fee income	4,854	1,927	4,854	1,927
- Hire purchase/finance lease fee income	90,352	39,210	-	-
- Others	8,617	11,671	8,617	11,671
Total fees and service income	<u>109,794</u>	<u>60,464</u>	<u>19,442</u>	<u>21,254</u>
Fees and service expenses	-	(198)	-	-
Fees and service income - net	<u>109,794</u>	<u>60,266</u>	<u>19,442</u>	<u>21,254</u>

### 32. Gains (losses) on foreign currency trading and exchange transactions

Gains (losses) on foreign currency trading and exchange transactions in the statement of comprehensive income for the six-month periods ended 30 June 2011 and 2010 are as follows:

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	For the six-month periods ended 30 June	
	2011	2010
Foreign currencies and derivatives on foreign exchange	(19,563)	3,726
Equity securities	2,648	456
Total	<u>(16,915)</u>	<u>4,182</u>

### 33. Gains (losses) on investments

Gains (losses) on investments in the statement of comprehensive income for the six-month periods ended 30 June 2011 and 2010 are as follows:

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	For the six-month periods ended 30 June	
	2011	2010
Gains (losses) on sales of investments		
- Available-for-sale securities	(1,430)	17,486
- General investments	-	1,021
Total	<u>(1,430)</u>	<u>18,507</u>

### 34. Provident fund

The Bank, its subsidiary and their employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 3% of their basic salaries, and by the Bank and its subsidiary at the same rate, and will be paid to employees upon termination in accordance with the rules of the fund. The fund is managed by Kasikorn Asset Management Company Limited.

During the six-month periods ended 30 June 2011 and 2010, the Bank and its subsidiary contributed Baht 6.8 million and Baht 6.3 million, respectively, to the provident fund (the Bank only: Baht 4.9 million and Baht 5.0 million, respectively).



### 35. Directors' remuneration

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

### 36. Bad debt, doubtful accounts and impairment loss

Bad debt, doubtful accounts and impairment loss in the statement of comprehensive income for the six-month periods ended 30 June 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2011	2010	2011	2010
Interbank and money market items	6,791	2,248	6,791	2,248
Loans to customers	466,178	294,756	317,263	242,494
Losses on debt restructuring (reversal)	36	(75)	36	(75)
<b>Total</b>	<b>473,005</b>	<b>296,929</b>	<b>324,090</b>	<b>244,667</b>

### 37. Income tax

Income tax has been calculated based on earnings before income tax after adding back certain expenses and provision non-deductible for tax computation purposes and deducting tax-exempted revenue.

### 38. Earnings per share

Earnings per share presented in the statements of comprehensive income is basic earnings per share, which is calculated by dividing profit for the periods attributable to equity holders of the Bank (not include other comprehensive income), after deducting dividends for the preference shareholders (if any), by the weighted average number of ordinary shares and the preference shares, which have the same right as ordinary shares, in issue during the periods.

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
Profit for the periods (Thousand Baht)	389,988	249,149	273,330	196,863
Weighted average number of ordinary shares and potential ordinary shares (Thousand shares)	1,590,453	1,590,453	1,590,453	1,590,453
Earnings per share (Baht per share)	0.25	0.16	0.17	0.12

### 39. Related party transactions

As at 30 June 2011 and 31 December 2010, the Bank had significant business transactions with its major shareholder of the Bank, the Company that is related through the major shareholder of the Bank and its subsidiary and related companies, including transactions with directors or management employees from executive vice president level upward or equivalent position, persons related to the referred persons, entities in which the referred persons or the related persons have management authority, or entities in which the Bank or directors or such management employees from executive vice president level upward or equivalent position or persons related to the referred persons hold in the aggregate more than 10 percent of the issued share capital.

Relationship with related parties are summarised below.

1. The major shareholder of the Bank, holding 97.70 % of its paid-up share capital, is Industrial and Commercial Bank of China Limited.
2. The shareholder of the Bank with a stake more than 10 percent, was Bangkok Bank Public Company Limited, which has not been considered a related party of the Bank since 21 April 2010, when the current parent company of the Bank purchased the shares it held in the Bank.
3. Companies having transaction with the Bank in which Bangkok Bank Public Company Limited holds 20 or more percent of shares and over which it has management control consist of the following. These have not been related parties of the Bank since 21 April 2010, when the current parent company of the Bank purchased the shares it held in the Bank.
  - BBL Asset Management Company Limited
  - Bualuang Securities Company Limited
4. The subsidiary of the Bank is
  - Leasing Sinn Asia Company Limited
5. The accounting standard defines associated companies as those entities over which the investor has significant influence, but which is not a subsidiary. If the investor's direct and indirect voting rights total at least 20 percent of the issued share capital of such company, it is presumed that the investor has significant influence over the company. The associated company of the Bank is
  - Finansia Syrus Securities Public Company Limited
6. The subsidiary of the Bank's associated company, which has transaction with the Bank, is
  - ACL Securities Company Limited
7. The Company that is related through Industrial and Commercial Bank of China Limited, the major shareholder of the Bank, are
  - Industrial and Commercial Bank of China (Asia) Limited
  - China Construction Bank Corporation
  - Industrial and Commercial Bank of China (Macau) Limited

8. The companies that are related through the Bank's directors and management and have transactions with the Bank, consist of

- Bangkok BTMU Company Limited
- M-Home SPV 3 Company Limited
- Siam Piwat Company Limited
- Siam Piwat Holding Company Limited

During the periods, the Bank and its subsidiary had significant business transactions with its related parties. These transactions have been concluded on commercial terms and based agreed upon in the ordinary course of businesses between the Bank and those related parties. Below is a summary of those transactions.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the six-month periods ended		For the six-month periods ended		
	30 June		30 June		
	2011	2010	2011	2010	
<b>Parent company</b>					
Interest income	5,572	74	5,572	74	With reference to the terms and prices as offered to other customers
Fees income	1,028	347	1,028	347	With reference to the terms and prices as offered to other customers
<b>Subsidiary company (eliminated from the consolidated financial statements)</b>					
Interest income	-	-	412,837	202,200	With reference to the terms and prices as offered to other customers
Rental income	-	-	-	90	As per the agreement
Other income	-	-	18	18	With reference to the terms and prices as offered to other customers
Interest expenses	-	-	2	4	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
<b>Associated company</b>					
Interest income	560	2,732	560	2,732	With reference to the terms and prices as offered to other customers
Fees income	2	-	2	-	With reference to the terms and prices as offered to other customers
Dividend income	9,480	1,580	9,480	1,580	As announced by the investee companies
Interest expense	6	-	6	-	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Fees and service expenses	423	-	423	-	Determined on the market price
<b>Related company</b>					
Interest income	85	2	85	2	With reference to the terms and prices as offered to other customers
Dividend income	2,000	22,000	2,000	22,000	As announced by the investee companies
Interest expenses	246	756	246	756	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Fees income	-	27	-	27	With reference to the terms and prices as offered to other customers
Fee and service expenses	-	1,116	-	1,116	Determined on the market price
<b>Related directors and management</b>					
Fees income	2	1	2	1	With reference to the terms and prices as offered to other customers
Interest expenses	484	385	484	385	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand

The Bank has established guidelines whereby interest rates, fees, service and rental charges are to be set for related companies as if the transactions were being executed with unrelated parties, with the key consideration being maximisation of benefit to the Bank.

The outstanding balances of transactions between the Bank and its subsidiary and their related parties, or between the Bank or its subsidiary and their related parties can be summarised as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
<b>Interbank and money market items (assets)</b>				
Finansia Syrus Securities Public Company Limited	-	40,015	-	40,015
Industrial and Commercial Bank of China Limited	2,179,713	119,726	2,179,713	119,726
Industrial and Commercial Bank of China (Asia) Limited	115,531	4,947	115,531	4,947
Industrial and Commercial Bank of China (Macau) Limited	107,681	-	107,681	-
<b>Investments</b>				
Leasing Sinn Asia Company Limited	-	-	3,000,000	2,500,000
Finansia Syrus Securities Public Company Limited	299,775	290,296	255,170	255,170
Bangkok BTMU Company Limited	20,390	20,390	20,390	20,390
<b>Loans to customers</b>				
Leasing Sinn Asia Company Limited	-	-	22,828,400	17,036,200
<b>Accrued interest receivables</b>				
Leasing Sinn Asia Company Limited	-	-	2,819	3,968
<b>Other assets</b>				
Industrial and Commercial Bank of China Limited	11,643	10,493	11,643	10,493
Leasing Sinn Asia Company Limited	-	-	3	3
Finansia Syrus Securities Public Company Limited	568	19,727	568	19,727
<b>Interbank and money market items (liabilities)</b>				
Industrial and Commercial Bank of China Limited	-	504,669	-	504,669
ACL Securities Company Limited	108,000	58,200	108,000	58,200
Finansia Syrus Securities Public Company Limited	32,145	1,832	32,145	1,832
<b>Deposits and borrowings</b>				
Leasing Sinn Asia Company Limited	-	-	755	2,705
M-Home SPV 3 Company Limited	6,214	6,640	6,214	6,640
Siam Piwat Company Limited	-	15,000	-	15,000
Siam Piwat Holding Company Limited	-	10,000	-	10,000
Related persons	50,211	82,384	50,211	82,384
<b>Accrued interest payables</b>				
M-Home SPV 3 Company Limited	1	1	1	1
Siam Piwat Company Limited	-	39	-	39
Siam Piwat Holding Company Limited	-	26	-	26
Related persons	95	183	95	183
<b>Off-balance sheet items</b>				
Industrial and Commercial Bank of China Limited				
Letter of guarantee	799,757	304,605	799,757	304,605
Industrial and Commercial Bank of China (Asia) Limited				
Forward contract - bought	151,533	32,052	151,533	32,052
Letter of guarantee	782	767	782	767

For restructured loans, interest rates will be according to conditions as stipulated in debt restructuring agreements.

The Bank's policy in setting up allowance for doubtful accounts on loans to related parties is similar to other debtors. As at 30 June 2011 and 31 December 2010, the Bank set up allowance for doubtful accounts and allowance for revaluation on loans to related parties totaling Baht 250 million and Baht 171 million, respectively.

The deposits and borrowings mentioned above are promissory notes, deposit receipts or bills of exchange, carrying interest rates of 2.25 to 3.20 percent per annum.

Movements of loans (included interbank and money market items - assets) to related parties for the six-month period ended 30 June 2011 are as follows:

(Unit: Thousand Baht)

	31 December 2010	Addition during the period	Repayment during the period	30 June 2011	Period of contracts
Leasing Sinn Asia Company Limited	3,564,200	15,342,010	(17,085,810)	1,820,400	At call
Leasing Sinn Asia Company Limited	13,472,000	15,119,000	(7,583,000)	21,008,000	19 Dec 08 - 12 Jan 15
Finansia Syrus Securities Public Company Limited	40,000	-	(40,000)	-	16 Sep 09 - 16 Mar 11
Industrial and Commercial Bank of China Limited	57,890	1,022,844	(765,288)	315,446	1 Mar 11 – 6 Sep 11

Movements of deposits and borrowings from related companies for the six-month period ended 30 June 2011 are as follows:

(Unit: Thousand Baht)

	31 December 2010	Deposits/ borrowings during the period	Repayment during the period	30 June 2011	Period of contracts
Industrial and Commercial Bank of China Limited	504,669	-	(504,669)	-	At call
ACL Securities Company Limited	58,200	108,000	(58,200)	108,000	At call
Finansia Syrus Securities Public Company Limited	1,832	32,100	(1,792)	32,140	At call
Leasing Sinn Asia Company Limited	2,705	682,163	(684,113)	755	At call
M Home SPV 3 Company Limited	6,640	77	(503)	6,214	At call
Siam Piwat Company Limited	15,000	-	(15,000)	-	Matured
Siam Piwat Holding Company Limited	10,000	-	(10,000)	-	Matured
Related persons	16,486	57,553	(53,682)	20,357	At call
Related persons	65,898	42,675	(78,719)	29,854	27 Jan 10 - 8 Feb 12

### Key management personnel compensation

For the six-month periods ended 30 June 2011 and 2010, key management personnel compensation, included in the statement of comprehensive income, was classified as follows.

	(Unit: Million Baht)	
	Separate financial statements	
	For the six-month periods ended	
	30 June	
	2011	2010
Short-term employee benefits	55	47
Post-employment benefits	2	-

The Bank's directors and executives from the rank of department manager upwards do not receive other benefits, either in monetary or non-monetary terms, other than the normal benefits such as monthly directors' remuneration, meeting allowance, salaries and bonuses. Directors who are executives of the Bank and the representative directors who are executives of Industrial and Commercial Bank of China Limited do not receive remuneration in accordance with Industrial and Commercial Bank of China Limited's policies. Nevertheless, directors with permanent residence abroad can reimburse travelling and accommodation expenses in connection with the operation of the Bank's business as actually incurred. Foreign executives are eligible for additional benefits, which are housing allowances, including utilities and telephone costs, and home trip expenses in accordance with the established criteria.

## 40. Contingent liabilities and commitments

### 40.1 Commitments

(Unit: Million Baht)

	Consolidated and separate financial statements					
	30 June 2011			31 December 2010		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bill	-	-	-	24	-	24
Letters of credit	49	215	264	21	1,512	1,533
Other contingencies						
Forward exchange contracts - bought	-	15,301	15,301	-	17,818	17,818
Forward exchange contracts - sold	-	19,547	19,547	-	19,145	19,145
Interest rate swap contracts	23,400	-	23,400	11,380	-	11,380
Cross currency and interest rate swap contracts						
Bought contracts	-	157	157	-	-	-
Sold contracts	-	707	707	-	693	693
Unused overdraft credit lines	1,891	-	1,891	-	-	-
Others	765	836	1,601	808	310	1,118
Total	26,105	36,763	62,868	12,233	39,478	51,711

### 40.2 Contingent liabilities from litigations

40.2.1 On 21 October 1999, the Bank was sued by a provident fund claiming compensation of Baht 220 million (an unrealized loss from investment) plus accrued interest of Baht 23 million (calculated from the default date to the filing date) on the grounds that the Bank had breached an agreement dated 8 June 1995, under which the Bank was appointed as the provident fund manager. The Bank consulted with two law firms and their opinions were that nothing in the agreement or other related documentation specified that the Bank is liable to compensate the Provident Fund for unrealized losses. On 31 January 2003, the Court of First Instance dismissed the plaintiff's case. On 27 February 2007, the Appeal Court overturned this decision and the Bank was ordered to pay the plaintiff Baht 50 million plus interest at 7.5 percent per annum counting from 11 June 1998. The Bank does not agree with the Appeal Court's decision and has appointed a law firm to lodge an appeal with the Supreme Court. The case is currently being considered by the Supreme Court. However, as at 30 June 2011 and 31 December 2010, the Bank recorded provisions for liabilities of Baht 99 million and Baht 97.5 million, respectively.

- 40.2.2 A Supreme Court judgment made in 2006 found in favor of a homebuyer, as plaintiff, and ordered the Bank to pay Baht 0.7 million to the homebuyer. The Bank paid the homebuyer Baht 0.3 million, which is the amount after deducting the settlement already received by the homebuyer from the house seller in accordance with a rehabilitation plan. However, the homebuyer disagreed with the paid amount and on 21 January 2008 petitioned the Civil Court to issue a writ of execution forcing the Bank to pay the balance. The Bank disagreed with the execution order of the Civil Court and lodged an appeal with the Appeal Court, which on 21 July 2011 confirmed the judgment of the Civil Court. This Bank is currently considering whether to lodge an appeal with the Supreme Court. However, as at 30 June 2011 and 31 December 2010, the Bank recorded provisions for liabilities of Baht 0.4 million. On 2 September 2011, the Bank has already paid all remaining claim as per the Civil Court's judgement so the case is considered final.
- 40.2.3 In November 2009, the Bank foreclosed on one guarantor's assets, as per an order of the Court of First Instance, and the guarantor petitioned the Court of First Instance to order the Bank to release the assets. The Court of First Instance dismissed the petition at the execution stage, but the guarantor lodged an appeal. The case is currently being considered by the Appeal Court. On 22 February 2011, this guarantor filed another case against the Bank with the Court of First Instance, seeking compensation of Baht 5 million for a tort, and this is being considered by the Court. A law firm opined that the probability that the Bank will have to pay compensation is low, and the Bank therefore recorded no provision for the claim as at 30 June 2011 and 31 December 2010.
- 40.2.4 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 has lodged an appeal with the Appeal Court. However, as at 30 June 2011 and 31 December 2010, the Bank recorded provisions for liabilities of Baht 1.7 million.



40.2.5 As at 30 June 2011 and 31 December 2010, ACL Securities Company Limited (a former subsidiary of the Bank from which it has already divested) had contingent liabilities of Baht 75 million and Baht 75 million, respectively, as a result of a litigation claim made in a Labour Law case brought by a former executive, arising in the ordinary course of business of the subsidiary. The Chief Justice of the Central Labour Court ruled that this case did not fall under the jurisdiction of the Labor Court. Later, ACL Securities Company Limited's former executive appealed this ruling to the Chief Justice of the Central Labour Court, which dismissed the petition to appeal. The former executive appealed the Central Labor Court's order not to accept his appeal and ACL Securities Company Limited submitted an objection to the submission of appeal made by the former executive. Later, the former executive filed a request to withdraw the appeal and withdraw the appeal petition previously submitted to the Central Labour Court. On 4 October 2010, the Central Labour Court summoned the parties to hear the order of the Supreme Court, which permitted the withdrawal of the appeal. Hence, the case is considered final and no loss was incurred.

The plaintiff in the above cases also sued the Bank and ACL Securities Company Limited in a civil law case, claiming compensation of Baht 117 million for a breach of contract. The Court of the First Instance dismissed the case on 18 August 2011. Moreover, the Bank's lawyer for this case opined there it is highly unlikely that the Bank and such company will have to pay the claimed amount. As at 30 June 2011 and 31 December 2010, the Bank therefore recorded no provision for the claim.

40.2.6 The Bank has contingent liabilities as a result of entering into a guarantee agreement with Finansia Syrus Securities Public Company Limited, for losses which may arise from margin loan agreements existing on the date of the sale of ACL Securities Company Limited's shares, and as a result of the litigation against that securities company by a former executive. This agreement terminated on 14 September 2010 and up to the date of the authorisation of these financial statements the Bank has still to receive notice of any claims as a result of such guarantee. Hence, as at 30 June 2011 and 31 December 2010, the Bank's management assessed that no loss would be incurred as a result of providing this guarantee and the Bank therefore recorded no provision in the accounts.

### 40.3 Commitments under long-term leases and service agreements

As at 30 June 2011 and 31 December 2010, the Bank and its subsidiary had the following commitments under long-term lease and service agreements for their office spaces and equipment, and other service agreements as follows:

(Unit: Million Baht)

Year	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
2011	51	71	43	59
2012	75	41	61	34
2013	66	33	58	32
2014	8	8	8	8
2015 onwards	45	45	45	45

### 40.4 Commitments under TAMC's management of the non-performing assets

From 2001 to 2003, the Bank transferred its non-performing loans to TAMC as described in Note 9.3 to the financial statements, the Bank is still jointly liable for a share of profits or losses arising from TAMC's management of the non-performing assets, at the end of fifth and tenth years, counting from 1 July 2001. The gains or losses cannot be estimated with certainty at this stage. However, as at 30 June 2011 and 31 December 2010, the Bank estimated its share of losses, of Baht 222 million and Baht 222 million respectively which may be arisen at the end of the tenth year from the management of the non-performing assets. This estimated loss amounts are presented as a part of allowance for impairment on short-term investments in held-to-maturity debt securities, which is presented as a deduction item against promissory notes received from TAMC in settlement for the transfer price.

### 40.5 Other commitments

The Bank is obliged to make contributions to Deposit Protection Agency within one month after the periods ended 30 June and 31 December of every year, at a rate of 0.2 percent of the Bank's daily average deposit balance of each period.

## 41. Financial information by segments

The Bank and its subsidiaries' business operations involve 2 principal segments: (1) banking business and (2) hire purchase/finance leases business. These operations are mainly carried on in Thailand. Below is financial information by segment of the Bank and its subsidiaries for the six-month periods ended 30 June 2011 and 2010 and as of 30 June 2011 and 31 December 2010:

(a) Financial position classified by business activity.

(Unit: Million Baht)

	Banking business		Hire purchase/finance leases business		Total		Elimination entries		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total assets	85,708	72,256	27,618	20,659	113,326	92,915	(26,041)	(19,543)	87,285	73,372
Interbank and money markets - net (assets)	15,425	4,503	51	67	15,476	4,570	(1)	(3)	15,475	4,567
Investments - net	11,165	13,243	-	-	11,165	13,243	(3,000)	(2,500)	8,165	10,743
Loans to customers and accrued interest receivables - net	55,786	50,439	27,403	20,402	83,189	70,841	(22,831)	(17,040)	60,358	53,801
Properties foreclosed – net	1,102	1,207	18	8	1,120	1,215	-	-	1,120	1,215
Deposits	23,411	27,020	-	-	23,411	27,020	(1)	(3)	23,410	27,017
Interbank and money market (liabilities)	3,186	1,289	1,000	500	4,186	1,789	-	-	4,186	1,789
Debts issued and borrowings	43,231	27,786	22,828	17,036	66,059	44,822	(22,828)	(17,036)	43,231	27,786
Commitments	62,868	51,711	-	-	62,868	51,711	-	-	62,868	51,711

(b) Results of operations classified by business activity.

(Unit: Million Baht)

	For the six-month periods ended 30 June									
	Banking business		Hire purchase/finance leases business		Total		Elimination entries		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest income	1,570	1,186	870	426	2,440	1,612	(413)	(202)	2,027	1,410
Interest expenses	(658)	(389)	(427)	(215)	(1,085)	(604)	413	202	(672)	(402)
Net interest income	912	797	443	211	1,355	1,008	-	-	1,355	1,008
Net fees and service income	20	21	90	39	110	60	-	-	110	60
Gain (losses) on tradings and foreign exchange transactions	(17)	4	-	-	(17)	4	-	-	(17)	4
Gain (losses) on investments	(1)	19	-	-	(1)	19	-	-	(1)	19
Share of profit from investments in an associated company under equity method	19	10	-	-	19	10	-	-	19	10
Other operating income	251	101	36	13	287	114	-	-	287	114
Total operating income	1,184	952	569	263	1,753	1,215	-	-	1,753	1,215
Other operating expenses	(466)	(436)	(237)	(145)	(703)	(581)	-	-	(703)	(581)
Bad debt, doubtful accounts and impairment loss <sup>(1)</sup>	(324)	(245)	(149)	(52)	(473)	(297)	-	-	(473)	(297)
Profit before income tax	394	271	183	66	577	337	-	-	577	337
Income tax expense	(111)	(66)	(76)	(22)	(187)	(88)	-	-	(187)	(88)
Net profit	283	205	107	44	390	249	-	-	390	249

<sup>(1)</sup> Included loss on debt restructuring/reversal of loss on debt restructuring

Transfer prices between business segments are as set out in Note 39 to the financial statements.

## **42. Financial instruments**

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity security of another enterprise.

### **42.1 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 13.4 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-balance sheet derivative financial instruments is presented in Note 40.1 to the financial statements.

In addition, the Bank manages credit risk by the following means, including 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.

### **42.2 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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 2011 and 31 December 2010, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2011				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	No interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	265	265
Interbank and money market items - net	40	15,005	430	15,475
Derivative Assets	-	-	612	612
Investments - net	681	7,030	454	8,165
Loans to customers net of deferred revenues	19,869	41,073	414	61,356
<b><u>Financial liabilities</u></b>				
Deposits	3,444	19,919	47	23,410
Interbank and money market items	102	4,083	1	4,186
Liabilities payable on demand	-	-	13	13
Derivative liabilities	-	-	708	708
Debts issued and borrowings	-	43,231	-	43,231

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	No interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	273	273
Interbank and money market items - net	91	4,207	269	4,567
Derivative Assets	-	-	1,184	1,184
Investments - net	812	9,482	449	10,743
Loans to customers net of deferred revenues	17,704	34,074	2,926	54,704
<b><u>Financial liabilities</u></b>				
Deposits	5,321	21,635	61	27,017
Interbank and money market items	2	1,281	506	1,789
Liabilities payable on demand	-	-	253	253
Derivative liabilities	-	-	1,056	1,056
Debts issued and borrowings	-	27,786	-	27,786

(Unit: Million Baht)

## Separate financial statements as at 30 June 2011

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
<b>Financial assets</b>				
Cash	-	-	264	264
Interbank and money market items - net	3	15,005	417	15,425
Derivative Assets	-	-	612	612
Investments - net	681	7,030	3,409	11,120
Loans to customers net of deferred revenues	21,690	34,840	12	56,542
<b>Financial liabilities</b>				
Deposits	3,445	19,919	47	23,411
Interbank and money market items	102	3,083	1	3,186
Liabilities payable on demand	-	-	13	13
Derivative liabilities	-	-	708	708
Debts issued and borrowings	-	43,231	-	43,231

(Unit: Million Baht)

## Separate financial statements as at 31 December 2010

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
<b>Financial assets</b>				
Cash	-	-	272	272
Interbank and money market items - net	41	4,207	255	4,503
Derivative Assets	-	-	1,184	1,184
Investments - net	812	9,482	2,914	13,208
Loans to customers net of deferred revenues	17,704	30,803	2,532	51,039
<b>Financial liabilities</b>				
Deposits	5,324	21,635	61	27,020
Interbank and money market items	2	781	506	1,289
Liabilities payable on demand	-	-	253	253
Derivative liabilities	-	-	1,056	1,056
Debts issued and borrowings	-	27,786	-	27,786

In addition, the Bank entered into interest rate swap contracts as described in Note 42.5 to the financial statements.

The periods of time from the balance sheet date to the repricing or maturity dates (whichever dates are earlier) of financial instruments which have fixed interest rates are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2011							
Transactions	Repricing or maturity date					Total	Average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items - net	-	15,005	-	-	-	15,005	2.73%
Investments - net	-	92	2,031	3,693	1,214	7,030	4.08%
Loans to customers net of deferred revenues	1,204	12,332	6,457	20,253	827	41,073	6.52%
<b>Financial liabilities</b>							
Deposits	3,839	8,500	4,592	2,988	-	19,919	2.69%
Interbank and money market items	439	2,644	1,000	-	-	4,083	3.11%
Debts issued and borrowings	2,838	32,385	7,720	288	-	43,231	2.91%

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010							
Transactions	Repricing or maturity date					Total	Average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items - net	-	4,207	-	-	-	4,207	1.88%
Investments - net	-	651	4,068	3,599	1,164	9,482	3.39%
Loans to customers net of deferred revenues	28	12,781	5,912	14,792	561	34,074	6.82%
<b>Financial liabilities</b>							
Deposits	4,252	9,004	2,728	5,651	-	21,635	2.02%
Interbank and money market items	424	857	-	-	-	1,281	1.80%
Debts issued and borrowings	3,357	18,705	5,526	198	-	27,786	1.83%

(Unit: Million Baht)

Separate financial statements as at 30 June 2011							
Transactions	Repricing or maturity date					Total	Average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items - net	-	15,005	-	-	-	15,005	2.73%
Investments - net	-	92	2,031	3,693	1,214	7,030	4.08%
Loans to customers net of deferred revenues	1,204	10,396	5,615	17,612	13	34,840	4.95%
<b>Financial liabilities</b>							
Deposits	3,839	8,500	4,592	2,988	-	19,919	2.69%
Interbank and money market items	439	1,644	1,000	-	-	3,083	2.95%
Debts issued and borrowings	2,838	32,385	7,720	288	-	43,231	2.91%

(Unit: Million Baht)

Separate financial statements as at 31 December 2010							
Transactions	Repricing or maturity date					Total	Average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items - net	-	4,207	-	-	-	4,207	1.88%
Investments - net	-	651	4,068	3,599	1,164	9,482	3.39%
Loans to customers net of deferred revenues	3,592	12,032	3,701	11,478	-	30,803	4.82%
<b>Financial liabilities</b>							
Deposits	4,252	9,004	2,728	5,651	-	21,635	2.02%
Interbank and money market items	424	357	-	-	-	781	1.24%
Debts issued and borrowings	3,357	18,705	5,526	198	-	27,786	1.83%



In addition, the average balances of the 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 and dividend rates for the six-month periods ended 30 June 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Separate financial statements					
	For the six-month period ended			For the six-month period ended		
	30 June 2011			30 June 2010		
Average Balances	Interest and dividend	Average rate (% per annum)	Average balances	Interest and dividend	Average rate (% per annum)	
<b>Financial assets</b>						
Interbank and money market items - net	6,765	69	2.04%	6,090	32	1.07%
Investments - net	8,564	159	3.72%	10,539	164	3.12%
Loans to customers net of deferred revenues	53,375	1,342	5.03%	44,729	990	4.43%
<b>Financial liabilities</b>						
Deposits	24,865	283	1.91%	30,842	196	1.27%
Interbank and money market items	1,543	11	1.46%	2,351	2	0.16%
Debts issued and borrowings	32,507	359	2.21%	16,655	127	1.53%

### 42.3 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 Board of Executive Directors 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 designates 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 utilized by the Treasury Division in liquidity management
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

Group liquidity management is decentralized, with the subsidiary, Leasing Sinn Asia Co., Ltd. independently managing its own cash inflows and outflows. Leasing Sinn Asia 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 Asset and Liability Committee. 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 reviews the assumptions on a regular basis, to ensure they reflect current economic conditions, business strategies, and other relevant current and future factors. The stress test scenarios, based on the assumption of a severely adverse impact on the Bank, include a bank-specific crisis, a general market crisis and a combination of both scenarios. The liquidity risk stress tests are conducted on two tenors, namely, 0 - 7 days and 8 - 30 days, while the outcomes of the recent stress test showed that the Bank has liquidity surplus more than 30 days in all this three scenarios since the Bank had high liquid assets and the committed line received from other financial institutions.

The periods to maturity, counting from the balance sheet dates, of financial instruments outstanding as at 30 June 2011 and 31 December 2010, are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2011								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing loans	Total
<b>Financial assets</b>								
Interbank and money market items - net	470	15,005	-	-	-	-	-	15,475
Investments - net	-	91	2,687	3,719	1,214	454	-	8,165
Loans to customer net of deferred revenues	287	13,430	8,178	29,032	8,125	-	2,304	61,356
<b>Financial liabilities</b>								
Deposits	7,330	8,500	4,592	2,988	-	-	-	23,410
Interbank and money market items	542	2,644	1,000	-	-	-	-	4,186
Liabilities payable on demand	13	-	-	-	-	-	-	13
Debt issued and borrowings	2,838	32,385	7,720	288	-	-	-	43,231
<b>Off-balance sheet items</b>								
Avals to bill	-	-	-	-	-	-	-	-
Letters of credit	-	240	24	-	-	-	-	264
Other contingencies	334	15,985	21,896	24,082	307	-	-	62,604

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing loans	Total
<b>Financial assets</b>								
Interbank and money market items - net	320	4,247	-	-	-	-	-	4,567
Investments - net	7	651	4,834	3,645	1,164	442	-	10,743
Loans to customer net of deferred revenues	225	13,487	10,285	24,385	3,403	-	2,919	54,704
<b>Financial liabilities</b>								
Deposits	9,634	9,004	2,728	5,651	-	-	-	27,017
Interbank and money market items	932	857	-	-	-	-	-	1,789
Liabilities payable on demand	253	-	-	-	-	-	-	253
Debts issued and borrowings	3,357	18,705	5,526	198	-	-	-	27,786
<b>Off-balance sheet items</b>								
Avals to bill	-	24	-	-	-	-	-	24
Letters of credit	-	1,515	18	-	-	-	-	1,533
Other contingencies	312	12,977	25,705	10,858	301	-	-	50,153

(Unit: Million Baht)

## Separate financial statements as at 30 June 2011

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing	
							loans	Total
<b>Financial assets</b>								
Interbank and money market items - net	420	15,005	-	-	-	-	-	15,425
Investments - net	-	91	2,687	3,719	1,214	3,409	-	11,120
Loans to customer net of deferred revenues	2,107	11,494	7,336	26,392	7,312	-	1,901	56,542
<b>Financial liabilities</b>								
Deposits	7,331	8,500	4,592	2,988	-	-	-	23,411
Interbank and money market items	542	1,644	1,000	-	-	-	-	3,186
Liabilities payable on demand	13	-	-	-	-	-	-	13
Debts issued and borrowings	2,838	32,385	7,720	288	-	-	-	43,231
<b>Off-balance sheet items</b>								
Avals to bill	-	-	-	-	-	-	-	-
Letters of credit	-	240	24	-	-	-	-	264
Other contingencies	334	15,985	21,896	24,082	307	-	-	62,604

(Unit: Million Baht)

## Separate financial statements as at 31 December 2010

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing	
							loans	Total
<b>Financial assets</b>								
Interbank and money market items - net	256	4,247	-	-	-	-	-	4,503
Investments - net	7	651	4,834	3,645	1,164	2,907	-	13,208
Loans to customer net of deferred revenues	3,790	12,737	8,074	21,071	2,842	-	2,525	51,039
<b>Financial liabilities</b>								
Deposits	9,637	9,004	2,728	5,651	-	-	-	27,020
Interbank and money market items	932	357	-	-	-	-	-	1,289
Liabilities payable on demand	253	-	-	-	-	-	-	253
Debts issued and borrowings	3,357	18,705	5,526	198	-	-	-	27,786
<b>Off-balance sheet items</b>								
Avals to bill	-	24	-	-	-	-	-	24
Letters of credit	-	1,515	18	-	-	-	-	1,533
Other contingencies	312	12,977	25,705	10,858	301	-	-	50,153

#### 42.4 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.

The Bank and its subsidiary's significant foreign currency position as at 30 June 2011 and 31 December 2010 can be summarised as follows:

Consolidated and separate financial statements as at 30 June 2011									
Outstanding balances of financial instruments									
	US dollar	Euro	Yen	Pound sterling	New Zealand dollar	Australian dollar	Hong Kong dollar	Singapore dollar	Renminbi
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
<b><u>In-balance foreign currency position</u></b>									
Interbank and money market items (assets)	2,361.43	18.00	0.08	0.40	1.49	1.68	2.84	0.12	55.54
Investments - net	2,907.33	-	-	-	-	-	-	-	157.46
Loans to customers and accrued interest									
receivables	181.04	16.73	0.08	0.14	-	-	-	-	-
Deposits and accrued interest payables	126.17	-	-	-	-	0.04	-	-	8.78
<b><u>Off-balance foreign currency position</u></b>									
Letters of credit	208.88	5.90	-	-	-	-	-	-	-
Forward contracts - Bought	15,139.90	55.13	-	-	-	-	-	-	105.74
Forward contracts - Sold	19,503.06	43.84	0.08	0.14	-	-	-	-	-
Cross currency swap contracts									
Bought contracts	156.74	-	-	-	-	-	-	-	-
Cross currency and interest rate swap contracts									
Sold contracts	707.19	-	-	-	-	-	-	-	-
Other contingencies	836.53	-	-	-	-	-	-	-	-
<b>Average exchange rate as at 30 June 2011</b>									
(Baht per 1 foreign currency unit)	30.7472	44.5173	38.1944	49.4582	25.4918	32.9540	3.9513	24.9765	4.7650
Consolidated and separate financial statements as at 31 December 2010									
Outstanding balances of financial instruments									
	US dollar	Euro	Yen	Pound sterling	New Zealand dollar	Australian dollar	Hong Kong dollar	Singapore dollar	Renminbi
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
<b><u>In-balance foreign currency position</u></b>									
Interbank and money market items (assets)	131.38	2.32	0.19	0.61	1.31	1.54	1.17	0.01	4.95
Investments - net	2,681.62	-	-	-	-	-	-	-	-
Loans to customers and accrued interest									
receivables	59.64	12.31	-	-	-	-	-	-	-
Deposits and accrued interest payables	52.90	-	-	-	-	0.16	-	-	3.17
Borrowings and accrued interest payables	301.96	-	-	-	-	-	-	-	-
<b><u>Off-balance foreign currency position</u></b>									
Letters of credit	1,490.40	22.12	-	-	-	-	-	-	-
Forward contracts - Bought	17,747.18	39.94	0.58	-	-	0.16	-	-	30.30
Forward contracts - Sold	19,123.58	13.24	8.36	-	-	-	-	-	-
Cross currency and interest rate swap contracts									
Sold contracts	693.48	-	-	-	-	-	-	-	-
Other contingencies	305.53	3.27	-	-	-	-	-	-	-
<b>Average exchange rate as at 31 December 2010</b>									
(Baht per 1 foreign currency unit)	30.1513	39.9394	0.3705	46.7968	23.1723	30.7226	3.8742	23.3264	4.5582

## 42.5 Financial derivatives

The Bank engages in financial 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 financial derivatives by stipulating policies and limits that require risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Bank manages the credit risk associated with financial 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 separate financial statements							
	30 June 2011				31 December 2010			
	Notional amount		Maturity		Notional amount		Maturity	
<b>Interest rate swap contracts</b>								
- swap the fixed interest rates for								
the floating interest	21,050	Million Baht	2011 - 2015	9,780	Million Baht	2011 - 2013		
- swap the floating interest rates for								
the fixed interest rates	2,350	Million Baht	2011 - 2014	1,600	Million Baht	2011 - 2012		

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 separate financial statements							
	30 June 2011				31 December 2010			
	Notional amount		Maturity		Notional amount		Maturity	
<b>Cross currency interest rate swap contracts</b>								
- Receive interest at a floating rate								
on Baht notional amounts and to								
pay interest at a fixed rate on								
USD notional amounts	8	Million USD	2012	8	Million USD	2012		
- Receive interest at a fixed rate on								
Baht notional amounts and to								
pay interest at a fixed rate on								
USD notional amounts	15	Million USD	2012 - 2016	15	Million USD	2012 - 2016		
- Receive interest at a fixed rate on								
USD notional amounts and to								
pay interest at a fixed rate on								
CNY notional amounts	5	Million USD	2012	-	Million USD	-		

During the six-month period ended 30 June 2010, the Bank unwinded cross currency interest rate swap contracts with notional amounts totaling USD 20 million prior to the maturity date. Such contracts were recorded as assets having the book value on the unwinding date of Baht 27 million and the Bank paid Baht 4 million to unwind those contracts cancellation. As a result, the Bank incurred losses on the unwinding of these contracts amounting to Baht 31 million, which was already recognised by the Bank as expense for the six-month period ended 30 June 2010.

As at 30 June 2011 and 31 December 2010, financial derivatives, classified by their maturities, are as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements					
	30 June 2011			31 December 2010		
	Not over 1 year	Over 1 year	Total	Not over 1 year	Over 1 year	Total
Forward exchange contracts						
- Bought	14,071	1,230	15,301	16,609	1,209	17,818
- Sold	18,133	1,414	19,547	17,939	1,206	19,145
Interest rate swap contracts	2,950	20,450	23,400	3,430	7,950	11,380
Cross currency swap contracts						
- Bought	157	-	157	-	-	-
Cross currency interest rate swap contracts						
- Sold	-	707	707	-	693	693

## 42.6 Fair value

Fair value represents the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. The Bank has estimated the fair value of their financial instruments as follows:

### (a) Financial assets

The methodology used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the statements of financial position, including cash, interbank and money market items and loans to customers, which are considered to approximate their respective carrying values since they are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments in securities, fair values are determined from the quoted market price.



(b) Financial liabilities

The fair values of financial liabilities, including deposits, liabilities payable on demand, interbank and money market items and debt issued and borrowings are considered to approximate their respective carrying values for the same reasons as described above.

As at 30 June 2011 and 31 December 2010, the fair value of financial instruments of the Bank are as follow.

(Unit: Million Baht)

	Separate financial statements			
	30 June 2011		31 December 2010	
	Book value	Fair value	Book value	Fair value
<b><u>Financial assets</u></b>				
Cash	263	263	272	272
Interbank and money market items - net	15,425	15,425	4,503	4,503
Derivative assets	612	680	1,184	1,246
Investments - net	11,120	11,099	13,208	13,214
Loans	55,786	55,786	50,439	50,439
Total	<u>83,206</u>	<u>83,253</u>	<u>69,606</u>	<u>69,674</u>
<b><u>Financial liabilities</u></b>				
Deposits	23,411	23,411	27,020	27,020
Interbank and money market items	3,186	3,186	1,289	1,289
Liabilities payable on demand	13	13	253	253
Derivative liabilities	708	726	1,056	1,091
Debt issued and borrowings	43,231	43,231	27,786	27,786
Total	<u>70,549</u>	<u>70,567</u>	<u>57,404</u>	<u>57,439</u>

#### 43. Reclassification

Certain items in the financial statements as at 31 December 2010 and for the six-month period ended 30 June 2010 have been reclassified to conform to the current period's classification, in accordance with the Bank of Thailand's notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", date 3 December 2010 which is effective for fiscal years beginning on or after 1 January 2011, but no effect to previously reported profit for the period or shareholders' equity. The reclassifications are as follow:

(Unit: Thousand Baht)

31 December 2010

	Consolidated financial statement		Separate financial statement	
	As reclassified	As previously	As reclassified	As previously
		reported		reported
<b>Statements of financial position</b>				
Accrued interest and dividend				
income receivables - net	-	71,087	-	71,087
Accrued income - net	78,244	-	71,087	-
Other receivables - net	465,045	472,528	333,223	333,223
Other assets	44,999	44,673	40,353	40,353
Deposits	27,017,194	27,017,442	27,019,899	27,020,147
Interbank and money market				
items (liabilities)	1,788,852	2,043,852	1,288,852	1,543,852
Debts issued and borrowings	27,786,141	27,530,893	27,786,141	27,530,893

(Unit: Thousand Baht)

For the six-month period ended 30 June 2010

	Consolidated financial statement		Separate financial statement	
	As reclassified	As previously	As reclassified	As previously
		reported		reported
<b>Statements of comprehensive income</b>				
Interest income	1,409,869	-	1,186,378	-
Interest and dividend income	-	1,496,121	-	1,274,210
Interest expenses	401,814	402,977	389,134	390,099
Contributions to the Deposit				
Projection Agency	-	63,832	-	63,832
Fees and service income	60,464	63,896	21,254	24,686
Fees and service expenses	198	-	-	-
Gains on foreign currency				
trading and exchange				
transactions	4,182	3,726	4,182	3,726
Gains on investments	18,507	18,963	18,507	18,963
Other operating income	39,660	14,774	34,963	8,496
Premises and equipment				
expenses	69,697	92,791	57,687	79,723
Amortisation expense on				
intangible assets	23,094	-	22,037	-
Losses on impairment of				
properties foreclosed and				
other assets (reversal)	6,199	1,488	(5,457)	(5,457)
Bad debt, doubtful accounts and				
impairment loss	296,929	-	244,667	-
Bad debt and doubtful accounts	-	301,715	-	244,742
Reversal of loss on debt				
restructuring	-	75	-	75

#### **44. Events after the reporting period**

##### **44.1 The capital increase of a subsidiary**

On 13 July 2011, the subsidiary's Extraordinary General Meeting of Shareholders No. 1/2011 approved the increase of its share capital by 100 million ordinary shares with a par value of Baht 10 each. Following the registration of the capital increase, the subsidiary's registered share capital stands at Baht 4 billion, comprising 400 million ordinary shares with a par value of Baht 10 each. In addition, the meeting approved a call for partial payment of the additional shares from the Bank, totaling Baht 250 million. The Bank made payment on 14 July 2011.

##### **44.2 The capital increase of an associated company**

On July 20, 2011, Board of Directors' meeting No. 7/2011 of Finansia Syrus Securities Public Company Limited resolved to propose to a shareholders' meeting for consideration and approval the issue and offer of new shares to the existing shareholders proportionately to their shareholding, at a ratio of 1 new share for every 2.5 existing shares. At present, the Bank holds 79,000,000 shares in this company, or equivalent to 24.51 percent of the issued and paid-up share capital. In order to maintain the Bank's existing shareholding, Board of Executive Directors' Meeting No. 27/2011 of the Bank's resolved to approve the Bank to exercise its rights to subscribe to the new shares of such company in a quantity that does not exceed its existing shareholding percentage. If there are unsubscribed shares, the Bank retains the right to purchase shares in excess of the entitlement, but the Bank's total shareholding in Finansia Syrus Securities Public Company Limited is not to exceed 24.9 percent of the total shares in issue, in accordance with the waiver granted by the Bank of Thailand.

#### **45. Approval of financial statements**

These interim financial statements were authorised for issue by the Audit Committee of the Bank on 21 September 2011.