

Industrial and Commercial Bank of China (Thai) Public
Company Limited and its subsidiary
Report and interim financial statements
For the six-month periods ended 30 June 2012 and 2011

Independent Auditor's Report

To the Shareholders of

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

I have audited the accompanying consolidated financial statements of Industrial and Commercial Bank of China (Thai) Public Company Limited and its subsidiary, which comprise the consolidated statements of financial position as at 30 June 2012 and 31 December 2011, and the consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2012 and 2011, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Industrial and Commercial Bank of China (Thai) Public Company Limited for the same periods.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the 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 2012 and 31 December 2011, their financial performance and cash flows for the six-month periods ended 30 June 2012 and 2011 in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion on the aforementioned financial statements, I draw attention to the matter as described in Note 13.1 to the financial statements that the Bank and its subsidiary have a plan to set aside allowance for doubtful accounts in the future.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 13 September 2012

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

Statements of financial position

As at 30 June 2012 and 31 December 2011

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
Assets					
Cash		305,245	289,865	304,202	289,369
Interbank and money market items - net	6	19,244,036	9,741,811	19,150,700	9,681,032
Derivative assets	7	325,607	403,884	325,607	403,884
Investments - net	8	14,094,881	11,428,643	14,094,881	11,428,643
Investments in a subsidiary and an associate - net	9, 10	365,480	336,816	3,804,874	3,540,920
Loans to customers and accrued interest receivables	12				
Loans to customers		86,594,959	72,334,970	75,020,976	63,343,799
Accrued interest receivables		144,596	140,539	152,015	147,027
Total loans to customers and accrued interest receivables		86,739,555	72,475,509	75,172,991	63,490,826
Less: Deferred revenue		(5,542,851)	(4,782,912)	(2,573)	(1,295)
Allowance for doubtful accounts	13.1	(1,369,574)	(1,196,682)	(957,495)	(824,401)
Revaluation allowance on debt restructuring	13.2	(15,701)	(12,386)	(15,701)	(12,386)
Loans to customers and accrued interest receivables - net		79,811,429	66,483,529	74,197,222	62,652,744
Properties foreclosed - net	14	1,172,475	1,198,139	1,085,792	1,164,977
Premises and equipment - net	15	155,984	171,200	128,077	143,663
Intangible assets - net	16	70,788	89,998	57,457	76,296
Leasehold rights - net		191,736	197,062	191,736	197,062
Accrued income - net		167,631	113,400	153,348	102,895
Receivables on credit support for derivative contracts		47,875	64,572	47,875	64,572
Other receivables - net		248,319	246,119	140,969	173,931
Other assets	17	33,019	24,076	24,234	18,389
Total assets		116,234,505	90,789,114	113,706,974	89,938,377

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 2012 and 31 December 2011

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
Liabilities and shareholders' equity					
Deposits	19	41,946,907	20,832,339	41,948,713	20,833,789
Interbank and money market items	20	19,170,481	1,491,510	17,670,481	1,491,510
Liabilities payable on demand		22,623	29,230	22,623	29,230
Derivative liabilities	7	448,440	671,593	448,440	671,593
Debts issued and borrowings	21	37,900,000	51,451,656	37,900,000	51,451,656
Provisions for post-employment benefits	22.1	126,581	113,130	105,038	94,671
Provisions for other liabilities	22.2, 40.2	326,750	326,050	326,750	326,050
Accrued interest payables		389,436	421,714	389,158	421,714
Payables on credit support for derivative contracts		28,962	-	28,962	-
Other liabilities	23	1,112,344	1,090,294	477,979	530,075
Total liabilities		101,472,524	76,427,516	99,318,144	75,850,288
Shareholders' equity					
Share capital	24				
Registered, issued and fully paid					
451,081 non-cumulative preference shares of Baht 10 each		4,511	4,511	4,511	4,511
1,590,001,864 ordinary shares of Baht 10 each		15,900,018	15,900,018	15,900,018	15,900,018
Other component of shareholders' equity					
- Revaluation surplus on investments	25	213,222	155,770	213,222	155,770
Deficit		(1,355,770)	(1,698,701)	(1,728,921)	(1,972,210)
Equity attributable to the Bank's shareholders	11	14,761,981	14,361,598	14,388,830	14,088,089
Non-controlling interest of a subsidiary		-	-	-	-
Total shareholders' equity		14,761,981	14,361,598	14,388,830	14,088,089
Total liabilities and shareholders' equity		116,234,505	90,789,114	113,706,974	89,938,377
		-	-	-	-

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 2012 and 2011

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Interest income	28	2,773,550	2,027,384	2,169,474	1,570,353
Interest expenses	29	(1,300,937)	(672,675)	(1,274,354)	(657,916)
Net interest income		1,472,613	1,354,709	895,120	912,437
Fees and service income	30	159,814	109,794	25,085	19,442
Fees and service expenses	30	(173)	-	(173)	-
Net fees and service income		159,641	109,794	24,912	19,442
Net gains (losses) on trading and foreign exchange transactions	31	13,845	(16,915)	13,845	(16,915)
Net gains (losses) on investments	32	10,655	(1,430)	10,655	(1,430)
Shares of profits from investment under equity method	10.1	21,313	18,959	-	-
Gains on disposals of equipment, properties foreclosed and other assets		87,263	114,794	76,689	109,184
Gain on disposal of non-performing loans		6,946	-	6,946	-
Bad debts recovery		69,877	143,470	51,682	129,166
Other operating income		42,245	25,698	18,814	19,050
Total operating income		1,884,398	1,749,079	1,098,663	1,170,934
Other operating expenses					
Personnel expenses		494,741	425,428	312,254	281,670
Directors' remuneration	34	2,160	2,315	1,860	2,015
Premises and equipment expenses		76,490	71,986	57,932	56,043
Amortisation expense on intangible assets		20,728	23,896	18,955	22,053
Taxes and duties		82,552	70,477	66,559	55,246
Fees and service expenses		28,063	18,391	7,629	8,392
Losses on impairment of properties foreclosed and other assets (reversal)		82,327	11,199	(14,876)	(3,674)
Provisions for other liabilities		700	3,772	700	3,772
Others		83,934	71,258	38,342	36,638
Total other operating expenses		871,695	698,722	489,355	462,155
Bad debts, doubtful accounts and impairment losses	35	521,648	473,005	298,581	324,090
Profits from operation before income taxes		491,055	577,352	310,727	384,689
Income taxes	36	(148,124)	(187,364)	(67,438)	(111,359)
Profits for the periods		342,931	389,988	243,289	273,330
Other comprehensive income					
Gains on revaluation of available-for-sale investments	37	57,452	27,261	57,452	27,261
Total other comprehensive income		57,452	27,261	57,452	27,261
Total comprehensive income		400,383	417,249	300,741	300,591

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 2012 and 2011

(Unit: Thousand Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profits for the periods attributable to:					
Equity holders of the Bank		342,931	389,988	243,289	273,330
Non-controlling interest of a subsidiary		-	-		
		<u>342,931</u>	<u>389,988</u>		
Total comprehensive income attributable to:					
Equity holders of the Bank		400,383	417,249	300,741	300,591
Non-controlling interest of a subsidiary		-	-		
		<u>400,383</u>	<u>417,249</u>		
Earnings per share of equity holders of the Bank					
	38				
Basic earning per share (Baht per share)		<u>0.22</u>	<u>0.25</u>	<u>0.15</u>	<u>0.17</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 2012 and 2011

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profits from operation before income taxes	491,055	577,352	310,727	384,689
Adjustments to reconcile profits from operation before income taxes to net cash provided by (paid from) operating activities:				
Shares of profits from investment under equity method	(21,313)	(18,959)	-	-
Depreciation and amortisation	49,868	54,474	42,766	48,526
Bad debts, doubtful accounts and impairment losses	521,648	473,005	298,581	324,090
Gain on disposal of non-performing loans	(6,946)	-	(6,946)	-
Gains on disposals of equipment	(1,804)	(3,147)	(1,920)	(3,155)
Losses on write-off of fixed assets	13	1,339	13	1,339
Gains on disposals of properties foreclosed	(85,459)	(115,104)	(74,769)	(109,486)
Losses on impairment of properties foreclosed and other assets (reversal)	82,327	9,913	(14,876)	(4,960)
Net (gains) losses on investments	(10,655)	1,430	(10,655)	1,430
Net (gains) losses on trading and foreign exchange transactions	(13,845)	16,915	(13,845)	16,915
Provisions for post-employment benefits	13,452	11,771	10,367	8,638
Provisions for other liabilities	700	3,772	700	3,772
Other income from revaluation of other receivables	(1,094)	(2,768)	(1,094)	(2,768)
Fees receivable	(3,779)	(5,600)	-	-
Decrease in expenses as a result of transferring receivables under				
Legal Execution Department	-	(633)	-	(633)
Increase (decrease) in other accrued expenses	(91,869)	(101,624)	(83,853)	(101,817)
Interest income	(2,773,550)	(2,027,384)	(2,169,474)	(1,570,353)
Cash received on interest income	2,357,854	1,896,786	1,753,006	1,440,983
Interest expenses	1,300,937	672,675	1,274,354	657,916
Cash paid on interest expenses	(370,054)	(244,081)	(343,518)	(244,084)
Dividend income	(6,474)	(5,036)	(13,078)	(14,516)
Cash received on dividend income	6,474	5,036	6,474	5,036
Cash paid on income taxes	(226,569)	(131,768)	(125,102)	(86,787)
Income from operating activities before changes in operating assets and liabilities	1,210,917	1,068,364	837,858	754,775
(Increase) decrease in operating assets				
Interbank and money market items	(9,610,478)	(10,910,918)	(9,577,921)	(10,925,306)
Derivative assets	231,605	793,714	231,605	793,714
Short-term investments	-	9,268	-	9,268
Loans to customers	(13,685,057)	(7,320,343)	(11,686,637)	(5,786,233)
Properties foreclosed	41,770	367,920	177,687	218,700
Receivables on credit support for derivative contracts	16,697	160,170	16,697	160,170
Other receivables	(14,235)	189,040	34,043	134,812
Other assets	25,976	20,042	24,470	23,837

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 2012 and 2011

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Increase (decrease) in operating liabilities				
Deposits	21,114,567	(3,606,815)	21,114,924	(3,608,765)
Interbank and money market items	17,678,971	2,396,716	16,178,971	1,896,716
Liabilities payable on demand	(6,607)	(240,136)	(6,607)	(240,136)
Derivative liabilities	(362,637)	(580,699)	(362,637)	(580,699)
Payables on credit support for derivative contracts	28,962	(240,836)	28,962	(240,836)
Other liabilities	80,954	43,991	(18,039)	16,560
Net cash provided by (used in) operating activities	16,751,405	(17,850,522)	16,993,376	(17,373,423)
Cash flows from investing activities				
Cash paid for investment in a subsidiary	-	-	(250,000)	(500,000)
Cash paid for investment in an associate	(13,954)	-	(13,954)	-
(Increase) decrease in long-term investments	(2,622,974)	2,596,738	(2,622,974)	2,596,738
Cash received on interest income on investments	310,477	153,002	310,477	153,002
Cash received on dividend income from on associate	6,604	9,480	6,604	9,480
Cash received on disposals of equipment	1,975	3,251	1,926	3,246
Cash paid for purchases of equipment	(8,680)	(10,428)	(2,816)	(5,403)
Cash paid for acquisition of intangible assets	(1,620)	(2,127)	(218)	(549)
Net cash provided by (used in) investing activities	(2,328,172)	2,749,916	(2,570,955)	2,256,514
Cash flows from financing activities				
Cash received on long-term debts issued and borrowings	270,152,728	175,428,707	270,152,725	175,428,707
Cash paid on repayments of long-term debts issued and borrowings	(283,704,384)	(159,984,192)	(283,704,381)	(159,984,192)
Cash paid on interest expenses on borrowings	(854,462)	(349,776)	(854,692)	(335,041)
Cash paid on liabilities under finance lease agreements	(1,735)	(2,177)	(1,240)	(1,082)
Net cash provided by (used in) financing activities	(14,407,853)	15,092,562	(14,407,588)	15,108,392
Net increase (decrease) in cash and cash equivalents	15,380	(8,044)	14,833	(8,517)
Cash and cash equivalents at beginning of the periods	289,865	272,817	289,369	272,364
Cash and cash equivalents at end of the periods	305,245	264,773	304,202	263,847

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 2012 and 2011

(Unit: Thousand Baht)

	Consolidated financial statements						
	Equity attributable to the Bank's shareholders				Total equity attributable to the Bank's shareholders	Equity attributable to non-controlling interests of a subsidiary	Total
	Issued and paid-up share capital		Other component in shareholders' equity				
	Preference shares	Ordinary shares	- Revaluation surplus on investments	Deficit			
Balance as at 1 January 2011	4,643	15,899,886	164,577	(2,393,388)	13,675,718	-	13,675,718
Total comprehensive income for the period	-	-	27,261	389,988	417,249	-	417,249
Conversion of preference shares to ordinary shares	(132)	132	-	-	-	-	-
Balance as at 30 June 2011	<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>
Balance as at 1 January 2012	4,511	15,900,018	155,770	(1,698,701)	14,361,598	-	14,361,598
Total comprehensive income for the period	-	-	57,452	342,931	400,383	-	400,383
Balance as at 30 June 2012	<u>4,511</u>	<u>15,900,018</u>	<u>213,222</u>	<u>(1,355,770)</u>	<u>14,761,981</u>	<u>-</u>	<u>14,761,981</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 2012 and 2011

(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			
Balance as at 1 January 2011	4,643	15,899,886	164,577	(2,530,969)	13,538,137
Total comprehensive income for the period	-	-	27,261	273,330	300,591
Conversion of preference shares to ordinary shares	(132)	132	-	-	-
Balance as at 30 June 2011	<u>4,511</u>	<u>15,900,018</u>	<u>191,838</u>	<u>(2,257,639)</u>	<u>13,838,728</u>
Balance as at 1 January 2012	4,511	15,900,018	155,770	(1,972,210)	14,088,089
Total comprehensive income for the period	-	-	57,452	243,289	300,741
Balance as at 30 June 2012	<u>4,511</u>	<u>15,900,018</u>	<u>213,222</u>	<u>(1,728,921)</u>	<u>14,388,830</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 2012 and 2011**

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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 2012 and 2011**

1. The Bank's information

Industrial and Commercial Bank of China (Thai) Public Company Limited (“the Bank”), registered the change of its status to be a public company limited 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 2012 and 31 December 2011, the Bank had altogether 19 branches including a head office.

The Bank applied to delist its shares from the Stock Exchange of Thailand (“SET”) and the SET’s Board of Governors ordered the shares of the Bank to be delisted from the SET with effective date on 19 March 2011.

As at 30 June 2012 and 31 December 2011, Industrial and Commercial Bank of China Limited, incorporated in the People’s Republic of China, is the parent company of the Bank, holding 97.70% of the issued and paid-up share capital of the Bank.

As at 30 June 2012 and 31 December 2011, the Bank has only one subsidiary, which has been established as a limited company under Thai laws, and operating its businesses in Thailand and has a 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 are presented and have also been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. 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.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of 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 the financial statements in Thai language.

2.2 Basis of consolidation

- (a) The consolidated financial statements include the financial statements of Industrial and Commercial Bank of China (Thai) Public Company Limited and the following subsidiary.

Company's name	Type of business	Country of incorporation	Percentage of shares held by the Bank		Assets as a percentage to the consolidated totals		Revenue as a percentage to the consolidated totals	
			as of		as at		for the six-month periods ended	
			30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June	
			Percent	Percent	Percent	Percent	Percent	Percent
ICBC (Thai) Leasing Company Limited	Hire purchase and finance lease	Thailand	99.99	99.99	31.81	34.87	44.58	41.14

- (b) The Bank and its subsidiary do not treat investments in any mutual funds in which they hold more than 50% of outstanding units as investments in a subsidiary because they do not have control over the financial and operating policies of these funds. In case that the Bank and its subsidiary receive shares as a result of debt restructuring of a borrower, which causes the Bank and its subsidiary to hold more than 50 percent of the paid-up share capital of such company, the Bank and its subsidiary will not treat that investee company as a subsidiary, since they intend to hold such investment temporality.
- (c) The 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.
- (d) The financial statements of the subsidiary are prepared using the same significant accounting policies as the Bank, except that the subsidiary calculates depreciation of motor vehicles using the sum-of-the-years digits method. However, the effect of the use of a different method of depreciation for motor vehicles is not significant to the consolidated financial statements as a whole.
- (e) Material balances and transactions between the Bank and its subsidiary have been eliminated from the consolidated financial statements.
- (f) Non-controlling interests represent the portion of profit or loss and net assets of a subsidiary that is not held by the Bank and are presented separately in the consolidated profit or loss and within equity in the consolidated statements of financial position.

2.3 Separate financial statements

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

3. Newly issued accounting standard but not yet effective

During the current period, the Federation of Accounting Professions issued the financial reporting standard TFRS 8: Operating Segments, which is effective for fiscal years beginning on or after 1 January 2013. The Bank's and its subsidiary's management have assessed and believe that such financial reporting standard will not have any significant impact on the financial statements when it is adopted.

4. Significant accounting policies

4.1 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.

4.2 Expense recognition

(a) Interest expenses

Interest expenses are recognised as expense on an accrual basis.

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

Commissions 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 rate method, with the amortisation deducted from interest income.

(c) Other expenses

Other expenses are recognised on an accrual basis.

4.3 Cash and cash equivalents

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

4.4 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.

4.5 Investments in securities

- (a) Trading investments are stated at fair value. Changes in the fair value of these investments are recorded in profit or loss from operation.
- (b) Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recorded in other comprehensive income (loss) and will be recorded in profit or loss from operation when the investments are sold.
- (c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). 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 less allowance for impairment loss (if any).

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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount, together with the associated cumulative gain or loss that was previously reported in other comprehensive income (loss), is recognised as income or expense in profit or loss from operation. If the Bank disposes a part of its holding in a particular investment, the deemed cost of the part sold is determined using the weighted average method.

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

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

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 counterparty. The fair value of investment in receivables that are not freely traded in an open market, is calculated using the investment yield as at the investment date, and thereafter adjusted by a change in credit risk of the debtor being invested.

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

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

4.6 Investments in a subsidiary and an associate

Investments in a subsidiary and an associate, recorded in the separate financial statements, are stated at cost net of allowance for impairment loss (if any). Losses on impairment are recorded as expenses in profit or loss from operation.

Investment in an associate, recorded in the consolidated financial statements, is recorded using the equity method. Under this method, investment is initially recorded at the acquisition cost and is adjusted to reflect the attributable share of the profit or loss from the operation of associate proportionately to its investment holding percentage and is reduced by the amount of dividend received.

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

4.7 Loans to customers

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

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

4.8 Allowance for doubtful accounts

- (a) The Bank provides allowance for doubtful accounts in accordance with the BOT guidelines, using the minimum rates stipulated by the BOT, and provides additional amounts, in excess of the BOT minimum required rates, to cover those expected not to be collectible from debtors, based on its analysis and evaluation of the current status of the debtors, taking into accounts its experiences in consideration of credit risk and the 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 finance leasing and hire-purchase businesses provides an allowance for doubtful accounts with reference to number of months past due and provisioning rates as stipulated in the BOT’s notifications.

Allowance for doubtful accounts is set for “pass” and “special-mention” loans at minimum rates of 1% and 2%, respectively, of the loan balances after deducting collateral value, calculated in accordance with the BOT’s guidelines, and at 100% of the balances of non-performing loans after deducting the present value of expected future cash flows from collateral disposal, calculated in accordance with the BOT’s guidelines.

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

- (c) The Bank writes off bad debts in accordance with the BOT’s guidelines and as approved by the Executive Committee where by it will reverse the related allowance for doubtful accounts against the decrease in bad debts and doubtful accounts in profit or loss from operation. At the same time, the Bank writes off the balances of bad debts and charged them against bad debts and doubtful accounts as expenses in profit or loss from operation. All bad debts recovered are recognised as revenue in profit or loss from operation.
- (d) Allowance for doubtful accounts additionally set up during the periods is recognised as expense for the periods.

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

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

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

4.10 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 with reference to the appraisal value less estimated selling expenses.

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

Impairment loss is recognised as expense in profit or loss from operation.

4.11 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 (except for the depreciation of motor vehicles of a subsidiary, which is calculated by reference to their cost, after deducting residual values, on the sum-of-the-years digits method) over the following estimated periods of useful lives.

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

No depreciation is determined for land.

Depreciation is recognised as expense in profit or loss from operation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss from operation when the asset is derecognised

4.12 Intangible assets and amortisation

Intangible assets are carried at cost less any accumulated amortisation and allowance for impairment loss (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 amortisation amounts are recognised as expenses in profit or loss from operation.

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

4.13 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation and allowance for impairment loss (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 in profit or loss from operation.

4.14 Long-term leases

Leases of motor vehicles which transfer substantially all the risks and rewards of ownership to the Bank and its subsidiary, as lessees, 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 recorded as expense in profit or loss from operation over the lease period. Assets acquired under finance leases are depreciated over the shorter of the useful lives of the assets and the lease periods.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss from operation on a straight-line basis over the lease term.

4.15 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, sold at a discount with recourse, are recorded by crediting the "Notes receivable" account, and disclosed such commitment as a part of "Contingent liabilities".

4.16 Impairment of assets

At the end of each reporting period, 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. An impairment loss is recognised as expense in profit or loss from operation 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 that, based on information available, reflects the amount that the Bank and its subsidiary could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties who are independent and under no compulsion to act, after deducting the costs of disposal.

In the assessment of asset impairment, if there is any indication that previously recognised impairment loss may no longer exist or may have decreased, the Bank and its subsidiary estimate the asset's recoverable amount. A previously recognised impairment loss 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 has been 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 profit or loss from operation.

4.17 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 plan

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 plan

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 defined benefit plan").

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss from operation.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Bank and its subsidiary opted to recognise the transitional liability, which exceeded the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the year 2011.

4.18 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.

4.19 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 end of reporting period.

Gains or losses on exchange are recognised as revenue or expense in profit or loss from operation.

4.20 Income taxes

Income taxes are provided for in the accounts at the amount expected to be paid to the taxation authorities, based on the taxable profits determined in accordance with tax legislation.

4.21 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 measured according to the purpose of entering into those transactions as follows.

Trading Book

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

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

Banking Book (Not held for trading)

As at the end of reporting period, the Bank recognises foreign exchange contracts, interest rate swap contracts, 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 as at the end of reporting period, with unrealised gains or losses on translation are recognised as income or expense in profit or loss from operation. Premiums or discounts on contracts are amortised on a straight-line basis over the contract periods and recognised as income or expense in profit or loss from operation.
- (b) Interest rate swap components are recognised on an accrual basis, in the same manner as the hedged assets or liabilities. That is, interest income or interest expense is recognised over the term of the contract periods as income or expense in profit or loss from operation.

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

4.22 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 associates 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. 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:

5.1 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.

5.2 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 or not significant risk and rewards of ownership of the leased asset has been transferred to the Bank and its subsidiary, taking into consideration terms and conditions of the arrangement.

5.3 Allowance for doubtful accounts

Allowance for doubtful accounts provided on loans to customers 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. The use of judgment to estimate losses expected to be incurred on loans to customers, 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 accounts and adjustments to the allowances may therefore be required in the future.

5.4 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

5.5 Allowance for impairment loss on investments

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

5.6 Allowance for impairment loss on properties foreclosed

The Bank and its subsidiary determine allowance for impairment loss on properties foreclosed when net realisable value of such assets falls below their carrying. The management uses the BOT's regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal values, types and characteristics of assets, the period of time for which to be recouped from disposals and changes in the economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowance for impairment loss and adjustments to the allowances may therefore be required in the future.

5.7 Premises and equipments and Depreciation

In determining depreciation of premises and equipments, the management is required to make estimates of the useful lives and residual values of the Bank and its subsidiary's premises and equipments and to review estimated useful lives and residual values when there are any changes.

In addition, the management is required to review premises and equipments for impairment loss on a periodical basis and record impairment loss (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.

5.8 Intangible assets

In consideration of allowance for impairment loss 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.

5.9 Profit or loss sharing from management of non-performing assets

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

5.10 Provisions for post-employment benefits

Provisions for post-employment retirement benefits are determined, using actuarial techniques. The determination is made involving various assumptions, including discount rate, future salary increase rate, staff turnover rate and mortality rate, which are based on the management's knowledge of current events and arrangement. However, actual post-employment benefit payment may differ from the estimates.

5.11 Litigation

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

6. Interbank and money market items (assets)

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic items						
Bank of Thailand	361,932	-	361,932	218,721	-	218,721
Commercial banks	128,183	231,826	360,009	104,115	5,860,000	5,964,115
Specialised financial institutions	10	-	10	-	-	-
Total	490,125	231,826	721,951	322,836	5,860,000	6,182,836
Add: Accrued interest receivables	85	-	85	4	3,201	3,205
Less: Allowance for doubtful accounts	-	(2,318)	(2,318)	-	-	-
Domestic items - net	490,210	229,508	719,718	322,840	5,863,201	6,186,041
Foreign items						
USD currency	35,561	11,956,122	11,991,683	40,147	204,408	244,555
AUD currency	735	-	735	1,139	-	1,139
Renminbi currency	12,836	6,584,243	6,597,079	1,643	3,294,076	3,295,719
Euro currency	8,851	30,672	39,523	1,516	14,868	16,384
Pound sterling currency	627	-	627	266	-	266
Other currencies	3,794	-	3,794	4,013	-	4,013
Total	62,404	18,571,037	18,633,441	48,724	3,513,352	3,562,076
Add: Accrued interest receivables	-	76,357	76,357	-	28,807	28,807
Less: Allowance for doubtful accounts	-	(185,480)	(185,480)	-	(35,113)	(35,113)
Foreign items - net	62,404	18,461,914	18,524,318	48,724	3,507,046	3,555,770
Total domestic and foreign items	552,614	18,691,422	19,244,036	371,564	9,370,247	9,741,811

(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic items						
Bank of Thailand	361,932	-	361,932	218,721	-	218,721
Commercial banks	34,861	231,826	266,687	43,340	5,860,000	5,903,340
Total	396,793	231,826	628,619	262,061	5,860,000	6,122,061
Add: Accrued interest receivables	81	-	81	-	3,201	3,201
Less: Allowance for doubtful accounts	-	(2,318)	(2,318)	-	-	-
Domestic items - net	396,874	229,508	626,382	262,061	5,863,201	6,125,262
Foreign items						
USD currency	35,561	11,956,122	11,991,683	40,147	204,408	244,555
AUD currency	735	-	735	1,139	-	1,139
Renminbi currency	12,836	6,584,243	6,597,079	1,643	3,294,076	3,295,719
Euro currency	8,851	30,672	39,523	1,516	14,868	16,384
Pound sterling currency	627	-	627	266	-	266
Other currencies	3,794	-	3,794	4,013	-	4,013
Total	62,404	18,571,037	18,633,441	48,724	3,513,352	3,562,076
Add: Accrued interest receivables	-	76,357	76,357	-	28,807	28,807
Less: Allowance for doubtful accounts	-	(185,480)	(185,480)	-	(35,113)	(35,113)
Foreign items - net	62,404	18,461,914	18,524,318	48,724	3,507,046	3,555,770
Total domestic and foreign items	459,278	18,691,422	19,150,700	310,785	9,370,247	9,681,032

7. Derivatives

7.1 Trading book

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	30 June 2012			31 December 2011		
	Fair value		Notional amount ⁽¹⁾	Fair value		Notional amount ⁽¹⁾
Assets	Liabilities	Assets		Liabilities		
Type of risk						
Foreign currency	53,233	49,768	3,884,246	150,091	146,153	9,651,648
Interest rate	-	-	-	-	-	-
Total	53,233	49,768	3,884,246	150,091	146,153	9,651,648

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

Below are the proportion of derivative trading transactions with counterparties, classified by types of counterparty, determined on the basis of the notional amount, as at 30 June 2012 and 31 December 2011.

Counterparties	Consolidated and separate financial statements	
	30 June 2012	31 December 2011
Financial institutions	85.01%	94.93%
Companies within the Group	0.03%	0.01%
Third parties	14.96%	5.06%
Total	100.00%	100.00%

7.2 Derivatives not entered for trading purpose (Banking book)

As at 30 June 2012 and 31 December 2011, the Bank has commitments under forward foreign exchange contracts, interest rate swap contracts and cross currency and interest rates swap contracts, which are measured based on an accrual basis. The gains or losses on exchange as a result of translation to the period-end rates under the accrual basis are recorded as a part of “Derivative assets” or “Derivative liabilities” in the statements of financial position and interest receivables or payables that are determined as they accrue based on the contracts as at the end of reporting period are recorded as a part of “Accrued income” or recorded as “Accrued interest payables”, as the case may be, in the statements of financial position.

(Unit: Thousand Baht)

Type of risk	Consolidated and separate financial statements					
	30 June 2012			31 December 2011		
	Carrying value ⁽²⁾		Notional amount ⁽¹⁾	Carrying value ⁽²⁾		Notional amount ⁽¹⁾
Assets	Liabilities	Assets		Liabilities		
Currency	234,994	398,672	40,126,297	206,248	513,848	12,681,138
Interest rate	₍₃₎	₍₃₎	22,950,000	₍₃₎	₍₃₎	23,050,000
Currency and interest rate	37,380 ⁽³⁾	₍₃₎	732,000	47,545 ⁽³⁾	11,592 ⁽³⁾	894,980
Total	272,374	398,672	63,808,297	253,793	525,440	36,626,118

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

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

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

8. Investments

8.1 Classified by types of investments

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	30 June	31 December
	2012	2011
<u>Available-for-sale investments - fair value</u>		
Government and state enterprise securities	7,468,710	5,759,583
Foreign debt securities	6,315,507	5,059,508
Domestic marketable equity securities	107,456	70,329
Investment in receivable	84,906	-
Total available-for-sale investments	<u>13,976,579</u>	<u>10,889,420</u>
<u>Held-to-maturity debt securities - cost/amortised cost</u>		
Government and state enterprise securities	25,504	46,425
Private sector debt securities	-	400,000
Total held-to-maturity debt securities	<u>25,504</u>	<u>446,425</u>
<u>General investments - cost</u>		
Domestic non-marketable equity securities	104,716	104,716
Less: Allowance for impairment	(11,918)	(11,918)
General investments - net	<u>92,798</u>	<u>92,798</u>
Investments - net	<u><u>14,094,881</u></u>	<u><u>11,428,643</u></u>

As at 30 June 2012, investments of the Bank and its subsidiary were not subject to any restrictions on their holding and disposal. (31 December 2011: the Bank has placed government bonds amounting to Baht 4 million, which it has classified as available-for-sale investments, with the Court as security).

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

(Unit: Thousand Baht)

Consolidated and separate financial statements				
30 June 2012				
Periods to maturity				
	1 year	Over 1 year to 5 years	Over 5 years	Total
Available-for-sale investments				
Government and state enterprises securities	3,421,493	3,249,067	808,914	7,479,474
Foreign debt securities	655,118	4,494,459	1,010,774	6,160,351
Investment in receivable	-	84,906	-	84,906
Total	4,076,611	7,828,432	1,819,688	13,724,731
Add (less): Allowance for revaluation	239	149,147	(4,994)	144,392
Total available-for-sale investments - net	4,076,850	7,977,579	1,814,694	13,869,123
Held-to-maturity debt securities				
Government and state enterprises securities	25,504	-	-	25,504
Total held-to-maturity debt securities	25,504	-	-	25,504
Debt securities - net	4,102,354	7,977,579	1,814,694	13,894,627

(Unit: Thousand Baht)

Consolidated and separate financial statements				
31 December 2011				
Periods to maturity				
	1 year	Over 1 year to 5 years	Over 5 years	Total
Available-for-sale investments				
Government and state enterprises securities	2,763,989	2,536,288	450,000	5,750,277
Foreign debt securities	789,160	3,406,225	749,363	4,944,748
Total	3,553,149	5,942,513	1,199,363	10,695,025
Add : Allowance for revaluation	2,252	50,073	71,741	124,066
Total available-for-sale investments-net	3,555,401	5,992,586	1,271,104	10,819,091
Held-to-maturity debt securities				
Government and state enterprises securities	46,425	-	-	46,425
Private sector debt securities	400,000	-	-	400,000
Total held-to-maturity debt securities	446,425	-	-	446,425
Debt securities - net	4,001,826	5,992,586	1,271,104	11,265,516

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

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.

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. Shares of profits or losses on all transferred non-performing loans will be known when the liquidation process of TAMC is completed. However, as at 30 June 2012 and 31 December 2011, the Bank has provision of Baht 222 million for obligation from its share of losses that may arise from the management of all non-performing loans transferred, which is presented as a part of “Provision for other liabilities”. Such amount was the aggregate of incurred profits or losses of each loan, the result of which is already informed by TAMC and an estimate of profit or loss that may be incurred for the unsettled loans, which management determined based on the Bank’s historical experiences, debt restructuring plan made with TAMC and debtors’ collateral information, etc.

As a result of transferring non-performing loans to TAMC, the Bank received promissory notes from TAMC of Baht 2,599 million, maturing from 31 October 2011 to 30 September 2013 in settlement for transfer prices of non-performing loans transferred, and the Bank classified such promissory notes as held-to-maturity debt securities. Up to 30 June 2012 and 31 December 2011, TAMC made payment and redeemed promissory notes totalling Baht 2,574 million and Baht 2,553 million, respectively. Following such redemptions, the balances of promissory notes as at 30 June 2012 and 31 December 2011 were Baht 26 million and Baht 46 million, respectively.

For the six-month periods ended 30 June 2012 and 2011, the Bank recognised interest income on promissory notes from TAMC totaling Baht 0.3 million and Baht 6 million, respectively.

8.4 Investment in a related company

The Bank has the following investment in a related company, where the Bank holds 10% or more of the issued and 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 2012		
				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 director	200,000	10.00	20,390
Total investment in a related company						20,390

(Unit: Thousand Baht)

Consolidated and separate financial statements						
Company's name	Type of business	Type of invested in securities	Nature of relationship	31 December 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 director	200,000	10.00	20,390
Total investment in a related company						20,390

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

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	30 June 2012			31 December 2011		
	Cost	Fair value	Allowance for impairment	Cost	Fair value	Allowance for impairment
Companies with problems regarding to financial status and operating performance	13,911	1,993	11,918	13,911	1,993	11,918

9. Investments in a subsidiary

As at 30 June 2012 and 31 December 2011, 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 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	2012	2011
				%	%				
ICBC (Thai) Leasing Company Limited	Hire purchase	3,500	3,250	99.99	99.99	3,500	3,250	-	-

On 13 July 2011, the subsidiary's Extraordinary General Meeting of Shareholders No. 1/2011 resolved to approve the increase of its share capital by 100 million registered shares capital with a par value of Baht 10 each. As at 31 December 2011, the subsidiary has registered share capital totaling Baht 4 billion, comprising 400 million ordinary shares with a par value of Baht 10 each while it has the issued paid-up share capital of Baht 3,250 million, comprising 300 million shares with a par value of Baht 10 each, 100% paid up and 100 million shares with a par value of Baht 10 each, 25% paid up.

On 21 December 2011, the subsidiary's Extraordinary General Meeting No. 3/2011 of Shareholders passed a resolution to approve the increase of its share capital by 100 million ordinary shares with a par value of Baht 10 each and the subsidiary registered the increase in its share capital with the Ministry of Commerce on 17 February 2012. Hence, as at 30 June 2012, the subsidiary has the registered share capital of Baht 5 billion, comprising 500 million ordinary shares with a par value of Baht 10 each. It also passed a resolution to call up for payment of the additional 100 million ordinary shares at Baht 2.50 each. The Bank already made payment of Baht 250 million for such capital call on 14 February 2012. Hence, as at 30 June 2012, the subsidiary has 300 million shares with a par value of Baht 10 each, 100% paid up and 200 million shares with a par value of Baht 10 each, 25% paid up.

10. Investments in an associate

10.1 Details of investment in an associate

As at 30 June 2012 and 31 December 2011, investment in an associate in the consolidated and separate financial statements is investment in ordinary shares of the following company:

Company's name	Type of business	Country of incorporation	Shareholding percentage		Consolidated financial statements		Separate financial statements	
			30 June 2012	31 December 2011	Carrying value under equity method		Carrying value under cost method	
			%	%	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Finansia Syrus Securities Public Company Limited	Securities business	Thailand	24.36	24.39	365	337	305	291

On 30 January 2012, the Extraordinary General Meeting of shareholders of Finansia Syrus Securities Public Company Limited passed a resolution to offer the remaining 35,751,715 shares unissued to the existing shareholders, at a ratio of 1 new share for every 11.62022 existing shares for Baht 1.60 per share and the Bank already paid Baht 14 million for the purchase of 8,721,347 newly issued ordinary shares of such company on 24 February 2012. Following the purchase of the additional shares of such company, the Bank holds 110,065,325 shares in Finansia Syrus Securities Public Company Limited, or equivalent to 24.36% of the issued and paid-up share capital of such company.

Company's name	Consolidated financial statements		Separate financial statements	
	Shares of profit from investment in an associate for the six-month periods ended 30 June		Dividends received for the six-month periods ended 30 June	
	2012	2011	2012	2011
Finansia Syrus Securities Public Company Limited	21	19	7	10

The share of profit from investment in an associate for the six-month periods ended 30 June 2012 and 2011, amounted to Baht 21 million and Bath 19 million, respectively, calculated based on the management accounts of the associate as shown in Note 10.2 to the financial statements.

10.2 Summarised financial information of the associate

Financial information of the associate as at 30 June 2012 and 31 December 2011 and for the six-month periods ended 30 June 2012 and 2011, as summarised from its consolidated financial statements, prepared by the management of the associate, is presented below:

(Unit: Million Baht)

Company's name	Paid-up share capital as at		Total assets as at		Total liabilities as at		Total revenues for the six-month periods ended 30 June		Profits for the six-month periods ended 30 June ⁽¹⁾	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	2012	2011	2012	2011
Finansia Syrus Securities Public Company Limited	723	665	4,546	3,038	2,978	1,591	868	765	87	77

⁽¹⁾ Exclude other comprehensive income (loss)

As at 30 June 2012 and 31 December 2011, the fair values of the associate which were computed from the last bid price as at the last business day of the period of the Stock Exchange of Thailand, based on the Bank's shareholding percentage, were Baht 222 million and Baht 223 million, respectively.

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

(Unit: Thousand Baht)

	30 June 2012	31 December 2011
Equity attributable to the Bank's shareholders in the separate financial statements	14,388,830	14,088,089
<u>Reconciled items</u>		
Accumulated share of profits from investments under equity method	590,600	484,354
Accumulated dividends received from its subsidiary and associate	(217,449)	(210,845)
Total amounts of reconciled items	373,151	273,509
Equity attributable to the Bank's shareholders in the consolidated financial statements	14,761,981	14,361,598

12. Loans to customers and accrued interest receivables

12.1 Classified by types of loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Overdrafts	1,009,177	938,205	1,009,177	938,205
Loans	29,501,900	23,547,411	29,242,456	23,280,512
Notes receivable	13,772,343	11,530,752	44,769,343	39,125,082
Hire purchase receivables	41,845,031	35,903,334	-	-
Financial lease receivables	466,508	415,268	-	-
Total loans to customers	86,594,959	72,334,970	75,020,976	63,343,799
Less: Deferred revenues	(5,542,851)	(4,782,912)	(2,573)	(1,295)
Total loans to customers net of deferred revenues	81,052,108	67,552,058	75,018,403	63,342,504
Add: Accrued interest receivables	144,596	140,539	152,015	147,027
Total loans to customers, net of deferred revenues, plus accrued interest receivables	81,196,704	67,692,597	75,170,418	63,489,531
Less: Allowance for doubtful accounts				
- Provision at minimum rates required by BOT	(819,585)	(813,568)	(761,937)	(765,465)
- Provision in excess of minimum rates required by BOT	(549,989)	(383,114)	(195,558)	(58,936)
Allowance for revaluation on debt restructuring	(15,701)	(12,386)	(15,701)	(12,386)
Loans to customers and accrued interest receivables - net	79,811,429	66,483,529	74,197,222	62,652,744

Late in 2011, there was widespread flooding in Thailand, which has affected some of the Bank's debtors. Under the consideration of the Bank's management, which is also in line with the Bank of Thailand's policy, the Bank provided assistance to those debtors in term of postponing principal repayments or interest payments for a certain period and will not consider them as non-performing loans. As at 30 June 2012 and 31 December 2011, there are 4,526 and 4,864 debtors, respectively, with outstanding balances of 2,751 and Baht 3,204 million which are rescheduled to repay to the Bank and its subsidiary due to the impact of the flood (the Bank only: there are 45 and 33 debtors with outstanding balances of 753 and Baht 823 million). The Bank and its subsidiary have set aside provision for these loans in accordance with the Bank of Thailand's guideline. The Bank and its subsidiary's management have assessed the situation and believe that provision set aside on these loans is adequate to cover loan losses that might incur from those debtors affected by the flood.

12.2 Classified by remaining periods to maturity of loan agreements

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Not over 1 year ⁽¹⁾	32,163,368	24,471,920	38,622,028	27,074,577
Over 1 year	48,888,740	43,080,138	36,396,375	36,267,927
Total loans to customers ⁽²⁾	81,052,108	67,552,058	75,018,403	63,342,504
Add: Accrued interest receivables	144,596	140,539	152,015	147,027
Total	81,196,704	67,692,597	75,170,418	63,489,531

⁽¹⁾ Included expired contracts

⁽²⁾ Total loans to customers net of deferred revenues

12.3 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	74,364,471	-	74,364,471	65,845,234	-	65,845,234
US dollar	1,622,365	4,318,802	5,941,167	416,952	1,113,768	1,530,720
Renminbi	733,080	-	733,080	147,964	-	147,964
Euro	10,965	-	10,965	27,986	-	27,986
Pound sterling	-	-	-	154	-	154
Yen	2,425	-	2,425	-	-	-
Total ⁽¹⁾	76,733,306	4,318,802	81,052,108	66,438,290	1,113,768	67,552,058

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

(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2012			31 December 2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	68,330,766	-	68,330,766	61,635,680	-	61,635,680
US dollar	1,622,365	4,318,802	5,941,167	416,952	1,113,768	1,530,720
Renminbi	733,080	-	733,080	147,964	-	147,964
Euro	10,965	-	10,965	27,986	-	27,986
Pound sterling	-	-	-	154	-	154
Yen	2,425	-	2,425	-	-	-
Total ⁽¹⁾	70,699,601	4,318,802	75,018,403	62,228,736	1,113,768	63,342,504

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

12.4 Classified by types of business and loan classification

(Unit: Thousand Baht)

Consolidated financial statements						
30 June 2012						
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	243,519	69,940	-	-	11,947	325,406
Manufacturing and commerce	21,991,647	376,633	145,144	58,047	393,416	22,964,887
Real estate and construction	4,663,689	49,204	14,415	148,023	301,030	5,176,361
Public utilities and services	11,675,794	302,159	72,868	-	68,500	12,119,321
Housing loans	47,944	10,740	3,489	2,435	4,719	69,327
Others	36,438,453	3,231,850	420,003	286,704	19,796	40,396,806
Total ⁽¹⁾	75,061,046	4,040,526	655,919	495,209	799,408	81,052,108

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

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2011						
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	298,851	69,498	-	-	13,163	381,512
Manufacturing and commerce	16,978,699	388,912	200,406	49,428	349,127	17,966,572
Real estate and construction	4,881,470	72,704	350	165,365	299,979	5,419,868
Public utilities and services	8,074,674	301,125	16,377	67,397	66,648	8,526,221
Housing loans	54,114	23,672	2,785	4,452	4,094	89,117
Others	31,270,631	3,220,700	414,944	244,063	18,430	35,168,768
Total ⁽¹⁾	61,558,439	4,076,611	634,862	530,705	751,441	67,552,058

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

(Unit: Thousand Baht)

Separate financial statements					
30 June 2012					
Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	243,519	69,940	-	-	325,406
Manufacturing and commerce	52,729,202	376,633	145,144	58,047	53,702,442
Real estate and construction	4,663,689	49,204	14,415	148,023	5,176,361
Public utilities and services	11,675,794	302,159	72,868	-	12,119,321
Housing loans	47,944	10,740	3,489	2,435	69,327
Others	3,212,575	395,978	-	-	3,625,546
Total ⁽¹⁾	72,572,723	1,204,654	235,916	208,505	75,018,403

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

(Unit: Thousand Baht)

Separate financial statements					
31 December 2011					
Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	298,851	69,498	-	-	381,512
Manufacturing and commerce	44,306,130	388,912	200,406	49,428	45,294,003
Real estate and construction	4,881,470	72,704	350	165,365	5,419,868
Public utilities and services	8,074,674	301,125	16,377	67,397	8,526,221
Housing loans	54,114	23,672	2,785	4,452	89,117
Others	3,614,616	173	-	-	3,631,783
Total ⁽¹⁾	61,229,855	856,084	219,918	286,642	63,342,504

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

12.5 Classified by loan classification

(Unit: Thousand Baht)

Consolidated financial statements				
30 June 2012				
	Loans to customers and accrued interest receivables ⁽²⁾	Net balance used in setting up allowance for doubtful accounts ⁽¹⁾	Minimum rates required by BOT	Allowance for doubtful accounts
			%	
Pass	75,162,839	28,892,394	1	288,924
Special-mention	4,074,827	1,049,602	2	20,992
Sub-standard	656,550	299,837	100	299,837
Doubtful	495,209	186,370	100	186,370
Doubtful of loss	807,279	23,462	100	23,462
Total	81,196,704	30,451,665		819,585
Provision in excess of minimum rates required by BOT				549,989
Total				1,369,574

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

⁽²⁾ The amounts include loans to customers, net of deferred revenues, plus accrued interest receivables.

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2011				
	Loans to customers and accrued interest receivables ⁽²⁾	Net balance used in setting up allowance for doubtful accounts ⁽¹⁾	Minimum rates required by BOT	Allowance for doubtful accounts
			%	
Pass	61,666,135	25,833,088	1	258,331
Special-mention	4,101,163	684,055	2	13,681
Sub-standard	635,283	345,574	100	345,574
Doubtful	530,705	193,069	100	193,069
Doubtful of loss	759,311	2,913	100	2,913
Total	67,692,597	27,058,699		813,568
Provision in excess of minimum rates required by BOT				383,114
Total				1,196,682

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

⁽²⁾ The amounts include loans to customers, net of deferred revenues, plus accrued interest receivables.

(Unit: Thousand Baht)

Separate financial statements				
30 June 2012				
	Net balance used in			
	Loans to customers and accrued interest receivables ⁽²⁾	setting up allowance for doubtful accounts ⁽¹⁾	Minimum rates required by BOT	Allowance for doubtful accounts
			%	
Pass	72,681,936	56,486,451	1	564,865
Special-mention	1,238,955	453,941	2	9,079
Sub-standard	236,547	115,834	100	115,834
Doubtful	208,505	50,683	100	50,683
Doubtful of loss	804,475	21,476	100	21,476
Total	<u>75,170,418</u>	<u>57,128,385</u>		<u>761,937</u>
Provision in excess of minimum rates required by BOT				<u>195,558</u>
Total				<u><u>957,495</u></u>

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

⁽²⁾ The amounts include loans to customers, net of deferred revenues, plus accrued interest receivables.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2011				
	Net balance used in			
	Loans to customers and accrued interest receivables ⁽²⁾	setting up allowance for doubtful accounts ⁽¹⁾	Minimum rates required by BOT	Allowance for doubtful accounts
			%	
Pass	61,344,039	50,678,574	1	506,786
Special-mention	880,636	35,056	2	701
Sub-standard	220,339	171,848	100	171,848
Doubtful	286,642	83,836	100	83,836
Doubtful of loss	757,875	2,294	100	2,294
Total	<u>63,489,531</u>	<u>50,971,608</u>		<u>765,465</u>
Provision in excess of minimum rates required by BOT				<u>58,936</u>
Total				<u><u>824,401</u></u>

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

⁽²⁾ The amounts include loans to customers, net of deferred revenues, plus accrued interest receivables.

12.6 Non-performing loans

As at 30 June 2012 and 31 December 2011, the Bank and its subsidiary have the following non-performing loans.

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Non-performing loans (Thousand Baht)	1,950,537	1,917,008	1,241,026	1,256,565
Percentage of non-performing loans to total loans ⁽¹⁾	1.95 %	2.49 %	1.32 %	1.73 %

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

Non-performing loans as at 30 June 2012 and 31 December 2011, as presented above are in accordance with the Notification of the Bank of Thailand, defining the non-performing loans to be classified as “sub-standard”, “doubtful” and “doubtful of loss”, and exclude outstanding loans for which debt restructuring agreements have been made and which have already met the conditions for upgrade to “pass” or “special mention” under the Bank of Thailand’s criteria.

12.7 Non-accrued loans to customers

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Non-accrued loans (principal only)	1,927,228	1,879,137	1,217,718	1,218,694
Percentage of total loans ⁽¹⁾	1.93%	2.44%	1.30%	1.68%

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

The above loans to customers exclude overdue loans, which have been already restructured and are qualified for classification as “Pass” or “Special-mention”.

12.8 Sale of non-performing loans to Bangkok Commercial Asset Management Co., Ltd.

On 9 November 2011, the Bank entered into the sale and purchase agreements to sell non-performing loans (including relevant other assets), having the carrying value of approximately Baht 167 million to Bangkok Commercial Asset Management Co., Ltd. (“BAM”), which submitted the highest bid for these assets for Baht 200 million. This sale of non-performing loans and the underlying collateral is a compliance with the Royal Decree on Asset Management Companies, B.E. 2541. On 30 November 2011, BAM already paid Baht 200 million to the Bank for these assets.

Under the above agreement, BAM can cancel the transfer of particular assets, in the event that the rights over the debt and collateral cannot be transferred to BAM because the documentation of the debt or collateral is absent or incomplete, the collateral is evicted, or the courts do not permit BAM to assume the rights of litigant from the Bank by no later than 120 days counting from 30 November 2011, which is the transfer date. Should the transfer of any assets be cancelled due to a fault of the Bank, BAM is to receive a refund of the price settled on such asset on the settlement date and the Bank is to receive any amount received from such asset over the cancellation period, after deducting any costs incurred during the period prior to the cancellation of the transfer. However, up to the due date, BAM did not cancel any assets sold.

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

As at 30 June 2012 and 31 December 2011, the Bank and its subsidiary 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							
						Allowance for doubtful accounts and allowance for revaluation	
Number of loans		Debt balances		Collateral			
30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Listed companies under rehabilitation and/or delisting conditions							
1	1	8	9	8	9	5	-

12.10 Troubled debt restructuring

The Bank entered into troubled debt restructuring contracts with its debtors during the six-month period ended 30 June 2012 and the year ended 31 December 2011 as follows:

(Unit: Million Baht)

Separate financial statements			
For the six-month period ended 30 June 2012		For the year ended 31 December 2011	
Number of debtors	Outstanding balances before restructuring	Number of debtors	Outstanding balances before restructuring
Restructured debts	17	34	809

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 2012							
Number of debtors	Debt balances		Average period of the remaining term of debt restructuring	Type of assets transferred	Fair value	Loss on debt restructuring ⁽¹⁾	Present value loss from debt restructuring
	Before restructuring	After restructuring					
Modification of terms of payments	16	321	321	1 Year	-	-	5
Transfer of assets and modification of repayment conditions	1	9	-	-	Land and building	9	9
Total restructured debts	17	330	321		9	9	5
Loans and accrued interest receivables as at 30 June 2012	714		75,170				

⁽¹⁾ 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 2011							
Number of debtors	Debt balances		Average period of the remaining term of debt restructuring	Type of assets transferred	Fair value	Loss on debt restructuring ⁽¹⁾	Present value loss from debt restructuring
	Before restructuring	After restructuring					
Modification of terms of payments	32	740	740	6 years	-	-	8
Transfer of assets and modification of repayment conditions	2	69	69	3 years	Land and building	128	-
Total restructured debts	34	809	809		128	-	8
Loans and accrued interest receivables as at 31 December 2011	717		63,490				

⁽¹⁾ 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 2012 and 2011 relating to the restructured debts is as follows.

	(Unit: Million Baht)	
	<u>Separate financial statements</u>	
	For the six-month periods ended	
	30 June	
	<u>2012</u>	<u>2011</u>
Interest income recognised in profit or loss for the periods	60	126
Settlement by debtors		
Principal	130	135
Interest	73	121

As at 30 June 2012 and 31 December 2011, troubled debtors, which the Bank has completed restructuring, can be summarised as follows:

	(Unit: Million Baht)	
	<u>Separate financial statements</u>	
	Number of	Debt balances
	debtors	after restructuring
Balance of restructured debts up to 30 June 2012	98	1,417
Balance of restructured debts up to 31 December 2011	108	1,485

During the six-month periods ended 30 June 2012 and 2011, the Bank reversed allowance for revaluation on debt restructuring amounting to Baht 0.8 million and Baht 6.3 million, respectively, and amortised allowance for revaluation on debt restructuring as interest income totaling Baht 0.8 million and Baht 0.3 million, respectively.

As at 30 June 2012 and 31 December 2011, 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.

12.11 Hire purchase receivables/financial lease receivables of a subsidiary

As at 30 June 2012 and 31 December 2011, the subsidiary had net hire purchase and financial lease receivables amounting to Baht 36,771 million and Baht 31,537 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 2012					
Amounts due under agreements					
	Not over 1 year	1-5 years	Over 5 years	Non- performing loans	Total
Aggregate initial investments					
under the contracts	12,604	28,539	991	218	42,352
Less: Deferred revenues ⁽¹⁾	(2,269)	(3,243)	(28)	(41)	(5,581)
Present value of minimum					
lease payments	10,335	25,296	963	177	36,771
Allowance for doubtful accounts					(410)
Hire purchases/finance leases					
receivables - net					36,361

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 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	10,838	24,506	821	187	36,352
Less: Deferred revenues ⁽¹⁾	(1,977)	(2,783)	(21)	(34)	(4,815)
Present value of minimum lease					
payments	8,861	21,723	800	153	31,537
Allowance for doubtful accounts					(370)
Hire purchases/finance leases					
receivables - net					31,167

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

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

As at 30 June 2012 and 31 December 2011, hire purchase and financial lease receivables of the subsidiary, engaged in leasing and hire purchase businesses, are classified by the due date of the contracts (after elimination of inter-company transactions) as follows:

	(Unit: Million Baht)	
	30 June 2012	31 December 2011
Not yet due	33,226	23,926
Overdue not over 90 days	2,836	6,951
Overdue 91 - 180 days	420	415
Overdue 181-365 days	286	244
Overdue more than 365 days	3	1
Total	36,771	31,537
Allowance for doubtful accounts provided in the accounts	410	370

12.13 Loans to a subsidiary and an associate

As at 30 June 2012 and 31 December 2011, the Bank has loans to a subsidiary and an associate as follows:

Company's name	Types of loans	Period of contracts	Interest rates as at		Amounts principal outstanding	
			30 June 2012	31 December 2011	30 June 2012	31 December 2011
			(% per annum)	(% per annum)	Million Baht	Million Baht
Subsidiary						
ICBC (Thai) Leasing Company Limited	Revolving loan	At call	4.32	4.40	10,387	4,886
	Revolving loan	July 09 - July 15	3.70 - 5.22	3.70 - 5.22	20,610	22,708
Total					30,997	27,594

13. Allowance for doubtful accounts and revaluation allowance on debt restructuring

13.1 Allowance for doubtful accounts

	(Unit: Thousand Baht)						
	Consolidated financial statements						
	For the six-month period ended 30 June 2012						
	Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balances - beginning of the period	258,331	13,681	345,574	193,069	2,913	383,114	1,196,682
Allowance for doubtful accounts	30,593	7,311	(45,737)	(6,699)	203,818	166,875	356,161
Bad debts written-off	-	-	-	-	(183,269)	-	(183,269)
Balances - end of the period	288,924	20,992	299,837	186,370	23,462	549,989	1,369,574

(Unit: Thousand Baht)

Consolidated financial statements							
For the year ended 31 December 2011							
	Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balances - beginning of the year	208,437	4,924	317,310	85,258	135,570	252,297	1,003,796
Allowance for doubtful accounts	49,894	8,757	34,352	108,221	586,581	130,817	918,622
Bad debts written-off	-	-	-	-	(620,307)	-	(620,307)
Decrease as a result of disposal of loans	-	-	(6,088)	(410)	(98,931)	-	(105,429)
Balances - end of the year	<u>258,331</u>	<u>13,681</u>	<u>345,574</u>	<u>193,069</u>	<u>2,913</u>	<u>383,114</u>	<u>1,196,682</u>

(Unit: Thousand Baht)

Separate financial statements							
For the six-month period ended 30 June 2012							
	Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balances - beginning of the period	506,786	701	171,848	83,836	2,294	58,936	824,401
Allowance for doubtful accounts	58,079	8,378	(56,014)	(33,153)	19,182	136,622	133,094
Balances - end of the period	<u>564,865</u>	<u>9,079</u>	<u>115,834</u>	<u>50,683</u>	<u>21,476</u>	<u>195,558</u>	<u>957,495</u>

(Unit: Thousand Baht)

Separate financial statements							
For the year ended 31 December 2011							
	Pass	Special- mention	Sub-standard	Doubtful	Doubtful of loss	Excess reserve	Total
Balances - beginning of the year	360,890	-	243,725	41,060	13,603	45,229	704,507
Allowance for doubtful accounts	145,896	701	(65,789)	43,186	374,955	13,707	512,656
Bad debts written-off	-	-	-	-	(287,333)	-	(287,333)
Decrease as a result of disposal of loans	-	-	(6,088)	(410)	(98,931)	-	(105,429)
Balances - end of the year	<u>506,786</u>	<u>701</u>	<u>171,848</u>	<u>83,836</u>	<u>2,294</u>	<u>58,936</u>	<u>824,401</u>

In addition, for prudent reasons, the Bank and its subsidiary have a plan to set aside an additional allowance for doubtful debts totaling approximately Baht 400 million. This is a plan in providing reserve in addition to minimum regulatory requirement.

13.2 Revaluation allowance on debt restructuring

(Unit: Thousand Baht)

Consolidated and separate financial statements		
	For the six-month period ended 30 June 2012	For the year ended 31 December 2011
Balances - beginning of the period/year	12,386	11,725
Increase during the period/year	4,119	1,804
Amortise during the period/year	(804)	(1,143)
Balances - end of the period/year	<u>15,701</u>	<u>12,386</u>

14. 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 2012 and for the year ended 31 December 2011, movements of properties foreclosed can be summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements					
For the six-month period ended 30 June 2012					
Type of properties foreclosed	Balance as at 31 December 2011	Additions	Disposals	Balance as at 30 June 2012	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties					
Internal appraisers	394,857	9,000	(4,852)	399,005	29,146
External appraisers	879,519	-	(67,220)	812,299	69,404
Movable assets	42,417	482,193	(415,194)	109,416	-
Assets from auction bidding					
Immovable properties					
Internal appraisers	174,809	-	(34,470)	140,339	-
Total	1,491,602	491,193	(521,736)	1,461,059	98,550
Less: Allowance for impairment	(293,463)	(98,266)	103,145	(288,584)	(37,232)
Properties foreclosed – net	1,198,139	392,927	(418,591)	1,172,475	61,318

(Unit: Thousand Baht)

Consolidated financial statements					
For the year ended 31 December 2011					
Type of properties foreclosed	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties					
Internal appraisers	374,195	69,022	(48,360)	394,857	29,146
External appraisers	938,805	50,000	(109,286)	879,519	69,404
Movable assets	10,143	404,714	(372,440)	42,417	-
Assets from auction bidding					
Immovable properties					
Internal appraisers	213,714	2,130	(41,035)	174,809	-
Total	1,536,857	525,866	(571,121)	1,491,602	98,550
Less: Allowance for impairment	(322,004)	(83,013)	111,554	(293,463)	(37,232)
Properties foreclosed – net	1,214,853	442,853	(459,567)	1,198,139	61,318

(Unit: Thousand Baht)

Separate financial statements					
For the six-month period ended 30 June 2012					
Type of properties foreclosed	Balance as at 31 December 2011	Additions	Disposals	Balance as at 30 June 2012	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties					
Internal appraisers	394,857	9,000	(4,852)	399,005	29,146
External appraisers	879,519	-	(67,220)	812,299	69,404
Assets from auction bidding					
Immovable properties					
Internal appraisers	174,809	-	(34,470)	140,339	-
Total	1,449,185	9,000	(106,542)	1,351,643	98,550
Less: Allowance for impairment	(284,208)	14,733	3,624	(265,851)	(37,232)
Properties foreclosed - net	1,164,977	23,733	(102,918)	1,085,792	61,318

(Unit: Thousand Baht)

Separate financial statements					
For the year ended 31 December 2011					
Type of properties foreclosed	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011	Portion subject to disposal restrictions, buyback rights or first refusal rights
Assets transferred in settlement of debts					
Immovable properties					
Internal appraisers	374,195	69,022	(48,360)	394,857	29,146
External appraisers	938,805	50,000	(109,286)	879,519	69,404
Assets from auction bidding					
Immovable properties					
Internal appraisers	213,714	2,130	(41,035)	174,809	-
Total	1,526,714	121,152	(198,681)	1,449,185	98,550
Less: Allowance for impairment	(319,878)	(3,113)	38,783	(284,208)	(37,232)
Properties foreclosed - net	1,206,836	118,039	(159,898)	1,164,977	61,318

15. Premises and equipment

(Unit: Thousand Baht)

Consolidated financial statements					
For the six-month period ended 30 June 2012					
	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost					
31 December 2011	8,500	6,892	375,519	125,189	516,100
Additions	-	-	8,677	-	8,677
Transfer in	-	-	102	-	102
Disposals/written off	-	-	(2,602)	(10,752)	(13,354)
30 June 2012	<u>8,500</u>	<u>6,892</u>	<u>381,696</u>	<u>114,437</u>	<u>511,525</u>
Accumulated depreciation					
31 December 2011	-	(484)	(253,678)	(90,242)	(344,404)
Depreciation charged for the period	-	(100)	(16,191)	(7,522)	(23,813)
Accumulated depreciation on disposals/written-off	-	-	2,113	10,563	12,676
30 June 2012	<u>-</u>	<u>(584)</u>	<u>(267,756)</u>	<u>(87,201)</u>	<u>(355,541)</u>
Allowance for impairment loss					
31 December 2011	-	-	(283)	(213)	(496)
Reversal	-	-	283	213	496
30 June 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value					
31 December 2011	<u>8,500</u>	<u>6,408</u>	<u>121,558</u>	<u>34,734</u>	<u>171,200</u>
30 June 2012	<u>8,500</u>	<u>6,308</u>	<u>113,940</u>	<u>27,236</u>	<u>155,984</u>
Depreciation included in profit or loss from operation for the six-month periods ended					
30 June 2011					<u>25,253</u>
30 June 2012					<u>23,813</u>

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2011

	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost					
31 December 2010	8,500	6,892	365,791	134,474	515,657
Additions	-	-	24,083	3,118	27,201
Disposals/written-off	-	-	(14,355)	(12,403)	(26,758)
31 December 2011	8,500	6,892	375,519	125,189	516,100
Accumulated depreciation					
31 December 2010	-	(281)	(234,545)	(84,557)	(319,383)
Depreciation charged for the year	-	(203)	(31,492)	(18,088)	(49,783)
Accumulated depreciation on disposals/written-off	-	-	12,359	12,403	24,762
31 December 2011	-	(484)	(253,678)	(90,242)	(344,404)
Allowance for impairment loss					
31 December 2010	-	-	-	-	-
Increase during the year	-	-	(283)	(213)	(496)
31 December 2011	-	-	(283)	(213)	(496)
Net book value					
31 December 2010	8,500	6,611	131,246	49,917	196,274
31 December 2011	8,500	6,408	121,558	34,734	171,200

(Unit: Thousand Baht)

Separate financial statements

For the six-month period ended 30 June 2012

	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost					
31 December 2011	8,500	6,892	326,246	109,222	450,860
Additions	-	-	2,813	-	2,813
Transfer in	-	-	102	-	102
Disposals/written-off	-	-	(1,859)	(10,752)	(12,611)
30 June 2012	8,500	6,892	327,302	98,470	441,164
Accumulated depreciation					
31 December 2011	-	(484)	(226,275)	(79,942)	(306,701)
Depreciation charged for the period	-	(100)	(11,333)	(7,052)	(18,485)
Accumulated depreciation on disposals/written-off	-	-	1,536	10,563	12,099
30 June 2012	-	(584)	(236,072)	(76,431)	(313,087)
Allowance for impairment loss					
31 December 2011	-	-	(283)	(213)	(496)
Reversal	-	-	283	213	496
30 June 2012	-	-	-	-	-
Net book value					
31 December 2011	8,500	6,408	99,688	29,067	143,663
30 June 2012	8,500	6,308	91,230	22,039	128,077
Depreciation included in profit or loss from operation for the six-month periods ended					
30 June 2011					21,148
30 June 2012					18,485

(Unit: Thousand Baht)

	Separate financial statements				
	For the year ended 31 December 2011				
	Land	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost					
31 December 2010	8,500	6,892	326,817	118,506	460,715
Additions	-	-	12,442	3,119	15,561
Disposals/written-off	-	-	(13,013)	(12,403)	(25,416)
31 December 2011	8,500	6,892	326,246	109,222	450,860
Accumulated depreciation					
31 December 2010	-	(281)	(213,461)	(75,508)	(289,250)
Depreciation charged for the year	-	(203)	(24,329)	(16,837)	(41,369)
Accumulated depreciation on disposals/written-off	-	-	11,515	12,403	23,918
31 December 2011	-	(484)	(226,275)	(79,942)	(306,701)
Allowance for impairment loss					
31 December 2010	-	-	-	-	-
Increase during the year	-	-	(283)	(213)	(496)
31 December 2011	-	-	(283)	(213)	(496)
Net book value					
31 December 2010	8,500	6,611	113,356	42,998	171,465
31 December 2011	8,500	6,408	99,688	29,067	143,663

As at 30 June 2012 and 31 December 2011, the Bank and its subsidiary have motor vehicles acquired under financial leases with net book values amounting to Baht 8 million and Baht 10 million, respectively (the Bank only: 6 Baht million and Baht 7 million, respectively).

As at 30 June 2012 and 31 December 2011, the Bank and its subsidiary have certain assets which have been fully depreciated but are still in use. The original cost before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to Baht 380 million and Baht 270 million, respectively (the Bank only: Baht 345 million and Baht 246 million, respectively).

16. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statements					
	Net book value as at 31 December 2011				Net book value as at 30 June 2012
		Increase	Transferred in/ (transferred out)	Amortisation	
Computer softwares	86,487	1,046	3,630	(20,728)	70,435
Computer softwares under development	3,511	574	(3,732)	-	353
Total	89,998	1,620	(102)	(20,728)	70,788

(Unit: Thousand Baht)

Consolidated financial statements					
	Net book value as at 31 December 2010				Net book value as at 31 December 2011
		Increase	Transferred in/ (transferred out)	Amortisation	
Computer softwares	128,616	4,338	1,700	(48,167)	86,487
Computer softwares under development	2,376	2,835	(1,700)	-	3,511
Total	130,992	7,173	-	(48,167)	89,998

(Unit: Thousand Baht)

Separate financial statements					
	Net book value as at 31 December 2011				Net book value as at 30 June 2012
		Increase	Transferred in/ (transferred out)	Amortisation	
Computer softwares	73,166	106	3,140	(18,955)	57,457
Computer softwares under development	3,130	112	(3,242)	-	-
Total	76,296	218	(102)	(18,955)	57,457

(Unit: Thousand Baht)

Separate financial statements					
	Net book value as at 31 December 2010				Net book value as at 31 December 2011
		Increase	Transferred in/ (transferred out)	Amortisation	
Computer softwares	117,005	598	-	(44,437)	73,166
Computer softwares under development	2,016	1,114	-	-	3,130
Total	119,021	1,712	-	(44,437)	76,296

As at 30 June 2012 and 31 December 2011, the remaining amortisation periods of intangible assets are 1 - 120 months and 1 - 60 months, respectively (the Bank only: 1 - 120 months and 1 - 60 months, respectively).

17. Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Prepaid expenses	14,958	11,754	11,770	10,201
Deposits	11,346	9,310	6,466	5,770
Advance	4,383	786	4,284	766
Others	2,332	2,226	1,714	1,652
Total other assets	33,019	24,076	24,234	18,389

18. Classification of assets

As at 30 June 2012 and 31 December 2011, the quality of assets of the Bank and its subsidiary classified in accordance with the Notification of the Bank of Thailand is as follows:

	(Unit: Million Baht)									
	Consolidated financial statements									
	Loans to customers and accrued interest receivables ⁽¹⁾		Investments		Properties foreclosed		Other assets		Total	
30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	
Pass	94,019	71,069	-	-	-	-	-	-	94,019	71,069
Special-mention	4,075	4,101	-	-	-	-	-	-	4,075	4,101
Sub-standard	657	635	-	-	-	-	-	-	657	635
Doubtful	495	531	-	-	-	-	-	-	495	531
Doubtful of loss	807	759	12	12	289	293	150	79	1,258	1,143
Total	100,053	77,095	12	12	289	293	150	79	100,504	77,479

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

(Unit: Million Baht)

Separate financial statements

	Loans to customers and accrued interest receivables ⁽¹⁾		Investments		Properties foreclosed		Other assets		Total	
	30	31	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December	June	December
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Pass	91,538	70,747	-	-	-	-	-	-	91,538	70,747
Special-mention	1,239	881	-	-	-	-	-	-	1,239	881
Sub-standard	237	220	-	-	-	-	-	-	237	220
Doubtful	209	287	-	-	-	-	-	-	209	287
Doubtful of loss	804	758	12	12	266	284	3	2	1,085	1,056
Total	94,027	72,893	12	12	266	284	3	2	94,308	73,191

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

19. Deposits

19.1 Classified by types of deposits

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
At call	5,535,460	4,542,389	5,535,531	4,542,409
Savings deposits	1,737,394	1,113,220	1,739,129	1,114,650
Time deposits				
- Not over 6 months	25,542,937	8,961,174	25,542,937	8,961,174
- 6 months and up to 1 year	5,832,632	675,011	5,832,632	675,011
- Over 1 year	3,298,484	5,540,545	3,298,484	5,540,545
Total deposits	41,946,907	20,832,339	41,948,713	20,833,789

19.2 Classified by remaining periods of deposit contracts

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Not over 1 year (included matured contracts)	41,646,136	20,528,439	41,647,942	20,529,889
Over 1 year	300,771	303,900	300,771	303,900
Total deposits	41,946,907	20,832,339	41,948,713	20,833,789

19.3 Classified by currencies and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	40,957,936	192,342	41,150,278	20,513,093	163,586	20,676,679
US dollar	658,932	15,010	673,942	130,366	-	130,366
Other currencies	114,709	7,978	122,687	23,529	1,765	25,294
Total deposits	41,731,577	215,330	41,946,907	20,666,988	165,351	20,832,339

(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2012			31 December 2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	40,959,742	192,342	41,152,084	20,514,543	163,586	20,678,129
US dollar	658,932	15,010	673,942	130,366	-	130,366
Other currencies	114,709	7,978	122,687	23,529	1,765	25,294
Total deposits	41,733,383	215,330	41,948,713	20,668,438	165,351	20,833,789

20. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	-	178,500	178,500	-	-	-
Commercial banks	1,000,035	13,022,081	14,022,116	-	1,020,008	1,020,008
Other financial institutions	1,205,187	2,803,559	4,008,746	461,207	4,033	465,240
Total domestic items	2,205,222	16,004,140	18,209,362	461,207	1,024,041	1,485,248
Foreign						
Baht currency	6,336	-	6,336	6,262	-	6,262
USD currency	-	954,783	954,783	-	-	-
Total foreign items	6,336	954,783	961,119	6,262	-	6,262
Total domestic and foreign items	2,211,558	16,958,923	19,170,481	467,469	1,024,041	1,491,510

(Unit: Thousand Baht)

	Separate financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	-	178,500	178,500	-	-	-
Commercial banks	35	12,522,081	12,522,116	-	1,020,008	1,020,008
Other financial institutions	1,205,187	2,803,559	4,008,746	461,207	4,033	465,240
Total domestic items	1,205,222	15,504,140	16,709,362	461,207	1,024,041	1,485,248
Foreign						
Baht currency	6,336	-	6,336	6,262	-	6,262
USD currency	-	954,783	954,783	-	-	-
Total foreign items	6,336	954,783	961,119	6,262	-	6,262
Total domestic and foreign items	1,211,558	16,458,923	17,670,481	467,469	1,024,041	1,491,510

21. Debts issued and borrowings

As at 30 June 2012 and 31 December 2011, the Bank and its subsidiary had debts issued and borrowings as follow:

(Unit: Thousand Baht)

Type of loans	Currency	Interest rate as at			Consolidated and separate financial statements	
		30 June	31 December	Maturity dates	30 June	31 December
		2012	2011		2012	2011
		(Percent per annum)	(Percent per annum)			
Bill of Exchange	Baht	2.10% - 4.25%	2.00% - 4.25%	2012 - 2015	36,670,000	51,451,656
Unsubordinated and non-secured debenture	Baht	3.78%	-	2013 - 2014	1,230,000	-
Total					<u>37,900,000</u>	<u>51,451,656</u>

22. Provisions

22.1 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 retirement benefit plan.

Change in provisions for post-employment benefits for the six-month period ended 30 June 2012 and for the year ended 31 December 2011 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended	For the year ended	For the six-month period ended	For the year ended
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Balances - beginning of the period/year	113	-	94	-
Cumulative effect of the change in accounting policies regarding employee benefits	-	92	-	80
Service costs for the period/year	12	22	9	16
Interest costs	2	4	2	3
Benefits paid during the period/year	-	(5)	-	(5)
Balances - ending of the period/year	<u>127</u>	<u>113</u>	<u>105</u>	<u>94</u>

The Bank and its subsidiary had long-term employee benefit expenses included in profit or loss from operation for the six-month periods ended 30 June 2012 and 2011 amounted to Baht 14 million and Baht 12 million, respectively (the Bank only: Baht 11 million and Baht 9 million, respectively).

The principal assumptions used in determining provision for post-employment benefits, determined using the actuarial techniques, are shown below:

	Consolidated and separate financial statements	
	30 June 2012	31 December 2011
	(percent per annum)	(percent per annum)
Future salary increases	6	6
Turnover rate (depending on age of employees)	0 - 20	0 - 20
Discount rate	4	4

22.2 Provisions for other liabilities

(Unit: Thousand Baht)

	Consolidated and separate financial statements							
	For the six-month period ended 30 June 2012				For the year ended 31 December 2011			
	Share of losses from management of non-performing loans		Loss from lawsuit Others		Share of losses from management of non-performing loans		Loss from lawsuit Others	
Balance - beginning of the period/year	222,000	102,950	1,100	326,050	-	99,650	-	99,650
Increase during the period/year	-	1,800	-	1,800	-	3,750	1,100	4,850
Decrease during the period/year	-	-	(1,100)	(1,100)	-	-	-	-
Decrease from actually incurred payment	-	-	-	-	-	(450)	-	(450)
Transferred from allowance for impairment of investments ⁽¹⁾	-	-	-	-	222,000	-	-	222,000
Balance - ending of the period/year	<u>222,000</u>	<u>104,750</u>	<u>-</u>	<u>326,750</u>	<u>222,000</u>	<u>102,950</u>	<u>1,100</u>	<u>326,050</u>

⁽¹⁾ Previously, provision on profit or loss sharing from management of non-performing assets transferred to Thai Asset Management Corporation ("TAMC") was presented as a deduction of promissory notes received from TAMC.

23. Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Other payables	586,753	509,462	153,178	154,496
Accrued expenses	258,424	246,635	198,935	179,132
Withholding tax payable	15,060	16,251	12,666	14,418
Special business tax payable	13,186	13,628	13,186	13,628
Payables under finance lease contracts	7,051	8,416	5,128	5,861
Corporate income tax payable	149,104	222,946	66,402	124,065
Others	82,766	72,956	28,484	38,475
Total other liabilities	1,112,344	1,090,294	477,979	530,075

24. 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 then the Class A preference shares and Class B preference shares proportionately. All preferences had a period of 10 years, which expired in November 2009. Hence, rights of preference shareholders has been the same as those of the ordinary shareholders since then.

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

During the year ended 31 December 2011, 13,251 Class B preference shares were converted into ordinary shares and during the six-month period ended 30 June 2012, there are no exercises of conversion rights made by Class B preference shares. Hence, as at 30 June 2012 and 31 December 2011, there were 1,590,001,864 ordinary shares in issue, and 451,081 Class B preference shares outstanding.

Reconciliation of number of ordinary shares and preference shares for the six-month period ended 30 June 2012 and for the year ended 31 December 2011 are as follow:

	(Unit: Shares)	
	For the six-month period ended 30 June 2012	For the year ended 31 December 2011
<u>Registered share capital</u>		
<u>Ordinary shares</u>		
Number of ordinary shares at the beginning of the period/year	1,590,001,864	1,587,719,304
Registered conversion of preference shares into ordinary shares	-	2,282,560
Number of ordinary shares at the end of the period/year	<u>1,590,001,864</u>	<u>1,590,001,864</u>
<u>Preference shares</u>		
Number of preference shares at the beginning of the period/year	451,081	2,733,641
Registered conversion of preference shares into ordinary shares	-	(2,282,560)
Number of preference shares at the end of the period/year	<u>451,081</u>	<u>451,081</u>
<u>Issued and paid-up share capital</u>		
<u>Ordinary shares</u>		
Number of ordinary shares at the beginning of the period/year	1,590,001,864	1,589,988,613
Conversion of preference shares into ordinary shares	-	13,251
Number of ordinary shares at the end of the period/year	<u>1,590,001,864</u>	<u>1,590,001,864</u>
<u>Preference shares</u>		
Number of preference shares at the beginning of the period/year	451,081	464,332
Conversion of preference shares into ordinary shares	-	(13,251)
Number of preference shares at the end of the period/year	<u>451,081</u>	<u>451,081</u>

25. 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 2012	31 December 2011
Balances – beginning of the period/year	155,770	164,577
Increase from changes in value of securities	89,903	73,522
Decrease from changes in value of securities	(21,089)	(87,840)
(Gains) losses on sale of investments transferred to recognise in profit or loss from operation	(11,362)	5,511
Balances – end of the period/year	213,222	155,770

26. 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 2012 and 31 December 2011, the capital funds are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	30 June 2012	31 December 2011
<u>Tier 1 capital</u>		
Registered and fully paid share capital	15,904,529	15,904,529
Investments in debt securities already counted as other financial institutions' capital funds	(235,895)	(224,659)
Deficit	(1,972,210)	(2,257,639)
Total	13,696,424	13,422,231
<u>Tier 2 capital</u>		
Reserve for assets classified as "Pass"	752,663	541,899
Revaluation surplus on investments in available-for-sale equity securities	30,973	14,267
Investments in debt securities already counted as other financial institutions' capital funds	(235,895)	(224,659)
Total	547,741	331,507
Total capital funds	14,244,165	13,753,738

As at 30 June 2012 and 31 December 2011, 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 2012		31 December 2011	
	The Bank	Requirement	The Bank	Requirement
Tier 1 capital to risk assets	14.64	4.25	17.10	4.25
Total capital to risk assets	15.22	8.50	17.52	8.50

In order to comply with the Bank of Thailand's notification on Basel II's Pillar III, re: Public Disclosure of Capital Maintenance Information for Commercial Banks, the Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2011 through the Bank's website at www.icbcthai.com on 23 April 2012, and will disclose capital adequacy and capital risk exposure information as of 30 June 2012 through the Bank's website within October 2012.

27. Statutory reserve

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

28. Interest Income

Interest income for the six-month periods ended 30 June 2012 and 2011 consisted of:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2012	2011	2012	2011
Interest income on:				
Interbank and money market items	147,121	69,212	147,030	69,122
Investments in debt securities	336,172	159,131	336,172	159,131
Loans to customers	1,073,163	938,109	1,685,473	1,341,512
Hire purchase and finance lease	1,216,752	860,932	457	588
Others	342	-	342	-
Total interest income	2,773,550	2,027,384	2,169,474	1,570,353

29. Interest expenses

Interest expenses for the six-month periods ended 30 June 2012 and 2011 consisted of:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2012	2011	2012	2011
Interest expenses on:				
Deposits	297,483	238,045	297,489	238,047
Interbank and money market items	106,636	26,063	80,047	11,302
Debts issued - Subordinated debenture	13,279	-	13,279	-
Borrowings	774,593	359,450	774,593	359,450
Contribution fee to the Deposit Protection Agency and Bank of Thailand	108,699	49,117	108,699	49,117
Borrowing fee expense	231	-	231	-
Others	16	-	16	-
Total interest expenses	<u>1,300,937</u>	<u>672,675</u>	<u>1,274,354</u>	<u>657,916</u>

30. Net fees and service income

Net fees and service income for the six-month periods ended 30 June 2012 and 2011 consisted of:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2012	2011	2012	2011
Fees and service income				
- Acceptances, aval and guarantees	12,258	5,971	12,258	5,971
- Letter of credit fee income	2,186	6,800	2,186	6,800
- Hire purchase/finance lease fee income	134,729	90,352	-	-
- Management fee	5,025	2,255	5,025	2,255
- Others	5,616	4,416	5,616	4,416
Total fees and service income	159,814	109,794	25,085	19,442
Fees and service expenses	(173)	-	(173)	-
Net fees and service income	<u>159,641</u>	<u>109,794</u>	<u>24,912</u>	<u>19,442</u>

31. Net gains (losses) on foreign currency trading and exchange transactions

Net gains (losses) on foreign currency trading and exchange transactions for the six-month periods ended 30 June 2012 and 2011 consisted of:

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	For the six-month periods ended 30 June	
	2012	2011
Foreign currencies and derivatives on foreign exchange	13,845	(19,563)
Equity securities	-	2,648
Total	13,845	(16,915)

32. Net gains (losses) on investments

For the six-month periods ended 30 June 2012 and 2011, Bank had gains on sales of available-for-sales investments amounted to Baht 10.7 million and loss on sales of available-for-sales investments amounted to Baht 1.4 million, respectively.

33. 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 Bank, its subsidiary and their employees contribute to the fund on a monthly basis at the rate of 3 percent of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules.

For the six-month periods ended 30 June 2012 and 2011, the Bank and its subsidiary contributed Baht 8 million and Baht 7 million, respectively, to the provident fund (the Bank only: Baht 5 million and Baht 5 million, respectively).

34. Directors' remuneration

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

35. Bad debts, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment loss in the statement of comprehensive income for the six-month periods ended 30 June 2012 and 2011 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2012	2011	2012	2011
Bad debts and doubtful accounts				
Interbank and money market items	152,685	6,791	152,685	6,791
Loans to customers	356,161	466,178	133,094	317,263
Losses on debt restructuring	12,802	36	12,802	36
Total	<u>521,648</u>	<u>473,005</u>	<u>298,581</u>	<u>324,090</u>

36. Income taxes

Income taxes have been calculated based on profits from operation before income taxes after adding back certain expenses and provision non-deductible for tax computation purposes and deducting tax-exempted revenues.

37. Components of other comprehensive income

Components of other comprehensive income for the six-month periods ended 30 June 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	For the six-month periods ended 30 June	
	2012	2011
Other comprehensive income		
Available-for-sale investments:		
Unrealised gains for the periods	68,814	26,377
Add (less): Realised (gains) losses that are transferred to recognise in profit or loss from operation	<u>(11,362)</u>	<u>884</u>
Other comprehensive income for the periods	<u>57,452</u>	<u>27,261</u>

38. Earnings per share

Basic earnings per share is calculated by dividing profit for the periods attributable to equity holders of the Bank (excluding other comprehensive income/loss), 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.

39. Related party transactions

39.1 Type of relationship

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

Relationship with related parties are summarised below:

1. The parent company of the Bank, holding 97.70 % of the Bank's issued and paid-up share capital, is Industrial and Commercial Bank of China Limited.
2. The subsidiary of the Bank is ICBC (Thai) Leasing Company Limited.
3. The accounting standard defines associates as those entities over which the investor has significant influence, but are not treated as subsidiaries. If the investor's direct and indirect voting rights are 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 associate of the Bank is Finansia Syrus Securities Public Company Limited.
4. The subsidiary of the Bank's associated is ACL Securities Company Limited.
5. The companies that are related with Industrial and Commercial Bank of China Limited, the major shareholder of the Bank, which have transaction with the Bank are
 - Industrial and Commercial Bank of China (Asia) Limited
 - PT. Bank ICBC Indonesia or Industrial and Commercial Bank of China (Indonesia) Limited

6. 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

39.2 Significant business transactions

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: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the six-month periods ended 30 June		For the six-month periods ended 30 June		
	2012	2011	2012	2011	
Parent company					
Interest income	24	6	24	6	With reference to the terms and prices as offered to other customers
Fees income	7	1	7	1	With reference to the terms and prices as offered to other customers
Subsidiary (eliminated from the consolidated financial statements)					
Interest income	-	-	618	413	With reference to the terms and prices as offered to other customers
Associated company					
Interest income	-	1	-	1	With reference to the terms and prices as offered to other customers
Interest expenses	1	-	1	-	Market rates and/or charged in compliance with the criteria specified by the Bank of Thailand
Dividend income	-	-	7	9	As announced by the investee companies
Related company					
Dividend income	2	2	2	2	As announced by the investee companies
Related directors and management					
Interest expenses	1	-	1	-	Market rates and/or charged 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.

39.3 Outstanding balances with related parties

As at 30 June 2012 and 31 December 2011, 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: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Interbank and money market items (assets)				
Industrial and Commercial Bank of China Limited	2,832	109	2,832	109
Industrial and Commercial Bank of China (Asia) Limited	-	23	-	23
Industrial and Commercial Bank of China (Indonesia) Limited	-	95	-	95
Investments ⁽¹⁾				
ICBC (Thai) Leasing Company Limited	-	-	3,500	3,250
Finansia Syrus Securities Public Company Limited	365	337	305	291
Bangkok BTMU Company Limited	20	20	20	20
⁽¹⁾ are stated at investment amount				
Loans to customers				
ICBC (Thai) Leasing Company Limited	-	-	30,997	27,594
Accrued interest receivables				
ICBC (Thai) Leasing Company Limited	-	-	8	7
Other assets				
Industrial and Commercial Bank of China Limited	15	16	15	16
Finansia Syrus Securities Public Company Limited	1	1	1	1
Interbank and money market items (liabilities)				
Industrial and Commercial Bank of China Limited	963	-	963	-
ACL Securities Company Limited	150	-	150	-
Finansia Syrus Securities Public Company Limited	62	36	62	36
Deposits and debts issued and borrowings				
ICBC (Thai) Leasing Company Limited	-	-	2	1
M-Home SPV 3 Company Limited	5	5	5	5
Siam Piwat Company Limited	125	-	125	-
Related persons	54	48	54	48
Off-balance sheet items				
<i>Letter of guarantee ⁽¹⁾</i>				
Industrial and Commercial Bank of China Limited	2,023	928	2,023	928
Industrial and Commercial Bank of China (Asia) Limited	-	1	-	1
⁽¹⁾ are stated at guarantee amount				
<i>Forward-bought ⁽¹⁾</i>				
Industrial and Commercial Bank of China (Asia) Limited	250	55	250	55
⁽¹⁾ are stated at notional amount				

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 2012 and 31 December 2011, the Bank set up allowance for doubtful accounts on loans to related parties totaling Baht 338 million and Baht 278 million, respectively.

The deposits, debts issued and borrowings mentioned above are promissory notes, deposit receipts or bills of exchange, carrying interest rates of 2.55 to 4.00 percent per annum (31 December 2011: 2.80 to 4.00 percent per annum).

Movements of loans (included interbank and money market items - assets) to related parties for the six-month period ended 30 June 2012 are as follows:

(Unit: Million Baht)

	31 December 2011	Addition during the period	Repayment during the period	30 June 2012	Period of contracts
ICBC (Thai) Leasing Company Limited	4,886	25,202	(19,701)	10,387	At call
ICBC (Thai) Leasing Company Limited	22,708	5,230	(7,328)	20,610	19 Dec 08 - 12 Jan 15
Industrial and Commercial Bank of China Limited	109	2,913	(190)	2,832	12 Jun 12 - 20 Aug 13
Industrial and Commercial Bank of China (Asia) Limited	23	4,933	(4,956)	-	Matured
Industrial and Commercial Bank of China (Indonesia) Limited	95	-	(95)	-	Matured

Movements of deposits, debts issued and borrowings (included interbank and money market items - liabilities) from related companies for the six-month period ended 30 June 2012 are as follows:

(Unit: Million Baht)

	31 December 2011	Deposits/ borrowings during the period	Repayment during the period	30 June 2012	Period of contracts
Industrial and Commercial Bank of China Limited	-	27	(21)	6	At call
Industrial and Commercial Bank of China Limited	-	957	-	957	19 Apr 12 - 19 Jul 12
ACL Securities Company Limited	-	834	(684)	150	At call
Finansia Syrus Securities Public Company Limited	36	1,688	(1,662)	62	At call
ICBC (Thai) Leasing Company Limited	1	251	(250)	2	At call
M-Home SPV 3 Company Limited	5	1	(1)	5	At call
Siam Piwat Company Limited	-	125	-	125	Matured
Related persons	4	46	(36)	14	At call
Related persons	44	73	(77)	40	11 Aug 11 - 14 Nov 12

39.4 Directors and management's remuneration

During in the six-month periods ended 30 June 2012 and 2011, the Bank and its subsidiary incurred their directors and management's remuneration as below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended		For the six-month periods ended	
	30 June		30 June	
	2012	2011	2012	2011
Short-term employee benefits	91	87	53	55
Post-employment benefits	3	3	2	2

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

40. Contingent liabilities and commitments

40.1 Commitments

(Unit: Million Baht)

	Consolidated and separate financial statements					
	30 June 2012			31 December 2011		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bill	3	100	103	2	100	102
Letters of credit	3	377	380	5	207	212
Other contingencies						
Forward exchange contracts - bought	-	11,856	11,856	-	8,419	8,419
Forward exchange contracts - sold	-	32,142	32,142	-	13,900	13,900
Interest rate swap contracts	22,950	-	22,950	23,050	-	23,050
Cross currency and interest rate swap contracts						
Bought contracts	-	-	-	-	162	162
Sold contracts	-	732	732	-	729	729
Undraw committed lines	1,434	-	1,434	2,703	-	2,703
Others	1,030	2,147	3,177	781	947	1,728
Total	25,420	47,354	72,774	26,541	24,464	51,005

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. 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 2012 and 31 December 2011, the Bank has provisions for liabilities of Baht 103 million and Baht 101 million, respectively.
- 40.2.2 In November 2009, the Bank foreclosed 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. 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. Later on 4 January 2012, this guarantor filed a petition to withdraw such lawsuit and the Court approved this and ordered the case be struck from the system on 9 January 2012 so the case is considered final.
- 40.2.3 In September 2010, the Bank and a real estate development company, which had transferred assets to the Bank to settle debt, were ordered by the Court of First Instance to jointly return house booking deposits amounting to Baht 1.7 million plus interest at 7.5 percent per annum to 3 homebuyers, who had lodged complaints via Office of the Consumer Protection Board. The Bank disagreed with the order and lodged an appeal with the Appeal Court. Later, on 18 January 2012, the Appeal Court overturned the decision, and dismissed the plaintiff's case. The plaintiff did not agree with the Appeal Court's decision, and submitted a petition to the Supreme Court. The case is currently being considered by the Supreme Court. However, as at 30 June 2012 and 31 December 2011, the Bank recorded provisions for these liabilities of Baht 1.7 million.

40.2.4 As at 30 June 2012 and 31 December 2011, ACL Securities Company Limited (a former subsidiary of the Bank that the Bank has already divested and such company is now the subsidiary of Finansia Syrus Securities Public Company Limited, which is an associate of the Bank) had contingent liabilities as a result of a litigation claim brought by a former executive, who 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. Later, on 17 October 2011, the plaintiff appealed the case and the Bank and such Company lodged statements of objection on 24 January 2012. The case is currently being considered by the Appeal Court. The opinion of the Bank's management is that it is highly unlikely that the Bank and such company will have to pay the claimed amount. As at 30 June 2012 and 31 December 2011, the Bank therefore recorded no provision for the claim.

40.3 Commitments under agreement to transfer non-performing assets to TAMC

From 2001 to 2003, the Bank transferred its non-performing loans to TAMC as described in Note 8.3 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. The gains or losses cannot be estimated with certainty at this stage because the liquidation process of TAMC is not yet completed. However, the Bank has estimated and recorded its share of losses of Baht 222 million that may arise from the management of all non-performing loans transferred. As at 30 June 2012 and 31 December 2011, such amount has been presented as a part of "Provisions for other liabilities".

40.4 Operating lease commitments

The Bank and its subsidiary have entered into several lease agreements in respect of the lease of office building space and equipment. The terms of the agreements are generally between 1 and 12 years.

As at 30 June 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Payable within:		
Less than 1 year	81	63
1 to 5 years	68	52
More than 5 years	27	27

41. Segment information

The Bank and its subsidiary's 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 subsidiary.

41.1 Financial position classified by business activity

Financial position classified by business activity as at 30 June 2012 and 31 December 2011 can be summarised as follows:

(Unit: Million Baht)

	Banking business		Hire purchase/finance leases business		Total		Elimination entries		Total	
	30	31	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December	June	December
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Total assets	113,767	89,984	36,973	31,658	150,740	121,642	(34,506)	(30,853)	116,234	90,789
Interbank and money markets - net (assets)	19,151	9,681	95	62	19,246	9,743	(2)	(1)	19,244	9,742
Investments - net	17,960	15,015	-	-	17,960	15,015	(3,500)	(3,250)	14,460	11,765
Loans to customers and accrued interest receivables - net	74,197	62,653	36,619	31,432	110,816	94,085	(31,005)	(27,601)	79,811	66,484
Properties foreclosed – net	1,086	1,165	86	33	1,172	1,198	-	-	1,172	1,198
Deposits	41,949	20,833	-	-	41,949	20,833	(2)	(1)	41,947	20,832
Interbank and money market (liabilities)	17,670	1,492	32,497	27,594	50,167	29,086	(30,997)	(27,594)	19,170	1,492
Debts issued and borrowings	37,900	51,452	-	-	37,900	51,452	-	-	37,900	51,452
Commitments	72,774	51,005	-	-	72,774	51,005	-	-	72,774	51,005

41.2 Results of operations classified by business activity

Results of operations classified by business activity for the six-month periods ended 30 June 2012 and 2011 are as follows:

(Unit: Million Baht)

	For the six-month periods ended 30 June									
	Banking business		Hire purchase/finance leases business		Total		Elimination entries		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Interest income	2,169	1,570	1,227	870	3,396	2,440	(622)	(413)	2,774	2,027
Interest expenses	(1,274)	(658)	(649)	(427)	(1,923)	(1,085)	622	413	(1,301)	(672)
Net interest income	895	912	578	443	1,473	1,355	-	-	1,473	1,355
Net fees and service income	25	20	135	90	160	110	-	-	160	110
Net gains (losses) on tradings and foreign exchange transactions	14	(17)	-	-	14	(17)	-	-	14	(17)
Net gains (losses) on investments	11	(1)	-	-	11	(1)	-	-	11	(1)
Share of profit from investments in an associated company under equity method	21	19	-	-	21	19	-	-	21	19
Other operating income	146	251	59	36	205	287	-	-	205	287
Total operating income	1,112	1,184	772	569	1,884	1,753	-	-	1,884	1,753
Other operating expenses	(489)	(466)	(383)	(237)	(872)	(703)	-	-	(872)	(703)
Bad debt, doubtful accounts and impairment loss ⁽¹⁾	(298)	(324)	(223)	(149)	(521)	(473)	-	-	(521)	(473)
Profit before income tax	325	394	166	183	491	577	-	-	491	577
Income tax expense	(67)	(111)	(81)	(76)	(148)	(187)	-	-	(148)	(187)
Profit for the periods	258	283	85	107	343	390	-	-	343	390

⁽¹⁾ 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 12.4 to the financial statements. The maximum amount of credit risk exposure is the carrying amount of the financial instruments 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 2012 and 31 December 2011, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2012				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	No interest	Total
<u>Financial assets</u>				
Cash	-	-	305	305
Interbank and money market items - net	47	18,692	505	19,244
Derivative assets	-	-	326	326
Investments - net	2,662	11,233	565	14,460
Loans to customers net of deferred revenues	17,624	62,717	711	81,052
<u>Financial liabilities</u>				
Deposits	3,475	38,309	163	41,947
Interbank and money market items	1,003	18,160	7	19,170
Liabilities payable on demand	-	-	23	23
Derivative liabilities	-	-	448	448
Debts issued and borrowings	-	37,900	-	37,900

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	No interest	Total
<u>Financial assets</u>				
Cash	-	-	290	290
Interbank and money market items - net	33	9,370	339	9,742
Derivative assets	-	-	404	404
Investments - net	1,785	9,481	499	11,765
Loans to customers net of deferred revenues	15,578	51,313	661	67,552
<u>Financial liabilities</u>				
Deposits	2,676	18,095	61	20,832
Interbank and money market items	5	1,480	7	1,492
Liabilities payable on demand	-	-	29	29
Derivative liabilities	-	-	672	672
Debts issued and borrowings	-	51,452	-	51,452

(Unit: Million Baht)

Separate financial statements as at 30 June 2012

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Cash	-	-	304	304
Interbank and money market items - net	-	18,692	459	19,151
Derivative assets	-	-	326	326
Investments - net	2,662	11,233	4,005	17,900
Loans to customers net of deferred revenues	28,011	47,006	1	75,018
Financial liabilities				
Deposits	3,477	38,309	163	41,949
Interbank and money market items	3	17,660	7	17,670
Liabilities payable on demand	-	-	23	23
Derivative liabilities	-	-	448	448
Debts issued and borrowings	-	37,900	-	37,900

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Cash	-	-	289	289
Interbank and money market items - net	1	9,370	310	9,681
Derivative assets	-	-	404	404
Investments - net	1,785	9,481	3,704	14,970
Loans to customers net of deferred revenues	20,464	42,878	1	63,343
Financial liabilities				
Deposits	2,677	18,095	62	20,834
Interbank and money market items	5	1,480	7	1,492
Liabilities payable on demand	-	-	29	29
Derivative liabilities	-	-	672	672
Debts issued and borrowings	-	51,452	-	51,452

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 end of reporting period to the repricing or maturity dates (whichever dates are earlier) of financial instruments which have fixed interest rates are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements as at 30 June 2012						Average interest rates
	At call	Repricing or maturity date				Total	
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items - net	-	15,532	3,160	-	-	18,692	2.66%
Investments - net	-	1,704	2,073	5,641	1,815	11,233	3.82%
Loans to customers net of deferred revenues	11,230	13,036	11,333	26,124	994	62,717	6.41%
Financial liabilities							
Deposits	3,743	22,218	12,047	301	-	38,309	3.09%
Interbank and money market items	1,202	16,524	256	178	-	18,160	2.72%
Debts issued and borrowings	2,048	30,634	3,463	1,755	-	37,900	3.18%

(Unit: Million Baht)

Transactions	Consolidated financial statements as at 31 December 2011						Average interest rates
	At call	Repricing or maturity date				Total	
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items - net	-	7,229	2,141	-	-	9,370	3.27%
Investments - net	-	1,880	2,076	4,254	1,271	9,481	3.99%
Loans to customers net of deferred revenues	5,572	12,739	7,614	23,960	1,428	51,313	6.35%
Financial liabilities							
Deposits	2,918	10,526	4,347	304	-	18,095	3.11%
Interbank and money market items	456	1,024	-	-	-	1,480	3.04%
Debts issued and borrowings	1,896	39,110	10,101	345	-	51,452	3.46%

(Unit: Million Baht)

Transactions	Separate financial statements as at 30 June 2012						Average interest rates
	At call	Repricing or maturity date				Total	
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items - net	-	15,532	3,160	-	-	18,692	2.66%
Investments - net	-	1,704	2,073	5,641	1,815	11,233	3.82%
Loans to customers net of deferred revenues	11,230	10,998	9,804	14,936	38	47,006	4.84%
Financial liabilities							
Deposits	3,743	22,218	12,047	301	-	38,309	3.09%
Interbank and money market items	1,202	16,024	256	178	-	17,660	3.86%
Debts issued and borrowings	2,048	30,634	3,463	1,755	-	37,900	3.18%

(Unit: Million Baht)

Transactions	Separate financial statements as at 31 December 2011						Average interest rates
	At call	Repricing or maturity date				Total	
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items - net	-	7,229	2,141	-	-	9,370	3.27%
Investments - net	-	1,880	2,076	4,254	1,271	9,481	3.99%
Loans to customers net of deferred revenues	5,572	11,804	6,585	18,282	635	42,878	4.88%
Financial liabilities							
Deposits	2,918	10,526	4,347	304	-	18,095	3.11%
Interbank and money market items	456	1,024	-	-	-	1,480	3.04%
Debts issued and borrowings	1,896	39,110	10,101	345	-	51,452	3.46%

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 rates for the six-month periods ended 30 June 2012 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statement			Separate financial statement		
	For the six-month period ended 30 June 2012			For the six-month period ended 30 June 2012		
	Average Balances	Interest	Average rate (% per annum)	Average balances	Interest	Average rate (% per annum)
Financial assets						
Interbank and money market items	9,716	147	3.03%	9,617	147	3.06%
Investments	11,948	336	5.63%	11,948	336	5.63%
Loans to customers net of deferred revenues	72,621	2,290	6.31%	66,958	1,686	5.03%
Financial liabilities						
Deposits	23,628	297 ⁽¹⁾	2.52%	23,629	297 ⁽¹⁾	2.52%
Interbank and money market items	7,747	107	2.75%	6,676	80	2.40%
Debts issued and borrowings	47,939	788	3.29%	47,939	788	3.29%

⁽¹⁾ Not include contribution fee to the Deposit Protection Agency and Bank of Thailand

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 Executive Committee and the Board of Directors, respectively.

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

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

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

1. Review and verify the validity of the assumptions 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, ICBC (Thai) Leasing Co., Ltd. independently managing its own cash inflows and outflows. ICBC (Thai) Leasing Co., Ltd, sources funds mainly from the Bank, which will provide liquidity support, with the amount of funds based on Limited of Authority via the 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 end of reporting period, of financial instruments outstanding as at 30 June 2012 and 31 December 2011, are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 30 June 2012								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing assets	Total
<u>Financial assets</u>								
Interbank and money market items - net	552	15,532	3,160	-	-	-	-	19,244
Investments - net	-	1,704	2,395	7,981	1,815	565	-	14,460
Loans to customer net of deferred revenues	131	14,634	17,835	38,367	8,135	-	1,950	81,052
<u>Financial liabilities</u>								
Deposits	7,380	22,219	12,047	301	-	-	-	41,947
Interbank and money market items	2,212	16,524	256	178	-	-	-	19,170
Liabilities payable on demand	23	-	-	-	-	-	-	23
Debts issued and borrowings	2,048	30,634	3,463	1,755	-	-	-	37,900
<u>Off-balance sheet items</u>								
Avals to bill	-	3	100	-	-	-	-	103
Letters of credit	29	346	5	-	-	-	-	380
Other contingencies	377	40,238	17,771	13,905	-	-	-	72,291

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing	
							assets	Total
Financial assets								
Interbank and money market items - net	372	7,229	2,141	-	-	-	-	9,742
Investments - net	-	1,880	2,122	5,993	1,271	499	-	11,765
Loans to customer net of deferred revenues	154	14,130	10,389	35,396	5,566	-	1,917	67,552
Financial liabilities								
Deposits	5,655	10,526	4,347	304	-	-	-	20,832
Interbank and money market items	468	1,024	-	-	-	-	-	1,492
Liabilities payable on demand	29	-	-	-	-	-	-	29
Debts issued and borrowings	1,896	39,110	10,101	345	-	-	-	51,452
Off-balance sheet items								
Avals to bill	-	52	50	-	-	-	-	102
Letters of credit	15	197	-	-	-	-	-	212
Other contingencies	448	15,039	12,562	22,642	-	-	-	50,691

(Unit: Million Baht)

Separate financial statements as at 30 June 2012

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing	
							assets	Total
Financial assets								
Interbank and money market items - net	459	15,532	3,160	-	-	-	-	19,151
Investments - net	-	1,704	2,395	7,981	1,815	4,005	-	17,900
Loans to customer net of deferred revenues	10,518	12,596	16,306	27,179	7,178	-	1,241	75,018
Financial liabilities								
Deposits	7,382	22,219	12,047	301	-	-	-	41,949
Interbank and money market items	1,212	16,024	256	178	-	-	-	17,670
Liabilities payable on demand	23	-	-	-	-	-	-	23
Debts issued and borrowings	2,048	30,634	3,463	1,755	-	-	-	37,900
Off-balance sheet items								
Avals to bill	-	3	100	-	-	-	-	103
Letters of credit	29	346	5	-	-	-	-	380
Other contingencies	377	40,238	17,771	13,905	-	-	-	72,291

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non - performing	
							assets	Total
Financial assets								
Interbank and money market items - net	311	7,229	2,141	-	-	-	-	9,681
Investments - net	-	1,880	2,122	5,993	1,271	3,704	-	14,970
Loans to customer net of deferred revenues	5,040	13,195	9,361	29,718	4,772	-	1,257	63,343
Financial liabilities								
Deposits	5,657	10,526	4,347	304	-	-	-	20,834
Interbank and money market items	468	1,024	-	-	-	-	-	1,492
Liabilities payable on demand	29	-	-	-	-	-	-	29
Debts issued and borrowings	1,896	39,110	10,101	345	-	-	-	51,452
Off-balance sheet items								
Avals to bill	-	52	50	-	-	-	-	102
Letters of credit	15	197	-	-	-	-	-	212
Other contingencies	448	15,039	12,562	22,642	-	-	-	50,691

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 2012 and 31 December 2011 can be summarised as follows:

Consolidated and separate financial statements as at 30 June 2012									
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)
<u>In-balance foreign currency position</u>									
Interbank and money market items (assets)	12,041.86	39.54	0.63	0.63	0.96	0.74	1.94	0.26	6,655.05
Investments - net	6,350.78	-	-	-	-	-	-	-	49.63
Loans to customers and accrued interest receivables	5,945.26	11.01	2.43	-	-	-	-	-	735.59
Deposits and accrued interest payables	673.94	4.07	15.05	0.01	-	-	-	-	103.55
Interbank and money market items (liabilities)	956.84	-	602.31	-	-	-	-	-	-
<u>Off-balance foreign currency position</u>									
Letters of credit	335.10	4.36	4.61	-	-	-	-	-	32.64
Forward contracts - Bought	11,022.93	63.61	617.13	3.79	-	-	-	-	148.32
Forward contracts - Sold	32,029.96	105.24	2.43	3.79	-	-	-	-	-
Cross currency and interest rate swap contracts									
Sold contracts	732	-	-	-	-	-	-	-	-
Other contingencies	2,147.08	-	-	-	-	-	-	-	100.22
Average exchange rate as at 30 June 2012									
(Baht per 1 foreign currency unit)	31.8261	39.8333	0.4014	49.5614	25.1795	32.1435	4.1025	24.9533	5.0108

	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)
<u>In-balance foreign currency position</u>									
Interbank and money market items (assets)	244.73	16.38	0.27	0.27	1.43	1.14	2.29	0.03	3,324.34
Investments - net	4,843.59	-	-	-	-	-	-	-	215.92
Loans to customers and accrued interest receivables	1,531.04	28.05	-	0.15	-	-	-	-	148.43
Deposits and accrued interest payables	130.37	14.87	-	-	-	-	-	-	10.44
<u>Off-balance foreign currency position</u>									
Letters of credit	186.98	11.50	8.39	-	-	-	-	-	-
Forward contracts - Bought	8,184.24	80.85	-	-	-	-	-	-	154.00
Forward contracts - Sold	13,790.75	108.84	-	0.15	-	-	-	-	-
Cross currency and interest rate swap contracts									
Bought contracts	161.55	-	-	-	-	-	-	-	-
Sold contracts	728.90	-	-	-	-	-	-	-	-
Other contingencies	946.44	0.18	-	-	-	-	-	-	100.66
Average exchange rate as at 31 December 2011									
(Baht per 1 foreign currency unit)	31.6912	41.0274	0.4084	48.8578	24.4950	32.1971	4.0795	24.3854	5.0328

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 2012				31 December 2011			
	Notional amount		Maturity		Notional amount		Maturity	
Interest rate swap contracts								
- swap the fixed interest rates for the floating interest	21,450	Million Baht	2012 - 2015	21,550	Million Baht	2012 - 2015		
- swap the floating interest rates for the fixed interest rates	1,500	Million Baht	2012 - 2014	1,500	Million Baht	2012 - 2014		

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

	Consolidated and separate financial statements			
	30 June 2012		31 December 2011	
	Notional amount	Maturity	Notional amount	Maturity
Cross currency interest rate swap contracts				
- 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	-	-	33 Million CNY	2012

As at 30 June 2012 and 31 December 2011, financial derivatives, classified by their maturities, are as follows:

	(Unit: Million Baht)					
	Consolidated and separate financial statements					
	30 June 2012			31 December 2011		
	Not over 1 year	Over 1 year	Total	Not over 1 year	Over 1 year	Total
Forward exchange contracts						
- Bought	11,856	-	11,856	7,151	1,268	8,419
- Sold	32,142	-	32,142	12,442	1,458	13,900
Interest rate swap contracts	9,850	13,100	22,950	4,950	18,100	23,050
Cross currency and interest rate swap contracts						
- Bought	-	-	-	162	-	162
- Sold	414	318	732	412	317	729

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 2012 and 31 December 2011, the fair value of financial instruments of the Bank and its subsidiary are as follow:

(Unit: Million Baht)

	Consolidated financial statements			
	30 June 2012		31 December 2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	305	305	290	290
Interbank and money market items - net	19,244	19,244	9,742	9,742
Derivative assets	326	164	404	248
Investments - net	14,460	14,317	11,765	11,653
Loans to customers - net	79,811	79,811	66,484	66,484
Total	<u>114,146</u>	<u>113,841</u>	<u>88,685</u>	<u>88,417</u>
<u>Financial liabilities</u>				
Deposits	41,947	41,947	20,832	20,832
Interbank and money market items	19,170	19,170	1,492	1,492
Liabilities payable on demand	23	23	29	29
Derivative liabilities	448	289	672	449
Debts issued and borrowings	37,900	37,900	51,452	51,452
Total	<u>99,488</u>	<u>99,329</u>	<u>74,477</u>	<u>74,254</u>

(Unit: Million Baht)

	Separate financial statements			
	30 June 2012		31 December 2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	304	304	289	289
Interbank and money market items - net	19,151	19,151	9,681	9,681
Derivative assets	326	164	404	248
Investments - net	17,900	17,817	14,970	14,904
Loans to customers - net	74,197	74,197	62,653	62,653
Total	<u>111,878</u>	<u>111,633</u>	<u>87,997</u>	<u>87,775</u>
<u>Financial liabilities</u>				
Deposits	41,949	41,949	20,834	20,834
Interbank and money market items	17,670	17,670	1,492	1,492
Liabilities payable on demand	23	23	29	29
Derivative liabilities	448	289	672	449
Debts issued and borrowings	37,900	37,900	51,452	51,452
Total	<u>97,990</u>	<u>97,831</u>	<u>74,479</u>	<u>74,256</u>

43. Events after reporting period

43.1 Capital increase of a subsidiary

On 25 April 2012, the subsidiary's Extraordinary General Meeting of Shareholders passed a resolution approving an increase in the subsidiary's registered share capital from Baht 5,000 million to Baht 6,000 million through the issuance of additional 100 million ordinary shares at a par value of Baht 10 each or a total of Baht 1,000 million. The subsidiary called for the payment of additional 100 million shares at Baht 2.50 each, representing 25% of a par value, or a total of Baht 250 million. The Bank already made payment on such additional shares on 25 July 2012.

43.2 Debt issuance of a subsidiary

On 18 July 2012, the Meeting No. 1/2555 of the Extraordinary General Meeting of the shareholders of ICBC (Thai) Leasing Company Limited ("the subsidiary") passed a resolution approving the issuance of debentures in Baht currency, with or without collateral in an amount of not exceeding Baht 20,000 million by the subsidiary whereby the offering will be made in compliance with the notifications of the relevant governing authority.

43.3 Guarantee over debts to be issued by a subsidiary

On 16 August 2012, the Meeting No. 33/2012 of the Bank's Executive Committee passed a resolution approving the guarantee line to guarantee the debentures, as described in Note 43.2 to the financial statements, to be issued by ICBC (Thai) Leasing Company Limited.

44. Approval of interim financial statements

These interim financial statements were authorised for issue by the Audit Committee of the Bank on 13 September 2012.