

Thanachart Capital Public Company Limited  
and its subsidiaries  
Report and interim financial statements  
30 June 2012

## **Report of Independent Auditor**

### **To the Shareholders of Thanachart Capital Public Company Limited**

#### **Report on Audit of Financial Statements**

I have audited the accompanying consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 30 June 2012 and 31 December 2011, and the related consolidated statements of comprehensive income, changes in 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. I have also audited the separate financial statements of Thanachart Capital 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 Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 30 June 2012 and 31 December 2011, and their financial performance and cash flows for the six-month periods ended 30 June 2012 and 2011 in accordance with Thai Financial Reporting Standards.

### **Report on Review of Interim Financial Information**

I have reviewed the accompanying consolidated statements of comprehensive income for the three-month periods ended 30 June 2012 and 2011 of Thanachart Capital Public Company Limited and its subsidiaries, and of Thanachart Capital Public Company Limited for the same periods. Management is responsible for the preparation and presentation of these interim statements of comprehensive income in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on these interim statements of comprehensive income based on my reviews.

**Scope of Review**

I conducted my reviews in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

**Conclusion**

Based on my reviews, nothing has come to my attention that causes me to believe that those interim statements of comprehensive income are not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Phuphun Charoensuk  
Certified Public Accountant (Thailand) No. 4950

Ernst & Young Office Limited  
Bangkok: 27 August 2012

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statements of financial position**

**As at 30 June 2012 and 31 December 2011**

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Assets</b>					
Cash		11,818,570	16,005,678	5	-
Interbank and money market items - net	6	64,803,881	63,232,094	256,096	75,753
Derivatives assets	7	1,635,832	1,536,490	-	-
Investments - net	8	148,795,387	152,511,228	8,865,711	5,657,335
Investments in subsidiaries and associates - net	9	1,742,131	1,672,981	31,572,896	31,598,119
Loans to customers and accrued interest receivables	10				
Loans to customers		720,359,478	676,790,337	534,916	1,344,436
Accrued interest receivables		994,158	979,725	9,324	9,245
Total loans to customers and accrued interest receivables		721,353,636	677,770,062	544,240	1,353,681
Less: Deferred revenue		(46,794,586)	(39,686,523)	(7,523)	(7,847)
Less: Allowance for doubtful accounts	11	(24,064,126)	(26,900,029)	(241,966)	(258,777)
Less: Revaluation allowance for debt restructuring	12	(354,958)	(385,980)	-	-
Net loans to customers and accrued interest receivables		650,139,966	610,797,530	294,751	1,087,057
Customers' liability under acceptance		81,746	90,531	-	-
Property foreclosed - net	14	10,567,276	11,560,136	1,873,576	2,006,953
Land, premises and equipment - net	15	8,555,969	8,814,746	54,522	55,150
Intangible assets - net	16	4,473,931	4,709,482	384	400
Goodwill	17	14,120,154	13,981,349	-	-
Receivables from purchase and sale of securities		2,005,060	858,326	-	664
Accrued interest and dividend receivables		1,149,706	1,050,831	80,860	78,922
Reinsurance assets		1,585,131	2,573,393	-	-
Other assets - net	18	7,467,587	5,761,842	85,697	82,595
<b>Total assets</b>		<b>928,942,327</b>	<b>895,156,637</b>	<b>43,084,498</b>	<b>40,642,948</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statements of financial position (continued)**

**As at 30 June 2012 and 31 December 2011**

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Liabilities and equity</b>					
Deposits	19	570,287,186	435,864,954	-	-
Interbank and money market items	20	68,200,336	60,151,091	199	246
Liability payable on demand		3,939,621	2,130,716	-	-
Derivatives liabilities	7	2,051,701	2,885,848	-	-
Debts issued and borrowings	21	149,353,218	262,653,021	12,000,000	12,000,000
Bank's liability under acceptances		81,746	90,531	-	-
Provisions	22	3,294,659	3,143,979	211,897	210,118
Accrued interest payable		3,065,753	3,267,864	79,685	79,960
Payables from purchase and sale of securities		2,959,819	850,724	599,338	-
Insurance contract liabilities	23	36,105,049	36,154,060	-	-
Other liabilities	24	10,753,180	12,282,710	175,554	147,750
<b>Total liabilities</b>		<b>850,092,268</b>	<b>819,475,498</b>	<b>13,066,673</b>	<b>12,438,074</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statements of financial position (continued)**

**As at 30 June 2012 and 31 December 2011**

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Equity</b>					
Share capital	25				
Registered, issued and paid-up					
13,336 preferred shares of Baht 10 each		133	133	133	133
1,277,816,367 common shares of Baht 10 each (31 December 2011: 1,333,140,667 common shares of Baht 10 each)		12,778,164	13,331,407	12,778,164	13,331,407
		12,778,297	13,331,540	12,778,297	13,331,540
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Premium on treasury share	25	165,742	-	165,742	-
Other components of equity	26	1,722,037	1,563,281	327,360	300,712
Retained earnings					
Appropriated - statutory reserve	27	1,202,176	1,202,176	1,202,176	1,202,176
- treasury share reserve	25	-	387,501	-	387,501
Unappropriated		22,492,850	20,096,019	13,478,605	11,304,801
Less: Treasury share - common share	25	-	(387,501)	-	(387,501)
<b>Equity attributable to owners</b>					
<b>of the Company</b>		40,426,747	38,258,661	30,017,825	28,204,874
Non-controlling interests		38,423,312	37,422,478	-	-
<b>Total equity</b>		78,850,059	75,681,139	30,017,825	28,204,874
<b>Total liabilities and equity</b>		928,942,327	895,156,637	43,084,498	40,642,948
		-	-	-	-

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

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Directors  
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(Unaudited but reviewed)

**Thanachart Capital Public Company Limited and its subsidiaries****Statements of comprehensive income****For the three-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b>Profit or loss</b>					
Interest income	30	12,323,577	10,747,926	111,304	106,725
Interest expenses	31	(6,159,743)	(4,429,569)	(135,515)	(155,140)
<b>Net interest income</b>		6,163,834	6,318,357	(24,211)	(48,415)
Fees and service income		1,384,010	1,252,365	8,118	3,811
Fees and service expenses		(362,180)	(320,782)	(565)	(1,629)
<b>Net fees and service income</b>	32	1,021,830	931,583	7,553	2,182
Gains on trading and					
foreign exchange transactions	33	368,312	209,822	57	-
Gains on investments	34	221,557	203,389	18,968	17,167
Share of profit from investments accounted					
for under equity method		119,178	62,768	-	-
Gains on properties foreclosed and					
other assets (losses)		414,019	(3,901)	159,854	19,331
Insurance premium/Life insurance					
premium income		3,374,924	3,354,426	-	-
Dividend income		26,648	195,358	2,394,644	1,138,417
Other operating income		426,477	384,147	51,760	61,747
<b>Total operating income</b>		12,136,779	11,655,949	2,608,625	1,190,429
Insurance expenses		(2,574,235)	(2,621,300)	-	-
<b>Net operating income</b>		9,562,544	9,034,649	2,608,625	1,190,429
<b>Other operating expenses</b>					
Personnel expenses		2,714,098	2,675,870	29,470	27,762
Directors' remuneration	35	37,189	42,240	17,867	17,539
Premises and equipment expenses		818,216	856,162	19,251	19,730
Taxes and duties		244,950	207,967	2,883	533
Other expenses		1,724,676	1,235,425	21,217	27,685
<b>Total other operating expenses</b>		5,539,129	5,017,664	90,688	93,249
<b>Impairment loss of loans and debt securities</b>					
<b>(reversal of impairment loss of loans</b>					
<b>and debt securities)</b>					
	36	488,283	868,814	(9,489)	(155,191)
<b>Profit before income tax</b>		3,535,132	3,148,171	2,527,426	1,252,371
<b>Income tax</b>	37	(748,413)	(414,918)	-	(1,319)
<b>Profit for the period</b>		2,786,719	2,733,253	2,527,426	1,251,052

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



(Unaudited but reviewed)

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statements of comprehensive income (continued)**

**For the three-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht except earnings per share expressed in Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2012	2011	2012	2011
<b>Other comprehensive incomes</b>	38				
Gains (losses) on remeasuring available-for-sale investments		530,521	(171,198)	39,468	33,442
Share of other comprehensive income of associates		6,130	2,785	-	-
<b>Total other comprehensive income (losses)</b>		<u>536,651</u>	<u>(168,413)</u>	<u>39,468</u>	<u>33,442</u>
<b>Total comprehensive income</b>		<u>3,323,370</u>	<u>2,564,840</u>	<u>2,566,894</u>	<u>1,284,494</u>
<b>Profit attributable to</b>					
The Company		1,709,371	1,582,823	2,527,426	1,251,052
Non-controlling interests		1,077,348	1,150,430	-	-
		<u>2,786,719</u>	<u>2,733,253</u>	<u>2,527,426</u>	<u>1,251,052</u>
<b>Total comprehensive income attributable to</b>					
The Company		2,008,899	1,518,108	2,566,894	1,284,494
Non-controlling interests		1,314,471	1,046,732	-	-
		<u>3,323,370</u>	<u>2,564,840</u>	<u>2,566,894</u>	<u>1,284,494</u>
<b>Earnings per share of the Company</b>	39				
Basic earnings per share					
Profit attributable to the Company (Baht per share)		<u>1.34</u>	<u>1.24</u>	<u>1.98</u>	<u>0.98</u>
Diluted earnings per share					
Profit attributable to the Company (Baht per share)		<u>1.34</u>	<u>1.24</u>	<u>1.98</u>	<u>0.98</u>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statements of comprehensive income**

**For the six-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Profit or loss</b>					
Interest income	30	24,043,300	20,914,520	213,689	199,418
Interest expenses	31	(12,272,959)	(8,322,366)	(271,059)	(308,575)
<b>Net interest income</b>		11,770,341	12,592,154	(57,370)	(109,157)
Fees and service income		2,723,625	2,573,887	9,285	7,517
Fees and service expenses		(730,464)	(656,284)	(931)	(3,143)
<b>Net fees and service income</b>	32	1,993,161	1,917,603	8,354	4,374
Gains on trading and foreign exchange transactions (losses)	33	278,192	449,998	(33)	133
Gains on investments	34	449,770	238,622	22,566	26,646
Share of profit from investments accounted for under equity method	9.2	157,169	155,495	-	-
Gains on properties foreclosed and other assets		593,318	68,109	168,898	28,226
Insurance premium/Life insurance premium income		6,462,697	6,254,551	-	-
Dividend income		155,759	450,911	2,584,395	1,306,956
Other operating income		827,377	695,602	101,290	125,711
<b>Total operating income</b>		22,687,784	22,823,045	2,828,100	1,382,889
Insurance expenses		(4,366,018)	(4,894,891)	-	-
<b>Net operating income</b>		18,321,766	17,928,154	2,828,100	1,382,889
<b>Other operating expenses</b>					
Personnel expenses		5,613,818	5,394,930	56,183	52,722
Directors' remuneration	35	43,948	52,905	20,202	19,924
Premises and equipment expenses		1,592,003	1,755,344	38,527	39,656
Taxes and duties		477,779	415,024	3,331	1,696
Other expenses		3,331,977	2,267,007	46,018	52,493
<b>Total other operating expenses</b>		11,059,525	9,885,210	164,261	166,491
<b>Impairment loss of loans and debt securities</b>					
<b>(reversal of impairment loss of loans and debt securities)</b>					
	36	903,662	1,589,318	(15,885)	(164,814)
<b>Profit before income tax</b>		6,358,579	6,453,626	2,679,724	1,381,212
<b>Income tax</b>	37	(1,460,449)	(1,485,457)	-	(1,319)
<b>Profit for the period</b>		4,898,130	4,968,169	2,679,724	1,379,893

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statements of comprehensive income (continued)**

**For the six-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Other comprehensive incomes</b>	38				
Gains (losses) on remeasuring available-for-sale investments		250,091	(342,011)	26,648	46,777
Share of other comprehensive income of associates		14,631	11,906	-	-
<b>Total other comprehensive income (losses)</b>		<u>264,722</u>	<u>(330,105)</u>	<u>26,648</u>	<u>46,777</u>
<b>Total comprehensive income</b>		<u>5,162,852</u>	<u>4,638,064</u>	<u>2,706,372</u>	<u>1,426,670</u>
<b>Profit attributable to</b>					
The Company		2,902,751	2,727,091	2,679,724	1,379,893
Non-controlling interests		1,995,379	2,241,078	-	-
		<u>4,898,130</u>	<u>4,968,169</u>	<u>2,679,724</u>	<u>1,379,893</u>
<b>Total comprehensive income attributable to</b>					
The Company		3,061,507	2,597,747	2,706,372	1,426,670
Non-controlling interests		2,101,345	2,040,317	-	-
		<u>5,162,852</u>	<u>4,638,064</u>	<u>2,706,372</u>	<u>1,426,670</u>
<b>Earnings per share of the Company</b>	39				
Basic earnings per share					
Profit attributable to the Company (Baht per share)		<u>2.27</u>	<u>2.13</u>	<u>2.10</u>	<u>1.08</u>
Diluted earnings per share					
Profit attributable to the Company (Baht per share)		<u>2.27</u>	<u>2.13</u>	<u>2.10</u>	<u>1.08</u>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Cash flows statements**

**For the six-month periods ended 30 June 2012 and 2011**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Profit before income tax	6,358,579	6,453,626	2,679,724	1,381,212
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities				
Share of profit from investments accounted for under equity method	(157,169)	(155,495)	-	-
Depreciation and amortisation	814,778	870,308	24,371	27,110
Impairment loss of loans and debt securities (reversal)	903,662	1,589,318	(15,885)	(164,814)
Increase in provisions	169,728	252,119	1,779	2,742
Increase (decrease) in provision for impairment of properties foreclosed	(41,922)	59,401	34,598	(39,518)
Increase (decrease) in provision for impairment of equipment/other assets	23,644	(46,480)	(351)	(12)
Increase (decrease) in provision for impairment/ revaluation of investments	72,626	13,014	34	(172)
Amortisation of deferred gain on disposal of properties foreclosed	-	(30,543)	-	-
Unrealised loss (gain) on foreign exchange and financial derivatives	(118,111)	440,680	-	-
Gain on sales of/capital return from investments in subsidiary companies	(138,805)	(212,314)	(9,205)	(6,516)
Loss (gain) on transfers of assets for debt repayment	2,184	(3,134)	-	-
Gain on disposal of equipment	(15,167)	(3,126)	(550)	(4,305)
Decrease (increase) in accrued other income receivable	178,382	(66,260)	(1,353)	(18,650)
	8,052,409	9,161,114	2,713,162	1,177,077
Net interest income	(11,770,341)	(12,592,154)	57,370	109,157
Dividend income	(155,759)	(450,911)	(2,584,395)	(1,306,956)
Cash received from interest on operating activities	22,175,111	19,044,816	35,391	38,625
Cash paid for interest on operating activities	(7,206,552)	(5,197,454)	(47)	-
Cash paid for income tax	(2,544,109)	(2,489,178)	(6,615)	(8,137)
<b>Income from operating activities before changes in operating assets and liabilities</b>	8,550,759	7,476,233	214,866	9,766

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Cash flows statements (continued)**

**For the six-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities (continued)</b>				
Operating assets (increase) decrease				
Interbank and money market items	(1,156,325)	34,181,421	(180,321)	28,959
Investments in trading securities	635,425	1,483,210	(600)	10,285
Derivatives assets	552,396	109,023	-	-
Loans to customers	(42,196,062)	(25,115,975)	809,114	109,754
Property foreclosed	3,437,039	1,910,843	134,042	103,602
Receivables from purchase and sale of securities	(1,146,734)	(1,568,062)	664	-
Reinsurance assets	988,262	216,908	-	-
Other assets	(1,929,925)	539,022	(14,234)	(6,479)
Operating liabilities increase (decrease)				
Deposits	134,422,232	(87,475,263)	-	-
Interbank and money market items	7,881,251	7,905,804	(48)	927
Liability payable on demand	1,808,905	(92,568)	-	-
Derivatives liabilities	(1,900,501)	(90,265)	-	-
Payable from purchase and sales of securities	2,109,096	368,161	599,338	(554,357)
Insurance contract liabilities	(49,011)	1,288,097	-	-
Other liabilities	(1,704,932)	(1,169,090)	26,744	(5,857)
<b>Net cash provided from (used in)</b>				
<b>operating activities</b>	<b>110,301,875</b>	<b>(60,032,501)</b>	<b>1,589,565</b>	<b>(303,400)</b>
<b>Cash flows from investing activities</b>				
Decrease (increase) in investments in securities	3,319,992	4,673,031	(3,169,502)	57,002
Cash received from disposal of investments				
in subsidiary companies	-	197,990	-	-
Cash received from interest	2,280,610	3,120,310	162,914	138,681
Cash received from dividend	250,360	433,996	2,584,395	1,306,956
Cash paid for purchase of land and equipment/ intangible assets	(430,848)	(539,628)	(4,212)	(1,944)
Cash received from disposal of equipment/ intangible assets	18,782	9,113	550	4,856
<b>Net cash provided from (used in)</b>				
<b>investing activities</b>	<b>5,438,896</b>	<b>7,894,812</b>	<b>(425,855)</b>	<b>1,505,551</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Cash flows statements (continued)**

**For the six-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Cash flows from financing activities</b>				
Cash received from debts issued and borrowings	525,421,812	646,716,599	-	-
Cash paid for debts issued and borrowings	(638,721,614)	(591,727,665)	-	-
Cash paid for interest expenses on debt issued and borrowings	(4,624,920)	(3,646,660)	(270,284)	(307,851)
Cash paid to non-controlling interest for decrease/ return shares capital of a subsidiary company	(6,311)	(2,364)	-	-
Cash paid for dividend	(893,421)	(894,300)	(893,421)	(894,300)
Cash paid for dividend to non-controlling interests	(1,103,425)	(1,131,280)	-	-
<b>Net cash provided from (used in) financing activities</b>	<b>(119,927,879)</b>	<b>49,314,330</b>	<b>(1,163,705)</b>	<b>(1,202,151)</b>
<b>Net increase (decrease) in cash</b>	<b>(4,187,108)</b>	<b>(2,823,359)</b>	<b>5</b>	<b>-</b>
Cash at beginning of the period	16,005,678	15,298,105	-	-
<b>Cash at ending of the period</b>	<b>11,818,570</b>	<b>12,474,746</b>	<b>5</b>	<b>-</b>
	-	-	-	-

**Supplemental cash flows information**

Non-cash transactions

Properties foreclosed transferred from loans, other receivable and investments in

receivables purchased	2,298,712	1,485,817	35,263	31,982
Bad debt written off	3,503,246	562,553	204	1,551

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of changes in equity

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

Consolidated financial statements														
Equity attributable to the Company's shareholders														
Other components of equity														
Issued and paid-up share capital		Amount by which			Share of other			Retained earnings				Non-controlling		Total
Preferred shares	Common shares	Premium on common share	Premium on treasury share	Premium of a subsidiary company's share	in subsidiary lower than attributable net book value	Revaluation surplus on investments	income (losses) of associates	Appropriated		Treasury shares	interests			
								Statutory reserve	Treasury shares reserve	Unappropriated	Treasury shares			
<b>Balance as at 1 January 2011</b>	159	13,331,381	2,065,645	-	775,814	226,460	713,487	(19,271)	1,120,420	387,501	16,707,621	(387,501)	34,509,701	69,431,417
Dividend paid (Note 29)	-	-	-	-	-	-	-	-	-	-	(894,481)	-	-	(894,481)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	181	-	-	181
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,257,334)	(1,257,334)
Total comprehensive income for the period (losses)	-	-	-	-	-	-	(138,606)	9,262	-	-	2,727,091	-	2,040,317	4,638,064
<b>Balance as at 30 June 2011</b>	<u>159</u>	<u>13,331,381</u>	<u>2,065,645</u>	<u>-</u>	<u>775,814</u>	<u>226,460</u>	<u>574,881</u>	<u>(10,009)</u>	<u>1,120,420</u>	<u>387,501</u>	<u>18,540,412</u>	<u>(387,501)</u>	<u>35,292,684</u>	<u>71,917,847</u>
<b>Balance as at 1 January 2012</b>	133	13,331,407	2,065,645	-	775,814	226,460	579,661	(18,654)	1,202,176	387,501	20,096,019	(387,501)	37,422,478	75,681,139
Dividend paid (Note 29)	-	-	-	-	-	-	-	-	-	-	(894,481)	-	-	(894,481)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	1,060	-	-	1,060
Share capital reduction from treasury shares cancellation (Note 25)	-	(553,243)	-	165,742	-	-	-	-	-	(387,501)	387,501	387,501	-	-
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,100,511)	(1,100,511)
Total comprehensive income for the period	-	-	-	-	-	-	147,689	11,067	-	-	2,902,751	-	2,101,345	5,162,852
<b>Balance as at 30 June 2012</b>	<u>133</u>	<u>12,778,164</u>	<u>2,065,645</u>	<u>165,742</u>	<u>775,814</u>	<u>226,460</u>	<u>727,350</u>	<u>(7,587)</u>	<u>1,202,176</u>	<u>-</u>	<u>22,492,850</u>	<u>-</u>	<u>38,423,312</u>	<u>78,850,059</u>

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statements of changes in equity

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

	Separate financial statements									
	Issued and paid-up share capital				Other components	Retained earnings				
	Preferred shares	Common shares	Premium on common share	Premium on treasury share	of equity	Appropriated			Treasury shares	Total
					Revaluation surplus on investments	Statutory reserve	Treasury shares reserve	Unappropriated		
<b>Balance as at 1 January 2011</b>	159	13,331,381	2,065,645	-	289,997	1,120,420	387,501	11,283,703	(387,501)	28,091,305
Dividend paid (Note 29)	-	-	-	-	-	-	-	(894,481)	-	(894,481)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	181	-	181
Total comprehensive income for the period	-	-	-	-	46,777	-	-	1,379,893	-	1,426,670
<b>Balance as at 30 June 2011</b>	<u>159</u>	<u>13,331,381</u>	<u>2,065,645</u>	<u>-</u>	<u>336,774</u>	<u>1,120,420</u>	<u>387,501</u>	<u>11,769,296</u>	<u>(387,501)</u>	<u>28,623,675</u>
<b>Balance as at 1 January 2012</b>	133	13,331,407	2,065,645	-	300,712	1,202,176	387,501	11,304,801	(387,501)	28,204,874
Dividend paid (Note 29)	-	-	-	-	-	-	-	(894,481)	-	(894,481)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	1,060	-	1,060
Share capital reduction from treasury shares cancellation (Note 25)	-	(553,243)	-	165,742	-	-	(387,501)	387,501	387,501	-
Total comprehensive income for the period	-	-	-	-	26,648	-	-	2,679,724	-	2,706,372
<b>Balance as at 30 June 2012</b>	<u>133</u>	<u>12,778,164</u>	<u>2,065,645</u>	<u>165,742</u>	<u>327,360</u>	<u>1,202,176</u>	<u>-</u>	<u>13,478,605</u>	<u>-</u>	<u>30,017,825</u>

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



**Thanachart Capital Public Company Limited and its subsidiaries**  
**Notes to interim financial statements**  
**For the six-month periods ended 30 June 2012 and 2011**

**1. General information**

**1.1 The Company information**

Thanachart Capital Public Company Limited (“the Company”) is a public company incorporated and operated its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The registered office of the Company is at 444, 10-11<sup>th</sup> and 15-20<sup>th</sup> Floor, MBK Tower, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries businesses include commercial bank, non-performing assets management business, securities business, leasing and hire purchase business, non-life insurance business, life insurance business, fund management business and others.

**1.2 Entire Business Transfer from Siam City Bank Plc. (“SCIB”)**

Thanachart Bank acquired SCIB’s shares to make it as a subsidiary of Thanachart Bank in April 2010, and included it in the consolidated statements since then. On 30 September 2011, Thanachart Bank entered into the Entire Business Transfer Agreement, legally effective on 1 October 2011, to transfer SCIB’s business to Thanachart Bank. The transferred business consisted of the assets, liabilities and commitments of SCIB as of 1 October 2011 and/or contingent liabilities that may arise in the future. After the transfer, SCIB discontinued its operations and then returned its banking license and banking authorisations to the Ministry of Finance, and registered the changes in its name to be “SCIB Plc.”. SCIB registered its dissolution in December 2011.

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

**2.1** These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) “Interim Financial Reporting”, whereby the Company chooses to present interim financial statements in the same full format as the annual financial statements.

These interim financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547, including accounting practice of Transferring/Transferred of financial assets; and with reference to the guidelines stipulated by the BOT. The presentation of the financial statements has been made in compliance with the Notification of the BOT relating to the preparation and format of the financial statements of commercial banks and holding company of financial business group, dated 3 December 2010.

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

The interim financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

## 2.2 Basis of preparation of the interim consolidated financial statements

- a) The interim consolidated financial statements included the financial statements of the Company and the following subsidiaries. (hereinafter referred to as “the subsidiaries”) as follows:

	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	83.44	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
SCIB Plc.	-	-	99.98	99.98
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Co., Ltd.	-	-	100.00	100.00
Thanachart Life Assurance Co., Ltd.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	100.00
TS Asset Management Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Siam City Life Assurance Co., Ltd.	-	-	100.00	100.00
SCIB Service Co., Ltd.	-	-	100.00	100.00
Ratchthani Leasing Plc.	-	-	65.18	65.18

- b) Total assets and net operating income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 30 June 2012 and 31 December 2011 and for the six-month periods ended 30 June 2012 and 2011, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income for the six-month periods	
	30 June	31 December	ended 30 June	
	2012	2011	2012	2011
Thanachart Bank Plc.	843,251	818,978	12,451	8,167
SCIB Plc.	5	-	3	6,368
Thanachart Life Assurance Co., Ltd.	23,625	20,285	1,442	873
Siam City Life Assurance Co., Ltd.	12,527	11,195	417	183
Thanachart Insurance Co., Ltd.	7,672	7,142	1,098	931
Thanachart Securities Plc.	5,080	3,873	703	622
TS Asset Management Co., Ltd.	10,405	11,361	246	49
Ratchthani Leasing Plc.	14,798	12,033	543	-
NFS Asset Management Co., Ltd.	2,535	3,915	509	101

- c) The consolidated statements of comprehensive income for the six-month period ended 30 June 2011 did not include operating result of Ratchthani Leasing Plc., because Thanachart Bank's shareholding increased from 48.35 percent to 65.18 percent of total share in issue and paid up and treated as investment in subsidiary since November 2011. Therefore, the consolidated statements of comprehensive income included only share of profit from investments accounted under equity method, amounting to Baht 64 million.
- d) The consolidated statements of comprehensive income for the six-month period ended 30 June 2011 included operating result of Siam City Asset Management Co., Ltd. from 1 January 2011 until 30 May 2011 (the date of disposal), which had total income of Baht 31 million and profit of Baht 3 million. The gain on disposal of Baht 26 million was recognised in the consolidated financial statements.
- e) The consolidated statements of comprehensive income for the six-month period ended 30 June 2011 included operating result of Siam City Securities Co., Ltd., which had total income of Baht 114 million and income of Baht 87 million. Thanachart Bank disposed of its investments in common shares of this subsidiary in August 2011 with gain on disposal of Baht 40 million recognised in the consolidated financial statements.

- f) All subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- g) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using the same significant accounting policies. In case where there are different accounting policies the Company has adjusted the effect of these in the consolidated financial statements.
- h) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and subsidiaries' books of accounts have been eliminated against equity of the subsidiaries.
- i) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

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

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

During the period, the Federation of Accounting Professions issued Thai Financial Reporting Standard 8 "Operating segment" that are effective for fiscal year beginning on or after 1 January 2013.

The management of the Company is evaluating the impact on the financial statements in the year when this standard is adopted.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

- a) Interest and discounts on loans

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase and financial lease is recognised on the effective interest rate.

For loans on which principal or interest payments have been defaulted for more than three months past the due date, the Company and its subsidiaries cease accrual of interest income, and accrued interest already recorded is reversed from the Company and its subsidiaries' accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received from the debtors.

Interest income on restructured loans is recognised as income on an accrual basis, with reference to the interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Company and its subsidiaries recognise as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the period based on the effective yield rate of the portfolio by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the period.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans or in proportion of debt repayment.

Interest received in advance on hire purchase represents discounted on interest given to debtors by dealers, is recognised based on the effective interest method, in the same manner as interest income on hire purchase receivables.

b) Interest and dividends on investments

Interest on investments is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividend is established.

c) Brokerage fee income

Brokerage fees on trading of securities and derivatives are recognised as income on the transaction date.

d) Interest on margin loans for purchase of securities

Interest on margin loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities and Exchange Commission (“SEC”).

e) Gains (losses) on investments and derivatives

Gains (losses) on investments and derivatives are recognised as income/expenses on the transaction date.

f) Fees and service income

Fees and service income are recognised as income on an accrual basis.

g) Insurance/life insurance premium income

Non-life insurance contract

Premium income consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policy holders, and adjusted with unearned premium reserve.

Direct premium income is recognised on the date the insurance policy comes into effect. For long-term insurance policies with coverage periods of longer than 1 year, related premium are recorded as unearned items, and recognised as income over the coverage period.

Reinsurance premium income is recognised as income when the reinsurer places the reinsurance application or the statement of accounts with the subsidiary company.

Life insurance contract

Premium income is recognised as income on the date the insurance policy comes into effect, after deducting premium ceded and refunded. For renewal policy, premium income is recognised as income when the premium is due, only if the policy is still in force at the period-end date.

## **4.2 Expenses recognition**

### **a) Interest expenses**

Interest expenses are charged to expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

### **b) Commission and expenses charged on hire purchase/financial leases**

For hire purchase/financial lease contracts originating on or after 1 January 2007, initial direct expenses at the inception of a hire purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire purchase/financial leases is presented net of commission expenses and initial direct cost on the inception of the contracts.

### **c) Fees and service expenses**

Fees and service expenses are recognised as expenses on an accrual basis.

## **4.3 Investments**

Investments in securities held for trading are stated at fair value. Changes in the value of these securities is recognised as part of profit or loss in the statements of comprehensive income.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities is recognised as part of other comprehensive income in the statements of comprehensive income, and will be recognised as part of profit or loss when the securities are sold.

Investments in held-to-maturity debt securities are stated at amortised cost. The Company and its subsidiaries are amortised premium/discount on debt securities by the effective rate method with the amortised/accreted amount is presented as an adjustment to the interest income.

Investments in non-marketable equity securities which are classified as other investments are stated at cost net of allowance for loss on impairment (if any).

The Company and its subsidiaries do not treat the investments in mutual funds in which they hold more than 20 percent of the units issued as being investments in subsidiary or associated companies because the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and are under the supervision of the Securities and Exchange Commission.

The fair value of marketable securities is based on the latest bid price of the last working day of the period. The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association, other markets, or yield rate of government bond adjusted by an appropriate risk factor, as the case may be. The fair value of unit trusts is determined based on their net asset value.

The fair value of embedded derivatives investments which no active market or no available market value is determined using an internal model. Gains/losses arising from revaluation are recognised as part of profit or loss in the statements of comprehensive income. This method of measurement is in compliance with the BOT's notification.

The Company and its subsidiaries recognise loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and other investments as part of profit or loss in the statements of comprehensive income.

If investments are reclassified, the Company and its subsidiaries adjust the values of such investments to their fair values as at the reclassification date. Differences between the carrying amounts of the investments and their fair value are recorded as part of profit or loss in the statements of comprehensive income or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment being reclassified. Differences between the carrying amount of the investments and their fair value recorded in shareholders' equity are amortised over the remaining period to maturity of the debt securities.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as part of profit or loss in the statements of comprehensive income. In case of disposal part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.



#### **4.4 Investments in receivables purchased and allowance for impairment**

Investments in receivables purchased are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense as part of profit or loss in the statements of comprehensive income.

In case that the receivables purchased enter into troubled debt restructuring agreements, the Company and its subsidiaries are transferred to loans and presented at fair value. The fair value is determined based on the outstanding balance of investments as at the transfer date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is determined based on the fair value, with reference to the collateral value.

#### **4.5 Investments in subsidiary and associated companies**

Investments in subsidiary and associated companies in the separate financial statements are accounted for under the cost method, net of allowance for impairment (if any). Loss on impairment is recognised as expenses in part of profit or loss in the statements of comprehensive income.

Investments in associated companies in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the net income from the operations of associated companies in proportion to the investment.

#### **4.6 Loans to customers**

Loans are presented at the principal amounts, excluding accrued interest receivables, except for overdrafts which are presented at the principal amount plus accrued interest receivables. Unrecognised deferred income/discounts on loans are deducted from the loan balances.

Hire purchase and finance lease receivables are stated at the contract value of the hire purchase and finance lease receivables net of unearned income, which is presented after netting commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables. Securities business receivables comprise credit balance receivables for which the securities purchased are used as collateral, securities borrowing and lending receivables and guarantee deposit receivables (which comprise cash placed as guarantee for borrowers of securities or Thailand Securities Depository) as well as other receivables such as overdue cash customers accounts and receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments. The receivable balances of cash accounts are presented under the caption of "Receivables from purchase and sale of securities".

#### **4.7 Allowance for doubtful accounts**

a) Allowance for doubtful accounts for loans

The Company and its subsidiary companies that operate in banking and asset management business provide allowance for doubtful accounts in accordance with the Notifications of the BOT and adjust these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in an allowance for doubtful accounts is recognised as an expense during the period.

For loans, excluding hire purchase receivable - personal consuming of the subsidiary operates in banking business, the Company and its subsidiary companies set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) net of collateral value, as required by the BOT's guidelines. Collateral values include values of vehicles under hire purchase and finance lease contracts. For non-performing loans, provision is set at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline. However, non-performing hire purchase receivables and financial lease receivables are treated as uncollateralised.

Effective 1 January 2012, for hire purchase receivable - personal consuming of the subsidiary operates in banking business, the subsidiary sets provision using the collective approach method, which classifies groups of receivable having similar credit risk characteristics and considers historical loss experience of loans which is calculated based on the probability of default and a percentage of the loss given default. Furthermore, the subsidiary has set aside an additional provision by taking into consideration the potential additional loss arising from changes in economic circumstances that may impact the ability to pay of certain borrowers. This methodology, its parameters and assumptions have been reviewed in detailed and will be monitored on an ongoing basis for continued applicability (2011: the subsidiary set aside provision for hire purchase receivables - personal consuming that were classified as normal loans and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances net of collateral value. For non-performing loans, provision was set at a rate of 100% of the debt balance without deducting the collateral value).

- b) Subsidiaries engaged in securities business provide an allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collaterals. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the Notifications of the SEC.
- c) Subsidiaries engaged in hire purchase and leasing businesses have provided allowance for doubtful accounts at percentages of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under the BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances after net of collateral value for receivables overdue no more than 3 months, while provided without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts of other receivables is based on the amount of debts that may not be collectible, determined from a review of the current status of the receivables as at the financial statement date.
- e) The Company and its subsidiaries write off debtors when the relevant criteria under tax law are met, except for hire purchase receivables of a subsidiary engaged in commercial bank business will be written off when full allowance for doubtful accounts has been made for such receivables. Amounts written off as bad debts, or bad debt recovery, are deducted from or added to the allowance for doubtful accounts.

#### **4.8 Troubled debt restructuring**

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash flows, discounted by the market minimum loan rate for credit to large customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense as part of profit or loss in the statements of comprehensive income in the restructuring period. Such allowance is reviewed based on the present value of future cash flows over the remaining period to maturity, recognising adjustments against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income as part of profit or loss in the statements of comprehensive income, as the case may be.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised as losses in part of profit or loss in the statements of comprehensive income when incurred.

#### **4.9 Recognition and amortisation of customers' assets**

Assets which customers have placed with subsidiary companies for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading, are recorded as assets and liabilities of subsidiary companies for internal control purpose. As at the financial statement date, subsidiary companies write off those amounts which there are no guarantee obligations for both assets and liabilities, and present only those assets which belong to subsidiary companies.

#### 4.10 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value, providing this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses, adjust these in accordance with the BOT's guideline and taking into consideration the type and the nature of the assets.

Gains on disposal of property foreclosed are recognised as income in part of profit or loss in the statements of comprehensive income on the disposal date, unless the purchase is made with a loan. In such cases, gains are recognised in accordance with the BOT's guideline. Losses on disposal and impairment loss are recognised as expenses in part of profit or loss in the statements of comprehensive income.

#### 4.11 Land, premises and equipment and depreciation

- a) Land and assets in progress are stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20 - 30 years
Building improvements	-	5 - 10 years
Furniture, fixtures and equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

- c) An item of land, 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in part of profit or loss in the statements of comprehensive income.

#### **4.12 Intangible assets and amortisation**

The Company and its subsidiaries initially recognised intangible assets acquired through business combination at fair value on the date of business acquisition. Other intangible assets are initially measured at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Company and its subsidiaries amortised intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense and impairment of losses are realised as expenses in part of profit or loss in the statements of comprehensive income.

The intangible assets with finite useful lives have useful lives of approximately 3 - 10 years.

No amortisation for computer software under development.

#### **4.13 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortisation. Leasehold rights are amortised on a straight-line basis over the lease period and the amortisation amounts are recognised as expenses in part of profit or loss in the statements of comprehensive income.

#### **4.14 Business combination and goodwill**

Business combination accounted for under purchase method.

Goodwill is initially measured at cost, which equals to the excess of the cost of the business combination over the Company's portion in the net fair value of the net assets acquired. Goodwill is carried at cost less any accumulated impairment losses (if any), and is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

#### **4.15 Receivables from/Payable to Clearing House**

Receivables from/Payable to clearing house comprises the net balance receivable/payable in respect of securities trades settled and derivatives business including amounts pledged with the derivative clearing house as security for derivatives trading.

#### **4.16 Securities purchased under resale agreements/Securities sold under repurchase agreements**

Subsidiary companies enter into agreements to purchase/sell securities on the private repurchase market with agreements to sell back/buy back the securities at certain dates and at a fixed price. Amounts paid for the securities purchased are presented as assets under the caption of “Interbank and money market items” or “Loans to customers”, depending on the counterparty, and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement is presented as liabilities under the caption of “Interbank and money market items” in the statements of financial position at the amount received and the underlying securities are treated as collateral.

#### **4.17 Premium receivable, and allowance for doubtful accounts**

Premium receivable from both direct and reinsurance is stated at its net realisable value. Subsidiary companies provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium receivable as at the end of reporting period.

#### **4.18 Reinsurance assets and liabilities**

- a) Reinsurance assets represent amounts due from reinsurers (consisting of claims receivable and various other items receivable for reinsurers excluding reinsurance premium receivable less allowance for doubtful accounts), amounts deposited on reinsurance and insurance reserve refundable from reinsurers. Insurance reserve refundable from reinsurers is estimated based on the proportion of premium reserve and loss reserve made in accordance with the law regarding insurance reserve calculation that has been reinsured.
- b) Amounts due to reinsurers are stated at the outstanding balances payable from reinsurance and amounts withheld on reinsurance. Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers.

#### **4.19 Premium reserve/life insurance premium reserve**

##### Non-life insurance contract

Premium insurance reserve comprise with unearned premium reserve and unexpired risks reserve.

a) Unearned premium reserve

Unearned premium reserve is calculated based on direct premium before deducting premium ceded as follows:

Marine and transportation (cargo)	-	Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	-	Net premium written for the last thirty days
Others	-	Monthly average basis (the one-twenty fourth basis)

b) Unexpired risks reserve

Unexpired risks reserve is the reserve for the future claims that may be incurred in respect of in-force policies. Unexpired risks reserve is set aside using an actuarial method, at the best estimate of the claims that are expected be incurred during the remaining period of coverage, based on historical claims data.

As at the end of the reporting period, the subsidiary compares the amounts of unexpired risks reserve with the unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognised as unexpired risks reserve in the financial statements.

Life insurance contract

Life assurance policy reserve represents the accumulated total liabilities for estimated future claims under all policies in force as at the financial statement date.

Subsidiaries determine life assurance policy reserve under long-term policies by using the higher of the net level premium valuation method (NPV) and the gross premium valuation method (GPV).

Life assurance policy reserve under NPV method is a type of actuarial method with the main assumptions used relating to mortality rate, morbidity rate, longevity and discount rates.

Calculation of life assurance policy reserve under GPV method is another type of actuarial method with main assumptions used relating to lapse rate or surrender rate, selling and administrative expenses, mortality and morbidity rate, discount rates and non-guaranteed dividend rate. This calculation method is in compliance with the bases stipulated in the OIC's notification regarding valuation of assets and liabilities of life insurance company.



#### **4.20 Loss reserve and outstanding claims/Benefits payment to life policy**

##### Non-life insurance contract

Outstanding claims are recorded at the actual amount to be paid. Loss reserve is recorded upon the receipt of the claims advice from the insured based on the number of claims notified by the insured and estimates made by a subsidiary's management. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, the subsidiaries set up additional reserve for incurred but not reported (IBNR) claims using an actuarial method based on a best estimate of claims which are expected to be paid in the future for losses occurring before or as at the reporting date, including both reported and unreported claims, and net of recorded claims.

##### Life insurance contract

Benefits paid under life policies are provided for upon receipt of the claims advices from the insured or in accordance with the conditions of the policy.

#### **4.21 Long-term leases**

Leases that transfer substantially all the risks and rewards of ownership to the Company and its subsidiaries are classified as financial leases. Financial leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to profit or loss in the statement of comprehensive income over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Lease not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Advance payments made under operating leases is recorded as leasehold rights, and then amortise as expenses over the term of the leases on the straight - line basis. Moreover, payments made under operating leases are recognised as expenses over the term of the leases on the straight-line basis.

#### **4.22 Sales of commercial paper**

Subsidiary company which operates in banking business recorded commercial paper with an aval the bank, or without an aval or acceptance which is sold with recourse, as a liability under the caption of "Liabilities under commercial paper sold". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

#### **4.23 Financial derivatives**

The Company and its subsidiaries have entered into derivative financial instruments in order to manage risk of the Company and its subsidiaries and in response to customer needs.

Financial derivative contracts which were originated for trading purposes are recorded as off-balance items. Gains or losses arising from changes in the fair value of the contracts are recognised in part of profit or loss in the statements of comprehensive income. The fair values of the contracts are based on the quoted market prices or the prices bid by brokers. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models, in which the variables used are derived from observable factors.

Other financial derivative contracts (forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts) which are not originated for trading purposes are recorded as off-balance items, and presented on an accrual basis. Foreign currency components are translated at the period-end exchange rate, in the same manner as the hedged items, with unrealised gains or losses on translation recognised as part of profit or loss in the statements of comprehensive income. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets or liabilities, with gains or losses recorded to interest income and interest expense over the terms of the contracts. Receivables and payables under foreign exchange contracts are presented at the net amount in the statements of financial position.

#### **4.24 Related party transactions**

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

They also include associated company and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that give them significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company's and its subsidiaries' operations.

#### **4.25 Impairment of assets**

The Company and its subsidiaries assess at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries realise loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell reflects the amount that the Company and its subsidiaries could obtain at the financial reporting date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In assessing 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.

The Company and its subsidiaries recognise impairment losses as expenses in part of profit or loss in the statement of comprehensive income.

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

#### **4.26 Employee benefits**

a) Short-term employee benefits

The Company and its subsidiaries recognised short-term employee benefits, such as salary, wages, bonuses and contributions to the social security fund, and vacation, as expenses when incurred.

b) Post-employment benefits (Defined contribution plans)

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

c) Post-employment benefits (Defined benefit plans)

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a 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.

#### **4.27 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment transactions outstanding on the financial reporting date have been translated into Baht at the rates ruling at the reporting date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

#### **4.28 Income tax**

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

#### **4.29 Provisions**

Provisions are recognised when the Company and its subsidiaries 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 can be made of the amount of the obligation.

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

The preparation of financial statements in conformity with Thai Financial Reporting Standards 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 from these estimates. Significant accounting judgments and estimates are as follows:

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

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

#### **5.2 Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables**

Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables are intended to adjust the value of loans for probable credit losses. The management uses the BOT's and SEC's regulations regarding the provision of allowance for doubtful accounts and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

### **5.3 Allowance for impairment of investments in securities**

The Company and its subsidiaries review an impairment of investments in securities when indication of impairment exists. The determination of what is indication of impairment requires the management's judgment.

### **5.4 Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercised judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### **5.5 Allowance for impairment of property foreclosed**

The Company and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses the BOT's regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

### **5.6 Land, premises and equipment/Depreciation**

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

In addition, the management is required to review impairment of land, premises and equipment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying amounts. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

## **5.7 Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, requires the management to exercise judgment as to the recoverable amount to be generated by the asset, using the discounted cash flows method, and including the selection of a suitable discount rate in order to determine the present value of that cash flow. The estimated cash flows may differ as a result of competitive forces, or changes in revenue trends, cost structures, and the discount rate, industry circumstances or related market conditions. In addition, the management estimates the useful life of those assets which have finite useful lives and revises such useful lives if there are any changes.

## **5.8 Finance lease/Operating lease**

When entering into lease agreement, the management is required to access and consider the scope of significant risk and rewards of ownership of the leased assets. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases.

## **5.9 Loss sharing from transfer of non-performing loans to TAMC**

In estimating losses arising from the transfer of non-performing loans to the Thai Asset Management Corporation (“TAMC”), the Company and its subsidiaries uses the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from debtors’ collateral value. The management uses judgment in determining the assumptions as to the percentage on the amount expected to be recovered from the debt restructuring agreement, or as to collateral value. The management considers these assumptions to be appropriate given the current available information and current situation.

### **5.10 Unearned premium/Life insurance premium reserve**

Unexpired risk reserve is calculated under an actuarial method, which reflects the best estimate of losses expected to be incurred over the remaining period of the insurance.

Life assurance policy reserve is calculated under an actuarial method, based on the best estimate at that time, which reflects current assumptions or assumption established at inception of the contract. The main assumptions used related to mortality rate, morbidity rate, longevity and discount rates. Such reserve requires the management to exercise judgment in order to reflect the best estimates at that time.

### **5.11 Loss reserve and outstanding claims**

At each reporting date, subsidiaries estimate loss reserves and outstanding claims in 2 parts; loss incurred for which the claims advice has been received from the insured, and loss incurred but not yet reported (IBNR). The IBNR reserve is calculated by using an international standard actuarial method. The main assumptions underlying these techniques relate to historical claims experience, including development of estimates of paid and incurred losses, average costs per claim, and claim numbers. Estimating this reserve requires management to exercise judgment reflecting the best estimates available at that time.

### **5.12 Post-employee benefits under defined benefit plans**

Obligations under the defined benefit plan are determined by using actuarial technique, with the determination made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates, based on their best knowledge of current situation.

### **5.13 Litigation and contingent liabilities**

The Company and its subsidiaries have contingent liabilities as a result of litigation and contingent liabilities as a result of transfer of business and transfer of non-performing assets. The management has used judgment to assess of the results of the litigation case, and in case where they believe that there will be no losses, they will provide no provisions and contingent liabilities.



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

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	7,867	-	7,867	5,492	2,000	7,492
Commercial banks	2,056	14,220	16,276	579	8,518	9,097
Specialised financial institutions	58	7	65	40	8,238	8,278
Other financial institutions	114	24,074	24,188	197	22,618	22,815
<b>Total</b>	<b>10,095</b>	<b>38,301</b>	<b>48,396</b>	<b>6,308</b>	<b>41,374</b>	<b>47,682</b>
Add: Accrued interest receivables	3	20	23	-	11	11
Less: Allowance for doubtful accounts	-	(215)	(215)	-	(193)	(193)
<b>Total domestic items</b>	<b>10,098</b>	<b>38,106</b>	<b>48,204</b>	<b>6,308</b>	<b>41,192</b>	<b>47,500</b>
<b>Foreign</b>						
US Dollar	220	15,890	16,110	1,449	13,470	14,919
Euro	72	-	72	119	-	119
Others	205	106	311	523	103	626
<b>Total</b>	<b>497</b>	<b>15,996</b>	<b>16,493</b>	<b>2,091</b>	<b>13,573</b>	<b>15,664</b>
Add: Accrued interest receivables	-	107	107	-	68	68
<b>Total foreign items</b>	<b>497</b>	<b>16,103</b>	<b>16,600</b>	<b>2,091</b>	<b>13,641</b>	<b>15,732</b>
<b>Total</b>	<b>10,595</b>	<b>54,209</b>	<b>64,804</b>	<b>8,399</b>	<b>54,833</b>	<b>63,232</b>

(Unit: Million Baht)

	Separate financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	255	-	255	75	-	75
Specialised financial institutions	1	-	1	1	-	1
<b>Total domestic items</b>	<b>256</b>	<b>-</b>	<b>256</b>	<b>76</b>	<b>-</b>	<b>76</b>

As at 30 June 2012, the Company had deposits with a subsidiary company of Baht 248 million in the separate financial statements (31 December 2011: Baht 68 million).

## 7. Derivatives

As at 30 June 2012 and 31 December 2011, notional amount, fair value of trading derivatives and the adjustment of accrual basis of hedging derivatives (banking book) classified by type of risk as follows:

(Unit: Million Baht)

Type of risk	Consolidated financial statements					
	30 June 2012			31 December 2011		
	Fair value/Adjustment of accrual basis		Notional amount*	Fair value/Adjustment of accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
<b>Foreign exchange rate</b>						
Derivatives for trading	661	550	112,001	858	820	63,491
Derivatives for banking book	18	927	32,966	-	1,706	31,788
<b>Interest rate</b>						
Derivatives for trading	437	426	66,748	64	60	5,957
Derivatives for banking book	-	-	26,750	-	-	3,967
<b>Foreign exchange rate and interest rate</b>						
Derivatives for trading	23	8	1,658	29	9	2,212
Derivatives for banking book	497	141	11,016	585	291	15,445
<b>Others</b>						
Derivatives for trading	-	-	209	-	-	641
<b>Total</b>	<b>1,636</b>	<b>2,052</b>	<b>251,348</b>	<b>1,536</b>	<b>2,886</b>	<b>123,501</b>

\* Disclosed only in case that the subsidiaries have an obligation to pay

Derivatives for banking book are obligations under contracts which are not held for trading, and are measured on an accrual basis. Gain (loss) on exchange rate at the end of the period is presented under derivative assets/derivative liabilities. Accrued interest receivables (payables) per the contracts are recorded as receivables and payables in other assets/liabilities.

As at 30 June 2012 and 31 December 2011, below are the proportions of trading derivatives transactions classified by counterparty, determined based on notional amount:

Counterparties	Consolidated financial statements	
	30 June 2012	31 December 2011
	Percent	Percent
Financial institutions	92.33	80.01
Third parties	7.67	19.99
Total	100.00	100.00

## 8. Investments

### 8.1 Classified by type of investment

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2012		31 December 2011		30 June 2012		31 December 2011	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Trading securities</b>								
Government and state enterprises securities	9,526	9,413	10,883	10,855	-	-	-	-
Private debt securities	5,522	5,533	4,771	4,758	8	8	7	7
Foreign debt securities	644	648	642	637	-	-	-	-
Domestic marketable equity securities	6	5	38	45	-	-	-	-
	15,698	15,599	16,334	16,295	8	8	7	7
Less: Allowance for change in value	(99)		(39)		-		-	
Net	15,599		16,295		8		7	
<b>Available-for-sale securities</b>								
Government and state enterprises securities	40,557	40,644	40,977	41,103	100	100	100	100
Private debt securities	26,237	26,419	18,409	18,553	647	651	20	20
Foreign debt securities	15,951	16,062	25,515	25,425	-	-	-	-
Domestic marketable equity securities	7,653	8,471	7,752	8,553	257	580	264	565
	90,398	91,596	92,653	93,634	1,004	1,331	384	685
Add: Allowance for change in value	1,198		985		327		301	
Less: Allowance for impairment	-		(4)		-		-	
Net	91,596		93,634		1,331		685	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2012		31 December 2011		30 June 2012		31 December 2011	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Held-to-maturity debt securities</b>								
Government and state enterprises securities	28,982	29,575	28,575	29,434	2,999	2,999	419	419
Private debt securities	5,423	5,498	6,592	6,689	3,636	3,627	3,636	3,625
Foreign debt securities	1,505	1,503	1,500	1,488	-	-	-	-
Investment in receivables purchased	1,573	1,311	1,658	1,352	902	806	929	824
	37,483	37,887	38,325	38,963	7,537	7,432	4,984	4,868
Less: Allowance for impairment	(262)		(306)		(96)		(105)	
Net	37,221		38,019		7,441		4,879	
<b>Other Investment</b>								
Investment in property fund	492		671		-		-	
Domestic non-marketable equity securities	3,935		3,926		163		163	
Foreign non-marketable equity securities	85		84		-		-	
	4,512		4,681		163		163	
Less: Allowance for impairment	(133)		(118)		(77)		(77)	
Net	4,379		4,563		86		86	
<b>Total investment - net</b>	<b>148,795</b>		<b>152,511</b>		<b>8,866</b>		<b>5,657</b>	

## 8.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements										
30 June 2012						31 December 2011				
Maturity						Maturity				
	Less than 1 year	1 - 5 years	Over 5 years	Total		Less than 1 year	1 - 5 years	Over 5 years	Total	
	At call				At call					
<b>Available-for-sale securities</b>										
Government and state enterprises securities										
	-	13,093	26,972	492	40,557	-	20,131	20,828	18	40,977
Private debt securities										
	-	1,177	18,697	6,363	26,237	-	1,557	14,856	1,996	18,409
Foreign debt securities										
	-	8,806	5,877	1,268	15,951	-	19,020	6,495	-	25,515
<b>Total</b>										
	-	23,076	51,546	8,123	82,745	-	40,708	42,179	2,014	84,901
Add: Allowance for change in value										
	-	(11)	286	105	380	-	36	103	41	180
<b>Net</b>										
	-	23,065	51,832	8,228	83,125	-	40,744	42,282	2,055	85,081
<b>Held-to-maturity debt securities</b>										
Government and state enterprises securities										
	-	9,889	13,491	5,602	28,982	-	6,833	15,682	6,060	28,575
Private debt securities										
	-	3,840	1,268	315	5,423	-	3,990	2,288	314	6,592
Foreign debt securities										
	-	1,505	-	-	1,505	-	1,500	-	-	1,500
Investment in receivables <sup>(1)</sup>										
	1,567	1	5	-	1,573	1,646	8	4	-	1,658
<b>Total</b>										
	1,567	15,235	14,764	5,917	37,483	1,646	12,331	17,974	6,374	38,325
Less: Allowance for impairment										
	(262)	-	-	-	(262)	(306)	-	-	-	(306)
<b>Net</b>										
	1,305	15,235	14,764	5,917	37,221	1,340	12,331	17,974	6,374	38,019
<b>Total debt securities</b>										
	1,305	38,300	66,596	14,145	120,346	1,340	53,075	60,256	8,429	123,100

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly default on repayment of principal and interest.

(Unit: Million Baht)

	Separate financial statements									
	30 June 2012					31 December 2011				
	Due within					Due within				
	At call	Less than 1 year	1 - 5 years	Over 5 years	Total	At call	Less than 1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>										
Government and state enterprises securities	-	100	-	-	100	-	100	-	-	100
Private debt securities	-	-	647	-	647	-	-	20	-	20
<b>Total</b>	<b>-</b>	<b>100</b>	<b>647</b>	<b>-</b>	<b>747</b>	<b>-</b>	<b>100</b>	<b>20</b>	<b>-</b>	<b>120</b>
Less: Allowance for impairment	-	-	4	-	4	-	-	-	-	-
<b>Net</b>	<b>-</b>	<b>100</b>	<b>651</b>	<b>-</b>	<b>751</b>	<b>-</b>	<b>100</b>	<b>20</b>	<b>-</b>	<b>120</b>
<b>Held-to-maturity debt securities</b>										
Government and state enterprises securities	-	2,999	-	-	2,999	-	419	-	-	419
Private debt securities	-	-	-	3,636	3,636	-	-	-	3,636	3,636
Investment in receivables <sup>(1)</sup>	902	-	-	-	902	929	-	-	-	929
<b>Total</b>	<b>902</b>	<b>2,999</b>	<b>-</b>	<b>3,636</b>	<b>7,537</b>	<b>929</b>	<b>419</b>	<b>-</b>	<b>3,636</b>	<b>4,984</b>
Less: Allowance for impairment	(96)	-	-	-	(96)	(105)	-	-	-	(105)
<b>Net</b>	<b>806</b>	<b>2,999</b>	<b>-</b>	<b>3,636</b>	<b>7,441</b>	<b>824</b>	<b>419</b>	<b>-</b>	<b>3,636</b>	<b>4,879</b>
<b>Total debt securities</b>	<b>806</b>	<b>3,099</b>	<b>651</b>	<b>3,636</b>	<b>8,192</b>	<b>824</b>	<b>519</b>	<b>20</b>	<b>3,636</b>	<b>4,999</b>

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly default on repayment of principal and interest

**8.3** As at 30 June 2012 and 31 December 2011, a revaluation surplus and a revaluation deficit in the consolidated equity amounting to Baht 13 million and Baht 52 million, respectively, are as a result of the recategorisation of debt securities (31 December 2011: outstanding revaluation surplus amounting to Baht 15 million and outstanding revaluation deficit amounting to Baht 71 million in the consolidated financial statements).

**8.4** As at 30 June 2012 and 31 December 2011, the Company has investments of Baht 3,636 million in perpetual non-cumulative subordinated hybrid bonds (Hybrid Tier I). These debentures are unsecured and non-convertible and will be redeemed only upon the dissolution of Thanachart Bank or when conditions specified are met. The debentures bear interest at a rate equal to the highest rate for a six-month fixed deposit plus 6 percent per annum, payable semi-annually.

**8.5 Investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee**

As at 30 June 2012 and 31 December 2011, investments in companies which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee, but which are not treated as subsidiaries or associated companies, separated by industry as follow:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Manufacturing and commerce	831	843	413	419
Banking and finance sector	1,350	761	-	-
Real estate and construction	21	21	20	20

The investments mentioned above include investments in unit trusts in which the subsidiaries hold not less than 20 percent of the units issued. The subsidiaries do not treat these investments as investments in subsidiaries or associates because the subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by fund managers in accordance with the details of each fund project, and are under the supervision of the SEC. The Company and its subsidiaries therefore record them as available-for-sale or other investments, based on their investment objectives.

Consolidated financial statements				
Securities	30 June 2012		31 December 2011	
	Net book value	Percentage of holding	Net book value	Percentage of holding
	Million Baht	Percent	Million Baht	Percent
The Thai Business Fund 3	46	60.00	144	60.00
Sub Thawee Property Fund	-	-	36	56.00
Business Strategic Fund	278	67.33	278	67.33
Thanachart Long Term Fixed Income Fund	61	27.79	62	27.79
Thanachart Fixed Income FIF 51	-	-	50	22.63
SCB Foreign Fixed Income Fund 1Y22	814	23.53	-	-

## 8.6 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 30 June 2012 and 31 December 2011 can be summarised as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Investments in receivables purchased	1,573	1,658	902	929
Less: Allowance for impairment	(262)	(306)	(96)	(105)
Investments in receivables purchased - net	<u>1,311</u>	<u>1,352</u>	<u>806</u>	<u>824</u>



	30 June 2012				31 December 2011			
	Number	Balance		Yield	Number	Balance		Yield
	of	per	Purchase		of	per	Purchase	
	debtors	agreement	price	debtors	agreement	price		
	Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent	
<b><u>Consolidated financial statements</u></b>								
Total accumulated investments								
in receivables purchased	2,938	33,611	7,845	1.75 - 18.97	2,938	33,611	7,845	1.75 - 18.97
Outstanding investments in								
receivables purchased as at								
the end of the period	674	10,496	1,573		911	11,806	1,658	
<b><u>Separate financial statements</u></b>								
Total accumulated investments								
in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in								
receivables purchased as at								
the end of the period	204	5,046	902		263	5,546	929	

During the six-month period ended 30 June 2012, the Company and its subsidiaries do not enter into debt restructuring agreements with its investments in receivables purchased (2011: the subsidiaries had restructured with 3 debtors, with book balances before restructuring totaling approximately Baht 33 million, by modification of repayment conditions. There were no losses on debt restructuring and had maturity in 2011).

Restructured receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 30 June 2012 and 31 December 2011, there were no outstanding restructured receivables in the investments in receivables purchased account.

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

As at 30 June 2012 and 31 December 2011, investments in securities of the Company and its subsidiaries included investments in securities of companies with having problems relating to financial position and operating results, and including investments in receivables with having problems, summarised below.

Consolidated financial statements							
Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts	
30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<b><u>Investments in receivables purchased</u></b>							
1. Closed financial institutions	7	7	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	3	-	-	3
3. Companies which have loan settlement problems or have defaulted on the repayment	180	215	1,168	1,218	1,753	1,780	193

Separate financial statements							
Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts	
30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<b><u>Investments in receivables purchased</u></b>							
1. Companies which have loan settlement problems or have defaulted on the repayment	71	86	709	714	1,063	1,085	74

## 9. Investments in subsidiary and associated companies

### 9.1 Separate financial statements

As at 30 June 2012 and 31 December 2011, investments in subsidiary companies and an associated company in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following companies:

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements							
		Paid-up share capital		Percentage of holding (Percent)		Value of investment under the cost method		Dividend income for the six-month periods ended	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June	
								2012	2011
<u>Subsidiary companies</u>									
Thanachart Bank Plc.	Commercial bank	55,137	55,137	50.96	50.96	29,056	29,056	983	1,124
NFS Asset Management Co., Ltd.	Asset management	1,000	1,000	100.00	100.00	1,000	1,000	1,000	-
Max Asset Management Co., Ltd.	Asset management	572	572	83.44	83.44	469	469	489	95
NASSET Property Fund 6	Investment in non-performing assets and collection rights	371	395	99.80	99.80	370	395	43	20
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
<u>Associated company</u>									
MBK Plc.	Property rental, hotel and services	1,886	1,886	10.00	10.00	658	658	47	47
Total investments in subsidiary and associated companies						31,589	31,614	2,562	1,286
Less: Allowance for impairment						(16)	(16)		
<b>Total investments in subsidiary and associated companies - net</b>						<b>31,573</b>	<b>31,598</b>		

## 9.2 Consolidated financial statements

As at 30 June 2012 and 31 December 2011, investments in associated companies in the consolidated financial statements, which are recorded under the equity method, consist of investments in ordinary shares of the following companies which operate in Thailand:

Company's name	Paid-up share capital		Percentage of holding		Value of investment				Dividend income for the six-month periods ended		Share of income (loss) for the six-month periods ended	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	Cost method		Equity method		30 June		30 June	
					30 June 2012	31 December 2011	30 June 2012	31 December 2011	2012	2011	2012	2011
MBK Plc. (operating in property rental, hotel and services business)	1,886	1,886	19.90	19.90	948	948	1,742	1,639	94	94	182	127
Siam Samsung Life Insurance Co., Ltd. (operating in life insurance business)	-	500	-	25.00	-	104	-	34	-	-	(25)	(27)
Siam City Insurance Co., Ltd. (disposed during the year 2011)	-	-	-	-	-	-	-	-	-	10	-	(9)
Ratchthani Leasing Plc. (transferred to investment in subsidiary company during the year 2011)	-	-	-	-	-	-	-	-	-	12	-	64
<b>Total investments in associated companies</b>					<b>948</b>	<b>1,052</b>	<b>1,742</b>	<b>1,673</b>	<b>94</b>	<b>116</b>	<b>157</b>	<b>155</b>

The Company and its subsidiaries classified investments in MBK Plc. as investments in an associated company because the Company and its subsidiaries had significant influence in that company.

In March 2012, Siam Samsung Life Insurance Co., Ltd. issued additional shares capital but Thanachart Bank did not exercise its right to purchase such additional shares. As a result, Thanachart Bank's shareholding decreased from 25 percent to 19.23 percent and the status of Siam Samsung Life Insurance Co., Ltd. changed from an associated company to a general investment. The value of the investment on the date of the change is treated as a new cost of investment.

In August 2011, SCIB disposal all investment in common share of Siam City Insurance Co., Ltd. In October 2011, Thanachart Bank received the entire business transfer including shares in Ratchthani Leasing Plc. from SCIB, treating it as investment in an associated company. In November 2011, Thanachart Bank also purchased additional new shares, resulting in Thanachart Bank's shareholding increased from 48.35 percent to 65.18 percent and the status of Ratchthani Leasing Plc. changed from an associated company to a subsidiary company.

- 9.3** During the period 2012, NASSET Property Fund 6 decreased the number of its registered units and returned of Baht 34 million to the Company, based on the net assets value at the declaration date. The Company therefore recorded a gain on capital return of Baht 9 million in the separate financial statement. This gain has been eliminated in the consolidated financial statements.
- 9.4** The consolidated statement of financial position as at 30 June 2012 and 31 December 2011 included Baht 20 million of assets and Baht 0.1 million of liabilities (before eliminated transactions) of Thiravanit Co., Ltd. which registered its dissolution and is currently in the liquidation process. The financial statements of this subsidiary was prepared by its management and was not audited by its auditor.

**9.5 Cash flow information of asset management companies that are subsidiaries**

Cash flow information of asset management companies that are subsidiaries for the six-month periods ended 30 June 2012 and 2011 are as follows:

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2012	2011	2012	2011	2012	2011
<b>Cash flows from operating activities</b>						
Profit before income tax	473	71	260	84	1,631	41
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	(3)	(11)	(8)	(3)	-	-
Loss on impairment of property foreclosed (Reversal)	(40)	2	1	1	4	-
Reversal impairment loss of loans and debt securities	(50)	(43)	-	(8)	(1,621)	-
Others	(2)	3	1	(2)	2	-
	378	22	254	72	16	41
Interest expenses	24	34	-	-	143	-
Interest income	(272)	(20)	(4)	(42)	(259)	(52)
Dividend income	(4)	(7)	-	-	-	-
Cash received from interest	259	20	1	42	259	52
Cash paid for income tax	(43)	(69)	(23)	(10)	(138)	-
Income (expenses) from operating activities before changes in operating assets and liabilities	342	(20)	228	62	21	41
Decrease (increase) in operating assets						
Current investments	707	(455)	12	(165)	-	-
Investments in receivables purchased	-	-	-	5	-	-
Loans to customers	453	96	-	21	2,448	(5,847)
Property foreclosed	348	100	399	32	126	(2,383)
Other assets	3	(17)	1	3	35	(103)
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	(2,650)	-
Other liabilities	(56)	206	(61)	8	(31)	7,407
<b>Net cash flows from (used in) operating activities</b>	<b>1,797</b>	<b>(90)</b>	<b>579</b>	<b>(34)</b>	<b>(51)</b>	<b>(885)</b>
<b>Cash flows from investing activities</b>						
Cash received from disposal of long-term investments	-	98	-	-	-	-
Cash received from interest on investments	-	1	-	-	-	-
Cash received from dividend	4	7	-	-	-	-
<b>Net cash flows from investing activities</b>	<b>4</b>	<b>106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2012	2011	2012	2011	2012	2011
<b>Cash flows from financing activities</b>						
Cash received from issuance of share capital	-	-	-	-	-	2,000
Cash paid for borrowings	(800)	-	-	-	-	-
Cash paid for interest borrowings	(24)	(34)	-	-	(144)	-
Cash paid for dividend	(1,000)	-	(586)	(114)	-	-
<b>Net cash flows from (used in) financing activities</b>	<b>(1,824)</b>	<b>(34)</b>	<b>(586)</b>	<b>(114)</b>	<b>(144)</b>	<b>2,000</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(23)</b>	<b>(18)</b>	<b>(7)</b>	<b>(148)</b>	<b>(195)</b>	<b>1,115</b>
Cash and cash equivalents at beginning of the period	66	85	24	171	872	-
<b>Cash and cash equivalents at end of the period</b>	<b>43</b>	<b>67</b>	<b>17</b>	<b>23</b>	<b>677</b>	<b>1,115</b>

## 9.6 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 31 March 2012 and 30 September 2011 and for the six-month periods ended 31 March 2012 and 2011 are as follows:

						(Unit: Million Baht)			
Paid-up capital		Total assets		Total liabilities		Total income for the six-month periods ended		Profit for the six-month periods ended	
31 March 2012	30 September 2011	31 March 2012	30 September 2011	31 March 2012	30 September 2011	31 March		31 March	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1,886	1,886	27,839	27,409	12,641	13,916	4,571	4,455	895	707

The share of profit of MBK Plc. is determined based on financial statements of MBK Plc. prepared for a different period, as a result of limitations on the availability of information. The financial information used was based on the statements of financial position as at 31 March 2012 and 30 September 2011 and the statements of income for the six-month periods ended 31 March 2012 and 2011 as prepared by the Company's management, with reference to the financial statements as reviewed by its auditor and adjusted for the effect of the differences in accounting policies. The Company's management believes that the profit for the six-month period ended 31 March 2012 is not material different from that profit for the six-month period ended 30 June 2012.

- b) Summarised financial information of Siam Samsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 30 June 2012 and 31 December 2011 and for the six-month periods ended 30 June 2012 and 2011 are as follows:

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income for the six-month periods ended 30 June		Profit (loss) 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	2012	2011	
	Siam Samsung Life Insurance Co., Ltd.	-	500	-	1,989	-	1,854	270	668	(100)	(103)
	Siam City Insurance Co., Ltd.	-	-	-	-	-	-	-	384	-	(5)
	Ratchthani Leasing Plc.	-	-	-	-	-	-	-	525	-	134

Income, profit or loss and share of profit (loss) of investments in associated companies were determined based on the financial statements for the period starting from the date that the Company and/or the subsidiaries invested in such companies, in proportion to the shareholding interest, and until the date of disposal or the date that the status changed.

- 9.7** As at 30 June 2012 and 31 December 2011, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand is as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	MBK Plc.	3,604	3,313	1,810



## 10. Loans to customers and accrued interest receivables

### 10.1 Classified by loan type

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<u>Loans to customers</u>				
Overdrafts	21,438	23,358	-	-
Loans	265,457	272,788	195	198
Notes receivable	53,671	49,975	208	1,008
Hire purchases receivables	374,950	326,115	133	139
Financial leases receivables	1,973	2,084	-	-
Others	265	234	-	-
Less: Deferred revenues	(46,795)	(39,686)	(8)	(8)
Total loans to customers net of deferred revenues	670,959	634,868	528	1,337
Add: Accrued interest receivables	994	980	9	9
Total loans to customers net of deferred revenues and accrued interest receivables	671,953	635,848	537	1,346
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(18,043)	(26,166)	(242)	(259)
- Collective approach	(5,273)	-	-	-
2) Excess provision	(443)	(429)	-	-
Less: Revaluation allowance for debt restructuring	(355)	(386)	-	-
Loans to customers and accrued interest receivables - net	647,839	608,867	295	1,087
<u>Securities business receivables</u>				
Credit balances receivables	2,296	1,926	-	-
Other receivables	310	310	-	-
Total securities business receivables	2,606	2,236	-	-
Less: Allowance for doubtful accounts	(305)	(305)	-	-
Securities business receivables - net	2,301	1,931	-	-
Loans to customers and accrued interest receivables - net	650,140	610,798	295	1,087

## 10.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	654,341	462	654,803	622,859	450	623,309
US Dollar	12,419	5,715	18,134	7,282	5,853	13,135
Other currencies	348	417	765	395	425	820
Total loans to customers	667,108	6,594	673,702	630,536	6,728	637,264
Less: Intercompany gain from gross loans transferred	(137)	-	(137)	(160)	-	(160)
Total*	666,971	6,594	673,565	630,376	6,728	637,104

\* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	30 June 2012			31 December 2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	528	-	528	1,337	-	1,337
Total*	528	-	528	1,337	-	1,337

\* Total loans net of deferred revenues

### 10.3 Classified by type of business and loan classification

(Unit: Million Baht)

Consolidated financial statements								
30 June 2012								
The Company and subsidiary companies which are financial institutions								
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	Subsidiary companies	Consolidated
Agricultural and mining	12,494	26	89	21	276	12,906	4	12,910
Manufacturing and commerce	75,439	2,845	428	2,395	8,709	89,816	76	89,892
Real estate and construction	46,736	1,087	515	630	3,537	52,505	9	52,514
Public utilities and services	57,906	2,703	588	1,258	3,249	65,704	84	65,788
Personal consuming								
Housing loans	56,327	786	307	895	2,766	61,081	-	61,081
Securities business	-	-	-	-	-	-	2,606	2,606
Hire purchase	289,301	17,962	1,487	969	2,811	312,530	15,829	328,359
Others	37,589	917	642	467	2,150	41,765	163	41,928
Others	17,834	13	184	2	589	18,622	2	18,624
<b>Total</b>	<b>593,626</b>	<b>26,339</b>	<b>4,240</b>	<b>6,637</b>	<b>24,087</b>	<b>654,929</b>	<b>18,773</b>	<b>673,702</b>
Less: Intercompany gain from loans transferred								(137)
<b>Total*</b>								<b>673,565</b>

\* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
31 December 2011								
The Company and subsidiary companies which are financial institutions								
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	Subsidiary companies	Consolidated
Agricultural and mining	10,453	27	95	104	165	10,844	4	10,848
Manufacturing and commerce	61,042	4,365	3,363	6,746	6,760	82,276	59	82,335
Real estate and construction	42,755	1,463	590	736	2,719	48,263	12	48,275
Public utilities and services	49,553	3,317	1,009	1,529	3,191	58,599	61	58,660
Personal consuming								
Housing loans	68,656	1,515	560	1,229	1,849	73,809	-	73,809
Securities business	-	-	-	-	-	-	2,236	2,236
Hire purchase	242,022	27,443	664	648	2,371	273,148	13,342	286,490
Others	48,360	2,076	673	763	2,274	54,146	125	54,271
Others	18,927	181	188	14	1,028	20,338	2	20,340
<b>Total</b>	<b>541,768</b>	<b>40,387</b>	<b>7,142</b>	<b>11,769</b>	<b>20,357</b>	<b>621,423</b>	<b>15,841</b>	<b>637,264</b>
Less: Intercompany gain from loans transferred								(160)
<b>Total*</b>								<b>637,104</b>

\* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
30 June 2012						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Non-performing asset management	200	-	-	-	-	200
Manufacturing and commerce	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	2	4	2	-	15	23
Hire purchase	-	-	-	-	125	125
Others	2	-	1	-	174	177
Total*	204	4	3	-	317	528

\* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
31 December 2011						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Non-performing asset management	1,000	-	-	-	-	1,000
Manufacturing and commerce	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	2	-	4	-	16	22
Hire purchase	-	-	-	-	131	131
Others	3	-	-	-	178	181
Total*	1,005	-	4	-	328	1,337

\* Total loans net of deferred revenues

## 10.4 Non-performing loans

As at 30 June 2012 and 31 December 2011, the Company and its subsidiaries (banking, securities and asset management) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Non-performing loans (excluding accrued interest receivables)				
The Company	320	332	320	332
Banking business	20,078	17,989	-	-
Securities business	306	306	-	-
Asset management	14,546	20,918	-	-

The above definition of non-performing loans does not include overdue loans which have been already restructured and are now qualified for classification as normal or special mention debt.

Additionally, the Company and its subsidiaries (banking and securities business) had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
The Company	217	229	217	229
Banking business	18,808	16,579	-	-
Securities business	306	306	-	-

The Company recognises income from loans that were transferred from investment in receivables on a cash basis. Subsidiary companies engaged in the asset management business recognise income from loans on a cash basis.

## 10.5 Debt restructuring

During the six-month periods ended 30 June 2012 and 2011, the Company and its subsidiaries have entered into debt restructuring agreements as follows:

Consolidated financial statements					
For the six-month periods ended 30 June					
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring <sup>(1)</sup>	Outstanding loans balance after restructuring <sup>(1)</sup>	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
<b>2012</b>					
Modification of repayment conditions	13,832	13,538	10,727		
Total	13,832	13,538	10,727		
<b>2011</b>					
Modification of repayment conditions	2,637	2,851	2,851		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	3	299	299	Land and common share	43
Total	2,640	3,150	3,150		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivables)

Separate financial statements					
For the six-month periods ended 30 June					
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring <sup>(1)</sup>	Outstanding loans balance after restructuring <sup>(1)</sup>	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
<b>2012</b>					
Modification of repayment conditions	17	8	8		
Total	17	8	8		
<b>2011</b>					
Modification of repayment conditions	22	4	4		
Total	22	4	4		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivables)

The remaining periods to maturity of receivables which entered into debt restructuring agreements during the six-month periods ended 30 June 2012 and 2011, counting from the end of period are summarised below.

Consolidated financial statements				
For the six-month periods ended 30 June				
Periods	2012		2011	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Past due after restructuring	3,957	3,472	198	114
Due within the year	1,123	1,815	355	56
Less than 5 years	7,445	3,795	1,300	858
5 - 10 years	1,229	1,456	730	1,937
10 - 15 years	35	96	19	123
Over 15 years	43	93	38	62
<b>Total</b>	<b>13,832</b>	<b>10,727</b>	<b>2,640</b>	<b>3,150</b>

Separate financial statements				
For the six-month periods ended 30 June				
Periods	2012		2011	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Due within the year	14	2	21	1
Less than 5 years	1	1	1	3
5 - 10 years	1	1	-	-
10 - 15 years	1	4	-	-
<b>Total</b>	<b>17</b>	<b>8</b>	<b>22</b>	<b>4</b>

Supplemental information for the six-month periods ended 30 June 2012 and 2011 relating to restructured loans is as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Interest incomes recognised in the statements of comprehensive income	1,313	808	9	1
Gain on debt settlement/disposal	42	14	-	-
Gain on assets transferred from debt settlement	-	3	-	-
Loss on debt restructuring (net from allowance for doubtful accounts as previously recorded)	2	21	-	-
Cash repayment from receivables	7,415	2,509	12	3
Properties foreclosed received for debts settlement	217	39	-	-

As at 30 June 2012 and 31 December 2011, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Total number of outstanding receivables		Restructured receivables					
			Number of receivables		Outstanding balances		Outstanding balances, net of 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
	Thousand	Thousand			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	3.4	3.6	59	60	118	120	25	26
Thanachart Bank Plc.	1,533.8	1,378.9	59,580	52,289	26,853	25,803	17,389	9,350
Thanachart Securities Plc.	0.4	0.9	3	3	35	35	35	35
TS Asset Management Co., Ltd.	2.4	2.5	1,598	1,630	10,485	12,978	6,225	5,173
Other subsidiaries	0.6	5.9	214	243	647	1,119	206	245



## 10.6 Hire purchases/Financial leases receivables

As at 30 June 2012 and 31 December 2011, hire purchase/financial lease receivables of the Company and its subsidiaries mostly comprise hire purchase agreements or financial lease agreements for cars and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates.

(Unit: Million Baht)

Consolidated financial statement as at 30 June 2012				
Amounts due under lease agreements				
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	109,543	238,064	29,316	376,923
Less: Unearned finance income	(17,790)	(26,192)	(2,770)	(46,752)
Present value of minimum lease payments receivable	91,753	211,872	26,546	330,171
Allowance for doubtful accounts				(6,581)
Hire purchases/Financial leases receivables – net				323,590

\* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2011				
Amounts due under lease agreements				
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	98,663	218,218	11,317	328,198
Less: Unearned finance income	(15,595)	(23,685)	(515)	(39,795)
Present value of minimum lease payments receivable	83,068	194,533	10,802	288,403
Allowance for doubtful accounts				(5,700)
Hire purchases/Financial leases receivables – net				282,703

\* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 30 June 2012				
Amounts due under lease agreements				
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	133	-	-	133
Less: Unearned finance income	(8)	-	-	(8)
Present value of minimum lease payments receivable	125	-	-	125
Allowance for doubtful accounts				(125)
Hire purchases/Financial leases receivables – net				-

\* Included non-performing receivables

(Unit: Million Baht)

## Separate financial statement as at 31 December 2011

	Amounts due under lease agreements			
	Less than			
	1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	139	-	-	139
Less: Unearned finance income	(8)	-	-	(8)
Present value of minimum lease payments receivable	131	-	-	131
Allowance for doubtful accounts				(131)
Hire purchases/Financial leases receivables – net				-

\* Included non-performing receivables

**10.7 Classified by classification**

As at 30 June 2012 and 31 December 2011, the Company and its financial institution subsidiaries (banking and asset management business) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

Consolidated financial statements <sup>(1)</sup>

	Net balance used in					
	Loans and accrued interest receivables		made allowance for doubtful accounts		Allowance for doubtful accounts	
	30	31	30	31	30	31
	June	December	June	December	June	December
	2012	2011	2012	2011	2012	2011
Normal	594,483	542,595	410,318	201,388	3,995	4,049
Special mention	26,399	40,463	20,587	18,290	1,863	721
Substandard	4,241	7,151	2,382	3,897	2,146	3,897
Doubtful	6,643	11,775	3,389	7,509	3,235	7,509
Doubtful of loss	24,143	20,405	11,636	9,005	11,282	9,209
Total	655,909	622,389	448,312	240,089	22,521	25,385
Additional allowance for possible uncollectability debts					431	417
Total					22,952	25,802

(1) Only the Company and subsidiary companies subject to BOT's regulations; and after deducting intragroup transactions.

(Unit: Million Baht)

	Separate financial statements						
	Loans and accrued interest receivables		Net balance used in made allowance for doubtful accounts		Allowance for doubtful accounts		
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	
	Normal	204	1,005	200	1,000	2	10
	Special mention	4	-	-	-	-	-
	Substandard	3	4	-	-	-	-
Doubtful	-	-	-	-	-	-	
Doubtful of loss	326	337	240	249	240	249	
<b>Total</b>	<b>537</b>	<b>1,346</b>	<b>440</b>	<b>1,249</b>	<b>242</b>	<b>259</b>	

	Percentage of allowance for doubtful account set up			
	Hire purchase receivables - personal consuming for			
	Thanachart Bank		Other loans	
	30 June 2012 <sup>(2)</sup>	31 December 2011	30 June 2012	31 December 2011
	Normal	0.20	1	1
Special mention	3.50	2	2	2
Substandard	84	100	100	100
Doubtful	84	100	100	100
Doubtful of loss	84	100	100	100

(2) These percentages are average percentages used in setting up allowance for doubtful accounts.

Starting from 1 January 2012, Thanachart Bank changed its method of estimating allowance for doubtful debts for hire purchase receivable-personal consuming, from setting allowance aside in accordance with BOT guidelines with reference to the length of overdue period and fixed provisioning rates to using a collective approach, as mentioned in Note 4.7 to the financial statements. This change in accounting estimate resulted in a Baht 1,018 million decrease in doubtful accounts in the statement of comprehensive income for the six-month period ended 30 June 2012.

For other loans, the net balance used in setting allowance for doubtful accounts for loans classified as Normal and Special mention is the principal balance net of deferred revenues, excluding accrued interest receivables, and after deducting collaterals values, while for loans classified as Substandard, Doubtful and Doubtful of loss, it is the principal balance net of deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

In addition, there was widespread flooding in Thailand during July to December 2011. The floods may affect the business of certain debtors. Thanachart Bank has provided support to its customers in accordance with the policy of the BOT by relaxing principal and/or interest payments, extending the repayment schedule, maintaining the status of each debtor as it was before such floods occurred, and not treating the related receivables as non-performing loans. However, the Company and Thanachart Banks' management believe that no further significant damage will be incurred as from such receivables.

## 10.8 Loan to companies which have settlement problems

As at 30 June 2012 and 31 December 2011, loans of the Company and its subsidiaries in the consolidated financial statements and the separate financial statements included debts due from companies with weak financial positions and poor operating results, as follows:

Consolidated financial statements								
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies possible to delisting from the SET	6	7	847	888	66	110	781	790
3. Non-listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	10	9	588	585	332	334	238	236
4. Companies which have loan settlement problems or have defaulted on the repayment	1,415	1,326	19,017	24,966	11,520	12,324	8,759	13,574

  

Separate financial statements								
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment	68	72	102	102	87	85	28	30

## 10.9 Classification of securities business receivables in accordance with the Notification of the Securities and Exchange Commission

As at 30 June 2012 and 31 December 2011, subsidiary companies operating in the securities business classified securities business receivables and accrued interest receivables, in accordance with the Notification of the Securities and Exchange Commission (“SEC”) governing accounting for the non-performing debts of securities companies as follows:

(Unit: Million Baht)

	Receivable balances		Allowance for doubtful accounts		Debt balance net of allowance for doubtful accounts	
	30 June	31 December	30 June	31 December	30 June	31 December
	2012	2011	2012	2011	2012	2011
Normal	2,300	1,930	-	-	2,300	1,930
Substandard	3	3	2	2	1	1
Doubtful	303	303	303	303	-	-
<b>Total</b>	<b>2,606</b>	<b>2,236</b>	<b>305</b>	<b>305</b>	<b>2,301</b>	<b>1,931</b>

Allowance for doubtful accounts for substandard loans set aside by subsidiaries is higher than the minimum amount required by the SEC, and takes into account uncertainties as to collateral value and the risk from collection of such receivables.

## 10.10 Hire purchase receivables/financial lease receivables of subsidiaries classified by aging

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

(Unit: Million Baht)

	30 June	31 December
	2012	2011
Current or overdue not over 90 days	15,378	12,846
Overdue 91 - 365 days	323	363
Overdue more than 1 year	58	66
Debtors under legal actions	244	205
<b>Total</b>	<b>16,003</b>	<b>13,480</b>
Allowance for doubtful accounts provided in the accounts	805	792

**10.11** As at 30 June 2012 and 31 December 2011, the Company has loans to a subsidiary company as follows:

Company's name	Type of credit	Contract period as at 30 June 2012	Interest rate as at 30 June 2012	Outstanding balances	
				30 June 2012	31 December 2011
				Million Baht	Million Baht
<b>Subsidiary company</b>					
NFS Asset Management Co., Ltd.	Promissory note	At call	MLR of Thanachart Bank	200	1,000
Total				200	1,000

## 11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the six-month period ended 30 June 2012									
The Company and a subsidiary company which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the period	4,049	721	3,897	7,509	9,209	417	25,802	1,098	26,900
Increase (decrease) during the period	(54)	1,142	(1,748)	(1,829)	3,353	14	878	29	907
Bad debts recovery	-	-	-	-	205	-	205	4	209
Bad debts written-off	-	-	(3)	(2,445)	(1,036)	-	(3,484)	(19)	(3,503)
Reversal from disposal of loans	-	-	-	-	(449)	-	(449)	-	(449)
Balance - end of the period	3,995	1,863	2,146	3,235	11,282	431	22,952	1,112	24,064

Consolidated financial statements									
For the year ended 31 December 2011									
The Company and a subsidiary company which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	2,179	2,249	3,071	8,283	9,455	707	25,944	1,551	27,495
Allowance for doubtful accounts of subsidiary purchased during the year	-	-	-	-	-	-	-	542	542
Allowance for doubtful accounts of subsidiary disposed during the year	-	-	-	-	-	-	-	(1,022)	(1,022)
Increase (decrease) during the year	1,870	(1,528)	988	(575)	1,586	(290)	2,051	92	2,143
Bad debts recovery	-	-	-	253	161	-	414	10	424
Bad debts written-off	-	-	(20)	(452)	(936)	-	(1,408)	(75)	(1,483)
Reversal from disposal of loans	-	-	(142)	-	(1,057)	-	(1,199)	-	(1,199)
Balance - end of the year	4,049	721	3,897	7,509	9,209	417	25,802	1,098	26,900

(Unit: Million Baht)

Separate financial statements							
For the six-month period ended 30 June 2012							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the period	10	-	-	-	249	-	259
Decrease during the period	(8)	-	-	-	(10)	-	(18)
Bad debts recovery	-	-	-	-	1	-	1
Balance - end of the period	2	-	-	-	240	-	242

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2011							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	10	-	1	4	350	140	505
Decrease during the year	-	-	(1)	(4)	(21)	(140)	(166)
Bad debts recovery	-	-	-	-	5	-	5
Bad debts written-off	-	-	-	-	(3)	-	(3)
Reversal from disposal of loan	-	-	-	-	(82)	-	(82)
Balance - end of the year	10	-	-	-	249	-	259

## 12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended 30 June 2012	For the year ended 31 December 2011	For the six-month period ended 30 June 2012	For the year ended 31 December 2011
Balance - beginning of the period	386	464	-	-
Decrease during the period	(2)	(35)	-	-
Amortised during the period	(29)	(43)	-	-
Balance - end of the period	355	386	-	-

### 13. Classification of assets

As at 30 June 2012 and 31 December 2011, the quality of assets of the Company and its financial institution subsidiaries (banking and asset management business) classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

Consolidated financial statements						
30 June 2012						
	Loans to customers and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	34,283	594,483	-	-	160	628,926
Special mention	-	26,399	-	-	84	26,483
Substandard	-	4,241	-	-	9	4,250
Doubtful	-	6,643	-	-	7	6,650
Doubtful of loss	-	24,143	350	719	344	25,556
<b>Total</b>	<b>34,283</b>	<b>655,909</b>	<b>350</b>	<b>719</b>	<b>604</b>	<b>691,865</b>

(Unit: Million Baht)

Consolidated financial statements						
31 December 2011						
	Loans to customers and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	39,364	542,595	-	-	162	582,121
Special mention	-	40,463	-	-	109	40,572
Substandard	-	7,151	-	-	5	7,156
Doubtful	-	11,775	-	-	4	11,779
Doubtful of loss	-	20,405	523	761	341	22,030
<b>Total</b>	<b>39,364</b>	<b>622,389</b>	<b>523</b>	<b>761</b>	<b>621</b>	<b>663,658</b>



(Unit: Million Baht)

## Separated financial statements

30 June 2012

	Loans to customers and		Investments	Property		Total
	Interbank and money market items	accrued interest receivables		foreclosed	Other assets	
Normal	-	204	-	-	-	204
Special mention	-	4	-	-	-	4
Substandard	-	3	-	-	-	3
Doubtful	-	-	-	-	1	1
Doubtful of loss	-	326	190	447	83	1,046
<b>Total</b>	<b>-</b>	<b>537</b>	<b>190</b>	<b>447</b>	<b>84</b>	<b>1,258</b>

(Unit: Million Baht)

## Separate financial statements

31 December 2011

	Loans to customers and		Investments	Property		Total
	Interbank and money market items	accrued interest receivables		foreclosed	Other assets	
Normal	-	1,005	-	-	-	1,005
Special mention	-	-	-	-	1	1
Substandard	-	4	-	-	1	5
Doubtful	-	-	-	-	-	-
Doubtful of loss	-	337	198	412	83	1,030
<b>Total</b>	<b>-</b>	<b>1,346</b>	<b>198</b>	<b>412</b>	<b>85</b>	<b>2,041</b>

## 14. Property foreclosed

(Unit: Million Baht)

Consolidated financial statements					
For the six-month period ended 30 June 2012					
	Balance - beginning of the period	Additions	Disposals	Change appraiser	Balance - end of the period
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	7,781	27	(904)	342	7,246
Internal appraiser	1,741	1	(30)	(342)	1,370
Movable assets	367	2,108	(1,975)	-	500
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	1,271	16	(239)	434	1,482
Internal appraiser	1,049	1	(96)	(434)	520
Non-used branches					
External appraiser	116	105	(49)	-	172
Total property foreclosed	12,325	2,258	(3,293)	-	11,290
Less: Allowance for impairment	(765)	(214)	256	-	(723)
Property foreclosed - net	11,560	2,044	(3,037)	-	10,567

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions/ Transfers	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	9,238	-	178	(1,208)	(427)	7,781
Internal appraiser	1,532	-	17	(235)	427	1,741
Movable assets	292	4	3,187	(3,116)	-	367
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	1,313	-	116	(80)	(78)	1,271
Internal appraiser	1,138	-	37	(204)	78	1,049
Non-used branches						
External appraiser	168	-	(52)	-	-	116
Total property foreclosed	13,681	4	3,483	(4,843)	-	12,325
Less: Allowance for impairment	(825)	-	(172)	232	-	(765)
Property foreclosed - net	12,856	4	3,311	(4,611)	-	11,560

(Unit: Million Baht)

Separate financial statements					
For the six-month period ended 30 June 2012					
	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	1,336	1	(45)	170	1,462
Internal appraiser	468	-	(30)	(170)	268
Movable assets	2	1	(1)	-	2
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	62	-	(16)	191	237
Internal appraiser	420	-	(19)	(191)	210
Others					
Immovable assets					
External appraiser	30	35	-	-	65
Internal appraiser	101	-	(24)	-	77
Total property foreclosed	2,419	37	(135)	-	2,321
Less: Allowance for impairment	(412)	(51)	16	-	(447)
Property foreclosed - net	2,007	(14)	(119)	-	1,874

(Unit: Million Baht)

Separate financial statements					
For the year ended 31 December 2011					
	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	1,672	13	(86)	(263)	1,336
Internal appraiser	236	-	(31)	263	468
Movable assets	3	2	(3)	-	2
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	136	-	-	(74)	62
Internal appraiser	363	26	(43)	74	420
Others					
Immovable assets					
External appraiser	130	31	(4)	(127)	30
Internal appraiser	-	-	(26)	127	101
Total property foreclosed	2,540	72	(193)	-	2,419
Less: Allowance for impairment	(484)	(17)	89	-	(412)
Property foreclosed - net	2,056	55	(104)	-	2,007

## 15. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2012						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2011	4,707	2,939	4,298	147	146	12,237
Additions	-	-	154	3	135	292
Transfers/disposals	(81)	(29)	(32)	(19)	(39)	(200)
30 June 2012	4,626	2,910	4,420	131	242	12,329
<u>Accumulated depreciation</u>						
31 December 2011	-	461	2,794	72	-	3,327
Transfers/disposals	-	(4)	(67)	(19)	-	(90)
Depreciation for the period	-	71	343	17	-	431
30 June 2012	-	528	3,070	70	-	3,668
<u>Allowance for impairment</u>						
31 December 2011	68	26	1	-	-	95
Increase during the period	-	-	10	-	-	10
30 June 2012	68	26	11	-	-	105
<u>Net book value</u>						
30 June 2012	4,558	2,356	1,339	61	242	8,556
Depreciation charge for the six-month periods ended 30 June						
2011						537
2012						431

(Unit: Million Baht)

## Consolidated financial statements

For the year ended 31 December 2011

	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2010	4,664	2,778	4,245	203	135	12,025
Increase from purchase of subsidiary company	12	37	6	7	-	62
Decrease from disposal of subsidiary companies	-	-	(25)	(1)	-	(26)
Additions	31	10	430	11	327	809
Transfers/disposals	-	114	(358)	(73)	(316)	(633)
31 December 2011	4,707	2,939	4,298	147	146	12,237
<u>Accumulated depreciation</u>						
31 December 2010	-	246	2,578	89	-	2,913
Decrease from disposal of subsidiary companies	-	-	(13)	(1)	-	(14)
Transfers/disposals	-	(6)	(533)	(62)	-	(601)
Depreciation for the year	-	221	762	46	-	1,029
31 December 2011	-	461	2,794	72	-	3,327
<u>Allowance for impairment</u>						
31 December 2010	-	-	1	-	-	1
Decrease from disposal of subsidiary companies	-	-	(1)	-	-	(1)
Increase during the year	68	26	1	-	-	95
31 December 2011	68	26	1	-	-	95
<u>Net book value</u>						
31 December 2011	4,639	2,452	1,503	75	146	8,815

(Unit: Million Baht)

Separate financial statements						
For the six-month period ended 30 June 2012						
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2011	3	62	82	28	-	175
Additions	-	-	1	3	1	5
Transfers/disposals	-	-	-	(1)	-	(1)
30 June 2012	3	62	83	30	1	179
<u>Accumulated depreciation</u>						
31 December 2011	-	31	75	14	-	120
Transfers/disposals	-	-	-	(1)	-	(1)
Depreciation for the period	-	1	2	2	-	5
30 June 2012	-	32	77	15	-	124
<u>Net book value</u>						
30 June 2012	3	30	6	15	1	55
Depreciation charge for the six-month periods ended 30 June						
2011						8
2012						5

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2011						
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2010	15	128	80	29	1	253
Additions	-	-	2	-	-	2
Transfers/disposals	(12)	(66)	-	(1)	(1)	(80)
31 December 2011	3	62	82	28	-	175
<u>Accumulated depreciation</u>						
31 December 2010	-	47	71	11	-	129
Transfers/disposals	-	(21)	(1)	(2)	-	(24)
Depreciation for the year	-	5	5	5	-	15
31 December 2011	-	31	75	14	-	120
<u>Net book value</u>						
31 December 2011	3	31	7	14	-	55

As at 30 June 2012, the Company and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 45 million. In addition, the Company and its subsidiaries have office equipment and vehicles which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss, amounting to approximately Baht 1,662 million (separate financial statements: Baht 15 million and Baht 74 million, respectively).

## 16. Intangible assets

(Unit: Million Baht)

	For the six-month period ended 30 June 2012					Separated financial statements
	Consolidated financial statements					
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
31 December 2011	4,100	1,222	7	180	5,509	8
Additions	-	34	-	72	106	-
Transfers	-	99	-	(99)	-	-
30 June 2012	4,100	1,355	7	153	5,615	8
<u>Accumulated amortisation</u>						
31 December 2011	602	166	7	-	775	8
Amortisation for the period	269	72	-	-	341	-
30 June 2012	871	238	7	-	1,116	8
<u>Allowance for impairment</u>						
31 December 2011	-	25	-	-	25	-
30 June 2012	-	25	-	-	25	-
<u>Net book value</u>						
30 June 2012	3,229	1,092	-	153	4,474	-
Remaining amortisation period						
	8 years	0 - 10 years	1 - 3 years	-		0 - 2 years
Amortisation expenses for the six-month periods ended 30 June						
2011					286	-
2012					341	-

(Unit: Million Baht)

For the year ended 31 December 2011

	Consolidated financial statements					Separated financial statements
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
31 December 2010	4,100	949	7	163	5,219	8
Increase from purchase of a subsidiary company	-	2	-	6	8	-
Decrease from disposal of a subsidiary company	-	(23)	-	-	(23)	-
Additions	-	342	-	233	575	-
Transfers/disposals	-	222	-	(222)	-	-
Written-off	-	(270)	-	-	(270)	-
31 December 2011	4,100	1,222	7	180	5,509	8
<u>Accumulated amortisation</u>						
31 December 2010	137	271	6	-	414	8
Decrease from disposal of a subsidiary company	-	(5)	-	-	(5)	-
Written-off	-	(270)	-	-	(270)	-
Amortisation for the year	465	170	1	-	636	-
31 December 2011	602	166	7	-	775	8
<u>Allowance for impairment</u>						
31 December 2010	-	-	-	-	-	-
Increase during the year	-	27	-	-	27	-
Decrease from disposal of a subsidiary company	-	(2)	-	-	(2)	-
31 December 2011	-	25	-	-	25	-
<u>Net book value</u>						
31 December 2011	3,498	1,031	-	180	4,709	-
Remaining amortisation period	8 years	0 - 10 years	1 - 3 years	-		0 - 2 years

As at 30 June 2012, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 63 million (separate financial statement: Baht 8 million).



## 17. Goodwill

As at 30 June 2012 and 31 December 2011, goodwill stated in the consolidated financial statements are as follows:

	(Unit: Million Baht)	
	30 June 2012	31 December 2011
Goodwill	15,784	15,784
Deferred gain on disposal of investment	(1,664)	(1,803)
Total	<u>14,120</u>	<u>13,981</u>

## 18. Other assets

	(Unit: Million Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Accrued premium insurance income	327	439	-	-
Other receivables	1,570	1,619	87	89
VAT refundable	1,264	57	-	-
Other receivables - VAT paid in advance				
for customers	202	201	1	1
Deposit	280	269	4	4
Estimated insurance claims recoveries	326	264	-	-
Receivable from clearing house	679	25	-	-
Leasehold right	372	413	16	29
Prepaid corporate income tax	1,064	1,048	22	13
Deposit from derivative contracts	148	357	-	-
Suspense amount - Deferred tax arrived				
from business combination	496	537	-	-
Prepaid expenses	424	255	6	5
Others	733	682	34	26
Total	<u>7,885</u>	<u>6,166</u>	<u>170</u>	<u>167</u>
Less: Allowance for impairment	(417)	(404)	(84)	(84)
Other assets - net	<u>7,468</u>	<u>5,762</u>	<u>86</u>	<u>83</u>

## 19. Deposits

### 19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Current	7,939	7,117	-	-
Saving	208,335	169,051	-	-
Promissory notes	-	61	-	-
Certificates of deposit	2	2	-	-
Fixed deposits				
- Less than 6 months	167,940	52,172	-	-
- 6 months and up to 1 year	110,374	133,546	-	-
- Over 1 year	75,697	73,916	-	-
Total deposits	570,287	435,865	-	-

### 19.2 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	570,001	1	570,002	435,621	1	435,622
US Dollar	119	19	138	84	20	104
Other currencies	19	128	147	22	117	139
Total	570,139	148	570,287	435,727	138	435,865

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

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and the FIDF	1	3,040	3,041	-	3,065	3,065
Commercial banks	2,055	18,272	20,327	700	10,033	10,733
Specialised financial institutions	3,150	8,432	11,582	3,100	7,234	10,334
Other financial institutions	8,629	9,076	17,705	17,016	9,704	26,720
<b>Total domestic items</b>	<b>13,835</b>	<b>38,820</b>	<b>52,655</b>	<b>20,816</b>	<b>30,036</b>	<b>50,852</b>
<b>Foreign</b>						
US Dollar	19	14,332	14,351	3	8,599	8,602
Baht currency	296	898	1,194	241	456	697
<b>Total foreign items</b>	<b>315</b>	<b>15,230</b>	<b>15,545</b>	<b>244</b>	<b>9,055</b>	<b>9,299</b>
<b>Total</b>	<b>14,150</b>	<b>54,050</b>	<b>68,200</b>	<b>21,060</b>	<b>39,091</b>	<b>60,151</b>

As at 30 June 2012, interbank and money market items included long-term loans of a subsidiary company amounting Baht 1,024 million, consisting of a loan of Baht 224 million that is repayable in 36 monthly installments from the date of loan drawdown, and another loan of Baht 800 million, repayable within 3 years from the date of loan drawdown. These loans bear interest at fixed interest rate per annum, payable monthly. In addition, the subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio (31 December 2011: including loans of a subsidiary company amounting to Baht 1,054 million).

## 21. Debt issued and borrowings

As at 30 June 2012 and 31 December 2011, the balance of domestic debt issued and borrowings, which stated in Baht, are as follows:

Type of borrowings	Interest rate per annum (as at 30 June 2012)	Maturity year	(Unit: Million Baht)			
			Consolidated financial statements		Separate financial statements	
			30 June 2012	31 December 2011	30 June 2012	31 December 2011
Unsubordinated and unsecured debentures (a - b)	3.35 - 4.90 percent	2013 - 2014	12,000	12,000	12,000	12,000
Unsubordinated and unsecured debentures (c - d)	3.45 - 5.50 percent	2013 - 2016	8,071	-	-	-
Perpetual subordinated hybrid bonds issued under Tier I (e)	8.50 percent	Dissolution	3,494	3,494	-	-
Subordinated hybrid bonds issued under Tier II (f)	5.25 percent	2019 and 2024	5,000	4,996	-	-
Subordinated debentures issued under Tier II (g - j)	5.00 - 6.00 percent	2015 - 2020	22,993	22,997	-	-
Bills of exchange	0.00 - 3.00 percent	Call	88	56	-	-
Bills of exchange	1.00 - 7.20 percent	2012 - 2013	96,048	217,999	-	-
Promissory notes	0.50 - 13.25 percent	Call	1,527	942	-	-
Borrowings – Department of Alternative Energy Development and Efficiency	0.50 percent	2012 - 2017	132	169	-	-
<b>Total debt issued and borrowings</b>			<b>149,353</b>	<b>262,653</b>	<b>12,000</b>	<b>12,000</b>

- (a) On 12 November 2009, the Company issued 9,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2014 and bear interest at fixed rate of 4.90 percent per annum, payable quarterly.
- (b) On 22 January 2010, the Company issued 3,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2013 and bear interest at fixed rate of 3.35 percent per annum, payable quarterly.

- (c) On 27 March 2012, Thanachart Bank issued 2,072,100 units of name registered unsubordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2013 and bear interests at fixed interest rate of 3.45 percent per annum, payable quarterly.
- (d) On 27 April 2012, a subsidiary issued 6,000,000 units of name registered unsubordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. Of these, 2 million units bear interests at fixed interest rate of 4.90 percent per annum and mature in 2014, and 1.5 million units bear interests at fixed interest rate of 5.20 percent per annum and mature in 2015, and another 2.5 million units bear interests at fixed interest rate of 5.50 percent per annum and mature in 2016. All debentures pay interest quarterly.
- (e) On 22 April 2010, Thanachart Bank issued 7,130,000 name registered of perpetual, non-cumulative, subordinated, hybrid Tier 1 bonds, with a face value of Baht 1,000 each, and sold them to two major shareholders of Thanachart Bank. The bonds mature upon dissolution or liquidation of Thanachart Bank. The bonds are unsecured and non-convertible and bear interest at a rate equal to the highest interest rate for a six-month fixed deposit plus 6.00 percent per annum, payable semi-annually. Thanachart Bank has a call option to early redeem the bonds at par if the condition specified are met. The Company has investments in subordinated debentures amounting to Baht 3,636 million.
- (f) On 24 July 2009, Thanachart Bank issued 5,000,000 name registered subordinated hybrid bonds, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. Of these, 3.5 million units mature in 2019 and bear interest at rate of 5.25 percent per annum for the first five years, and 5.50 percent per annum for the sixth to tenth years, while 1.5 million units mature in 2024 and bear interest at rate of 5.25 percent per annum for the first five years, 6.00 percent per annum for the sixth to tenth years and 6.50 percent per annum for the eleventh to fifteenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par and has option to postpone principal and/or interest payment date if the conditions as specified are met.

- (g) On 9 May 2008, Thanachart Bank issued 5,000,000 name registered subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2015 and bear interests at rate of 5.10 percent per annum for the first three years, and 6.00 percent per annum for the fourth to seventh years, payable quarterly.
- (h) On 3 April 2009, Thanachart Bank issued 2,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interest at fixed interest rates of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years, and 6.50 percent per annum for the eighth to tenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (i) On 2 April 2010, Thanachart Bank issued 6,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2020 and bear interests at fixed interest rate of 5.00 percent per annum for the first five years and 5.50 percent per annum for the sixth to tenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (j) On 20 June 2011, Thanachart Bank issued 10,000,000 unsecured subordinated debentures with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interest at fixed interest rates of 6.00 percent per annum until June 2016, and 6.50 percent per annum for the remaining years. Interest is payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met. These debentures were issued to replace SCIB's debentures which were early redeemed in accordance with the BOT stipulations regarding the transfer of the entire business of SCIB.

## 22. Provisions

(Unit: Million Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2012						
	Loss from litigation	Employee benefits	Obligations for off-balance items	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2012	95	1,970	269	383	427	3,144
Increase during the period	83	161	-	-	5	249
Decrease from actual utilised	-	(15)	-	-	(4)	(19)
Reversal of provisions	-	-	(79)	-	-	(79)
As at 30 June 2012	<u>178</u>	<u>2,116</u>	<u>190</u>	<u>383</u>	<u>428</u>	<u>3,295</u>

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011						
	Loss from litigation	Employee benefits	Obligations for off-balance items	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2011	99	2,333	285	383	393	3,493
Increase from purchase of a subsidiary company	-	3	-	-	-	3
Increase during the year	1	364	39	-	91	495
Decrease from disposal of subsidiary companies	(1)	(3)	-	-	-	(4)
Decrease from actual utilised	-	(388)	-	-	(57)	(445)
Reversal of provisions	(4)	(339)	(55)	-	-	(398)
As at 31 December 2011	<u>95</u>	<u>1,970</u>	<u>269</u>	<u>383</u>	<u>427</u>	<u>3,144</u>

(Unit: Million Baht)

	Separate financial statements			
	For the six-month period ended 30 June 2012			
	Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	Total
As at 1 January 2012	9	18	183	210
Increase during the period	-	2	-	2
As at 30 June 2012	9	20	183	212

(Unit: Million Baht)

	Separate financial statements			
	For the year ended 31 December 2011			
	Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	Total
As at 1 January 2011	9	15	183	207
Increase during the year	-	7	-	7
Decrease from actual utilised	-	(1)	-	(1)
Reversal of provisions	-	(3)	-	(3)
As at 31 December 2011	9	18	183	210

### **Employee benefits**

Employee benefits, which is the compensation payable to employees on retirement, which is recognised in profit or loss in the statements of comprehensive income for the six-month periods ended 30 June 2012 and 2011, can be summarised as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Current service cost	91	60	1	3
Interest cost	65	42	1	-
Loss on curtailment	-	(50)	-	-
Total employee benefits	156	52	2	3



The principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

	(Percent per annum)			
	Consolidated financial		Separate financial	
	statements		statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Discount rate	3.50 - 4.09	4.07 - 4.70	4.09	4.09
Future salary increase	3.00 - 7.35	6.00 - 6.50	6.00	6.00
Average turnover rate (depending on age)	0.00 - 42.11	0.00 - 42.11	0.85 - 21.51	0.85 - 21.51

### 23. Insurance contract liabilities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Life policy reserve	30,605	29,831	-	-
Loss reserves and outstanding claims	2,325	3,441	-	-
Unearned premium reserve	2,942	2,659	-	-
Other liabilities under insurance policies	233	223	-	-
Total insurance contract liabilities	<u>36,105</u>	<u>36,154</u>	<u>-</u>	<u>-</u>

From July to December 2011, there was widespread flooding in Thailand. The floods affected parties insured by the subsidiary, and the subsidiary has assessed and recorded the impact of the flood in its financial statements. However, there are inherent uncertainties in the assumptions used by management in preparing the loss reserves, which could affect the amount of claims reserve and claim reserve refundable from reinsurers. The management believes that the losses incurred will not significantly exceed the provisions set aside.

## 24. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Other payables	815	1,158	22	20
Suspense cash received from accounts receivable	496	546	32	39
Reinsurance payable	326	319	-	-
Unearned income	289	328	-	-
Provision for income tax	495	330	-	-
Corporate income tax payable	1,310	2,480	-	-
Accrued expenses	3,813	3,605	32	37
Suspense payables	614	656	-	-
Payables to clearing house	-	306	-	-
Insurance premium received in advance	883	687	-	-
Proceeds from the sales of property foreclosed under contracts	343	428	49	24
Others	1,369	1,440	41	28
Total other liabilities	10,753	12,283	176	148

## 25. Share capital/Treasury share/Retained earnings appropriated for treasury share reserve

During the six-month period ended 30 June 2012, there were no preferred shares converted to the Company's common shares. Therefore, as at 30 June 2012, 13,336 preferred shares remained unconverted. Each preferred share can convert to 1 common share and the conversion right is unconditional and does not expire.

As at 31 December 2011, the Company has 55,324,300 shares of treasury stocks, valued at Baht 387.5 million (at cost). A condition of the treasury stock program was that the shares were to be disposed of within 3 years counting from the end of the buy-back period. As of the end of the program (15 June 2012), the Company had not disposed of the treasury stocks, and therefore wrote off all treasury stocks (55,324,300 shares with a par value of Baht 10) by reducing the registered share capital of the Company by Baht 553,243,000 which was registered with the Ministry of Commerce on 19 June 2012. As a result, the issued and paid up share capital decreased from Baht 13,331,540,030 to Baht 12,778,297,030. The difference between the cost of the treasury stocks and the par value of the common shares, amounting to Baht 166 million, is presented as premium on treasury share in equity. Moreover, the Company cancelled the appropriation of retained earnings as a reserve for treasury share, and returned it to unappropriated retained earnings.

## 26. Other components of equity

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Share premium of a subsidiary</b>	776	776	-	-
<b>Amount by which the value of investment in subsidiary lower than attributable net book value</b>	226	226	-	-
<b>Revaluation surplus on investments</b>				
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	235	195	5	-
Equity instruments	590	576	323	301
Held-to-maturity investments	13	15	-	-
Total	838	786	328	301
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(55)	(128)	(1)	-
Equity instruments	(3)	(7)	-	-
Held-to-maturity investments (reclassified from available-for-sale investment)	(52)	(71)	-	-
Total	(110)	(206)	(1)	-
<b>Total revaluation surplus on investments</b>	728	580	327	301
<b>Share of other comprehensive income of associates (loss)</b>	(8)	(19)	-	-
<b>Total</b>	1,722	1,563	327	301

## 27. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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. Capital funds

The primary objective of the Company and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and preserve the ability to continue their business as going concerns. Moreover, the Company and its subsidiaries have legal requirements and rules specific to their areas of each business regarding maintenance of capital funds, liquidity and other matters.

In compliance with the Notification of BOT Re: Consolidated Supervision, the Company has to disclose qualitative and quantitative information about the capital requirements of the Company and its subsidiaries in the financial group (Full Consolidation). The BOT granted a waiver for the Company to indirectly hold more shares of SCIB than permitted by law through Thanachart Bank, for the purposes of the business transfer. The BOT also permitted the Company not to include SCIB into the financial group until the date of completion of liquidation. The Company and its subsidiaries will disclose capital requirement information as at 30 June 2012 on its website at [www.thanachart.co.th](http://www.thanachart.co.th), within October 2012. Moreover, the Company and its subsidiaries had disclosed capital maintenance as at 31 December 2011 on its website since April 2012.

## 29. Dividends

During the six-month periods ended 30 June 2012 and 2011, the Company has dividend payment as below.

<u>Dividends</u>	<u>Approved by</u>	<u>Dividend payment</u>	<u>Dividend per share</u>	<u>Payment date</u>
		Million Baht	Baht	
Dividend on earnings for the second half-year of 2011	The Annual General Meeting of shareholders on 5 April 2012	<u>894</u>	<u>0.70</u>	30 April 2012
Dividend on earnings for the second half-year of 2010	The Annual General Meeting of shareholders on 8 April 2011	<u>894</u>	<u>0.70</u>	3 May 2011

### 30. Interest income

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

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Interbank and money market items	514	387	1	1
Investments and trading transactions	122	32	-	-
Investments in debt securities	1,157	1,008	95	87
Loans to customers	5,450	5,133	15	19
Hire purchase and financial lease income	5,081	4,188	-	-
<b>Total interest income</b>	<b>12,324</b>	<b>10,748</b>	<b>111</b>	<b>107</b>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Interbank and money market items	1,046	760	1	1
Investments and trading transactions	247	52	-	-
Investments in debt securities	2,318	1,945	178	160
Loans to customers	10,708	9,970	35	36
Hire purchase and financial lease income	9,724	8,188	-	2
<b>Total interest income</b>	<b>24,043</b>	<b>20,915</b>	<b>214</b>	<b>199</b>

### 31. Interest expenses

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

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Deposits	3,177	1,919	-	-
Interbank and money market items	430	208	-	-
Contribution fee to the Deposit Protection Agency	21	474	-	-
Contribution fee to the Financial Institutions Development Fund	701	-	-	-
Debts issued and borrowings				
- Subordinated debentures	474	456	-	-
- Unsubordinated debentures	209	154	135	154
- Others	1,141	1,218	-	-
Borrowings cost	7	1	1	1
<b>Total interest expenses</b>	<b>6,160</b>	<b>4,430</b>	<b>136</b>	<b>155</b>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Deposits	5,823	3,831	-	-
Interbank and money market items	801	394	-	-
Contribution fee to the Deposit Protection Agency	169	1,004	-	-
Contribution fee to the Financial Institutions Development Fund	1,160	-	-	-
Debts issued and borrowings				
- Subordinated debentures	947	899	-	-
- Unsubordinated debentures	344	306	270	308
- Others	3,020	1,886	-	-
Borrowings cost	9	2	1	1
<b>Total interest expenses</b>	<b>12,273</b>	<b>8,322</b>	<b>271</b>	<b>309</b>

### 32. Fees and service income

Fees and service income for the three-month and six-month periods ended 30 June 2012 and 2011 consists of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Fees and service income				
Acceptance, aval and guarantees	72	59	-	-
Brokerage fee from securities/ derivatives	269	284	-	-
Hire purchase fee income	279	231	1	3
Credit card fee	169	134	-	-
ATM and electronic banking services	177	198	-	-
Insurance brokerage fee income	55	43	-	-
Others	363	303	7	1
Total fees and service income	1,384	1,252	8	4
Fees and service expenses	(362)	(321)	(1)	(2)
Net fees and service income	1,022	931	7	2

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Fees and service income				
Acceptance, aval and guarantees	162	125	-	-
Brokerage fee from securities/ derivatives	563	579	-	-
Hire purchase fee income	542	464	2	6
Credit card fee	346	276	-	-
ATM and electronic banking services	361	405	-	-
Insurance brokerage fee income	126	112	-	-
Others	624	613	7	1
Total fees and service income	2,724	2,574	9	7
Fees and service expenses	(731)	(656)	(1)	(3)
Net fees and service income	1,993	1,918	8	4

### 33. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the three-month and six-month periods ended 30 June 2012 and 2011 consists of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Foreign exchange and derivatives				
relating to foreign exchange	146	196	-	-
Foreign exchange and derivatives				
relating to interest rate	-	1	-	-
Debt securities	224	13	-	-
Equity securities	1	2	-	-
Others	(3)	(2)	-	-
<b>Total</b>	<b>368</b>	<b>210</b>	<b>-</b>	<b>-</b>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Foreign exchange and derivatives				
relating to foreign exchange	309	423	-	-
Foreign exchange and derivatives				
relating to interest rate	-	1	-	-
Debt securities	(32)	31	-	-
Equity securities	(2)	(5)	-	-
Others	3	-	-	-
<b>Total</b>	<b>278</b>	<b>450</b>	<b>-</b>	<b>-</b>



### 34. Gains on investments

Gains on investments for the three-month and six-month periods ended 30 June 2012 and 2011 consists of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Gains (losses) on disposal				
Available-for-sale securities	165	8	-	1
Other investments	(13)	2	-	-
Investments in subsidiaries	70	212	-	-
Gains on the capital returned	-	-	9	7
Gains on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	14	16	10	9
Losses from impairment of investments	(14)	(34)	-	-
Losses on price adjustments on loans sold to TAMC	-	(1)	-	-
<b>Total</b>	<b>222</b>	<b>203</b>	<b>19</b>	<b>17</b>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Gains (losses) on disposal				
Available-for-sale securities	311	34	1	1
Other investments	(13)	(1)	-	-
Investments in subsidiaries	139	212	-	-
Gains on the capital returned	-	-	9	7
Gains on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	25	35	13	19
Losses from impairment of investments	(12)	(40)	-	-
Losses on price adjustments on loans sold to TAMC	-	(1)	-	-
<b>Total</b>	<b>450</b>	<b>239</b>	<b>23</b>	<b>27</b>

### 35. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to approximately Baht 31 million (separate financial statement: Baht 15 million) to the Company and its subsidiaries' directors, which was approved by the Annual General Meeting of Shareholders of the Company and its subsidiaries.

### 36. Impairment loss of loans and debt securities (reversal)

Impairment loss of loans and debt securities for the three-month and six-month periods ended 30 June 2012 and 2011 consists of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2012	2011	2012	2011
Bad debt and doubtful accounts				
Interbank and money market items	4	9	-	-
Loans to customers (reversal)	481	933	(11)	(145)
Amortisation of revaluation allowance for debts restructured during the period	2	(1)	-	-
Reversal of loss from debt restructuring	(2)	(54)	-	-
Loss from impairment of investments in receivables purchased (reversal)	3	(18)	2	(10)
Total (reversal)	<u>488</u>	<u>869</u>	<u>(9)</u>	<u>(155)</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2012	2011	2012	2011
Bad debt and doubtful accounts				
Interbank and money market items (reversal)	22	(4)	-	-
Loans to customers (reversal)	907	1,671	(18)	(154)
Amortisation of revaluation allowance for debts restructured during the period	(29)	(3)	-	-
Loss from debt restructuring (reversal)	2	(54)	-	-
Loss from impairment of investments in receivables purchased (reversal)	2	(21)	2	(11)
Total (reversal)	<u>904</u>	<u>1,589</u>	<u>(16)</u>	<u>(165)</u>

### 37. Income tax

Corporate income tax was calculated on profit for the period, multiplied by the average tax rate for the year, which was determined based on tax payable on estimated income for the year, after adding back and deducting with expenses and provisions which are disallowable for tax computation purposes and deducting income which is exempted for tax computation purposes.

The Company has no corporate income tax for the three-month and six-month periods ended 30 June 2012 and 2011 since after adding back and deducting income and/or expenses which are disallowed for tax computation purposes, there is a net loss.

### 38. Components of other comprehensive income

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

	(Unit: Million Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Other comprehensive income</b>				
Available-for-sale securities				
Unrealised gains (losses) during the period	696	(163)	39	34
Reclassification of adjustment for realised gains/losses that included in profit or loss	(165)	(8)	-	(1)
	531	(171)	39	33
Share of other comprehensive income in associated companies	6	3	-	-
Other comprehensive income for the period (loss)	537	(168)	39	33

	(Unit: Million Baht)			
	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Other comprehensive income</b>				
Available-for-sale securities				
Unrealised gains (losses) during the period	561	(308)	28	48
Reclassification of adjustment for realised gains/losses that included in profit or loss	(311)	(34)	(1)	(1)
	250	(342)	27	47
Share of other comprehensive income in associated companies	15	12	-	-
Other comprehensive income for the period (loss)	265	(330)	27	47

### 39. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period, netting of treasury shares held by the Company.

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the total sum of the weighted average number of common shares outstanding during the period, netting of treasury shares held by the Company, plus the weighted average number of common shares that would be required to be issued to convert all potential common shares to common shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential common shares were issued.

Consolidated financial statements						
For the three-month periods ended 30 June						
Profit for the period		Weighted average number of common shares		Earnings per share		
2012	2011	2012	2011	2012	2011	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
<b>Basic earnings per share</b>						
Profit attributable to the Company	1,709,371	1,582,823	1,277,817	1,277,814	1.34	1.24
<b>Effect of dilutive securities</b>						
Preference shares convertible to common shares	-	-	13	16		
<b>Diluted earnings per share</b>						
Profit of common shareholders assuming conversion of dilutive securities	<u>1,709,371</u>	<u>1,582,823</u>	<u>1,277,830</u>	<u>1,277,830</u>	<u>1.34</u>	<u>1.24</u>

Consolidated financial statements

For the six-month periods ended 30 June

	Profit for the period		Weighted average number of common shares		Earnings per share	
	2012	2011	2012	2011	2012	2011
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Profit attributable to the Company	2,902,751	2,727,091	1,277,817	1,277,814	2.27	2.13
<b>Effect of dilutive securities</b>						
Preference shares convertible to common shares	-	-	13	16		
<b>Diluted earnings per share</b>						
Profit of common shareholders assuming conversion of dilutive securities	2,902,751	2,727,091	1,277,830	1,277,830	2.27	2.13

Separate financial statements

For the three-month periods ended 30 June

	Profit for the period		Weighted average number of common shares		Earnings per share	
	2012	2011	2012	2011	2012	2011
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Profit attributable to the Company	2,527,426	1,251,052	1,277,817	1,277,814	1.98	0.98
<b>Effect of dilutive securities</b>						
Preference shares convertible to common shares	-	-	13	16		
<b>Diluted earnings per share</b>						
Profit of common shareholders assuming conversion of dilutive securities	2,527,426	1,251,052	1,277,830	1,277,830	1.98	0.98

Separate financial statements						
For the six-month periods ended 30 June						
	Profit for the period		Weighted average number of common shares		Earnings per share	
	2012	2011	2012	2011	2012	2011
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Profit attributable to the Company	2,679,724	1,379,893	1,277,817	1,277,814	2.10	1.08
<b>Effect of dilutive securities</b>						
Preference shares convertible to common shares	-	-	13	16		
<b>Diluted earnings per share</b>						
Profit of common shareholders assuming conversion of dilutive securities	<u>2,679,724</u>	<u>1,379,893</u>	<u>1,277,830</u>	<u>1,277,830</u>	<u>2.10</u>	<u>1.08</u>

#### 40. Provident fund

The Company, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 3 -10 percent of their basic salaries, and the Company and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the six-month period ended 30 June 2012, approximately Baht 214 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 3 million).

## 41. Related party transactions

During the periods, the Company and its subsidiaries 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 Company and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	For the three-month periods ended 30 June				Pricing policies (For the period 2012)
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
<b>Subsidiary companies</b>					
Purchase of investments in debt securities	-	-	9,788	6,434	At market prices
Sales of investments in debt securities	-	-	-	99	
Returned capital from a subsidiary company (2012: gain by Baht 9 million 2011: gain by Baht 6 million)	-	-	34	31	At the net assets value
Interest income from loans	-	-	6	17	At interest rate of Thanachart Bank's MLR
Interest income from cash deposit at banks	-	-	1	1	At interest rate of 0.75 - 1.50 percent per annum
Interest income from investments in debt securities	-	-	77	76	At interest rate of 5.00 - 5.25 and 8.50 percent per annum
Dividend income	-	-	2,389	1,124	As declared
Rental and other service income	-	-	43	40	At the rate agreed under the contract
Other expenses	-	-	2	8	
<b>Associated companies</b>					
Interest income	-	107	-	-	
Other income	-	2	-	-	
Interest expenses	17	24	-	-	At interest rate of 0.75 - 5.25 percent per annum
Dividend payment	-	-	91	91	As declared
Other expenses	3	13	7	7	
<b>Related companies</b>					
Sales of investments in debt securities	4	4	-	-	At market prices
Purchases/Sales of forward exchange contracts (2012: loss by Baht 36 million 2011: gain by Baht 32 million)	116,998	66,515	-	-	At market prices
Interest income	70	162	-	-	At interest rate of 2.45 - 8.00 percent per annum
Dividend income	8	12	4	12	As declared

(Unit: Million Baht)

	For the three-month periods ended 30 June				Pricing policies (For the period 2012)
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
<b>Related companies (continued)</b>					
Insurance/Life insurance income	34	-	-	-	At the rate agreed under the contract
Other income	4	8	-	-	
Dividend payment	851	1,081	-	-	As declared
Interest expenses	105	123	-	1	At interest rate of 0.34 - 6.00 and 8.60 percent per annum
Project management expenses	15	16	8	6	At the contract price calculated by reference to estimated usage time
Insurance/Life insurance expenses	-	2	-	-	
Other expenses	45	34	-	1	

(Unit: Million Baht)

	For the six-month periods ended 30 June				Pricing Policies (For the period 2012)
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
<b>Subsidiary companies</b>					
Purchase of investments in debt securities	-	-	11,355	10,745	At market prices
Sales of investments in debt securities	-	-	50	109	At market prices
Sales of operating assets (2011: gain by Baht 4 million)	-	-	-	5	
Returned capital from a subsidiary company (2012: gain by Baht 9 million 2011: gain by Baht 6 million)	-	-	34	31	At the net assets value
Interest income from loans	-	-	24	34	At interest rate of Thanachart Bank's MLR
Interest income from cash deposit at banks	-	-	1	1	At interest rate of 0.75 - 1.50 percent per annum
Interest income from investments in debt securities	-	-	155	142	At interest rate of 5.00 - 5.25 and 8.50 - 8.60 percent per annum
Dividend income	-	-	2,515	1,239	As declared
Rental and other service income	-	-	85	88	At the rate agreed under the contract
Other expenses	-	-	9	16	



(Unit: Million Baht)

	For the six-month periods ended 30 June				Pricing Policies (For the period 2012)
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
<b>Associated companies</b>					
Purchase of investments in debt securities	-	80	-	-	
Sales of investment in debt securities	270	324	-	-	At market prices
Interest income	-	168	-	-	
Dividend income	-	-	47	47	As declared
Other income	-	6	-	-	
Interest expenses	37	42	-	-	At interest rate of 0.75 - 5.25 percent per annum
Dividend payment	-	-	91	91	As declared
Other expenses	17	28	15	14	
<b>Related companies</b>					
Purchase of investments in debt securities	-	903	-	-	
Sales of investments in debt securities	297	449	-	-	At market prices
Purchase/Sales of forward exchange contracts (2012: loss by Baht 1 million 2011: loss by Baht 25 million)	255,491	245,527	-	-	At market prices
Interest income	172	333	-	-	At interest rate of 2.45 - 8.00 percent per annum
Dividend income	30	12	17	12	As declared
Other income	8	16	-	-	
Dividend payment	851	1,113	-	-	As declared
Interest expenses	206	210	-	2	At interest rate of 0.285 - 6.00 and 8.60 percent per annum
Project management expenses	33	31	14	13	At the contract price calculated by reference to estimated usage time
Insurance/Life insurance expenses	24	10	-	-	At the rate agreed under the contract
Other expenses	85	67	1	2	

In addition to the transactions mentioned above, during the six-month period ended 30 June 2011, SCIB transferred non-performing loans amounting to Baht 9,062 million and properties foreclosed amounting to Baht 3,083 million to TS Asset Management Co., Ltd, a subsidiary company. The transfer prices were mutually agreed with reference to what in the opinions of financial advisors were fair values.

The significant outstanding balances of the above transactions during the six-month periods ended 30 June 2012 and 2011 are below shown at the average month end balance.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	119	174
Loans to customers	-	-	643	1,000
Interbank and money market items (liabilities)	-	-	-	1
Debts issued and borrowings	-	-	-	47
<u>Associated companies</u>				
Loans to customers	-	7,118	-	-
Deposits	116	380	-	-
Debts issued and borrowings	1,640	2,750	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	454	2,397	-	15
Loans to customers	9,795	19,364	-	-
Deposits	1,115	1,328	-	-
Interbank and money market items (liabilities)	9,955	7,742	-	-
Debts issued and borrowings	4,319	7,763	-	86

As at 30 June 2012 and 31 December 2011, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

	Consolidated financial statements								
	30 June 2012								
	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
<b>Associated companies</b>									
MBK Plc.	-	-	-	10	123	-	1,590	16	-
<b>Related companies</b>									
Seacon Development Plc.	-	-	738	1	-	-	-	-	-
Thai Hua Rubber Plc.	-	-	2,057	-	358	-	-	1	-
Synphaet Co., Ltd.	-	-	781	-	11	-	-	1	-
The Bank of Nova Scotia	208	-	-	26	-	12,097	3,494	96	7,168
Krungthai Card Plc.	-	-	3,000	-	7	-	-	-	-
Srithai Superware Plc.	-	-	838	-	34	-	-	-	-
Other related companies	-	-	1,156	183	827	48	400	93	-
	<u>208</u>	<u>-</u>	<u>8,570</u>	<u>220</u>	<u>1,360</u>	<u>12,145</u>	<u>5,484</u>	<u>207</u>	<u>7,168</u>

(Unit: Million Baht)

## Consolidated financial statements

31 December 2011

	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowing s	Other liabilities	Commitment s
<b>Associated companies</b>									
MBK Plc.	-	-	-	10	93	-	1,500	20	-
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	26	-	100	-	-
<b>Related companies</b>									
Seacon Development Plc.	-	-	591	1	-	-	-	-	-
Thai Hua Rubber Plc.	-	-	1,993	-	195	-	150	1	10
Synphaet Co., Ltd.	-	-	796	-	9	-	-	-	-
The Bank of Nova Scotia	1,123	-	-	25	-	7,933	3,494	102	2,580
Srithai Superware Plc.	-	-	577	-	15	-	-	-	76
Krungthai Card Plc.	-	582	3,533	-	7	-	-	-	-
Chaimongkol Refinery Co., Ltd.	-	-	2,471	-	-	-	-	-	3
Other related companies	-	-	1,325	194	744	35	932	318	306
	<u>1,123</u>	<u>582</u>	<u>11,286</u>	<u>230</u>	<u>1,089</u>	<u>7,968</u>	<u>6,176</u>	<u>441</u>	<u>2,975</u>

(Unit: Million Baht)

## Separate financial statements

30 June 2012

	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
<b>Subsidiary companies</b>									
Thanachart Bank Plc.	248	3,644	-	83	-	-	-	619	-
NFS Asset Management Co., Ltd.	-	-	200	4	-	-	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	-	18	-
Other subsidiary companies	-	-	-	3	-	-	-	5	-
<b>Associated company</b>									
MBK Plc.	-	-	-	1	-	-	-	5	-
<b>Related companies</b>									
Other related companies	-	-	-	-	-	-	-	1	-
	<u>248</u>	<u>3,644</u>	<u>200</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>648</u>	<u>-</u>

(Unit: Million Baht)

Separate financial statements									
31 December 2011									
	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
<b>Subsidiary companies</b>									
Thanachart Bank Plc.	68	3,643	-	86	-	-	-	19	-
NFS Asset Management Co., Ltd.	-	-	1,000	1	-	-	-	-	-
Thanachart Securities Plc.	-	-	-	3	-	-	-	5	-
Thanachart Insurance Co., Ltd.	-	-	-	1	-	-	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	-	17	-
<b>Associated company</b>									
MBK Plc.	-	-	-	1	-	-	-	9	-
	<u>68</u>	<u>3,643</u>	<u>1,000</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>

As at 30 June 2012 and 31 December 2011, the Company has loan to subsidiary as described in note 10.11 to the financial statements.

As at 30 June 2012, the Company and its subsidiaries have investments amounting to Baht 1,133 million (Baht 463 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (31 December 2011: Baht 1,172 million in the consolidated financial statements and Baht 469 million in the separate financial statements).

As at 30 June 2012 and 31 December 2011, the Company and its subsidiaries have the following related parties transactions with executive employees of the Company and companies within Thanachart Group from management level up, including related persons who together with these employees:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>30 June 2012</u>	<u>31 December 2011</u>	<u>30 June 2012</u>	<u>31 December 2011</u>
Loans	45	49	-	-
Deposits	778	535	-	-

## Directors and management's remuneration

During the three-month and six-month periods ended 30 June 2012 and 2011, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	184	161	35	33
Post-employment benefits	4	26	-	1
	<u>188</u>	<u>187</u>	<u>35</u>	<u>34</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	308	311	52	49
Post-employment benefits	8	26	1	1
	<u>316</u>	<u>337</u>	<u>53</u>	<u>50</u>

## **42. Financial information by segment**

### **42.1 Financial position and results of operations classified by business transaction**

The financial position as at 30 June 2012 and 31 December 2011, and the results of operations for the three-month and the six-month periods ended 30 June 2012 and 2011, classified by domestic and foreign operations, are as follow:

(Unit: Million Baht)

	Consolidated financial statements			
	30 June 2012			
	Domestic	Foreign	Eliminations	Total
operations	Operations			
Total assets	991,743	16,858	(79,659)	928,942
Interbank and money market items (assets)	72,440	13,634	(21,270)	64,804
Investments	149,495	3,205	(3,905)	148,795
Investments in subsidiary and associated companies	43,594	-	(41,852)	1,742
Loans to customers and accrued interest receivables	660,433	-	(10,293)	650,140
Deposits	573,826	-	(3,539)	570,287
Interbank and money market items (liabilities)	78,754	16,844	(27,398)	68,200
Debt issued and borrowings	153,447	-	(4,094)	149,353

(Unit: Million Baht)

Consolidated financial statements				
31 December 2011				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Total assets	1,032,972	15,245	(153,060)	895,157
Interbank and money market items (assets)	106,848	8,066	(51,682)	63,232
Investments	153,026	7,132	(7,647)	152,511
Investments in subsidiary and associated companies	74,150	-	(72,477)	1,673
Loans to customers and accrued interest receivables	630,228	-	(19,430)	610,798
Deposits	471,618	-	(35,753)	435,865
Interbank and money market items (liabilities)	78,910	15,010	(33,769)	60,151
Debt issued and borrowings	271,446	-	(8,793)	262,653

(Unit: Million Baht)

Consolidated financial statements				
For the three-month period ended 30 June 2012				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	12,566	39	(281)	12,324
Interest expenses	(6,407)	(23)	270	(6,160)
Net interest income	6,159	16	(11)	6,164
Net fee and service income	1,411	-	(389)	1,022
Net insurance/Life insurance income	711	-	89	800
Other operating income	4,513	-	(2,937)	1,576
Other operating expenses	(5,727)	-	188	(5,539)
Impairment loss of loans and debt securities	(393)	-	(95)	(488)
Income tax	(654)	-	(94)	(748)
Income before non-controlling interests	6,020	16	(3,249)	2,787

(Unit: Million Baht)

## Consolidated financial statements

For the three-month period ended 30 June 2011

	Domestic operations	Foreign operations	Eliminations	Total
Interest income	11,034	58	(344)	10,748
Interest expenses	(4,715)	(9)	294	(4,430)
Net interest income	6,319	49	(50)	6,318
Net fee and service income (losses)	1,261	(1)	(329)	931
Net insurance/Life insurance income	434	-	299	733
Other operating income	6,261	10	(5,218)	1,053
Other operating expenses	(5,167)	-	149	(5,018)
Impairment loss of loans and debt securities	(825)	-	(44)	(869)
Income tax	(357)	-	(58)	(415)
Income before non-controlling interests	7,926	58	(5,251)	2,733

(Unit: Million Baht)

## Consolidated financial statements

For the six-month period ended 30 June 2012

	Domestic operations	Foreign operations	Eliminations	Total
Interest income	24,739	83	(779)	24,043
Interest expenses	(12,987)	(41)	755	(12,273)
Net interest income	11,752	42	(24)	11,770
Net fee and service income	2,727	-	(734)	1,993
Net insurance/Life insurance income	1,685	-	412	2,097
Other operating income	5,687	8	(3,233)	2,462
Other operating expenses	(11,458)	-	398	(11,060)
Impairment loss of loans and debt securities	(821)	-	(83)	(904)
Income tax	(1,345)	-	(115)	(1,460)
Income before non-controlling interests	8,227	50	(3,379)	4,898

(Unit: Million Baht)

Consolidated financial statements				
For the six-month period ended 30 June 2011				
	Domestic	Foreign		
	operations	Operations	Eliminations	Total
Interest income	21,407	125	(617)	20,915
Interest expenses	(8,784)	(19)	481	(8,322)
Net interest income	12,623	106	(136)	12,593
Net fee and service income (losses)	2,538	(2)	(618)	1,918
Net insurance/Life insurance income	796	-	563	1,359
Other operating income	7,694	46	(5,682)	2,058
Other operating expenses	(10,132)	-	247	(9,885)
Impairment loss of loans and debt securities	(1,643)	-	54	(1,589)
Income tax	(1,428)	-	(58)	(1,486)
Income before non-controlling interests	10,448	150	(5,630)	4,968

The financial position as at 30 June 2012 and 31 December 2011 and the results of operations for the three-month and six-month periods ended 30 June 2012 and 2011, per separate financial statements, are the result of domestic operations only.

## 42.2 Financial positions and results of operations classified by business type

The Company and its subsidiaries' business operations involve 6 principal segments: (1) Company; (2) Banking business; (3) Asset management; (4) Securities business; (5) Life insurance business; and (6) Non-life insurance business. Below is the consolidated financial information of the Company and its subsidiaries by segment.

(Unit: Million Baht)

For the three-month period ended 30 June 2012									
	The	Banking	Asset	Securities	Life	Non-life	Other	Eliminations	Consolidated
	Company	business	management	business	insurance	insurance	business		
Interest income	111	11,308	364	50	352	43	354	(258)	12,324
Interest expenses	(136)	(6,029)	(69)	(5)	-	-	(168)	247	(6,160)
Net interest income	(25)	5,279	295	45	352	43	186	(11)	6,164
Net fee and service									
income (losses)	7	892	2	440	(3)	(1)	74	(389)	1,022
Net insurance income	-	-	-	-	439	272	-	89	800
Other operating income	2,626	1,181	291	8	284	28	95	(2,937)	1,576
Other operating									
expenses	(90)	(4,858)	(97)	(287)	(110)	(166)	(119)	188	(5,539)
Impairment loss of									
loans and debt									
securities	9	(925)	559	-	-	-	(36)	(95)	(488)
Income tax	-	(198)	(223)	(48)	(86)	(61)	(38)	(94)	(748)
Income before									
non-controlling interest	2,527	1,371	827	158	876	115	162	(3,249)	2,787





(Unit: Million Baht)

For the three-month period ended 30 June 2011

	The Company	Banking business <sup>(1)</sup>	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	107	10,498	98	50	276	28	35	(344)	10,748
Interest expenses	(155)	(4,534)	(18)	(3)	-	-	(5)	285	(4,430)
Net interest income	(48)	5,964	80	47	276	28	30	(59)	6,318
Net fee and service income (losses)	2	828	1	390	(4)	(1)	44	(329)	931
Net insurance income	-	-	-	-	111	323	-	299	733
Other operating income	1,236	4,733	56	116	25	5	100	(5,218)	1,053
Other operating expenses	(93)	(4,343)	(36)	(298)	(118)	(188)	(91)	149	(5,018)
Impairment loss of loans and debt securities	155	(1,026)	45	-	-	-	1	(44)	(869)
Income tax	(1)	(104)	(32)	(45)	(86)	(71)	(19)	(57)	(415)
Income before non-controlling interest	1,251	6,052	114	210	204	96	65	(5,259)	2,733

(1) In 2011, banking business included operating results of Thanachart Bank and SCIB.

(Unit: Million Baht)

For the six-month period ended 30 June 2012

	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	214	22,364	535	107	679	85	796	(737)	24,043
Interest expenses	(271)	(12,215)	(167)	(12)	-	-	(321)	713	(12,273)
Net interest income	(57)	10,149	368	95	679	85	475	(24)	11,770
Net fee and service income (losses)	8	1,762	6	801	(7)	(3)	159	(733)	1,993
Net insurance income	-	-	-	-	1,138	547	-	412	2,097
Other operating income	2,877	1,951	484	32	92	49	210	(3,233)	2,462
Other operating expenses	(164)	(9,766)	(167)	(574)	(222)	(316)	(249)	398	(11,060)
Impairment loss of loans and debt securities	16	(2,476)	1,672	-	-	-	(32)	(84)	(904)
Income tax	-	(208)	(549)	(81)	(270)	(127)	(110)	(115)	(1,460)
Income before non-controlling interest	2,680	1,412	1,814	273	1,410	235	453	(3,379)	4,898

(Unit: Million Baht)

For the six-month period ended 30 June 2011

	The Company	Banking business <sup>(1)</sup>	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	199	20,485	109	87	528	49	75	(617)	20,915
Interest expenses	(309)	(8,427)	(34)	(4)	-	-	(10)	462	(8,322)
Net interest income	(110)	12,058	75	83	528	49	65	(155)	12,593
Net fee and service income (losses)	4	1,659	3	785	(8)	(2)	95	(618)	1,918
Net insurance income	-	-	-	-	248	548	-	563	1,359
Other operating income	1,488	5,731	114	141	59	20	187	(5,682)	2,058
Other operating expenses	(166)	(8,595)	(60)	(623)	(212)	(293)	(183)	247	(9,885)
Impairment loss of loans and debt securities	165	(1,867)	51	-	-	-	8	54	(1,589)
Income tax	(1)	(904)	(50)	(88)	(201)	(143)	(41)	(58)	(1,486)
Income before non-controlling interest	1,380	8,082	133	298	414	179	131	(5,649)	4,968

(1) In 2011, banking business included operating results of Thanachart Bank and SCIB.

(Unit: Million Baht)

As at 30 June 2012

	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interbank and money market items	256	59,441	737	338	4,283	1,855	2,320	(4,426)	64,804
Investments	8,866	107,797	952	211	30,626	3,630	618	(3,905)	148,795
Investments in subsidiary and associated companies	31,573	10,166	-	726	738	330	61	(41,852)	1,742
Loans to customers and accrued interest receivable - net	295	634,091	7,996	2,327	135	-	15,589	(10,293)	650,140
Land, premises and equipment - net	54	8,128	1	49	144	105	59	16	8,556
Other assets	2,040	44,840	5,129	1,760	848	2,385	258	(2,355)	54,905
Total assets	43,084	864,463	14,815	5,411	36,774	8,305	18,905	(62,815)	928,942

(Unit: Million Baht)

As at 31 December 2011									
	The	Banking	Asset	Securities	Life	Non-life	Other		
	Company	business <sup>(1)</sup>	management	business	insurance	insurance	business	Eliminations	Consolidated
Interbank and money									
market items	76	97,346	962	376	359	233	411	(36,531)	63,232
Investments	5,657	114,541	1,655	223	32,814	4,776	492	(7,647)	152,511
Investments in									
subsidiary and									
associated									
companies	31,598	40,842	-	667	678	303	62	(72,477)	1,673
Loans to customers									
and accrued interest									
receivable - net	1,087	604,770	9,226	1,953	99	-	13,093	(19,430)	610,798
Land, premises and									
equipment - net	55	8,365	1	54	155	106	62	17	8,815
Other assets	2,170	46,572	5,992	966	798	3,290	181	(1,841)	58,128
Total assets	40,643	912,436	17,836	4,239	34,903	8,708	14,301	(137,909)	895,157

(1) In 2011, banking business included operating results of Thanachart Bank and SCIB.

#### 43. Encumbrance of assets

As at 30 June 2012 and 31 December 2011, the Company and its subsidiaries have the following assets, presented at book value, which are subjected to restriction:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Investment in securities				
Placed at insurance registrar	8,306	7,448	-	-
Placed at court	22	20	-	-
Property foreclosed				
Immovable assets subject to buyback				
options or first refusal rights	837	969	-	-
Immovable assets subject to purchase or sell				
agreements with clients but currently being				
settled in installments or through transfer				
of ownership	1,125	1,483	108	102
	10,290	9,920	108	102

#### 44. Commitments and contingent liabilities

As at 30 June 2012 and 31 December 2011, significant commitments and contingent liabilities consisted of:

##### 44.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Aval to bills	539	386	-	-
Liability under unmatured import bills	739	1,105	-	-
Letter of credits	3,048	3,856	-	-
Other obligations				
Committed (but not draw) overdraft	29,507	28,549	-	-
Others	23,124	21,405	1	1
Total	56,957	55,301	1	1

In addition, the subsidiaries have commitments in respect of foreign exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts and gold futures, as mentioned in Note 7 to the financial statements.

**44.2** During the years 2001 - 2003, the Company and its subsidiaries entered into agreements to transfer non-performing loans and receivables of approximately Baht 3,409 million to TAMC. The Company and its subsidiaries are still jointly liable for a share of the gains and losses arising from TAMC's management of these non-performing assets to be calculated at the end of the fifth year and tenth year, counting from 1 July 2001. If there are losses, the Company and its subsidiaries are liable for all initial losses up to 20 percent of the transfer price, while further losses of up to another 20 percent of the transfer price are to be shared equally between the Company and its subsidiaries and TAMC, and TAMC is liable for all remaining losses. Such gains and losses will be determined based on the accumulated value of collections made on the assets at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the loans and receivables. The gains or losses cannot be estimated at this stage, but as at 30 June 2012, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of the non-performing assets at approximately Baht 383 million (separate financial statements: Baht 183 million). This amount has been presented as a part of provisions for liabilities in the statements of financial position.

**44.3** As at 30 June 2012, the Company and its subsidiaries have commitments to pay the service fees in relation to property foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term rental contracts, as follow:

(Unit: Million Baht)

Year	Consolidated		Separate	
	financial statements		financial statements	
	Other companies		Other companies	Subsidiaries
2012	1,010		16	3
2013	1,626		6	6
2014 onward	4,811		7	11

In addition, the Company has obligations to pay an administrative fee to a subsidiary company, determined at actual cost plus a margin, for the period stipulated in the agreement.

**44.4 Commitments of SCIB from transfer of business from Bangkok Metropolitan Bank Public Company Limited and transfer of non-performing assets to Sukhumvit Asset Management Company Limited**

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of FIDF to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from FIDF. As at 30 June 2012, outstanding obligations are summarised below.

- a) There was an outstanding difference of Baht 93 million, as a result of the transfer of assets to SAM. These comprised receivables awaiting collection and the difference is presented under the caption of “Differences as a result of assets transferred to SAM” in the statements of financial position. Such amounts mainly relate to transfers of guarantee claims, for which there are pending issues with regard to proof the rights of claim or the assets transferred being qualified in accordance with of the conditions set out in the transfer agreements. Such differences are now being examined and/or negotiated among Thanachart Bank, SAM and the FIDF for final resolution.

As at 30 June 2012, such differences consist of (i) Baht 10 million of transactions incurred directly by SCIB, for which full allowance for doubtful debts has been set aside, and (ii) Baht 83 million of transactions incurred by BMB. If losses arise on the latter and collection cannot be made from SAM, the FIDF will consider compensating for all losses. Thanachart Bank's management believes that no significant further losses will arise.

- b) SAM is re-examining certain previously transferred assets (both of SCIB and BMB) in order to determine whether to transfer the assets back, to request price adjustments or to request settlement together with interest. The major pending issue relates to the proof of rights of claim over these assets.

As at 30 June 2012, the transferred assets which SAM is re-examining totaling Baht 292 million consist of (i) Baht 7 million of transactions incurred directly by SCIB, for which full allowance for doubtful loss has been set aside under the caption of "Provision for liabilities" in the statements of financial position, and (ii) Baht 285 million of transactions incurred by BMB. If losses arise, Thanachart Bank will receive compensation for loss from FIDF and any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 199 million. In addition, SAM is now negotiating with Thanachart Bank to request interest payment on the assets transferred back, or a price adjustment.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to approximately Baht 11,280 million, as disclosed under contingent liabilities in Note 45 to the financial statements.
- d) Outstanding letters of guarantee.

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in the FIDF's account. Such deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if such losses are actually incurred due to the outstanding issues described in a), b), c) and d) above. As at 30 June 2012, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 727 million. In addition, there is a memorandum of agreement concerning conditions for additional loss compensation if Thanachart Bank incurs losses in relation to the two lawsuits discussed in c), with claims totaling Baht 9,965 million.

However, Thanachart Bank and SAM had a meeting and mutually agreed a resolution to such pending issues. Thanachart Bank believes that no significant further losses will be incurred, other than losses for which it has already set aside full allowance for doubtful debts and/or amount that will compensate by FIDF.

#### **44.5 Commitments arising from sale of ordinary shares of Siam City Securities**

As a result of the sale of all ordinary shares of Siam City Securities in August 2011, SCIB is obligated to pay compensation to indemnify the buyer from pending lawsuits including litigation in which Siam City Securities is pursuing collection of debt amounts and/or future litigation which made claims against its debtor that arose before the disposal date of such shares. Moreover, SCIB undertakes to compensate the buyer for any expenses incurred whenever the buyer or Siam City Securities provide SCIB with written notification of reasons for such compensation, together with evidence, for up to 3 years from the share transfer date. Such commitment of SCIB has transferred to Thanachart Bank at the date of the entire business transfer. However, Thanachart Bank's management believes that no further losses will be incurred.

#### **45. Litigation**

As at 30 June 2012, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 24,820 million (separate financial statements: Baht 624 million) in respect of litigation. However, the Company and its subsidiaries' management have already made certain provision for contingency losses, and for the remaining portion the management believes that no losses will result and therefore no liabilities are currently recorded.

Part of the contingent liabilities of the litigation mentioned above in the consolidated financial statements amounting to Baht 11,280 million represents cases in which SCIB is involved as a result of the transfer of business from BMB, and for which Thanachart Bank is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF (Baht 9,586 million of this amount relates a single case brought by a debtor that BMB had already transferred to SAM before SCIB received the transfer of business from BMB, and Thanachart Bank believes that the lawsuit has been brought against the wrong party, and not Thanachart Bank and SCIB's responsibility). And lawsuits, with Baht 8,594 million of this amount relating to a tort case in which the actual loss is only Baht 202 million. The Court of First Instance has already ordered the case be dismissed and it is in the process of being reviewed by the Supreme Court.



In addition, SCIB was requested to make restitution as a result of a person forging SCIB's documents and using such counterfeit documents. However, SCIB has already filed a complaint against the person who produced and used counterfeit documents so as to proceed with a legal action. SCIB believes that no liability will arise from such restitution claim.

#### **46. Letter of guarantees**

As at 30 June 2012, the Company and its subsidiaries had letter of guarantees issued by the Company and its subsidiaries, amounting approximately Baht 40 million, placed for electricity usage of the branches (separate financial statements: Baht 1 million).

#### **47. Financial instruments**

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

##### **47.1 Credit risk**

Credit risk is the risk that the party to a financial instrument will fail to fulfill an obligation, causing the Company and its subsidiaries to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statements of financial position and the risk of commitments from avals, guarantees of loans, other guarantees and derivative contracts.

In addition, the Company and its subsidiaries manage credit risk by the means of careful consideration of credit approval process, analysis of risk factors and, the ability to service debt of customers, and a credit review process, which examines and reviews the quality of the loan portfolio so as to prevent and provide a remedy for problem loans in the future.

##### **47.2 Market risk**

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk/commodity risk.

a) Interest rate risk

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

The Company and its subsidiaries manage the changes in 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. Such management is under the supervision of the Asset and Liabilities Management Committee.

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)

Transactions	Consolidated financial statements			
	30 June 2012			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	11,819	11,819
Interbank and money market items	25,831	30,160	8,898	64,889
Derivatives assets	-	-	1,636	1,636
Investments	1,573	134,394	12,124	148,091
Investments in associated companies	-	-	1,742	1,742
Loans to customers <sup>(1)</sup>	312,927	360,415	360	673,702
Receivable from purchase and sale securities	-	-	2,005	2,005
Other assets - receivable from clearing house	-	-	679	679
<b><u>Financial liabilities</u></b>				
Deposits	213,851	350,114	6,322	570,287
Interbank and money market items	6,584	60,125	1,491	68,200
Liabilities payable on demand	-	-	3,940	3,940
Derivatives liabilities	-	-	2,052	2,052
Debt issued and borrowings	5	149,348	-	149,353
Payable from purchase and sale securities	-	-	2,960	2,960

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Consolidated financial statements				
31 December 2011				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	16,006	16,006
Interbank and money market items	23,022	32,178	8,146	63,346
Derivatives assets	-	-	1,536	1,536
Investments	1,658	138,044	12,291	151,993
Investments in associated companies	-	-	1,673	1,673
Loans to customers <sup>(1)</sup>	315,064	321,952	248	637,264
Receivable from purchase and sale securities	-	-	858	858
Other assets - receivable from clearing house	-	-	25	25
<b><u>Financial liabilities</u></b>				
Deposits	174,373	255,804	5,688	435,865
Interbank and money market items	7,420	51,274	1,457	60,151
Liabilities payable on demand	-	-	2,131	2,131
Derivatives liabilities	-	-	2,886	2,886
Debt issued and borrowings	-	262,653	-	262,653
Payable from purchase and sale securities	-	-	851	851
Other liabilities - payable from clearing house	-	-	306	306

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements			
	30 June 2012			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Interbank and money market items	233	-	23	256
Investments	902	7,390	420	8,712
Investments in subsidiary and associated companies	-	-	31,589	31,589
Loans to customers <sup>(1)</sup>	308	208	12	528
<b><u>Financial liabilities</u></b>				
Debt issued and borrowings	-	12,000	-	12,000
Payable from purchase and sale securities	-	-	599	599

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements			
	31 December 2011			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Interbank and money market items	57	-	19	76
Investments	929	4,183	427	5,539
Investments in subsidiary and associated companies	-	-	31,614	31,614
Loans to customers <sup>(1)</sup>	1,110	214	13	1,337
Receivable from purchase and sale securities	-	-	1	1
<b><u>Financial liabilities</u></b>				
Debt issued and borrowings	-	12,000	-	12,000

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

With respect to financial instruments that carry fixed interest rates, the periods from the financial statements date to the repricing or maturity date (whichever is the earlier) are presented below:

(Unit: Million Baht)

Consolidated financial statements							
30 June 2012							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	-	14,362	12,238	3,560	-	30,160	2.37 - 3.86
Investments	-	21,174	28,126	62,893	22,201	134,394	3.32 - 3.97
Loans to customers (include intercompany gain on loan transferred)	4,630	23,460	14,610	219,040	98,675	360,415	7.90 - 8.69
<b>Financial liabilities</b>							
Deposits	371	175,977	166,982	6,784	-	350,114	3.24
Interbank and money market items	6,105	46,305	5,088	2,627	-	60,125	2.47 - 4.59
Debt issued and borrowings	1,610	72,591	31,539	43,608	-	149,348	4.07 - 5.13

(Unit: Million Baht)

Consolidated financial statements							
31 December 2011							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	-	29,523	2,655	-	-	32,178	1.27 - 2.49
Investments	-	16,909	46,452	57,902	16,781	138,044	3.19 - 5.01
Loans to customers (include intercompany gain on loan transferred)	3,845	22,242	15,442	212,310	68,113	321,952	8.10 - 9.82
<b>Financial liabilities</b>							
Deposits	89	169,398	77,913	8,404	-	255,804	3.12
Interbank and money market items	13,458	32,220	5,379	217	-	51,274	2.16
Debt issued and borrowings	999	133,517	99,416	28,700	21	262,653	3.99 - 4.75

(Unit: Million Baht)

Separate financial statements							
30 June 2012							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Investments	-	6,735	-	647	8	7,390	5.77
Loans to customers	208	-	-	-	-	208	8.98
<b>Financial liabilities</b>							
Debt issued and borrowings	-	-	3,000	9,000	-	12,000	4.51

(Unit: Million Baht)

Separate financial statements							
31 December 2011							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Investments	-	520	3,636	27	-	4,183	7.90
Loans to customers	214	-	-	-	-	214	8.67
<b>Financial liabilities</b>							
Debt issued and borrowings	-	-	-	12,000	-	12,000	4.51

In addition, the average balances of the financial assets and liabilities of the Company and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the period, and the average interest rate for the six-month periods ended 30 June 2012 and 2011 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the six-month period ended			For the six-month period ended		
	30 June 2012			30 June 2011		
	Average		Average	Average		Average
	balances	Interest	rate	balances	Interest	rate
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	60,160	1,046	3.48	63,583	760	2.39
Investments and trading operations	16,411	247	3.01	4,513	52	2.33
Investments in debt securities	123,006	2,318	3.77	123,771	1,945	3.14
Loans to customers/hire purchase and financial lease	630,132	20,432	6.48	590,596	18,158	6.15
<b><u>Interest bearings financial liabilities</u></b>						
Deposits	475,345	7,152	3.01	489,000	4,835	1.98
Interbank and money market items	66,440	801	2.41	42,188	394	1.87
Debt issued and borrowings	210,853	4,320	4.10	205,083	3,093	3.02

(Unit: Million Baht)

	Separate financial statements					
	For the six-month period ended			For the six-month period ended		
	30 June 2012			30 June 2011		
	Average		Average	Average		Average
	balances	Interest	rate	balances	Interest	rate
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	107	1	1.72	90	1	1.72
Investments in debt securities	6,193	178	5.76	6,374	160	5.03
Loans to customers/hire purchase and financial lease	649	35	10.63	1,066	38	7.19
<b><u>Interest bearings financial liabilities</u></b>						
Interbank and money market items	-	-	-	1	-	-
Debt issued and borrowings	12,000	271	4.50	13,500	309	4.57

#### b) 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 Company and its subsidiaries have foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Company and its subsidiaries have a policy to mitigate this foreign exchange exposure through management of its net exchange position and operation in accordance with a risk management policy which has been approved by their Board of Directors and is in strict accordance with BOT guidelines.

The status of subsidiaries' foreign currency balances as at 30 June 2012 and 31 December 2011 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2012					
	US Dollar	Euro	Yen	Won	Yuan	Others
<b><u>Foreign currency in the statements of financial position</u></b>						
Cash	381	150	187	1	2	359
Interbank and money market items	16,217	72	76	-	6	229
Investments	9,565	590	1,781	550	5,662	38
Loans to customers	18,218	196	478	-	-	93
Other assets	255	1	7	3	63	-
<b>Total assets</b>	<b>44,636</b>	<b>1,009</b>	<b>2,529</b>	<b>554</b>	<b>5,733</b>	<b>719</b>
Deposits	138	32	-	-	-	115
Interbank and money market items	14,780	-	-	-	-	-
Liability payable on demand	4	-	-	-	-	-
Payable from purchase and sale securities	18	-	-	-	-	5
<b>Total liabilities</b>	<b>14,940</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120</b>
<b>Net</b>	<b>29,696</b>	<b>977</b>	<b>2,529</b>	<b>554</b>	<b>5,733</b>	<b>599</b>
<b><u>Foreign currency commitments</u></b>						
Liability under unmatured import bills	506	16	167	-	-	5
Letter of credits	2,414	136	390	-	-	32
Others	897	46	1	-	-	16



(Unit: Million Baht)

Consolidated financial statements						
31 December 2011						
	US Dollar	Euro	Yen	Won	Yuan	Others
<b><u>Foreign currency in the statements of financial position</u></b>						
Cash	618	396	292	-	1	382
Interbank and money market items	14,987	119	128	-	6	492
Derivative assets	5	-	-	-	-	-
Investments	11,192	599	3,036	549	12,327	38
Loans to customers	13,186	234	486	-	-	101
Other assets	458	1	17	-	49	-
<b>Total assets</b>	<b>40,446</b>	<b>1,349</b>	<b>3,959</b>	<b>549</b>	<b>12,383</b>	<b>1,013</b>
Deposits	104	21	1	-	-	117
Interbank and money market items	8,602	-	-	-	-	-
Liability payable on demand	13	-	-	-	-	-
<b>Total liabilities</b>	<b>8,719</b>	<b>21</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>117</b>
<b>Net</b>	<b>31,727</b>	<b>1,328</b>	<b>3,958</b>	<b>549</b>	<b>12,383</b>	<b>896</b>
<b><u>Foreign currency commitments</u></b>						
Liability under unmatured import bills	368	34	118	-	-	5
Letter of credits	3,296	100	401	-	-	22
Others	984	48	1	-	-	27

In addition, subsidiaries also have commitments from foreign currency exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts and other derivative contracts which have to pay or received repayment in foreign currency that subsidiaries made for trading transactions or hedging transactions (banking book) as follow:

Consolidated financial statements						
30 June 2012						
	US Dollar	Euro	Yen	Won	Yuan	Others
<b>Foreign exchange contracts</b>						
- Bought	59,230	10,240	494	-	-	6,459
- Sold	79,963	10,666	1,448	-	5,738	7,110
<b>Cross currency and interest rate swap contracts</b>						
- Bought	1,101	-	-	-	-	-
- Sold	9,439	598	1,581	550	-	-
<b>Interest rate swap contracts</b>						
- Bought	3,280	-	-	-	-	-
- Sold	3,280	-	-	-	-	-

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2011					
	US Dollar	Euro	Yen	Won	Yuan	Others
Foreign exchange contracts						
- Bought	32,441	1,002	386	-	-	552
- Sold	52,246	1,757	1,509	-	10,828	1,467
Cross currency and interest rate swap contracts						
- Bought	1,347	-	-	-	-	-
- Sold	11,235	615	2,835	548	1,610	-
Interest rate swap contracts						
- Bought	1,453	-	-	-	-	-
- Sold	1,453	-	-	-	-	-

### c) Equity position risk/commodity risk

Equity position risk/commodity risk is the risk that changes in the market prices of equity securities/commodity which will result in fluctuations in revenue and the value of financial assets.

The Company and its subsidiaries have a policy to manage market risk by setting manageable limits on transactions, such as position limit and loss limits. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the Board of Directors, related business unit and related management, in order to facilitate responsive risk management, under the supervision of the Investment Portfolio Committee.

### 47.3 Liquidity risk

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

The Company and its subsidiaries manage liquidity risk by means of appropriate structuring of short-term and long-term sources of capital. In addition, the Company and its subsidiaries have a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements, under the supervision of the Asset and Liability Management Committee.

Counting from the financial position date, the periods to maturity of financial instruments held as at 30 June 2012 and 31 December 2011 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	30 June 2012				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
Cash	11,819	-	-	-	11,819
Interbank and money market items <sup>(1)</sup>	10,592	50,737	3,560	-	64,889
Derivatives assets	-	878	758	-	1,636
Investments	1,567	54,448	80,748	11,328	148,091
Investments in associated companies	-	-	-	1,742	1,742
Loans to customers <sup>(2)</sup>	62,896	194,649	416,157	-	673,702
Receivable from purchase and sale securities	-	2,005	-	-	2,005
Other assets - receivable from clearing house	-	679	-	-	679
<b><u>Financial liabilities</u></b>					
Deposits	216,782	333,444	20,061	-	570,287
Interbank and money market items	14,180	51,437	2,583	-	68,200
Liability payable on demand	3,940	-	-	-	3,940
Derivatives liabilities	-	1,514	538	-	2,052
Debt issued and borrowings	1,615	100,636	43,608	3,494	149,353
Payable from purchase and sale securities	-	2,960	-	-	2,960
<b><u>Commitments</u></b>					
Aval to bill	-	411	128	-	539
Liability under unmatured import bills	147	592	-	-	739
Letter of credits	204	2,844	-	-	3,048
Other commitments	44,122	7,582	925	2	52,631

(1) The outstanding balances of interbank and money market items at call included the item which have defaulted on the repayment.

(2) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Consolidated financial statements					
31 December 2011					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
Cash	16,006	-	-	-	16,006
Interbank and money market items <sup>(1)</sup>	8,399	54,827	120	-	63,346
Derivatives assets	-	1,536	-	-	1,536
Investments	1,646	69,596	68,951	11,800	151,993
Investments in associated companies	-	-	-	1,673	1,673
Loans to customers <sup>(2)</sup>	49,578	193,203	394,483	-	637,264
Receivable from purchase and sale securities	-	858	-	-	858
Other assets - receivable from clearing house	-	25	-	-	25
<b><u>Financial liabilities</u></b>					
Deposits	176,458	249,818	9,589	-	435,865
Interbank and money market items	21,081	35,306	3,764	-	60,151
Liability payable on demand	2,131	-	-	-	2,131
Derivatives liabilities	-	2,886	-	-	2,886
Debt issued and borrowings	999	217,446	40,714	3,494	262,653
Payable from purchase and sale securities	-	851	-	-	851
Other liabilities - payable from clearing house	-	306	-	-	306
<b><u>Commitments</u></b>					
Aval to bill	1	342	43	-	386
Liability under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	3,770	-	-	3,856
Other commitments	41,733	6,138	2,080	3	49,954

(1) The outstanding balances of interbank and money market items at call included the item which have defaulted on the repayment.

(2) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Separate financial statements					
30 June 2012					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>					
Interbank and money market items	256	-	-	-	256
Investments	902	3,107	647	4,056	8,712
Investments in subsidiary and associated companies	-	-	-	31,589	31,589
Loans to customers <sup>(1)</sup>	519	-	9	-	528
<b>Financial liabilities</b>					
Debt issued and borrowings	-	3,000	9,000	-	12,000
Payable from purchase and sale securities	-	599	-	-	599
<b>Commitments</b>					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Separate financial statements					
31 December 2011					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>					
Interbank and money market items	76	-	-	-	76
Investments	929	527	20	4,063	5,539
Investments in subsidiary and associated companies	-	-	-	31,614	31,614
Loans to customers <sup>(1)</sup>	1,332	-	5	-	1,337
Receivable from purchase and sale securities	-	1	-	-	1
<b>Financial liabilities</b>					
Debt issued and borrowings	-	-	12,000	-	12,000
<b>Commitments</b>					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

#### **47.4 Fair value**

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows:

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets are presented at the amount stated in the statement of financial position, including cash, interbank and money market items, derivatives assets, receivable from purchase and sale securities, receivables from clearing house and loans to customers. These financial assets have their fair value approximate to their respective carrying value since the values of these financial instruments are predominantly subject to market interest rates. Financial instruments with standard terms and conditions which are traded on an active and liquid market, such as investments, have their fair values determined by the quoted market price. Investments in subsidiary and associated companies are stated at the book value.

b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, liabilities payable on demand, derivatives liabilities, debt issued and borrowings, payable from purchase and sale securities, and payable to clearing house 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 book value and fair value of financial instruments of the Company and its subsidiaries are as follow.

(Unit: Million Baht)

	Consolidated financial statements			
	30 June 2012		31 December 2011	
	Book value	Fair value	Book value	Fair value
<b><u>Financial assets</u></b>				
Cash	11,819	11,819	16,006	16,006
Interbank and money market items	64,804	64,804	63,232	63,232
Derivatives assets	1,636	1,636	1,536	1,536
Investments	148,795	149,461	152,511	153,455
Investments in associated companies	1,742	1,742	1,673	1,673
Loans to customers	650,140	650,140	610,798	610,798
Receivables from purchase and sale securities	2,005	2,005	858	858
Other assets - receivable from clearing house	679	679	25	25
<b><u>Financial liabilities</u></b>				
Deposits	570,287	570,287	435,865	435,865
Interbank and money market items	68,200	68,200	60,151	60,151
Liabilities payable on demand	3,940	3,940	2,131	2,131
Derivatives liabilities	2,052	2,052	2,886	2,886
Debt issued and borrowings	149,353	149,353	262,653	262,653
Payable from purchase and sale securities	2,960	2,960	851	851
Other liabilities - payable from clearing house	-	-	306	306

(Unit: Million Baht)

	Separate financial statements			
	30 June 2012		31 December 2011	
	Book value	Fair value	Book value	Fair value
<b><u>Financial assets</u></b>				
Interbank and money market items	256	256	76	76
Investments	8,866	8,857	5,657	5,646
Investments in subsidiary and associated companies	31,573	31,573	31,598	31,598
Loans to customers	295	295	1,087	1,087
Receivables from purchase and sale securities	-	-	1	1
<b><u>Financial liabilities</u></b>				
Debt issued and borrowings	12,000	12,000	12,000	12,000
Payable from purchase and sale securities	599	599	-	-

## 47.5 Financial derivatives

The Company and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk and to meet their clients' needs. These financial derivatives include foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and commodity futures contracts.

The Company and its subsidiaries have set a policy and limit to mitigate related risk, and require risk reporting for the various types of risk, as a control over financial derivative activities. The Company and its subsidiaries manage 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, and so the Company and its subsidiaries are able to maintain risk at acceptable levels.

As at 30 June 2012 and 31 December 2011, subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2012			31 December 2011		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	76,424	-	76,424	34,382	-	34,382
- Sold	104,925	-	104,925	67,807	-	67,807
Cross currency and interest rate swap contracts						
- Bought	585	516	1,101	824	523	1,347
- Sold	4,279	7,889	12,168	9,598	7,245	16,843
Interest rate swap contracts						
- Paid fixed interest rate	1,350	58,483	59,833	2,692	3,953	6,645
- Paid floating interest rate	1,300	32,365	33,665	325	2,954	3,279
- Received fixed interest rate	1,300	32,365	33,665	325	2,954	3,279
- Received floating interest rate	1,350	58,483	59,833	2,692	3,953	6,645
Future contracts						
- Bought	30	-	30	-	-	-
- Sold	179	-	179	641	-	641



#### 48. Reclassification

The Company and its subsidiaries have reclassified certain amounts in the financial statements for the three-month and six-month periods ended 30 June 2011 to conform to the current period's classifications with no effect to previously reported profit or equity.

(Unit: Million Baht)

	For the three-month period ended 30 June 2011			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	10,748	10,762	107	107
Interest expenses	4,430	4,444	155	155
Fee and service income	1,252	970	4	4
Fee and service expenses	321	128	2	-
Gains on disposal of property foreclosed and other assets (losses)	(4)	(30)	19	19
Other operating income	384	668	62	62
Insurance/Life insurance expenses	2,621	2,668	-	-
Personnel expenses	2,676	2,635	28	28
Premises and equipment expenses	856	877	20	20
Other expenses	1,235	1,377	27	29

(Unit: Million Baht)

	For the six-month period ended 30 June 2011			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	20,915	20,930	199	199
Interest expenses	8,322	8,338	309	309
Fee and service income	2,574	1,997	7	7
Fee and service expenses	656	270	3	1
Other operating income	695	1,275	126	126
Premises and equipment expenses	1,756	1,751	40	40
Other expenses	2,267	2,660	53	55

#### 49. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 27 August 2012.