

Thanachart Capital Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period.

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 audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Phuphun Charoensuk
Certified Public Accountant (Thailand) No. 4950

Ernst & Young Office Limited
Bangkok: 18 February 2013

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2012 and 2011

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		2012	2011	2012	2011
Assets					
Cash		15,181,402	16,005,678	-	-
Interbank and money market items - net	6	71,978,183	63,232,094	4,852,214	75,753
Derivative assets	7	2,176,536	1,536,490	-	-
Investments - net	8	150,648,783	152,511,228	6,724,409	5,657,335
Investments in subsidiaries and associates - net	9	1,795,377	1,672,981	31,572,896	31,598,119
Loans to customers and accrued interest receivables	10				
Loans to customers		813,483,032	676,790,337	318,280	1,344,436
Accrued interest receivables		1,072,443	979,725	30	9,245
Total loans to customers and accrued interest receivables		814,555,475	677,770,062	318,310	1,353,681
Less: Deferred revenue		(58,152,765)	(39,686,523)	(6,875)	(7,847)
Less: Allowance for doubtful accounts	11	(24,542,763)	(26,900,029)	(214,590)	(258,777)
Less: Revaluation allowance for debt restructuring	12	(348,390)	(385,980)	-	-
Net loans to customers and accrued interest receivables		731,511,557	610,797,530	96,845	1,087,057
Customers' liability under acceptance		41,489	90,531	-	-
Property foreclosed - net	14	9,914,893	11,560,136	1,667,150	2,006,953
Land, premises and equipment - net	15	8,344,276	8,814,746	51,905	55,150
Intangible assets - net	16	4,294,348	4,709,482	385	400
Goodwill	17	14,258,959	13,981,349	-	-
Receivables from purchase and sale of securities		2,102,712	858,326	-	664
Accrued interest and dividend receivables		1,166,040	1,050,831	81,522	78,922
Reinsurance assets		1,155,602	2,573,393	-	-
Other assets - net	18	9,342,110	5,761,842	83,431	82,595
Total assets		1,023,912,267	895,156,637	45,130,757	40,642,948

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 31 December 2012 and 2011

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
Liabilities and equity					
Deposits	19	693,421,291	435,864,954	-	-
Interbank and money market items	20	87,776,950	60,151,091	3	246
Liability payable on demand		4,989,214	2,130,716	-	-
Derivatives liabilities	7	1,206,215	2,885,848	-	-
Debts issued and borrowings	21	89,505,860	262,653,021	15,000,000	12,000,000
Bank's liability under acceptances		41,489	90,531	-	-
Provisions	22	3,299,608	3,143,979	215,105	210,118
Accrued interest payable		4,059,655	3,267,864	95,462	79,960
Payables from purchase and sale of securities		2,872,487	850,724	-	-
Insurance contract liabilities	23	39,632,420	36,154,060	-	-
Other liabilities	24	13,317,363	12,282,710	188,127	147,750
Total liabilities		940,122,552	819,475,498	15,498,697	12,438,074

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 31 December 2012 and 2011

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
Equity					
Share capital	25				
Registered, issued and paid-up					
13,306 preferred shares of Baht 10 each		133	133	133	133
(2011: 13,336 preferred shares of Bath 10 each)					
1,277,816,397 common shares of Baht 10 each					
(2011: 1,333,140,667 common shares of Baht 10 each)		12,778,164	13,331,407	12,778,164	13,331,407
		<u>12,778,297</u>	<u>13,331,540</u>	<u>12,778,297</u>	<u>13,331,540</u>
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	2,125,600	1,563,281	367,003	300,712
Retained earnings					
Appropriated - statutory reserve	27	1,277,830	1,202,176	1,277,830	1,202,176
- treasury share reserve		-	387,501	-	387,501
Unappropriated		24,358,604	20,096,019	12,977,543	11,304,801
Less: Treasury share - common share	25	-	(387,501)	-	(387,501)
Equity attributable to owners					
of the Company		42,771,718	38,258,661	29,632,060	28,204,874
Non-controlling interests		41,017,997	37,422,478	-	-
Total equity		<u>83,789,715</u>	<u>75,681,139</u>	<u>29,632,060</u>	<u>28,204,874</u>
Total liabilities and equity		<u>1,023,912,267</u>	<u>895,156,637</u>	<u>45,130,757</u>	<u>40,642,948</u>
		-	-	-	-

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

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Directors
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Thanachart Capital Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2012 and 2011

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
Profit or loss					
Interest income	30	49,998,744	44,257,936	447,750	432,811
Interest expenses	31	(25,764,451)	(19,943,007)	(560,583)	(612,786)
Net interest income		24,234,293	24,314,929	(112,833)	(179,975)
Fees and service income		5,720,103	5,025,814	19,368	10,906
Fees and service expenses		(1,489,786)	(1,306,283)	(1,621)	(5,028)
Net fees and service income	32	4,230,317	3,719,531	17,747	5,878
Gains on trading and foreign exchange transactions (losses)	33	663,010	891,302	(81)	235
Gains on investments	34	852,298	1,139,226	144,364	83,129
Share of profit from investments accounted for under equity method	9.2	282,846	257,924	-	-
Gains on property foreclosed and other assets		1,059,137	47,083	207,352	95,959
Insurance premium/Life insurance premium income		16,060,354	12,853,156	-	-
Dividend income		487,955	754,598	2,726,690	1,538,141
Other operating income		2,007,325	1,672,948	164,762	248,622
Total operating income		49,877,535	45,650,697	3,148,001	1,791,989
Insurance expenses		(12,185,991)	(10,725,748)	-	-
Net operating income		37,691,544	34,924,949	3,148,001	1,791,989
Other operating expenses					
Personnel expenses		10,709,428	10,849,565	114,553	108,961
Directors' remuneration	35	57,482	67,802	26,009	24,579
Premises and equipment expenses		3,224,799	3,486,178	59,775	81,294
Taxes and duties		946,191	911,738	4,829	6,182
Other expenses		7,639,735	5,624,421	83,718	110,592
Total other operating expenses		22,577,635	20,939,704	288,884	331,608
Impairment loss of loans and debt securities					
(reversal of impairment loss of loans and debt securities)					
	36	2,899,817	2,077,347	(32,576)	(176,071)
Profit before income tax		12,214,092	11,907,898	2,891,693	1,636,452
Income tax	37	(2,462,740)	(3,135,765)	-	(1,319)
Profit for the year		9,751,352	8,772,133	2,891,693	1,635,133

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 years ended 31 December 2012 and 2011

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

	Note	Consolidated		Separate	
		financial statements	financial statements	financial statements	financial statements
		2012	2011	2012	2011
Other comprehensive incomes	38				
Gains (losses) on remeasuring available-for-sale investments		962,408	(299,228)	66,291	10,715
Share of other comprehensive income of associates		45,426	324	-	-
Total other comprehensive income (losses)		<u>1,007,834</u>	<u>(298,904)</u>	<u>66,291</u>	<u>10,715</u>
Total comprehensive income		<u>10,759,186</u>	<u>8,473,229</u>	<u>2,957,984</u>	<u>1,645,848</u>
Profit attributable to					
The Company		5,481,536	5,002,433	2,891,693	1,635,133
Non-controlling interests		4,269,816	3,769,700	-	-
		<u>9,751,352</u>	<u>8,772,133</u>	<u>2,891,693</u>	<u>1,635,133</u>
Total comprehensive income attributable to					
The Company		6,043,855	4,869,224	2,957,984	1,645,848
Non-controlling interests		4,715,331	3,604,005	-	-
		<u>10,759,186</u>	<u>8,473,229</u>	<u>2,957,984</u>	<u>1,645,848</u>
Earnings per share of the Company	39				
Basic earnings per share					
Profit attributable to the Company (Baht per share)		<u>4.29</u>	<u>3.91</u>	<u>2.26</u>	<u>1.28</u>
Diluted earnings per share					
Profit attributable to the Company (Baht per share)		<u>4.29</u>	<u>3.91</u>	<u>2.26</u>	<u>1.28</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 years ended 31 December 2012 and 2011

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before income tax	12,214,092	11,907,898	2,891,693	1,636,452
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	(282,846)	(257,924)	-	-
Depreciation and amortisation	1,624,707	1,756,275	39,166	52,945
Impairment loss of loans and debt securities (reversal)	2,899,817	2,077,347	(32,576)	(176,071)
Increase in provision for liabilities	270,729	96,318	4,987	4,119
Increase (decrease) in provision for impairment of property foreclosed	(1,834)	(59,872)	51,772	(71,731)
Increase (decrease) in provision for impairment of equipment/other assets	71,177	(148,547)	(1,527)	529
Increase (decrease) in provision for impairment/ revaluation of investments	(6,960)	89,835	(41,620)	(163)
Amortisation of deferred gain on disposal of property foreclosed	-	(30,356)	-	-
Unrealised loss (gain) on foreign exchange and financial derivatives	298,055	(145,040)	-	-
Gain on sales of/capital return from investments in subsidiary companies	(277,610)	(494,407)	(9,205)	(6,516)
Loss on transfers of assets for debt repayment	81,329	4,552	-	-
Loss (gain) on disposal of equipment	14,163	(39,130)	(1,862)	(32,375)
Decrease (increase) in accrued other income receivable	(9,812)	(123,780)	6,021	(6,545)
	16,895,007	14,633,169	2,906,849	1,400,644
Net interest income	(24,234,293)	(24,314,929)	112,833	179,975
Dividend income	(487,955)	(754,598)	(2,726,690)	(1,538,141)
Cash received from interest on operating activities	46,758,730	40,317,956	62,477	82,396
Cash paid for interest on operating activities	(16,673,292)	(11,962,976)	(47)	(15)
Cash paid for income tax	(3,793,498)	(3,935,905)	(13,766)	(15,273)
Income from operating activities before changes in operating assets and liabilities	18,464,699	13,982,717	341,656	109,586

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 years ended 31 December 2012 and 2011

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Cash flows from operating activities (continued)				
Operating assets (increase) decrease				
Interbank and money market items	(8,817,990)	23,198,723	(4,765,285)	13,447
Derivative assets	859,366	2,279,923	-	-
Investments in trading securities	3,878,783	(12,816,953)	6,099	3,086
Loans to customers	(129,872,742)	(21,858,774)	1,015,372	127,597
Property foreclosed	7,784,818	4,776,633	323,620	154,396
Receivables from purchase and sale of securities	(1,244,386)	1,148,525	664	(664)
Reinsurance assets	1,417,791	(2,040,620)	-	-
Other assets	(3,632,538)	(301,372)	(21,487)	(7,138)
Operating liabilities increase (decrease)				
Deposits	257,556,337	(96,517,456)	-	-
Interbank and money market items	27,643,242	9,891,914	(243)	(246)
Liability payable on demand	2,858,497	(996,228)	-	-
Derivatives liabilities	(2,460,410)	(924,746)	-	-
Payable from purchase and sales of securities	2,021,764	(3,203,216)	-	(603,600)
Insurance contract liabilities	3,478,360	6,380,389	-	-
Other liabilities	(355,550)	145,300	40,546	(3,533)
Net cash provided from (used in)				
operating activities	179,580,041	(76,855,241)	(3,059,058)	(207,069)
Cash flows from investing activities				
Decrease (increase) in investments in securities	(1,381,025)	6,322,104	(919,439)	1,919,745
Cash received from disposal of investments				
in subsidiary companies	-	480,055	-	-
Cash paid for purchase of investments in				
subsidiary companies	-	(16,313)	-	-
Cash received from interest	4,366,511	4,554,576	331,896	306,056
Cash received from dividend	685,299	965,830	2,726,690	1,538,141
Cash paid for purchase of land and equipment/				
intangible assets	(1,030,544)	(1,411,139)	(8,184)	(2,486)
Cash received from disposal of equipment/				
intangible assets	74,457	92,327	1,877	98,142
Net cash provided from (used in)				
investing activities	2,714,698	10,987,440	2,132,840	3,859,598

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 years ended 31 December 2012 and 2011

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Cash flows from financing activities				
Cash received from debts issued and borrowings	554,884,940	1,046,133,464	3,000,000	-
Cash paid for debts issued and borrowings	(728,032,101)	(969,088,201)	-	(1,500,000)
Cash paid for interest expenses on debt issued and borrowings	(7,319,421)	(7,764,642)	(542,984)	(620,250)
Cash paid to non-controlling interest for decrease shares capital of a subsidiary company	(6,311)	(41)	-	-
Cash paid for dividend	(1,530,798)	(1,532,279)	(1,530,798)	(1,532,279)
Cash paid for dividend to non-controlling interests	(1,115,324)	(1,172,927)	-	-
Net cash provided from (used in) financing activities	(183,119,015)	66,575,374	926,218	(3,652,529)
Net increase (decrease) in cash	(824,276)	707,573	-	-
Cash at beginning of the year	16,005,678	15,298,105	-	-
Cash at ending of the year	15,181,402	16,005,678	-	-

Supplemental cash flows information

Non-cash transactions

Property foreclosed transferred from loans,

other receivable and investments in

receivables purchased

5,986,554 3,421,731 1,161 2,312

Property foreclosed received from

capital returned from a subsidiary company

- - 34,428 30,970

Bad debt written off/hair-cut loans from

debt restructuring

5,067,147 1,482,300 548 3,193

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 years ended 31 December 2012 and 2011

(Unit: Thousand Baht)

Consolidated financial statements															
Equity attributable to the Company's shareholders															
Other components of equity															
Amount by which															
the value of investment															
Share of other															
Retained earnings															
Appropriated															
Issued and paid-up share capital		Premium on		Premium on		of a subsidiary		in subsidiary		Revaluation		Share of other		Retained earnings	
Preferred	Common	Premium on	Premium on	of a subsidiary	lower than attributable	surplus	comprehensive	Statutory		Treasury shares		Non-controlling		Total	
shares	shares	common share	treasury share	company's share	net book value	on investments	associates	reserve	reserve	Unappropriated	Treasury shares	interests			
Balance as at 1 January 2011	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)	-	-	-	-	-	-	-	-	-	-	(1,533,396)	-	-	(1,533,396)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	1,117	-	-	1,117	
Transfer of retained earnings to statutory reserve (Note 27)	-	-	-	-	-	-	-	-	81,756	-	(81,756)	-	-	-	
Conversion of preference shares to ordinary shares	(26)	26	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(691,228)	(691,228)	
Total comprehensive income for the year (losses)	-	-	-	-	-	-	(133,826)	617	-	-	5,002,433	-	3,604,005	8,473,229	
Balance as at 31 December 2011	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	
Balance as at 1 January 2012	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)	-	-	-	-	-	-	-	-	-	-	(1,533,396)	-	-	(1,533,396)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	2,598	-	-	2,598	
Transfer of retained earnings to statutory reserve (Note 27)	-	-	-	-	-	-	-	-	75,654	-	(75,654)	-	-	-	
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	-	-	-	-	-	-	-	-	-	-	-	-	(1,119,812)	(1,119,812)	
Total comprehensive income for the year	-	-	-	-	-	-	527,972	34,347	-	-	5,481,536	-	4,715,331	10,759,186	
Balance as at 31 December 2012	133	12,778,164	2,065,645	165,742	775,814	226,460	1,107,633	15,693	1,277,830	-	24,358,604	-	41,017,997	83,789,715	

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 years ended 31 December 2012 and 2011

(Unit: Thousand Baht)

	Separate financial statements									
	Issued and paid-up share capital				Other components					
					of equity		Retained earnings			
	Preferred shares	Common shares	Premium on common share	Premium on treasury share	Revaluation surplus on investments	Appropriated		Unappropriated	Treasury shares	Total
				Statutory reserve	Treasury shares reserve					
Balance as at 1 January 2011	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)	-	-	-	-	-	-	-	(1,533,396)	-	(1,533,396)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	1,117	-	1,117
Transfer of retained earnings to statutory reserve (Note 27)	-	-	-	-	-	81,756	-	(81,756)	-	-
Conversion of preference shares to ordinary shares	(26)	26	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	10,715	-	-	1,635,133	-	1,645,848
Balance as at 31 December 2011	133	13,331,407	2,065,645	-	300,712	1,202,176	387,501	11,304,801	(387,501)	28,204,874
Balance as at 1 January 2012	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)	-	-	-	-	-	-	-	(1,533,396)	-	(1,533,396)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	2,598	-	2,598
Transfer of retained earnings to statutory reserve (Note 27)	-	-	-	-	-	75,654	-	(75,654)	-	-
Share capital reduction from treasury shares cancellation (Note 25)	-	(553,243)	-	165,742	-	-	(387,501)	387,501	387,501	-
Total comprehensive income for the year	-	-	-	-	66,291	-	-	2,891,693	-	2,957,984
Balance as at 31 December 2012	133	12,778,164	2,065,645	165,742	367,003	1,277,830	-	12,977,543	-	29,632,060

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

Thanachart Capital Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 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, 16-17th 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 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with accounting standard enunciated under the Accounting Professions Act B.E. 2547 with reference to accounting practice of “Transferring/Transferred of financial assets” and the principles stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 3 December 2010.

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

The 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 consolidated financial statements

- a) The consolidated financial statements included the financial statements of the Company and the following subsidiary companies (“the subsidiaries”).

	Nature of business	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
		2012	2011	2012	2011
<u>Subsidiaries directly held by</u>					
<u>the Company</u>					
Thanachart Bank Plc.	Commercial bank	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	Asset management	100.00	100.00	-	-
Max Asset Management Co., Ltd.	Asset management	83.44	83.44	-	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	In liquidation process	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	100.00	100.00	-	-

	Nature of business	Percentage of holding		Percentage of holding	
		by the Company		by the subsidiaries	
		2012	2011	2012	2011
<u>Subsidiaries indirectly held by the Company</u>					
SCIB Plc.	In liquidation process	-	-	99.98	99.98
Thanachart Securities Plc.	Securities business	-	-	100.00	100.00
Thanachart Insurance Plc.	Non-life insurance	-	-	100.00	100.00
Thanachart Life Assurance Plc.	Life insurance	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	Fund management	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	Non-life insurance broker	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	Hire purchase	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	Services	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	Liquidated	-	-	-	100.00
Thanachart Training and Development Co., Ltd.	Training services	-	-	100.00	100.00
TS Asset Management Co., Ltd.	Non-performing asset management	-	-	100.00	100.00
Ratchthani Leasing Plc.	Hire purchase and leasing business	-	-	65.18	65.18
National Leasing Co., Ltd.	Leasing business	-	-	100.00	100.00
Siam City Life Assurance Plc.	Life insurance	-	-	100.00	100.00
SCIB Service Co., Ltd.	Service	-	-	100.00	100.00

- 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 31 December 2012 and 2011 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income	
	2012	2011	2012	2011
Thanachart Bank Plc.	930,776	818,978	26,491	18,143
SCIB Plc.	6	-	3	8,603
Thanachart Life Assurance Plc.	27,301	20,285	2,830	1,962
Siam City Life Assurance Plc.	12,465	11,195	392	(89)
Thanachart Insurance Plc.	8,310	7,142	2,438	1,974
Thanachart Securities Plc.	6,893	3,873	1,429	1,284
TS Asset Management Co., Ltd.	9,959	11,361	814	284
Ratchthani Leasing Plc.	18,835	12,033	1,091	171
NFS Asset Management Co., Ltd.	2,302	3,915	625	396

- c) In October 2011, SCIB transferred investment in 437,250,000 ordinary shares of Ratchthani Leasing Plc. to Thanachart Bank for a consideration of Baht 536 million, in accordance with the terms of the entire business transfer agreement. As a result, Thanachart Bank's interest in Ratchathani Leasing Plc. stood at 48.35 percent. On 1 November 2011, Thanachart Bank purchased 437,486,500 additional shares at Baht 1.52 per share, or for a total of Baht 665 million, and as a result Thanachart Bank's shareholding increasing to 65.18 percent of the total shares of Ratchthani Leasing Plc. in issue. The investment was therefore treated as investment in subsidiary in Thanachart Bank's financial statements.

The consolidated statement of comprehensive income for the year ended 31 December 2011 thus included the operating results of Ratchthani Leasing Plc. from 1 November 2011 (the date that Thanachart Bank assumed control) to 31 December 2011.

- d) The consolidated statement of comprehensive income for the year ended 31 December 2011 included operating result of Siam City Asset Management Co., Ltd. from 1 January 2011 until 30 May 2011 (the date of disposal of the investment). Such subsidiary had total income of Baht 31 million and net income of Baht 3 million. A gain on disposal of Baht 26 million was recognised in the consolidated financial statements.
- e) The consolidated statement of comprehensive income for the year ended 31 December 2011 included operating result of Siam City Securities Co., Ltd., from 1 January 2011 until 31 August 2011 (the date of disposal of the investment). Such subsidiary had total income of Baht 114 million and net income of Baht 87 million. A gain on disposal of Baht 40 million was 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.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company and its subsidiaries expect the adoption of this accounting standard to have the effect of increasing the brought-forward of the equity attributable to the Company (retained earnings and other components of equity) in the consolidated financial statements of the year 2013 by Baht 800 million and decreasing comprehensive income attributable to the Company by Baht 200 million (separate financial statements: increasing brought-forward of the equity of the year 2013 by Baht 250 million and decreasing comprehensive income by Baht 70 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programs	1 January 2014

The management of the Company and its subsidiaries is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

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 year based on the effective yield rate of the portfolio multiplied 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 loan repayment is made during the year.

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 cancelled 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.

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 year-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 direct 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 fair value of these securities are recorded in 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 are recorded in other comprehensive income in the statements of comprehensive income, and will be recognised in 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 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 impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt securities is determined using 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 from 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 in profit or loss in the statements of comprehensive income. This method of measurement is in compliance with the principles stipulated by the BOT.

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

In the event of the Company and its subsidiaries transfer investments to another category, the investments are valued at their fair value prevailing on the transfer date. Differences between the carrying amount of the investments and their fair value on that date are recorded in profit or loss in the statements of comprehensive income or recorded as surplus (deficit) from revaluation of investments, which is presented as a separate item in equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investment which is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss in the statements of comprehensive income. In case of disposal partial 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 in profit or loss in the statements of comprehensive income.

In case that the receivables purchased enter into troubled debt restructuring agreements, they 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 stated at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Unrecognised deferred income and discounts on loans are deducted from the loan balances.

Hire purchase and financial lease receivables are stated at the contract value of the hire purchase and financial 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 balances of 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 year.

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. 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) Subsidiary engaged in securities business has provided 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 classifications 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 based on the loan balances without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts for other receivables is set up based on the amount of debts that may not be collectible, determined from a review of the current status of the receivable as at the reporting date.
- e) The Company and its subsidiaries write off receivables when they determine that such receivables may not be collectible. 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's 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 in profit or loss in the statements of comprehensive income in the restructuring period. Such allowance is reviewed based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against impairment loss of loans account.

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 gain on restructuring or interest income in 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 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 the subsidiary company 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 the subsidiary company for internal control purpose. As at the reporting date, subsidiary company write off those amounts which there are no guarantee obligations from both assets and liabilities, and present only those assets which belong to the subsidiary company.

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 profit or loss in the statements of comprehensive income.

4.11 Land, premises and equipment and depreciation

- a) Land and assets under installation 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 their cost on a straight-line basis over the following estimated useful lives:

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

Depreciation is included in determining income.

- c) Land, premises and equipment are derecognised upon disposal or when no future economic benefits are expected from their 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 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 while intangible assets acquired in other cases 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 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 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 comprise the net balance receivable/payable in respect of securities trades settled and derivatives business including amounts pledged with Thailand Clearing House as security for derivatives trading.

4.16 Securities purchased under resale agreements/securities sold under repurchase agreements

Subsidiary companies enter into agreements with private entities to purchase/sell securities whereby there is an agreement to resell/repurchase the securities at certain dates and at 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 counter party, 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:

Transportation (cargo), travelling accident with coverage periods of not over six-months	-	100% of premium as from the date policy is effective, throughout the period of insurance coverage (2011: Unearned premium reserve for Marine and transportation is net premium written for the last ninety days and for travelling accident is calculated from net premium written for the last thirty days)
Other	-	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 statements of comprehensive income over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Leases of assets which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as expenses on the straight-line basis over the lease term.

4.22 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 profit or loss in the statements of comprehensive income. The fair values of the contracts are based on the quoted market prices. 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 market 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 year-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.

4.23 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.

4.24 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries assess whether there is an indication that an asset may be impaired. If any indication exists, 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 profit or loss in the statements 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 profit or loss in the statements of comprehensive income.

4.25 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 in the statements of comprehensive income.

4.26 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.

4.27 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.

4.28 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 judgments and estimates are as follows:

5.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether 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 these estimated useful lives and salvage values when there are any changes.

In addition, the management is required to review land, premises and equipment for impairment on a periodical basis and record impairment losses 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 flows. 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.

5.8 Finance lease/Operating lease

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

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. 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 two 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 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. Such estimates require management to exercise judgment in order to reflect the best estimates available at that time.

5.12 Post-employment 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 not provide provisions and contingent liabilities.

6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	8,282	2,000	10,282	5,492	2,000	7,492
Commercial banks	1,119	20,414	21,533	579	8,518	9,097
Specialised financial institutions	70	29	99	40	8,238	8,278
Other financial institutions	300	23,634	23,934	197	22,618	22,815
Total	9,771	46,077	55,848	6,308	41,374	47,682
Add: Accrued interest receivables	9	43	52	-	11	11
Less: Allowance for doubtful accounts	-	(216)	(216)	-	(193)	(193)
Total domestic items	9,780	45,904	55,684	6,308	41,192	47,500
Foreign						
US Dollar	245	15,477	15,722	1,449	13,470	14,919
Euro	50	-	50	119	-	119
Others	317	-	317	523	103	626
Total	612	15,477	16,089	2,091	13,573	15,664
Add: Accrued interest receivables	-	208	208	-	68	68
Less: Allowance for doubtful accounts	-	(3)	(3)	-	-	-
Total foreign items	612	15,682	16,294	2,091	13,641	15,732
Total	10,392	61,586	71,978	8,399	54,833	63,232

(Unit: Million Baht)

	Separate financial statements					
	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	140	4,700	4,840	75	-	75
Specialised financial institutions	1	-	1	1	-	1
Total	141	4,700	4,841	76	-	76
Add: Accrued interest receivables	-	11	11	-	-	-
Total domestic items	141	4,711	4,852	76	-	76

As at 31 December 2012, the Company had deposits with a subsidiary company of Baht 4,831 million in the separate financial statements (2011: Baht 68 million).

7. Derivatives

As at 31 December 2012 and 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					
	2012			2011		
	Fair value/Adjustment of accrual basis		Notional amount*	Fair value/Adjustment of accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate						
Derivatives for trading	766	675	77,561	858	820	63,491
Derivatives for banking book	316	19	27,038	-	1,706	31,788
Interest rate						
Derivatives for trading	493	489	101,254	64	60	5,957
Derivatives for banking book	-	-	26,100	-	-	3,967
Foreign exchange rate and interest rate						
Derivatives for trading	18	6	1,595	29	9	2,212
Derivatives for banking book	584	13	10,650	585	291	15,445
Others						
Derivatives for trading	-	4	54	-	-	641
Total	2,177	1,206	244,252	1,536	2,886	123,501

* 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 year is presented under derivative assets/derivative liabilities. Accrued interest receivables (payables) per the contracts are recorded as receivables and payables in other assets/liabilities.

Below are the proportions of trading derivatives transactions classified by counterparty, determined based notional amount, as at 31 December 2012 and 2011:

Counterparty	Consolidated financial statements	
	2012	2011
	Percent	Percent
Financial institutions	90.99	80.01
Third parties	9.01	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			
	2012		2011		2012		2011	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading securities								
Government and state enterprises securities	6,141	6,040	10,883	10,855	-	-	-	-
Private debt securities	5,678	5,730	4,771	4,758	1	1	7	7
Foreign debt securities	620	628	642	637	-	-	-	-
Domestic marketable equity securities	16	16	38	45	-	-	-	-
	12,455	12,414	16,334	16,295	1	1	7	7
Less: Allowance for change in value	(41)		(39)		-		-	
Net	12,414		16,295		1		7	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2012		2011		2012		2011	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale securities								
Government and state enterprises securities	55,220	55,434	40,977	41,103	-	-	100	100
Private debt securities	30,315	30,718	18,409	18,553	646	655	20	20
Foreign debt securities	11,485	11,746	25,515	25,425	-	-	-	-
Domestic marketable equity securities	7,270	8,235	7,752	8,553	127	485	264	565
	<u>104,290</u>	<u>106,133</u>	<u>92,653</u>	<u>93,634</u>	<u>773</u>	<u>1,140</u>	<u>384</u>	<u>685</u>
Add: Allowance for change in value	1,865		985		367		301	
Less: Allowance for impairment	(22)		(4)		-		-	
Net	<u>106,133</u>		<u>93,634</u>		<u>1,140</u>		<u>685</u>	
Held-to-maturity debt securities								
Government and state enterprises securities	23,388	24,127	28,575	29,434	1,080	1,079	419	419
Private debt securities	2,731	2,802	6,592	6,689	3,636	3,627	3,636	3,625
Foreign debt securities	-	-	1,500	1,488	-	-	-	-
Investment in receivables purchased	1,543	1,279	1,658	1,352	888	791	929	824
	<u>27,662</u>	<u>28,208</u>	<u>38,325</u>	<u>38,963</u>	<u>5,604</u>	<u>5,497</u>	<u>4,984</u>	<u>4,868</u>
Less: Allowance for impairment	(264)		(306)		(97)		(105)	
Net	<u>27,398</u>		<u>38,019</u>		<u>5,507</u>		<u>4,879</u>	
Other Investment								
Investment in property fund	564		671		-		-	
Domestic non-marketable equity securities	4,191		3,926		112		163	
Foreign non-marketable equity securities	39		84		-		-	
	<u>4,794</u>		<u>4,681</u>		<u>112</u>		<u>163</u>	
Less: Allowance for impairment	(90)		(118)		(36)		(77)	
Net	<u>4,704</u>		<u>4,563</u>		<u>76</u>		<u>86</u>	
Total investment - net	<u>150,649</u>		<u>152,511</u>		<u>6,724</u>		<u>5,657</u>	

8.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements										
2012					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					
Available-for-sale securities										
Government and state enterprises securities										
	-	28,698	26,463	59	55,220	-	20,131	20,828	18	40,977
Private debt securities										
	-	955	20,720	8,640	30,315	-	1,557	14,856	1,996	18,409
Foreign debt securities										
	-	2,647	7,290	1,548	11,485	-	19,020	6,495	-	25,515
Total										
	-	32,300	54,473	10,247	97,020	-	40,708	42,179	2,014	84,901
Add: Allowance for change in value										
	-	73	635	170	878	-	36	103	41	180
Total										
	-	32,373	55,108	10,417	97,898	-	40,744	42,282	2,055	85,081
Held-to-maturity debt securities										
Government and state enterprises securities										
	-	4,514	13,384	5,490	23,388	-	6,833	15,682	6,060	28,575
Private debt securities										
	-	1,326	1,227	178	2,731	-	3,990	2,288	314	6,592
Foreign debt securities										
	-	-	-	-	-	-	1,500	-	-	1,500
Investments in receivables ⁽¹⁾										
	1,540	-	3	-	1,543	1,646	8	4	-	1,658
Total										
	1,540	5,840	14,614	5,668	27,662	1,646	12,331	17,974	6,374	38,325
Less: Allowance for impairment										
	(264)	-	-	-	(264)	(306)	-	-	-	(306)
Total										
	1,276	5,840	14,614	5,668	27,398	1,340	12,331	17,974	6,374	38,019
Total debt securities										
	1,276	38,213	69,722	16,085	125,296	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 defaulted on repayment of principal and interest.

(Unit: Million Baht)

	Separate financial statements									
	2012					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
Available-for-sale securities										
Government and state enterprises securities	-	-	-	-	-	-	100	-	-	100
Private debt securities	-	-	646	-	646	-	-	20	-	20
Total	-	-	646	-	646	-	100	20	-	120
Add: Allowance for change in value	-	-	9	-	9	-	-	-	-	-
Total	-	-	655	-	655	-	100	20	-	120
Held-to-maturity debt securities										
Government and state enterprises securities	-	1,080	-	-	1,080	-	419	-	-	419
Private debt securities	-	-	-	3,636	3,636	-	-	-	3,636	3,636
Investments in receivables ⁽¹⁾	888	-	-	-	888	929	-	-	-	929
Total	888	1,080	-	3,636	5,604	929	419	-	3,636	4,984
Less: Allowance for impairment	(97)	-	-	-	(97)	(105)	-	-	-	(105)
Total	791	1,080	-	3,636	5,507	824	419	-	3,636	4,879
Total debt securities	791	1,080	655	3,636	6,162	824	519	20	3,636	4,999

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

8.3 As at 31 December 2012, a revaluation surplus and a revaluation deficit in the consolidated shareholder's equity amounting to Baht 10 million and Baht 38 million, respectively, are as a result of the recategorisation of debt securities (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 31 December 2012 and 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 31 December 2012 and 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	
	2012	2011	2012	2011
Manufacturing and commerce	976	843	485	419
Banking and finance sector	1,440	761	-	-
Real estate and construction	21	21	20	20
Hotel	311	-	-	-

The investments in banking and finance sector 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	2012		2011	
	Net book value	Percentage of holding	Net book value	Percentage of holding
	Million Baht	Percent	Million Baht	Percent
The Thai Business Fund 3	-	-	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	829	23.53	-	-
Hua Hin Property Fund	121	100.00	-	-

In addition, the investments in hotel sector mentioned above was investments received as a result of debt restructuring made by Thanachart Bank. Although Thanachart Bank holds 100 percent of shares in this company but does not treat these investments as investments in subsidiary because Thanachart Bank intends to hold these investments only temporarily, and has been granted permission by the BOT to maintain holdings in excess of the set limit for no longer than 1 year.

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 31 December 2012 and 2011 can be summarised as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Investments in receivables purchased	1,543	1,658	888	929
Less: Allowance for impairment	(264)	(306)	(97)	(105)
Investments in receivables purchased - net	<u>1,279</u>	<u>1,352</u>	<u>791</u>	<u>824</u>

	2012				2011					
	Number	Balance		Yield	Number	Balance		Yield		
	of	per	Purchase		of	per	Purchase			
	debtors	agreement	price	debtors	agreement	price	debtors	agreement	price	Yield
	Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent			
<u>Consolidated financial statements</u>										
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 year	550	10,092	1,543		911	11,806	1,658			
<u>Separate financial statements</u>										
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 year	203	4,991	888		263	5,546	929			

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries have entered into debt restructuring agreements with its investments in receivable purchased, by means of various types of restructuring, as summarised below.

	Consolidated financial statements					
	2012			2011		
	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring
Type of restructuring	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
Modification of terms	2	12	12	7	35	35
Total	2	12	12	7	35	35
	Separate financial statements					
	2012			2011		
	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring
Type of restructuring	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
Modification of terms	-	-	-	1	2	2
Total	-	-	-	1	2	2

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from the end of the years are as follows:

Consolidated financial statements					
		2012		2011	
Periods	Number of receivables	Outstanding	Number of receivables	Outstanding	Million Baht
		balances after restructuring		balances after restructuring	
Due within the year	2	12	7	35	
Total	2	12	7	35	

Separate financial statements					
		2012		2011	
Periods	Number of receivables	Outstanding	Number of receivables	Outstanding	Million Baht
		balances after restructuring		balances after restructuring	
Due within the year	-	-	1	2	
Total	-	-	1	2	

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 31 December 2012 and 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 31 December 2012 and 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, summarised below.

Consolidated financial statements								
Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts		
						2012	2011	
2012	2011	2012	2011	2012	2011	2012	2011	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
Investments in receivables purchased								
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
3. Companies which have loan settlement problems or have defaulted on the repayment	172	215	1,150	1,218	1,693	1,780	194	225

Separate financial statements								
Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts		
						2012	2011	
2012	2011	2012	2011	2012	2011	2012	2011	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
Investments in receivables purchased								
1. Companies which have loan settlement problems or have defaulted on the repayment	70	86	696	714	1,004	1,085	74	71

9. Investments in subsidiary and associated companies

9.1 Separate financial statements

As at 31 December 2012 and 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	Separate financial statements						Dividend income for the	
	Paid-up share capital		Percentage of holding (Percent)		Value of investment under the cost method		years ended	
	2012	2011	2012	2011	2012	2011	2012	2011
<u>Subsidiary companies</u>								
Thanachart Bank Plc.	55,137	55,137	50.96	50.96	29,056	29,056	983	1,124
NFS Asset Management Co., Ltd.	1,000	1,000	100.00	100.00	1,000	1,000	1,000	-
Max Asset Management Co., Ltd.	572	572	83.44	83.44	469	469	549	262
NASSET Property Fund 6	371	395	99.80	99.80	370	395	62	20
Thiravanit Co., Ltd.	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	2	2	100.00	100.00	2	2	-	-
<u>Associated company</u>								
MBK Plc.	1,886	1,886	10.00	10.00	658	658	99	94
Total investments in subsidiary and associated companies - net					31,589	31,614	2,693	1,500
Less: Allowance for impairment					(16)	(16)		
Total investments in subsidiary and associated companies - net					31,573	31,598		

During the year 2012, NASSET Property Fund 6 decreased the number of its registered units and returned Baht 34 million to the Company, based on the net assets value at the declaration date. The Company therefore recognised gain on capital return of Baht 9 million in the separate financial statement. This gain has been eliminated in the consolidated financial statements.

9.2 Investments in associated companies in the consolidated financial statements

As at 31 December 2012 and 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 years ended		Share of income (loss) for the years ended	
					Cost method		Equity method		31 December		31 December	
	2012	2011	2012	2011	2012	2011	2012	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	1,795	1,639	197	188	308	234
Siam Samsung Life Insurance Co., Ltd. (operating in life insurance business)	-	500	-	25.00	-	104	-	34	-	-	(25)	(46)
Siam City Insurance Co., Ltd. (disposed during 2011)	-	-	-	-	-	-	-	-	-	10	-	(8)
Ratchthani Leasing Plc. (transferred to investment in subsidiary in 2011)	-	-	-	-	-	-	-	-	-	12	-	78
Total investments in associated companies					948	1,052	1,795	1,673	197	210	283	258

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. was 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 disposed of all of investment in common share of Siam City Insurance Co., Ltd., and 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 taken the right to purchase additional new issue shares of Ratchthani Leasing Plc., resulting in Thanachart Bank's shareholding increased from 48.35 percent to 65.18 percent and the status of Ratchthani Leasing Plc. was changed from an associated company to a subsidiary company.

9.3 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 30 September 2012 and 2011 and for the years then ended are as follows:

(Unit: Million Baht)

Paid-up share capital		Total assets		Total liabilities		Total income		Profit	
						for the years ended		for the years ended	
30 September		30 September		30 September		30 September		30 September	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1,886	1,886	30,499	27,409	14,161	13,916	8,953	8,582	1,536	1,182

The share of income 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 30 September 2012 and 2011 and the statements of profit or loss for the years then ended 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 net income for the year ended 30 September 2012 is not material different from that income for the year ended 31 December 2012.

b) Summarised financial information of Siam Samsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 31 December 2012 and 2011 and for the years then ended are as follows:

(Unit: Million Baht)

Company's name	Paid-up		Total assets		Total liabilities		Total income		Profit (loss)	
	share capital						for the years		for the years	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Siam Samsung Life Insurance Co., Ltd.	-	500	-	1,989	-	1,854	270	1,170	(100)	(184)
Siam City Insurance Co., Ltd.	-	-	-	-	-	-	-	414	-	(17)
Ratchthani Leasing Plc.	-	-	-	-	-	-	-	913	-	160

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.

c) As at 31 December 2012 and 2011, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand is as follows

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
MBK Plc.	4,092	3,313	2,055	1,664

9.4 Cash flow information of asset management companies that are subsidiaries

Cash flow information of asset management companies that are subsidiaries for the years ended 31 December 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
Cash flows from operating activities						
Profit before income tax	564	503	334	157	2,201	321
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	(99)	(13)	(8)	(11)	-	-
Loss on impairment of investment of securities	22	-	-	-	-	-
Loss on impairment of property foreclosed (reversal)	(16)	(42)	1	6	15	12
Reversal of impairment loss of loans and debt securities	(59)	(251)	(1)	(9)	(1,811)	(221)
Others	(18)	(22)	(4)	2	5	-
	394	175	322	145	410	112
Interest income	(270)	(128)	(10)	(50)	(612)	(273)
Interest expenses	27	72	-	-	254	85
Dividend income	(7)	(9)	-	-	-	-
Cash received from interest	269	127	10	47	619	232
Cash paid for interest	-	-	-	-	(253)	(83)
Cash paid for income tax	(118)	(89)	(59)	(31)	(571)	-
Income (losses) from operating activities before changes in operating assets and liabilities	295	148	263	111	(153)	73
Decrease (increase) in operating assets						
Current investments	777	(576)	(55)	(130)	-	-
Investments in receivables purchased	-	-	1	5	-	-
Loans to customers	481	248	23	36	2,749	(8,010)
Property foreclosed	535	322	489	116	439	(3,093)
Other assets	23	(5)	1	6	38	(47)
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	(3,762)	9,822
Provision liabilities	-	-	-	-	(24)	-
Other liabilities	(79)	(200)	(68)	24	(40)	123
Net cash flows from (used in) operating activities	2,032	(63)	654	168	(753)	(1,132)

(Unit: Million Baht)

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd		TS Asset Management Co., Ltd	
	2012	2011	2012	2011	2012	2011
	Cash flows from investing activities					
Cash received from disposal of long-term investments	4	106	-	-	-	-
Cash received from interest on investments	-	1	-	-	-	4
Cash received from dividend	7	9	-	-	-	-
Cash paid for purchase equipment	-	-	-	-	(1)	-
Net cash flows from (used in) investing activities	11	116	-	-	(1)	4
Cash flows from financing activities						
Cash received from issuance of share capital	-	-	-	-	-	2,000
Cash paid for borrowings	(1,000)	-	-	-	-	-
Cash paid for interest on borrowings	(27)	(72)	-	-	-	-
Cash paid for dividend	(1,000)	-	(658)	(315)	-	-
Net cash flows from (used in) financing activities	(2,027)	(72)	(658)	(315)	-	2,000
Net increase (decrease) in cash and cash equivalents	16	(19)	(4)	(147)	(754)	872
Cash and cash equivalents at beginning of the year	66	85	24	171	872	-
Cash and cash equivalents at end of the year	82	66	20	24	118	872

9.5 The consolidated statement of financial position as at 31 December 2012 and 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.

9.6 Investment in Thanachart Life Assurance Company Limited in the consolidated financial statements

On 5 November 2012, Thanachart Bank, a subsidiary company, signed a Share Purchase Agreement with Prudential Life Insurance (Thailand) Plc. (“the Buyer”) to sell the common shares of Thanachart Life Assurance Company Limited (“Thanachart Life Assurance”) held by Thanachart Bank, which represented 100% of the total issued and paid-up shares. Under this agreement, share payment and transfer will only occur after fulfillment of certain conditions such as that Buyer has to obtain approval from the Office of Insurance Commission in accordance with the Life Insurance Act., and has to sign the Exclusive Bancassurance Agreement specifying that Thanachart Bank acts as the distributor of the Buyer's products and services. The payment of the consideration and the transfer of the shares are expected to occur during the first quarter of 2013. At the date of Thanachart Bank transferring the shares to the buyer, the full amount of Baht 17,500 million will be paid by the Buyer and also a post-completion adjustment based on agreed terms to reflect the net asset value as at the completion date. A further payment of Baht 500 million is due 12 months after the completion date. This sale transaction will be recognised on the date that Thanachart Bank completes the transfer of the shares to the Buyer and receives the above consideration.

10. Loans to customers and accrued interest receivables

10.1 Classified by loan type

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Loans to customers</u>				
Overdrafts	21,527	23,358	-	-
Loans	277,661	272,788	192	198
Notes receivable	54,589	49,975	7	1,008
Hire purchases receivables	454,896	326,115	119	139
Financial leases receivables	1,985	2,084	-	-
Others	212	234	-	-
Less: Deferred revenues	(58,153)	(39,686)	(7)	(8)
Total loans to customers net of deferred revenues	752,717	634,868	311	1,337
Add: Accrued interest receivables	1,073	980	-	9
Total loans to customers net of deferred revenues and accrued interest receivables	753,790	635,848	311	1,346
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(18,340)	(26,166)	(214)	(259)
- Collective approach	(5,520)	-	-	-
2) Excess provision	(511)	(429)	-	-
Less: Revaluation allowance for debt restructuring	(348)	(386)	-	-
Loans to customer and accrued interest receivables - net	729,071	608,867	97	1,087
<u>Securities business receivables</u>				
Credit balances receivables	2,424	1,926	-	-
Other receivables	189	310	-	-
Total securities business receivables	2,613	2,236	-	-
Less: Allowance for doubtful accounts	(172)	(305)	-	-
Securities business receivables - net	2,441	1,931	-	-
Loans to customer and accrued interest receivables - net	731,512	610,798	97	1,087

10.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	731,367	485	731,852	622,859	450	623,309
US Dollar	19,473	3,393	22,866	7,282	5,853	13,135
Other currencies	361	369	730	395	425	820
Total loans to customers	751,201	4,247	755,448	630,536	6,728	637,264
Less: Intercompany gain from						
loans transferred	(118)	-	(118)	(160)	-	(160)
Total*	751,083	4,247	755,330	630,376	6,728	637,104

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	311	-	311	1,337	-	1,337
Total*	311	-	311	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								
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	16,376	13	8	38	217	16,652	3	16,655
Manufacturing and commerce	75,566	1,270	2,397	1,603	8,201	89,037	89	89,126
Real estate and construction	46,541	1,080	181	359	3,403	51,564	9	51,573
Public utilities and services	55,950	3,500	378	598	2,937	63,363	109	63,472
Personal consuming								
Housing loans	77,202	1,067	443	677	3,350	82,739	3	82,742
Securities business	-	-	-	-	-	-	2,613	2,613
Hire purchase	351,384	20,701	1,143	983	3,187	377,398	19,587	396,985
Others	27,518	855	570	275	1,894	31,112	190	31,302
Others	20,189	32	184	10	563	20,978	2	20,980
Total	670,726	28,518	5,304	4,543	23,752	732,843	22,605	755,448
Less: Intercompany gain from loans transferred								(118)
Total*								755,330

* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
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
Total	541,768	40,387	7,142	11,769	20,357	621,423	15,841	637,264
Less: Intercompany gain from loans transferred								(160)
Total*								637,104

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
2012						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	1	2	-	4	14	21
Hire purchase	-	-	-	-	112	112
Others	2	-	1	1	171	175
Total*	<u>3</u>	<u>2</u>	<u>1</u>	<u>5</u>	<u>300</u>	<u>311</u>

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
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*	<u>1,005</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>328</u>	<u>1,337</u>

* Total loans net of deferred revenues

10.4 Non-performing loans

As at 31 December 2012 and 2011, the Company and its subsidiaries (banking, securities and asset management businesses) 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	
	2012	2011	2012	2011
Non-performing loans (excluding accrued interest receivables)				
The Company	306	332	306	332
Banking business	20,036	17,989	-	-
Securities business	173	306	-	-
Asset management	13,236	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 businesses) had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
The Company	207	229	207	229
Banking business	18,525	16,579	-	-
Securities business	173	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 also recognise income from loans on a cash basis.

10.5 Debt restructuring

During the years 2012 and 2011, the Company and its subsidiaries (banking, asset management and securities businesses) have entered into debt restructuring agreements as follows:

consolidated financial statements					
For the years ended 31 December					
Type of restructuring	Number of debtors	Outstanding balances before restructuring ⁽¹⁾	Outstanding balances after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2012					
Modification of repayment conditions	15,270	16,534	13,607		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	35	1,294	1,118	Land , land and premise thereon and common share	1,208
Total	15,305	17,828	14,725		
2011					
Modification of repayment conditions	38,742	16,575	16,575		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	17	1,013	1,013	Land , land and premise thereon and common share	488
Total	38,759	17,588	17,588		

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

Separate financial statements					
For the years ended 31 December					
Type of restructuring	Number of debtors	Outstanding balances before restructuring ⁽¹⁾	Outstanding balances after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2012					
Modification of repayment conditions	25	9	9		
Total	25	9	9		
2011					
Modification of repayment conditions	43	7	7		
Total	43	7	7		

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

Counting from the end of the years, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2012 and 2011, are summarised below.

Consolidated financial statements				
For the years ended 31 December				
Periods	2012		2011	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	4,987	4,551	1,266	1,749
Due within the year	2,439	4,413	965	1,887
Less than 5 years	6,815	3,583	27,991	8,649
5 - 10 years	857	1,568	8,502	5,219
10 - 15 years	70	283	14	45
Over 15 years	137	327	21	39
Total	15,305	14,725	38,759	17,588

Separate financial statements				
For the years ended 31 December				
Periods	2012		2011	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	-	-	3	1
Due within the year	20	2	36	3
Less than 5 years	3	3	4	3
5 - 10 years	1	1	-	-
10 - 15 years	1	3	-	-
Total	25	9	43	7

Supplemental information for the years 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	2,582	1,458	18	2
Gain on debt settlement/disposal	156	107	-	13
Gain on assets transferred from debt settlement	-	6	-	-
Loss on debt restructuring (net of allowance for doubtful accounts as previously recorded)	15	40	-	-
Cash repayment from receivables	12,980	5,716	22	22
Property foreclosed received for debts settlement	1,763	320	-	-

As at 31 December 2012 and 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	
	2012	2011	2012	2011	2012	2011	2012	2011
	Thousand	Thousand			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	3.1	3.6	60	60	119	120	26	26
Thanachart Bank Plc.	1,719.6	1,378.9	53,284	52,289	24,058	25,803	14,604	9,350
Thanachart Securities Plc.	0.5	0.9	4	3	50	35	50	35
TS Asset Management Co., Ltd.	2.3	2.5	1,566	1,630	9,553	12,978	4,919	5,173
Other subsidiaries	0.6	5.9	204	243	610	1,119	188	245

10.6 Hire purchases/Financial leases receivables

As at 31 December 2012 and 2011, the Company and its subsidiaries, which are engaged in the banking, hire purchases and financial leases businesses, have hire purchases/financial lease receivables. These mostly comprise hire purchase agreements or financial lease agreements for cars, trucks and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2012				
Amounts due under lease agreements				
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	126,057	308,954	21,870	456,881
Less: Unearned finance income	(21,180)	(35,881)	(1,019)	(58,080)
Present value of minimum lease payments receivable	104,877	273,073	20,851	398,801
Allowance for doubtful accounts				(6,754)
Hire purchases/Financial leases receivables - net				392,047

* 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 31 December 2012

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	119	-	-	119
Less: Unearned finance income	(7)	-	-	(7)
Present value of minimum lease payments receivable	112	-	-	112
Allowance for doubtful accounts				(112)
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 31 December 2012 and 2011, the Company and its financial institution subsidiaries (banking and asset management businesses) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Consolidated financial statements ⁽¹⁾					
	Net balance used in made					
	Loans and accrued interest receivables		allowance for doubtful accounts		Allowance for doubtful accounts	
	2012	2011	2012	2011	2012	2011
Normal	671,689	542,595	480,971	201,388	4,885	4,049
Special mention	28,575	40,463	22,593	18,290	1,475	721
Substandard	5,312	7,151	3,744	3,897	3,559	3,897
Doubtful	4,543	11,775	2,555	7,509	2,394	7,509
Doubtful of loss	23,781	20,405	11,166	9,005	10,801	9,209
Total	<u>733,900</u>	<u>622,389</u>	<u>521,029</u>	<u>240,089</u>	23,114	25,385
Additional allowance for possible uncollectability debts					499	417
Total					<u>23,613</u>	<u>25,802</u>

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

(Unit: Million Baht)

	Separate financial statements					
	Net balance used in made					
	Loans and accrued interest receivables		allowance for doubtful accounts		Allowance for doubtful accounts	
	2012	2011	2012	2011	2012	2011
Normal	3	1,005	1	1,000	-	10
Special mention	2	-	-	-	-	-
Substandard	1	4	-	-	-	-
Doubtful	5	-	-	-	-	-
Doubtful of loss	300	337	214	249	214	249
Total	<u>311</u>	<u>1,346</u>	<u>215</u>	<u>1,249</u>	214	259

	Percentage of allowance for doubtful account set up			
	Hire purchase receivables - personal consumer for			
	Thanachart Bank		Other loans	
	2012 ⁽²⁾	2011	2012	2011
Normal	0.20	1	1	1
Special mention	3.50	2	2	2
Substandard	83.14	100	100	100
Doubtful	83.14	100	100	100
Doubtful of loss	83.14	100	100	100

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

The Company and its subsidiaries that are engaged in banking and asset management businesses, previously set up allowance for doubtful debts in accordance with the BOT's regulations based on the overdue period and fixed provisioning rates. However, starting from 1 January 2012, Thanachart Bank changed its method of estimating allowance for doubtful debts for hire purchase receivable - personal consumer from setting allowance aside in accordance with the BOT guidelines with reference to the 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 922 million decrease in bad debt and doubtful accounts expenses in the statement of comprehensive income for the year ended 31 December 2012.

10.8 Loan to companies which have settlement problems

As at 31 December 2012 and 2011, loans of the Company and its subsidiaries (which engaged in banking, asset management, hire purchases and financial leases business) in the consolidated financial statements and the separate financial statements included amounts due from companies with weak financial positions and poor operating results, as follows:

	Consolidated financial statements							
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2012	2011	2012	2011	2012	2011	2012	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	835	888	64	110	771	790
3. Non - listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	10	9	584	585	329	334	238	236
4. Companies which have loan settlement problems or have defaulted on the repayment	1,315	1,326	18,188	24,966	10,352	12,324	9,009	13,574

	Separate financial statements							
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2012	2011	2012	2011	2012	2011	2012	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	54	72	101	102	81	85	27	30

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

As at 31 December 2012 and 2011, subsidiary company 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 balances net of allowance for doubtful accounts	
	2012	2011	2012	2011	2012	2011
Normal	2,440	1,930	-	-	2,440	1,930
Substandard	5	3	4	2	1	1
Doubtful	168	303	168	303	-	-
Total	2,613	2,236	172	305	2,441	1,931

Allowance for doubtful accounts for substandard loans set aside by subsidiary 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 31 December 2012 and 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)

	2012	2011
Current or overdue not over 90 days	19,254	12,846
Overdue 91 - 365 days	249	363
Overdue more than 1 year	64	66
Debtors under legal actions	233	205
Total	19,800	13,480
Allowance for doubtful accounts provided in the accounts	<u>757</u>	<u>792</u>

10.11 As at 31 December 2011, the Company had call loans of Baht 1,000 million to NFS Asset Management Co., Ltd., a subsidiary company, in the form of promissory notes. The loans carried interest at a rate referenced to the MLR of Thanachart Bank. During the year 2012, the subsidiary company made full payment of the loans.

11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
2012									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	4,049	721	3,897	7,509	9,209	417	25,802	1,098	26,900
Increase (decrease) during the year	836	754	(336)	(2,670)	4,226	82	2,892	(6)	2,886
Bad debts recovery	-	-	-	-	453	-	453	10	463
Bad debts written-off	-	-	-	-	(1,910)	-	(1,910)	(55)	(1,965)
Reversal on hair-cut loans	-	-	(2)	(2,445)	(541)	-	(2,988)	(117)	(3,105)
Reversal from disposal of loans	-	-	-	-	(636)	-	(636)	-	(636)
Balance - end of the year	4,885	1,475	3,559	2,394	10,801	499	23,613	930	24,543

(Unit: Million Baht)

Consolidated financial statements									
2011									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess 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							
2012							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning							
of the year	10	-	-	-	249	-	259
Decrease during the year	(10)	-	-	-	(26)	-	(36)
Bad debts recovery	-	-	-	-	2	-	2
Bad debts written-off	-	-	-	-	(1)	-	(1)
Reversal from disposal of loan	-	-	-	-	(10)	-	(10)
Balance - end of the year	-	-	-	-	214	-	214

(Unit: Million Baht)

Separate financial statements							
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 statements		financial Separate financial statements	
	2012	2011	2012	2011
Balance - beginning of the year	386	464	-	-
Decrease during the year	(2)	(35)	-	-
Amortised during the year	(36)	(43)	-	-
Balance - end of the year	348	386	-	-

13. Classification of assets

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

(Unit: Million Baht)

	Consolidated financial statements					
	2012					
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	39,223	671,689	-	-	199	711,111
Special mention	-	28,575	-	-	94	28,669
Substandard	-	5,312	-	-	7	5,319
Doubtful	-	4,543	-	-	6	4,549
Doubtful of loss	-	23,781	278	756	354	25,169
Total	39,223	733,900	278	756	660	774,817

(Unit: Million Baht)

	Consolidated financial statements					
	2011					
	Interbank and money market items	Loans to customer and 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
Total	39,364	622,389	523	761	621	663,658

(Unit: Million Baht)

Separate financial statements

	2012					
	Loans to customer and			Property		
	Interbank and	accrued				
	money market	interest	Investments	foreclosed	Other assets	
	items	receivables			Total	
Normal	-	3	-	-	3	
Special mention	-	2	-	-	3	
Substandard	-	1	-	-	1	
Doubtful	-	5	-	-	5	
Doubtful of loss	-	300	149	464	996	
Total	-	311	149	464	1,008	

(Unit: Million Baht)

Separate financial statements

	2011					
	Loans to customer and			Property		
	Interbank and	accrued				
	money market	interest	Investments	foreclosed	Other assets	
	items	receivables			Total	
Normal	-	1,005	-	-	1,005	
Special mention	-	-	-	-	1	
Substandard	-	4	-	-	5	
Doubtful	-	-	-	-	-	
Doubtful of loss	-	337	198	412	1,030	
Total	-	1,346	198	412	2,041	

14. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 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	7,781	743	(2,163)	875	7,236
Internal appraiser	1,741	14	(42)	(875)	838
Movable assets	367	4,778	(4,469)	-	676
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	1,271	20	(566)	780	1,505
Internal appraiser	1,049	-	(146)	(780)	123
Non-used branches					
External appraiser	116	233	(49)	-	300
Total property foreclosed	12,325	5,788	(7,435)	-	10,678
Less: Allowance for impairment	(765)	(518)	520	-	(763)
Property foreclosed - net	11,560	5,270	(6,915)	-	9,915

(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 year ended 31 December 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	6	(161)	370	1,551
Internal appraiser	468	-	(34)	(370)	64
Movable assets	2	1	(1)	-	2
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	62	-	(43)	347	366
Internal appraiser	420	-	(45)	(347)	28
Others					
Immovable assets					
External appraiser	30	35	(21)	76	120
Internal appraiser	101	-	(25)	(76)	-
Total property foreclosed	2,419	42	(330)	-	2,131
Less: Allowance for impairment	(412)	(79)	27	-	(464)
Property foreclosed - net	2,007	(37)	(303)	-	1,667

(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 year ended 31 December 2012						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2011	4,708	2,786	5,204	265	146	13,109
Additions	-	-	478	12	167	657
Transfers/disposals	(189)	(40)	(35)	(56)	(197)	(517)
31 December 2012	4,519	2,746	5,647	221	116	13,249
<u>Accumulated depreciation</u>						
31 December 2011	-	437	3,572	190	-	4,199
Transfers/disposals	-	3	(204)	(53)	-	(254)
Depreciation for the year	-	143	686	31	-	860
31 December 2012	-	583	4,054	168	-	4,805
<u>Allowance for impairment</u>						
31 December 2011	68	26	1	-	-	95
Increase during the year	-	-	5	-	-	5
31 December 2012	68	26	6	-	-	100
<u>Net book value</u>						
31 December 2012	4,451	2,137	1,587	53	116	8,344
Depreciation charge for the year						860

(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	2,783	4,488	277	135	12,347
Increase from purchase of subsidiary company	12	44	19	14	-	89
Decrease from disposal of subsidiary companies	-	-	(29)	(2)	-	(31)
Additions	32	5	433	11	327	808
Transfers/disposals	-	(46)	293	(35)	(316)	(104)
31 December 2011	4,708	2,786	5,204	265	146	13,109
<u>Accumulated depreciation</u>						
31 December 2010	-	251	2,820	164	-	3,235
Increase from purchase of subsidiary company	-	7	13	7	-	27
Decrease from disposal of subsidiary companies	-	-	(17)	(2)	-	(19)
Transfers/disposals	-	(42)	(6)	(25)	-	(73)
Depreciation for the year	-	221	762	46	-	1,029
31 December 2011	-	437	3,572	190	-	4,199
<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	4,640	2,323	1,631	75	146	8,815
Depreciation charge for the year						1,029

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 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	4	8
Transfers/disposals	-	-	(26)	(5)	-	(31)
31 December 2012	3	62	57	26	4	152
<u>Accumulated depreciation</u>						
31 December 2011	-	31	75	14	-	120
Transfers/disposals	-	-	(26)	(5)	-	(31)
Depreciation for the year	-	3	3	5	-	11
31 December 2012	-	34	52	14	-	100
<u>Net book value</u>						
31 December 2012	3	28	5	12	4	52
Depreciation charge for the year						11

(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
Depreciation charge for the year						15

As at 31 December 2012, the Company and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 34 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 1,937 million (separate financial statements: Baht 12 million and Baht 46 million, respectively).

16. Intangible assets

(Unit: Million Baht)

	For the year ended 31 December 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	1,511	7	180	5,798	8
Additions	-	131	-	229	360	-
Transfers/disposals	-	134	-	(134)	-	-
Written-off	-	(81)	-	-	(81)	-
31 December 2012	4,100	1,695	7	275	6,077	8
<u>Accumulated amortisation</u>						
31 December 2011	602	455	7	-	1,064	8
Written-off	-	(34)	-	-	(34)	-
Amortisation for the year	539	154	-	-	693	-
31 December 2012	1,141	575	7	-	1,723	8
<u>Allowance for impairment</u>						
31 December 2011	-	25	-	-	25	-
Increase during the year	-	35	-	-	35	-
31 December 2012	-	60	-	-	60	-
<u>Net book value</u>						
31 December 2012	2,959	1,060	-	275	4,294	-
Remaining amorisation period	8 years	0 – 10 years	-	-		0 - 2 years
Amortisation expenses for the year					693	-

(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	964	7	163	5,234	8
Increase from purchase of a subsidiary company	-	6	-	6	12	-
Decrease from disposal of a subsidiary company	-	(23)	-	-	(23)	-
Additions	-	342	-	233	575	-
Transfers/disposals	-	222	-	(222)	-	-
31 December 2011	4,100	1,511	7	180	5,798	8
<u>Accumulated amortisation</u>						
31 December 2010	137	286	6	-	429	8
Increase from purchase of a subsidiary company	-	4	-	-	4	-
Decrease from disposal of a subsidiary company	-	(5)	-	-	(5)	-
Amortisation for the year	465	170	1	-	636	-
31 December 2011	602	455	7	-	1,064	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	-
Amortisation expenses for the year					636	-

As at 31 December 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 51 million (separate financial statements: Baht 8 million).

17. Goodwill

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

	(Unit: Million Baht)	
	2012	2011
Goodwill - beginning of the year	15,784	15,784
Deferred gain on disposal of investment	(1,525)	(1,803)
Goodwill - ending of the year	<u>14,259</u>	<u>13,981</u>

18. Other assets

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Accrued premium insurance income	496	439	-	-
Other receivables	1,531	876	98	101
VAT refundable	2,301	57	-	-
Other receivables - VAT paid in advance				
for customers	226	201	1	1
Deposit	302	269	6	4
Estimated insurance claims recoveries	256	191	-	-
Receivable from clearing house	944	25	-	-
Leasehold right	340	413	13	29
Prepaid corporate income tax	1,076	1,048	29	13
Deposit from derivative contracts	102	357	-	-
Suspense amount - Deferred tax arrived				
from business combination	455	537	-	-
Prepaid expenses	347	255	6	5
Others	1,401	1,498	13	14
Total	<u>9,777</u>	<u>6,166</u>	<u>166</u>	<u>167</u>
Less: Allowance for impairment	(435)	(404)	(83)	(84)
Other assets - net	<u>9,342</u>	<u>5,762</u>	<u>83</u>	<u>83</u>

19. Deposits

19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current	8,504	7,117	-	-
Saving	239,104	169,051	-	-
Promissory notes	-	61	-	-
Certificates of deposit	2	2	-	-
Fixed deposits				
- Less than 6 months	115,133	52,172	-	-
- 6 months and up to 1 year	202,747	133,546	-	-
- Over 1 year	127,931	73,916	-	-
Total deposits	693,421	435,865	-	-

19.2 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	693,128	1	693,129	435,621	1	435,622
US Dollar	121	21	142	84	20	104
Other currencies	131	19	150	22	117	139
Total	693,380	41	693,421	435,727	138	435,865

20. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	2	6,869	6,871	-	3,065	3,065
Commercial banks	1,121	23,311	24,432	700	10,033	10,733
Specialised financial institutions	192	13,722	13,914	3,100	7,234	10,334
Other financial institutions	10,534	16,427	26,961	17,016	9,704	26,720
Total domestic items	11,849	60,329	72,178	20,816	30,036	50,852
Foreign						
US Dollar	54	14,336	14,390	3	8,599	8,602
Baht currency	486	723	1,209	241	456	697
Total foreign items	540	15,059	15,599	244	9,055	9,299
Total	12,389	75,388	87,777	21,060	39,091	60,151

As at 31 December 2012, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting Baht 1,754 million, consisting of (i) a loan of Baht 174 million that is repayable in 36 monthly installments from the date of loan drawdown and carries interest at a fixed interest rate per annum, payable monthly, (ii) a loan of Baht 800 million, repayable within 3 years from the date of loan drawdown and carrying interest at a fixed rate per annum, payable monthly, (iii) a loan of Baht 280 million, repayable quarterly, carrying interest at MLR minus a fixed rate, payable monthly, and (iv) a loan of Baht 500 million in term of promissory rates, repayable at the date as specified in each promissory note, and carrying interest at fixed rates per annum, payable monthly. In addition, the subsidiary has to comply with the terms and conditions specified in the loan agreements, such as maintenance of a debt to equity ratio (2011: included loans of a subsidiary company amounting to Baht 1,054 million).

21. Debt issued and borrowings

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

(Unit: Million Baht)

Type of borrowings	Interest rate per annum (as at 31 December 2012)	Maturity year	Consolidated financial statements		Separate financial statements	
			2012	2011	2012	2011
Unsubordinated debentures (a - c)	3.35 - 4.90 percent	2013 - 2022	14,995	12,000	15,000	12,000
Unsubordinated debentures (d - f)	3.45 - 5.50 percent	2013 - 2016	11,072	-	-	-
Perpetual subordinated hybrid bonds issued under Tier I (g)	8.50 percent	Dissolution	3,494	3,494	-	-
Subordinated hybrid bonds issued under Tier II (h)	5.25 percent	2019 and 2024	4,999	4,996	-	-
Subordinated debentures issued under Tier II (i - n)	4.70 - 6.00 percent	2015 - 2022	33,773	22,997	-	-
Subordinated debentures (n)	4.70 percent	2022	1,742	-	-	-
Short-term debentures	2.85 - 3.03 percent	2013	13,235	-	-	-
Bills of exchange	0.00 percent	At call	41	56	-	-
Bills of exchange	1.00 - 3.85 percent	2013	4,889	217,999	-	-
Promissory notes	0.50 - 4.25 percent	At call	1,168	942	-	-
Borrowings - Department of Alternative Energy Development and Efficiency	0.50 percent	2013 - 2017	98	169	-	-
Total debt issued and borrowings			89,506	262,653	15,000	12,000

- (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 21 November 2012, 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 2022 and bear interest at fixed rate of 4.60 percent per annum, payable semi-annually.
- (d) On 27 March 2012, Thanachart Bank issued 2,072,100 units of name registered unsubordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2013 and bear interests at fixed interest rate of 3.45 percent per annum, payable quarterly.
- (e) On 27 April 2012, a subsidiary issued 6,000,000 units of name registered unsubordinated, unsecured, unconvertible debentures with a 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. 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.
- (f) On 1 November 2012, a subsidiary issued 3,000,000 units of name registered unsubordinated, unsecured debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2016 and bear interest at fixed rate of 5.00 percent per annum, payable quarterly. 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.

- (g) 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 fixed 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.
- (h) On 24 July 2009, Thanachart Bank issued 5,000,000 name registered subordinated hybrid bonds, unsecured, unconvertible debentures with a 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 a fixed 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 a fixed 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.
- (i) 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 will mature in 2015 and bear interest at a fixed 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.
- (j) On 3 April 2009, Thanachart Bank issued 2,000,000 name registered subordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2019 and bear interest at a fixed rate 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.

- (k) On 2 April 2010, Thanachart Bank issued 6,000,000 name registered subordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2020 and bear interest at a fixed 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.
- (l) 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 a fixed rate 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.
- (m) On 20 July 2012, Thanachart Bank issued 8,497,000 name registered subordinated, unsecured with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2022 and bear interest at a fixed rate of 4.70 percent per annum, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (n) On 19 October 2012, Thanachart Bank issued 4,018,500 name registered subordinated, unsecured with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2022 and bear interest at a fixed rate of 4.70 percent per annum, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met. Part of this debenture, amounting to Baht 2,276 million, meets the criteria to be counted as Tier 2 capital.

22. Provisions

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2012						
	Loss from litigation	Employee benefits	Obligations from 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 year	101	67	32	-	133	333
Decrease from actual utilised	-	(94)	-	-	(4)	(98)
Reversal of provisions	-	-	(79)	-	-	(79)
As at 31 December 2012	196	1,943	222	383	556	3,300

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011						
	Loss from litigation	Employee benefits	Obligations from 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	95	1,970	269	383	427	3,144

(Unit: Million Baht)

	Separate financial statements			Total
	Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	
For the year ended 31 December 2012				
As at 1 January 2012	9	18	183	210
Increase during the year	-	5	-	5
As at 31 December 2012	9	23	183	215

(Unit: Million Baht)

	Separate financial statements			Total
	Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	
For the year ended 31 December 2011				
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

Provision for long-term employee benefits, which is compensations on employees' retirement, are as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Defined benefit obligation at the beginning of the year	1,947	1,994	18	15
Increase from purchase of a subsidiary company	-	3	-	-
Decrease from disposal of a subsidiary company	-	(3)	-	-
Current service cost	173	153	3	2
Interest cost	108	81	1	1
Benefits paid during the year	(1)	(79)	-	(1)
Actuarial (gain) loss	(236)	(42)	1	1
Decrease from curtailment	(68)	(160)	-	-
Defined benefit obligation at the end of the year	1,923	1,947	23	18

Long-term employee benefit expenses included in profit or loss are summarised as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	173	153	3	2
Interest cost	108	81	1	1
Decrease from curtailment	(68)	(160)	-	-
Actuarial (gain) loss				
- Assumption change adjustments	(215)	(42)	(2)	1
- Experience adjustments	(21)	-	3	-
Total expenses recognised in profit or loss	<u>(23)</u>	<u>32</u>	<u>5</u>	<u>4</u>

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

	(Percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Discount rate	3.70 - 4.42	4.07 - 4.70	4.38	4.09
Future salary increase	5.50 - 7.35	6.00 - 6.50	5.50	6.00
Average turnover rate	0.00 - 47.76	0.00 - 42.11	0.00 - 19.02	0.85 - 21.51

23. Insurance contract liabilities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Life policy reserve	34,291	29,831	-	-
Loss reserves and outstanding claims	1,975	3,441	-	-
Unearned premium reserve	3,116	2,659	-	-
Other liabilities under insurance policies	250	223	-	-
Total insurance contract liabilities	<u>39,632</u>	<u>36,154</u>	<u>-</u>	<u>-</u>

From July to December 2011, there was widespread flooding in Thailand, affecting parties insured by the subsidiary. The subsidiary has assessed and recorded the impact of the flood in its financial statements based on available evidence and surveyors' reports. However, some claims are still in the process of negotiations and further examination of the facts, which could affect the amount of loss reserves and loss reserves refundable from reinsurers. The management believes that no further significant losses will be incurred.

24. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Other payables	1,676	1,586	87	44
Suspense cash received from accounts receivable	516	546	34	39
Income received in advance	434	328	-	-
Provision for income tax	716	330	-	-
Corporate income tax payable	1,222	2,480	-	-
Accrued expenses	5,092	3,924	31	37
Payables to clearing house	126	306	-	-
Others	3,535	2,783	36	28
Total other liabilities	<u>13,317</u>	<u>12,283</u>	<u>188</u>	<u>148</u>

25. Share capital/Treasury stocks

During the year ended 31 December 2012, preferred shares converted 30 preference shares to the Company's common shares. Therefore, as at 31 December 2012, 13,306 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 had 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.

On 26 November 2012, the Company's Board of Directors approved a treasury stock program for financial management purposes, with a budget of up to Baht 3,400 million, and the number of shares to be repurchased not to exceed 127,781,636 shares, representing 10 percent of the shares of the Company in issue. The repurchase period runs from 11 December 2012 to 10 June 2013. However, as at 31 December 2012 the Company had not yet repurchased any shares under this program.

26. Other components of equity

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Share premium of a subsidiary	776	776	-	-
Amount by which the value of investment in subsidiary lower than attributable net book value	226	226	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	464	195	9	-
Equity instruments	692	576	358	301
Held-to-maturity investments	10	15	-	-
Total	<u>1,166</u>	<u>786</u>	<u>367</u>	<u>301</u>
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(20)	(128)	-	-
Equity instruments	-	(7)	-	-
Held-to-maturity investments (reclassified from available-for-sale investments)	(38)	(71)	-	-
Total	<u>(58)</u>	<u>(206)</u>	<u>-</u>	<u>-</u>
Total revaluation surplus on investments	1,108	580	367	301
Share of other comprehensive income of associates	16	(19)	-	-
Total	<u><u>2,126</u></u>	<u><u>1,563</u></u>	<u><u>367</u></u>	<u><u>301</u></u>

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 profit 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.

As at 31 December 2012, the Company allocated Baht 75.7 million of net profit for the year 2012 to the statutory reserve (2011: Baht 81.8 million).

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 will disclose capital requirement information as at 31 December 2012 on its website at www.thanachart.co.th, within April 2013. Moreover, the Company and its subsidiaries had disclosed capital requirement information as at 30 June 2012 on the Company's website since October 2012.

29. Dividends

During the years ended 31 December 2012 and 2011, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share
		Million Baht	Baht
<u>2012</u>			
Interim dividend on income for the first half-year of 2012	The Company's Board of Directors on 24 September 2012	639	0.50
Dividend on income for the second half-year of 2011	The Annual General Meeting of shareholders on 5 April 2012	894	0.70
Total		<u>1,533</u>	<u>1.20</u>
<u>2011</u>			
Interim dividend on income for the first half-year of 2011	The Company's Board of Directors on 26 September 2011	639	0.50
Dividend on income for the second half-year of 2010	The Annual General Meeting of shareholders on 8 April 2011	894	0.70
Total		<u>1,533</u>	<u>1.20</u>

30. Interest income

Interest income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2012	2011	2012	2011
Interbank and money market items	2,348	1,899	16	2
Investments and trading transactions	491	86	-	3
Investments in debt securities	4,503	4,319	384	350
Loans to customers	21,502	20,942	48	76
Hire purchase and financial lease	21,155	17,012	-	2
Total interest income	<u>49,999</u>	<u>44,258</u>	<u>448</u>	<u>433</u>

31. Interest expenses

Interest expenses for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Deposits	14,531	8,969	-	-
Interbank and money market items	1,561	1,127	-	-
Contribution fee to the Deposit Protection Agency	203	1,955	-	-
Contribution fee to the Financial Institutions Development Fund	2,792	-	-	-
Debts issued				
- Subordinated debentures	2,124	1,852	-	-
- Unsubordinated debentures	876	609	559	611
- Others	3,664	5,428	-	-
Borrowings cost	14	3	2	2
Total interest expenses	<u>25,765</u>	<u>19,943</u>	<u>561</u>	<u>613</u>

32. Fees and service income

Fees and service income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Fees and service income				
Acceptance, aval and guarantees	331	271	-	-
Brokerage fee from securities/ derivatives	1,216	1,168	-	-
Hire purchase fee income	1,084	911	3	10
Credit card fee	763	584	-	-
ATM and electronic banking services	710	746	-	-
Insurance brokerage fee income	334	224	-	-
Others	1,282	1,122	16	1
Total fees and service income	<u>5,720</u>	<u>5,026</u>	<u>19</u>	<u>11</u>
Fees and service expenses	<u>(1,490)</u>	<u>(1,306)</u>	<u>(1)</u>	<u>(5)</u>
Net fees and service income	<u>4,230</u>	<u>3,720</u>	<u>18</u>	<u>6</u>

33. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Foreign exchange and derivatives relating to foreign exchange	585	875	-	-
Foreign exchange and derivatives relating to interest	2	1	-	-
Debt securities	65	17	-	-
Equity securities	(2)	(5)	-	-
Others	13	3	-	-
Total	663	891	-	-

34. Gains on investments

Gains on investments for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Gains (losses) on disposal				
Available-for-sale securities	489	214	33	37
General investments	33	90	28	6
Losses on price adjustments on loans transferred to TAMC	-	(1)	-	-
Investments in subsidiary and associated companies	276	397	-	-
Gain on revaluation of investments (under business combination)	-	33	-	-
Gains on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	45	71	32	34
Reversal of impairment on general investments (losses)	9	(37)	42	-
Gain on transfer of investments	-	372	-	-
Gain on the capital returned	-	-	9	6
Total	852	1,139	144	83

During the year 2011, a subsidiary company transferred investment classified as held-to-maturity debt securities amounting to Baht 8,439 million to trading securities in order to comply with the measurement of insurance liabilities reserve for long-term insurance contracts, whereby the value of the liabilities reserve depends on any changes in market discount interest rate. As a result of this transfer, difference between carrying cost and fair value at transfer date of Baht 329 million was recognised as gain on transfer in profit or loss. The subsidiary company also transferred investments classified as available-for-sale securities amounting to Baht 2,000 million to trading securities with a gain on transfer of Baht 43 million.

35. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and publicly 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's and its subsidiaries' directors, which was approved by the Annual General Meeting of Shareholders held .

36. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Impairment loss of loans				
Interbank and money market items	26	30	-	-
Loans to customers (reversal)	2,886	2,143	(36)	(166)
Reversal amortisation of revaluation allowance for debts restructured during the year	(36)	(40)	-	-
Hair-cut losses from court ruling	5	-	-	-
Loss from debt restructuring (reversal)	15	(35)	-	-
Loss from impairment of investments in receivables purchased (reversal)	4	(21)	3	(10)
Total (reversal)	<u>2,900</u>	<u>2,077</u>	<u>(33)</u>	<u>(176)</u>

37. Income tax

Corporate income tax was calculated on net 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 years 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 years ended 31 December 2012 and 2011 are the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Other comprehensive income				
Available-for-sale investments:				
Unrealised gains (losses) during the year	1,452	(42)	99	48
Gains on reclassified type of investments	-	(43)	-	-
Reclassification of adjustment for realised gains/losses that included in profit or loss	(489)	(214)	(33)	(37)
	<u>963</u>	<u>(299)</u>	<u>66</u>	<u>11</u>
Share of other comprehensive income in associated companies	45	-	-	-
Other comprehensive income for the year (loss)	<u>1,008</u>	<u>(299)</u>	<u>66</u>	<u>11</u>

39. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year 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 year, 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 year or on the date the potential common shares were issued.

	Consolidated financial statements					
	For the years ended 31 December					
	Profit for the year		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
Basic earnings per share						
Profit attributable to the Company	5,481,536	5,002,433	1,277,817	1,277,815	4.29	3.91
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	15		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	<u>5,481,536</u>	<u>5,002,433</u>	<u>1,277,830</u>	<u>1,277,830</u>	<u>4.29</u>	<u>3.91</u>

	Separate financial statements					
	For the years ended 31 December					
	Profit for the year		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
Basic earnings per share						
Profit attributable to the Company	2,891,693	1,635,133	1,277,817	1,277,815	2.26	1.28
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	15		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	<u>2,891,693</u>	<u>1,635,133</u>	<u>1,277,830</u>	<u>1,277,830</u>	<u>2.26</u>	<u>1.28</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 year 2012, approximately Baht 424 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 5 million) (2011: Baht 453 million in the consolidated financial statements and Baht 5 million in the separate financial statements).

41. Related party transactions

During the years, 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 years ended 31 December				Transfer pricing policy (For the year 2012)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions occurred during the years</u>					
Subsidiaries					
Purchase of debt securities	-	-	33,393	17,512	At market prices
Sales of debt securities	-	-	50	158	At market prices
Sales of operating assets (2011: gain Baht 34 million)	-	-	-	100	
Capital returned from subsidiaries (2012: gain Baht 9 million 2011: gain Baht 6 million)	-	-	34	31	At the net assets value
Interest income from loans	-	-	27	72	At interest rate of Thanachart Bank's MLR
Interest income from cash at bank	-	-	16	2	At interest rate of 0.75 - 3.00 percent per annum
Interest income from investments in debt securities	-	-	311	299	At interest rate of 5.00 - 5.25 and 8.50 - 8.60 percent per annum
Dividend income	-	-	2,594	1,406	As declared
Rental and other service income	-	-	134	172	At the rate agreed under the contract
Interest expenses	-	-	-	2	
Fees on debt issuance	-	-	2	2	At the rate agreed under the contract
Other expenses	-	-	16	30	

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2012)
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
Transactions occurred during the years (continued)					
Associated companies					
Purchase of debt securities	-	80	-	-	
Sales of debt securities	270	384	-	-	At market prices
Interest income	1	369	-	-	At interest rate of 3.00 - 4.05 percent per annum
Dividend income	-	-	99	94	As declared
Fee and service income	-	7	-	-	
Interest expenses	78	82	-	-	At interest rate of 0.75 - 5.25 percent per annum
Insurance premium/life insurance premium expenses	-	1	-	-	
Other expenses	84	57	25	32	
Dividend paid	-	-	156	156	As declared
Related companies					
Purchase of debt securities	75	1,139	-	-	At market prices
Sales of debt securities	1,946	562	-	-	At market prices
Sales of property foreclosed (2012: gain Baht 7 million)	34	-	-	-	At the contract price reference estimate prices
Purchase/sales of forward exchange contracts (2012: loss Baht 5 million 2011: loss Baht 114 million)	523,737	443,694	-	-	At market prices
Interest income	319	659	-	-	At interest rate of 2.40 - 8.00 percent per annum
Dividend income	52	57	29	24	As declared
Insurance premium/life insurance premium income	42	4	-	-	At the rate agreed under the contract
Other income	13	40	1	-	
Interest expenses	413	431	-	1	At interest rate of 0.285 - 8.60 percent per annum
Fee and service expenses	-	1	-	-	
Project management expenses	63	65	26	27	At the contract price calculated by reference to estimated usage time
Other expenses	163	146	6	3	
Dividend payment	851	1,113	-	-	As declared

In addition to the transactions mentioned above, during the year ended 31 December 2011, SCIB transferred non-performing loans amounting to Baht 9,062 million and property 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.

Moreover, in September 2012, Thanachart Bank purchased investments in equity securities from another subsidiary at a price of Baht 983 million, with reference to market price. Since this transaction was intercompany transaction, a gain on disposal of Baht 630 million was recognised in the financial statements of the subsidiary company and eliminated in the consolidated financial statements.

The outstanding balances of the above transactions during the years ended 31 December 2012 and 2011 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	805	189
Loans to customers	-	-	377	1,000
Interbank and money market items (liabilities)	-	-	-	1
Debt issued and borrowings	-	-	1	39
<u>Associated companies</u>				
Loans to customers	-	7,513	-	-
Deposits	259	292	-	-
Debt issued and borrowings	1,422	2,335	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	395	1,296	-	8
Loans to customers	9,590	17,889	-	-
Deposits	1,259	1,166	-	-
Interbank and money market items (liabilities)	10,788	7,581	-	-
Debt issued and borrowings	4,123	7,527	-	46

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

(Unit: Million Baht)

Consolidated financial statements									
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	
Associated companies									
MBK Plc.	-	-	-	34	1,041	-	1,200	18	-
Related companies									
Seacon Development Plc.	-	-	459	1	1	-	-	-	29
Thai Hua Rubber Plc.	-	-	2,744	-	349	-	-	2	487
Synphaet Co., Ltd.	-	-	829	-	36	-	-	-	5
The Bank of Nova Scotia	57	-	-	39	-	11,615	3,494	100	1,971
Srithai Superware Plc.	-	-	711	-	69	-	-	-	-
Krunghai Card Plc.	-	-	4,138	-	11	-	-	-	-
Other related companies	-	-	1,046	177	941	165	400	35	291
	57	-	9,927	251	2,448	11,780	5,094	155	2,783

(Unit: Million Baht)

Consolidated financial statements									
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	
Associated companies									
MBK Plc.	-	-	-	10	93	-	1,500	20	-
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	26	-	100	-	-
Related companies									
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
Krunghai Card Plc.	-	582	3,533	-	7	-	-	-	-
Chaimongkol Refinery Co., Ltd.	-	-	2,471	-	-	-	-	-	3
Other related companies	-	-	1,325	194	744	35	932	318	306
	1,123	582	11,286	230	1,089	7,968	6,176	441	2,975

(Unit: Million Baht)

Separate financial statements									
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	
Subsidiary companies									
Thanachart Bank Plc.	4,842	3,637	-	81	-	-	5	20	-
Thanachart Securities Plc.	-	-	-	-	-	-	-	5	-
NFS Asset Management Co., Ltd.	-	-	-	1	-	-	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	-	16	-
Associated company									
MBK Plc.	-	-	-	4	-	-	-	-	-
	<u>4,842</u>	<u>3,637</u>	<u>-</u>	<u>86</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>41</u>	<u>-</u>

(Unit: Million Baht)

Separate financial statements									
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	
Subsidiary companies									
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	-
Associated company									
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 31 December 2012 and 2011, the Company has loan to subsidiary as described in note 10.11 to the financial statements.

As at 31 December 2012, the Company and its subsidiaries have investments amounting to Baht 1,277 million (Baht 535 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 (2011: Baht 1,172 million in the consolidated financial statements and Baht 469 million in the separate financial statements).

As at 31 December 2012 and 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		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Loans	68	49	-	-
Deposits	696	535	-	-

Directors and management's remuneration

During the years 2012 and 2011, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	625	680	81	80
Post-employment benefits	16	12	2	2
Termination benefit paid	-	26	-	-
	<u>641</u>	<u>718</u>	<u>83</u>	<u>82</u>

42. Financial information by segment

42.1 Financial position and results of operations classified by business transaction

The financial position as at 31 December 2012 and 2011, and the results of operations for the years then ended, classified by domestic and foreign operations, are as follow:

(Unit: Million Baht)

	Consolidated financial statements			
	2012			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,089,902	13,991	(79,981)	1,023,912
Interbank and money market items (assets)	81,709	13,144	(22,875)	71,978
Investments	153,940	786	(4,077)	150,649
Investments in subsidiary and associated companies	46,587	-	(44,792)	1,795
Loans to customers and accrued interest receivables	737,976	-	(6,464)	731,512
Deposits	701,282	-	(7,861)	693,421
Interbank and money market items (liabilities)	94,914	13,910	(21,047)	87,777
Debt issued and borrowings	93,559	-	(4,053)	89,506

(Unit: Million Baht)

	Consolidated financial statements			
	2011			
	Domestic operations	Foreign 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				
2012				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	51,108	147	(1,256)	49,999
Interest expenses	(26,915)	(88)	1,238	(25,765)
Net interest income	24,193	59	(18)	24,234
Net fee and service income	6,120	-	(1,890)	4,230
Net insurance/Life insurance income	2,085	-	1,790	3,875
Other operating income	12,216	12	(6,875)	5,353
Other operating expenses	(23,318)	-	740	(22,578)
Impairment loss of loans and debt securities	(2,797)	-	(103)	(2,900)
Income tax	(2,527)	-	64	(2,463)
Profit before non-controlling interests	15,972	71	(6,292)	9,751

(Unit: Million Baht)

Consolidated financial statements				
2011				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	45,552	218	(1,512)	44,258
Interest expenses	(21,185)	(37)	1,279	(19,943)
Net interest income	24,367	181	(233)	24,315
Net fee and service income	4,963	(4)	(1,239)	3,720
Net insurance/Life insurance income	896	-	1,231	2,127
Other operating income	14,818	39	(10,094)	4,763
Other operating expenses	(22,155)	-	1,215	(20,940)
Impairment loss of loans and debt securities	(2,086)	-	9	(2,077)
Income tax	(3,044)	-	(92)	(3,136)
Profit before non-controlling interests	17,759	216	(9,203)	8,772

The financial position as at 31 December 2012 and 2011 and the results of operations for the years then ended, 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 year ended 31 December 2012								
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	448	46,331	916	215	1,435	187	1,636	(1,169)	49,999
Interest expenses	(561)	(25,372)	(281)	(24)	-	-	(678)	1,151	(25,765)
Net interest income	(113)	20,959	635	191	1,435	187	958	(18)	24,234
Net fee and service income	18	4,078	13	1,675	(13)	(6)	355	(1,890)	4,230
Net insurance/life insurance income	-	-	-	-	834	1,251	-	1,790	3,875
Other operating income	3,243	6,824	868	65	781	93	354	(6,875)	5,353
Other operating expenses	(289)	(19,908)	(288)	(1,178)	(468)	(676)	(511)	740	(22,578)
Impairment loss of loans and debt securities	33	(4,680)	1,871	21	-	-	(42)	(103)	(2,900)
Income tax	-	(469)	(726)	(175)	(664)	(272)	(221)	64	(2,463)
Profit before non-controlling interest	2,892	6,804	2,373	599	1,905	577	893	(6,292)	9,751

(Unit: Million Baht)

	For the year ended 31 December 2011								
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	433	43,065	468	194	1,143	122	308	(1,475)	44,258
Interest expenses	(613)	(20,279)	(157)	(17)	-	-	(119)	1,242	(19,943)
Net interest income	(180)	22,786	311	177	1,143	122	189	(233)	24,315
Net fee and service income	6	3,240	6	1,526	(16)	(5)	202	(1,239)	3,720
Net insurance/life insurance income	-	-	-	-	(317)	1,213	-	1,231	2,127
Other operating income	1,966	11,388	372	191	501	44	395	(10,094)	4,763
Other operating expenses	(332)	(18,898)	(189)	(1,251)	(467)	(636)	(382)	1,215	(20,940)
Impairment loss of loans and debt securities	176	(2,706)	481	-	-	-	(37)	9	(2,077)
Income tax	(1)	(1,873)	(235)	(170)	(426)	(255)	(84)	(92)	(3,136)
Profit before non-controlling interest	1,635	13,937	746	473	418	483	283	(9,203)	8,772

(Unit: Million Baht)

As at 31 December 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	4,852	65,964	221	445	5,023	1,889	2,550	(8,966)	71,978
Investments	6,724	106,924	998	281	34,844	4,427	528	(4,077)	150,649
Investments in subsidiary and associated companies	31,573	13,754	-	824	-	375	61	(44,792)	1,795
Loans to customers and accrued interest receivable - net	97	708,641	7,207	2,472	158	3	19,398	(6,464)	731,512
Land, premises and equipment - net	52	7,927	1	52	127	106	63	16	8,344
Other assets	1,833	47,797	5,133	3,212	859	2,208	380	(1,788)	59,634
Total assets	45,131	951,007	13,560	7,286	41,011	9,008	22,980	(66,071)	1,023,912

(Unit: Million Baht)

As at 31 December 2011

	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	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

43. Encumbrance of assets

As at 31 December 2012 and 2011, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follow:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Investment in securities				
Placed at insurance registrar	8,329	7,448	-	-
Guarantees of loans at commercial bank	5,985	-	-	-
Placed at court	22	20	-	-
Property foreclosed				
Immovable assets subject to buyback options or first refusal rights	870	969	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	650	1,483	112	102
	<u>15,856</u>	<u>9,920</u>	<u>112</u>	<u>102</u>

44. Commitments and contingent liabilities

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

44.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Aval to bills	554	386	-	-
Liability under unmatured import bills	885	1,105	-	-
Letter of credits	3,183	3,856	-	-
Other obligations				
Committed (but not draw) overdraft	28,249	28,549	-	-
Others	25,965	21,405	1	1
Total	<u>58,836</u>	<u>55,301</u>	<u>1</u>	<u>1</u>

In addition, the Company and its subsidiaries have commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and gold futures contracts, 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, however as at 31 December 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 31 December 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
2013	1,831	13	6
2014	1,486	13	5
2015 onward	3,650	9	5

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 31 December 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 qualification of the assets transferred in accordance with 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 31 December 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 31 December 2012, the transferred assets which SAM is re-examining totaling Baht 136 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 129 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 11,636 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 31 December 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 707 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 31 December 2012, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 24,885 million (separate financial statements: Baht 622 million) in respect of litigation. However, the Company and its subsidiaries' management have already made certain provisions for contingent 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 for litigation mentioned above in the consolidated financial statements amounting to Baht 11,636 million, relates to lawsuits involving Thanachart Bank, as a result of the transfer of business from BMB to SCIB. In this regard, 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 to 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). The litigation also includes 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 for the forging SCIB's documents and using such counterfeit documents by a person acting on behalf of SCIB. However, SCIB has already filed a complaint against the person who produced and used counterfeit documents so as to proceed with a legal action. The court has already ordered the transfer of some of these cases to Thanachart Bank. The Thanachart Bank's management believes that no liability will arise from such restitution claim.

46. Letter of guarantees

As at 31 December 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/commodity position 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 31 December 2012 and 2011, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	2012			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	15,181	15,181
Interbank and money market items	24,656	37,737	9,544	71,937
Derivatives assets	-	-	2,177	2,177
Investments	1,543	135,578	12,080	149,201
Investments in associated companies	-	-	1,795	1,795
Loans to customers ⁽¹⁾	330,013	425,028	407	755,448
Receivable from purchase and sale securities	-	-	2,103	2,103
Other assets - receivable from clearing house	-	-	944	944
<u>Financial liabilities</u>				
Deposits	244,587	441,899	6,935	693,421
Interbank and money market items	7,791	77,753	2,233	87,777
Liabilities payable on demand	-	-	4,989	4,989
Derivatives liabilities	-	-	1,206	1,206
Debt issued and borrowings	4	89,461	41	89,506
Payable from purchase and sale securities	-	-	2,872	2,872
Other liabilities - payable from clearing house	-	-	126	126

(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				
2011				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
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 ⁽¹⁾	315,064	321,952	248	637,264
Receivable from purchase and sale securities	-	-	858	858
Other assets - receivable from clearing house	-	-	25	25
<u>Financial liabilities</u>				
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)

Separate financial statements				
2012				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Interbank and money market items	123	4,700	18	4,841
Investments	888	5,363	239	6,490
Investments in subsidiary and associated companies	-	-	31,589	31,589
Loans to customers ⁽¹⁾	104	197	10	311
<u>Financial liabilities</u>				
Debt issued and borrowings	-	15,000	-	15,000

(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.

(Unit: Million Baht)

Transactions	Separate financial statements			
	2011			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
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 ⁽¹⁾	1,110	214	13	1,337
Receivable from purchase and sale securities	-	-	1	1
Financial liabilities				
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:

Transactions	Consolidated financial statements						
	2012						
	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	30,232	3,045	4,460	-	37,737	2.29 - 3.92
Investments	-	9,550	33,615	68,572	23,841	135,578	3.50 - 3.57
Loans to customers (include intercompany gain on loan transferred)	6,004	21,258	11,169	264,364	122,233	425,028	7.81 - 8.92
Financial liabilities							
Deposits	71	263,795	170,498	7,535	-	441,899	3.23
Interbank and money market items	3,145	61,062	5,117	8,429	-	77,753	2.23 - 3.77
Debt issued and borrowings	1	15,218	12,140	46,586	15,516	89,461	4.53 - 4.82

(Unit: Million Baht)

Consolidated financial statements							
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		
Financial assets							
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
Financial liabilities							
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							
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		
Financial assets							
Interbank and money market items	-	4,700	-	-	-	4,700	2.93
Investments	-	4,716	-	646	1	5,363	6.83
Loans to customers	196	-	1	-	-	197	9.08
Financial liabilities							
Debt issued and borrowings	-	3,000	-	9,000	3,000	15,000	4.53

(Unit: Million Baht)

Separate financial statements							
2011							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	520	3,636	27	-	4,183	7.90
Loans to customers	214	-	-	-	-	214	8.67
<u>Financial liabilities</u>							
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 year, and the average interest rate for the years ended 31 December 2012 and 2011 can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements						
For the years ended 31 December						
	2012			2011		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	63,042	2,348	3.72	65,322	1,899	2.91
Investments and trading operations	15,430	491	3.18	5,773	86	1.49
Investment in debt securities	120,476	4,503	3.74	136,917	4,319	3.15
Loans to customers/hire purchase and finance leases	660,293	42,657	6.46	668,147	37,954	5.72
<u>Interest bearings financial liabilities</u>						
Deposits	555,334	17,525	3.16	447,692	10,924	2.44
Interbank and money market items	68,237	1,561	2.29	56,784	1,129	1.99
Debt issued and borrowings	157,913	6,678	4.23	224,707	7,890	3.51

(Unit: Million Baht)

Separate financial statements						
For the years ended 31 December						
2012			2011			
Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)	
<u>Interest bearings financial assets</u>						
Interbank and money market items	793	16	2.06	138	2	1.36
Investments and trading operations	1	-	4.58	48	3	5.38
Investment in debt securities	6,908	384	5.55	6,063	350	5.77
Loans to customers/hire purchase and finance leases	382	48	12.57	1,038	78	7.57
<u>Interest bearings financial liabilities</u>						
Interbank and money market items	-	-	-	1	-	1.52
Debt issued and borrowings	12,462	561	4.48	13,269	613	4.60

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 subsidiaries have foreign exchange transactions, it may be exposed to foreign exchange risk. However, the 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 31 December 2012 and 2011 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	2012				
	US Dollar	Euro	Yen	Yuan	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	520	350	62	2	228
Interbank and money market items	15,929	50	77	4	236
Investments	10,187	608	1,312	-	38
Loans to customers	22,952	167	494	-	74
Other assets	204	-	6	-	-
Total assets	49,792	1,175	1,951	6	576
Deposits	142	36	-	-	113
Interbank and money market items	15,340	-	-	-	-
Total liabilities	15,482	36	-	-	113
Net	34,310	1,139	1,951	6	463
<u>Foreign currency commitments</u>					
Liability under unmaturred import bills	314	23	159	-	7
Letter of credits	2,638	129	355	-	13
Others	814	47	5	-	16

(Unit: Million Baht)

	Consolidated financial statements					
	2011					
	US Dollar	Euro	Yen	Won	Yuan	Others
<u>Foreign currency in the statements of financial position</u>						
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	-
Total assets	40,446	1,349	3,959	549	12,383	1,013
Deposits	104	21	1	-	-	117
Interbank and money market items	8,602	-	-	-	-	-
Derivatives liabilities	13	-	-	-	-	-
Total liabilities	8,719	21	1	-	-	117
Net	31,727	1,328	3,958	549	12,383	896
<u>Foreign currency commitments</u>						
Liability under unmaturred import bills	368	34	118	-	-	5
Letter of credits	3,296	100	401	-	-	22
Others	984	48	1	-	-	27

In addition, subsidiaries 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 receive repayment in foreign currency that the subsidiaries made for trading transactions or hedging transactions (banking book) as follow:

(Unit: Million Baht)

	Consolidated financial statements				
	2012				
	US Dollar	Euro	Yen	Yuan	Others
Foreign exchange contracts					
- Bought	39,587	245	375	-	222
- Sold	63,801	817	978	8	679
Cross currency and interest rate swap contracts					
- Bought	487	-	-	-	-
- Sold	9,830	608	1,312	-	-
Interest rate swap contracts					
- Bought	6,818	-	-	-	-
- Sold	6,818	-	-	-	-

(Unit: Million Baht)

	Consolidated financial statements					
	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 or commodity product 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 31 December 2012 and 2011 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2012				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Cash	15,181	-	-	-	15,181
Interbank and money market items	11,818	56,905	3,214	-	71,937
Derivatives assets	-	2,177	-	-	2,177
Investments	1,027	50,497	86,713	10,964	149,201
Investments in associated companies	-	-	-	1,795	1,795
Loans to customers ⁽¹⁾	36,651	240,320	478,477	-	755,448
Receivable from purchase and sale securities	-	2,103	-	-	2,103
Other assets - receivable from clearing house	-	944	-	-	944

(Unit: Million Baht)

Consolidated financial statements					
2012					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial liabilities					
Deposits	247,781	436,861	8,779	-	693,421
Interbank and money market items	12,889	66,081	8,807	-	87,777
Liability payable on demand	4,989	-	-	-	4,989
Derivatives liabilities	-	1,206	-	-	1,206
Debt issued and borrowings	46	23,865	62,101	3,494	89,506
Payable from purchase and sale securities	-	2,872	-	-	2,872
Other liabilities - payable from clearing house	-	126	-	-	126
Commitments					
Aval to bill	11	429	114	-	554
Liability under unmaturing import bills	450	435	-	-	885
Letter of credits	258	2,925	-	-	3,183
Other commitments	43,578	8,179	2,455	2	54,214

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

(Unit: Million Baht)

Consolidated financial statements					
2011					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Cash	16,006	-	-	-	16,006
Interbank and money market items	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 ⁽¹⁾	49,578	193,203	394,483	-	637,264
Receivable from purchase and sale securities	-	858	-	-	858
Other assets - receivable from clearing house	-	25	-	-	25
Financial liabilities					
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
Commitments					
Aval to bill	1	342	43	-	386
Liability under unmaturing 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 loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2012				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Interbank and money market items	141	4,700	-	-	4,841
Investments	888	1,080	647	3,875	6,490
Investments in subsidiary and associated companies	-	-	-	31,589	31,589
Loans to customers ⁽¹⁾	292	1	18	-	311
Financial liabilities					
Debt issued and borrowings	-	3,000	12,000	-	15,000
Commitments					
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)

Transactions	Separate financial statements				
	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
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 ⁽¹⁾	1,332	-	5	-	1,337
Receivable from purchase and sale securities	-	1	-	-	1
Financial liabilities					
Debt issued and borrowings	-	-	12,000	-	12,000
Commitments					
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 31 December 2012 and 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			
	2012		2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	15,181	15,181	16,006	16,006
Interbank and money market items	71,978	71,978	63,232	63,232
Derivatives assets	2,177	2,177	1,536	1,536
Investments	150,649	151,459	152,511	153,455
Investments in associated companies	1,795	1,795	1,673	1,673
Loans to customers	731,512	731,512	610,798	610,798
Receivables from purchase and sale securities	2,103	2,103	858	858
Other assets - receivable from clearing house	944	944	25	25
<u>Financial liabilities</u>				
Deposits	693,421	693,421	435,865	435,865
Interbank and money market items	87,777	87,777	60,151	60,151
Liabilities payable on demand	4,989	4,989	2,131	2,131
Derivatives liabilities	1,206	1,206	2,886	2,886
Debt issued and borrowings	89,506	89,506	262,653	262,653
Payable from purchase and sale securities	2,872	2,872	851	851
Other liabilities - payable from clearing house	126	126	306	306

(Unit: Million Baht)

	Separate financial statements			
	2012		2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Interbank and money market items	4,852	4,852	76	76
Investments	6,724	6,715	5,657	5,646
Investments in subsidiary and associated companies	31,573	31,573	31,598	31,598
Loans to customers	97	97	1,087	1,087
Receivables from purchase and sale securities	-	-	1	1
<u>Financial liabilities</u>				
Debt issued and borrowings	15,000	15,000	12,000	12,000

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 31 December 2012 and 2011, the Company and its subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	40,429	-	40,429	34,382	-	34,382
- Sold	66,282	-	66,282	67,807	-	67,807
Cross currency and interest rate swap contracts						
- Bought	-	487	487	824	523	1,347
- Sold	2,533	9,217	11,750	9,598	7,245	16,843
Interest rate swap contracts						
- Paid fixed interest rate	1,000	75,947	76,947	2,692	3,953	6,645
- Paid floating interest rate	1,000	49,407	50,407	325	2,954	3,279
- Received fixed interest rate	1,000	49,407	50,407	325	2,954	3,279
- Received floating interest rate	1,000	75,947	76,947	2,692	3,953	6,645
Gold future contracts						
- Sold	40	-	40	641	-	641
Derivative warrant contracts						
- Sold	14	-	14	-	-	-

48. Reclassification

The Company and its subsidiaries have reclassified certain amounts in the financial statements for the year ended 31 December 2011 to conform to the current year's classifications with no effect to previously reported profit or equity.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	44,258	44,419	433	433
Interest expenses	19,943	20,104	613	613
Fee and service income	5,026	3,873	11	11
Fee and service expenses	1,306	501	5	1
Other operating income	1,673	2,841	249	249
Premises and equipment expenses	3,486	3,438	81	81
Other expenses	5,625	6,493	111	115

49. Events after the reporting period

On 18 February 2013, the Board of Directors of the Company passed a resolution to propose to the Annual General Meeting of Shareholders to approve the payment of a dividend of Baht 0.90 per share, or a total of Baht 1,150 million, to the ordinary and preference shareholders.

50. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 18 February 2013.