

Thanachart Capital Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2011

Report of Independent Auditor

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated statement of financial position of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2011, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2011, the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 4 to the financial statements, during the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements.

The consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries and the separate financial statements of Thanachart Capital Public Company Limited as at 31 December 2010 and for the year then ended were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 21 February 2011. However, the Company has restated the consolidated financial statements regarding the allocation cost of business combination from the purchase of investment in a subsidiary company within the period for measurement allowed by the related accounting standard (as described in Note 2.3 to the financial statements). I have audited the adjustment and believed that it is correctly and appropriately recorded.

Phuphun Charoensuk
Certified Public Accountant (Thailand) No. 4950

Ernst & Young Office Limited
Bangkok: 20 February 2012

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements		
	2011	2010 (Restated)	2011	2010	
Assets					
	16,005,678	15,298,105	-	-	
Cash					
Interbank and money market items - net	8	63,232,094	85,105,455	75,753	88,998
Derivative assets	9	1,536,490	3,117,370	-	-
Investments - net	10	152,511,228	145,376,125	5,657,335	7,526,441
Investments in subsidiaries and associates - net	11	1,672,981	2,238,701	31,598,119	31,622,673
Loans to customers and accrued interest receivables	12				
Loans to customers		676,790,337	642,006,841	1,344,436	1,557,760
Accrued interest receivables		979,725	955,544	9,245	9,269
Total loans to customers and accrued interest receivables		677,770,062	642,962,385	1,353,681	1,567,029
Less: Deferred revenue		(39,686,523)	(32,360,381)	(7,847)	(12,891)
Less: Allowance for doubtful accounts	13	(26,900,029)	(27,494,509)	(258,777)	(505,432)
Less: Revaluation allowance for debt restructuring	14	(385,980)	(464,255)	-	(30)
Net loans to customers and accrued interest receivables		610,797,530	582,643,240	1,087,057	1,048,676
Customers' liability under acceptance		90,531	72,156	-	-
Properties foreclosed - net	16	11,560,136	12,855,919	2,006,953	2,056,336
Land, premises and equipment - net	17	8,814,746	9,111,001	55,150	123,520
Intangible assets - net	18	4,709,482	4,805,332	400	342
Goodwill	19	13,981,349	13,671,360	-	-
Leasehold right - net		412,976	466,904	28,721	64,263
Receivables from purchase and sale of securities and derivatives		858,326	2,006,851	664	-
Accrued interest receivables		1,050,831	1,024,991	78,922	70,405
Reinsurance assets		2,573,393	532,773	-	-
Other assets - net	20	5,348,866	4,431,144	53,874	42,587
Total assets		895,156,637	882,757,427	40,642,948	42,644,241

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 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
			(Restated)		
Liabilities and shareholders' equity					
Deposits	21	435,864,954	532,382,410	-	-
Interbank and money market items	22	60,151,091	40,545,086	246	492
Liability payable on demand		2,130,716	3,126,945	-	-
Derivatives liabilities	9	2,885,848	941,073	-	-
Debts issued and borrowings	23	262,653,021	184,717,457	12,000,000	13,500,000
Bank's liability under acceptances		90,531	72,156	-	-
Provisions	24	3,143,979	1,204,974	210,118	193,643
Accrued interest payable		3,267,864	1,873,369	79,960	89,454
Payables from purchase and sale of securities and derivatives		850,724	4,053,940	-	603,600
Insurance contract liabilities	25	36,154,060	29,773,671	-	-
Other liabilities	26	12,282,710	12,346,786	147,750	152,606
Total liabilities		819,475,498	811,037,867	12,438,074	14,539,795

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 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
		(Restated)			
Equity					
Share capital	27				
Registered, issued and paid-up					
13,336 preferred shares of Baht 10 each					
(2010: 15,856 preferred shares					
of Baht 10 each)		133	159	133	159
1,333,140,667 common shares of Baht 10 each					
(2010: 1,333,138,147 common					
shares of Baht 10 each)		13,331,407	13,331,381	13,331,407	13,331,381
		<u>13,331,540</u>	<u>13,331,540</u>	<u>13,331,540</u>	<u>13,331,540</u>
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Other components of equity	28	1,563,281	1,696,490	300,712	289,997
Retained earnings					
Appropriated - statutory reserve	29	1,202,176	1,120,420	1,202,176	1,120,420
- treasury share reserve		387,501	387,501	387,501	387,501
Unappropriated		20,096,019	17,878,079	11,304,801	11,296,844
Less: Treasury share - common share	27	(387,501)	(387,501)	(387,501)	(387,501)
Equity attributable to owners					
of the Company		<u>38,258,661</u>	<u>36,092,174</u>	<u>28,204,874</u>	<u>28,104,446</u>
Non-controlling interests		<u>37,422,478</u>	<u>35,627,386</u>	-	-
Total equity		<u>75,681,139</u>	<u>71,719,560</u>	<u>28,204,874</u>	<u>28,104,446</u>
Total liabilities and equity		<u>895,156,637</u>	<u>882,757,427</u>	<u>40,642,948</u>	<u>42,644,241</u>

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

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 Directors

Thanachart Capital Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
Profit or loss:					
Interest income	32	44,419,375	35,027,354	432,811	425,851
Interest expenses	33	(20,104,446)	(11,998,531)	(612,786)	(704,124)
Net interest income		24,314,929	23,028,823	(179,975)	(278,273)
Fees and service income		3,872,906	3,401,738	10,906	49,862
Fees and service expenses		(500,930)	(520,417)	(887)	(1,751)
Net fees and service income	34	3,371,976	2,881,321	10,019	48,111
Gains on trading and foreign exchange transactions (loss)	35	891,302	570,951	235	(28)
Gains on investments	36	1,139,226	522,640	83,129	2,338,750
Share of profit from investments in associated companies accounted for under equity method	11.2	257,924	369,400	-	-
Gains on properties foreclosed and other assets		47,083	663,574	95,959	413,174
Insurance premium/Life insurance premium income		12,853,156	11,185,218	-	-
Dividend income		754,598	492,298	1,538,141	975,865
Other operating income		2,840,603	3,028,510	248,622	403,935
Total operating income		46,470,797	42,742,735	1,796,130	3,901,534
Insurance expenses		(10,725,748)	(8,834,249)	-	-
Net operating income		35,745,049	33,908,486	1,796,130	3,901,534
Other operating expenses					
Personnel expenses		10,849,565	8,576,307	108,961	99,690
Directors' remuneration	37	67,802	65,945	24,579	21,079
Premises and equipment expenses		3,438,033	3,092,114	81,294	104,780
Taxes and duties		911,738	634,922	6,182	4,739
Other expenses		6,492,666	4,740,157	114,733	156,021
Total other operating expenses		21,759,804	17,109,445	335,749	386,309
Impairment loss of loans and debt securities					
(reversal of impairment loss of loans and debt securities)					
	38	2,077,347	1,653,147	(176,071)	(69,855)
Profit before income tax		11,907,898	15,145,894	1,636,452	3,585,080
Income tax	39	(3,135,765)	(4,843,450)	(1,319)	(767,456)
Profit for the year		8,772,133	10,302,444	1,635,133	2,817,624

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 2011 and 2010

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
Other comprehensive incomes:	40				
Gains (losses) on remeasuring available-for-sale investments		(299,228)	(1,128,934)	10,715	(1,830,822)
Share of other comprehensive income (losses) of associates		324	(226,308)	-	-
Total other comprehensive income (losses)		<u>(298,904)</u>	<u>(1,355,242)</u>	<u>10,715</u>	<u>(1,830,822)</u>
Total comprehensive income		<u>8,473,229</u>	<u>8,947,202</u>	<u>1,645,848</u>	<u>986,802</u>
Profit attributable to					
The Company		5,002,433	5,638,853	1,635,133	2,817,624
Non-controlling interests		3,769,700	4,663,591	-	-
		<u>8,772,133</u>	<u>10,302,444</u>	<u>1,635,133</u>	<u>2,817,624</u>
Total comprehensive income attributable to					
The Company		4,869,224	4,174,218	1,645,848	986,802
Non-controlling interests		3,604,005	4,772,984	-	-
		<u>8,473,229</u>	<u>8,947,202</u>	<u>1,645,848</u>	<u>986,802</u>
Earnings per share of the Company	41				
Basic earnings per share					
Profit attributable to the Company (Baht per share)		<u>3.91</u>	<u>4.41</u>	<u>1.28</u>	<u>2.21</u>
Diluted earnings per share					
Profit attributable to the Company (Baht per share)		<u>3.91</u>	<u>4.41</u>	<u>1.28</u>	<u>2.21</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 2011 and 2010

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit before income tax	11,907,898	15,145,894	1,636,452	3,585,080
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities				
Share of profit from investments in associates accounted for under equity method	(257,924)	(369,400)	-	-
Depreciation and amortisation	1,756,275	1,338,712	52,945	74,642
Impairment loss of loans and debt securities (reversal)	2,077,347	1,653,147	(176,071)	(69,855)
Decrease in provision for impairment of properties foreclosed	(59,872)	(5,883)	(71,731)	(46,745)
Increase (decrease) in provision for impairment of equipment/other assets	(148,547)	148,230	529	(1,957)
Increase (decrease) in provision for impairment/ revaluation of investments	89,835	(15,669)	(163)	172
Amortisation of deferred gain on disposal of properties foreclosed	(30,356)	(11,079)	-	-
Unrealised loss (gain) on foreign exchange and financial derivatives	(1,536,625)	1,304,774	-	-
Increase in unearned premium reserve/ life insurance premium reserve	4,260,484	4,908,473	-	-
Gain on sales of/capital return from investments in subsidiary and associated companies	(494,407)	(27,351)	(6,516)	(2,143,541)
Loss (gain) on transfers of assets for debt repayment	4,552	(21,350)	-	-
Gain on disposal of equipment	(39,130)	(100,154)	(32,375)	(125,303)
Decrease (increase) in accrued other income receivable	(123,780)	(188,608)	(6,545)	13,410
	17,405,750	23,759,736	1,396,525	1,285,903
Net interest income	(24,314,929)	(23,028,823)	179,975	278,273
Dividend income	(754,598)	(492,298)	(1,538,141)	(975,865)
Cash received from interest on operating activities	40,317,956	31,084,477	82,396	83,689
Cash paid for interest on operating activities	(11,962,976)	(8,859,324)	(15)	(14)
Cash paid for income tax	(3,935,905)	(5,274,631)	(15,273)	(766,145)
Income (losses) from operating activities before changes in operating assets and liabilities	16,755,298	17,189,137	105,467	(94,159)

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 2011 and 2010

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash flows from operating activities (continued)				
Operating assets (increase) decrease				
Interbank and money market items	23,198,723	42,722,845	13,447	88,054
Derivative assets	2,094,487	(680,785)	-	-
Investments in trading securities	(12,816,953)	3,378,437	3,086	(10,351)
Receivables from clearing house	365,889	173,587	-	-
Loans to customers	(21,858,774)	(48,958,437)	127,597	2,540,205
Properties foreclosed	4,776,633	4,537,732	154,396	288,126
Receivables from purchase and sale of securities and derivatives	1,148,525	(708,788)	(664)	-
Other assets	(2,707,881)	3,202,713	(7,138)	(14,680)
Operating liabilities increase (decrease)				
Deposits	(96,517,456)	(41,792,087)	-	-
Interbank and money market items	9,891,914	(22,028,968)	(246)	(48)
Derivatives liabilities	652,276	245,789	-	-
Payable from clearing house	207,480	2,298,263	-	-
Liability payable on demand	(996,228)	120,125	-	-
Payable from purchase and sales of securities and derivatives	(3,203,216)	(80,294)	(603,600)	603,600
Other liabilities	2,154,042	1,732,703	586	(107,445)
Net cash provided from (used in) operating activities	(76,855,241)	(38,648,028)	(207,069)	3,293,302
Cash flows from investing activities				
Decrease in investments in securities	6,322,104	26,190,109	1,919,745	15,342,558
Cash received from disposal of investments in subsidiary and associated companies	480,055	212,766	-	3,402,205
Capital returned from subsidiary companies	-	-	-	404,486
Cash paid for purchase of investments in subsidiary companies	(16,313)	(55,879,977)	-	(18,245,564)
Cash received from interest	4,554,576	6,513,535	306,056	247,052
Cash received from dividend	965,830	757,478	1,538,141	975,865
Cash paid for purchase of land and equipment/ intangible assets	(1,411,139)	(891,823)	(2,486)	(5,029)
Cash received from disposal of equipment/ intangible assets	92,327	470,288	98,142	314,064
Net cash provided from (used in) investing activities	10,987,440	(22,627,624)	3,859,598	2,435,637

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 2011 and 2010

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash flows from financing activities				
Cash received from debts issued and borrowings	1,046,133,464	525,431,336	-	5,989,260
Cash paid for debts issued and borrowings	(969,088,201)	(462,821,144)	(1,500,000)	(9,500,000)
Cash paid for interest expenses on debt issued and borrowings	(7,764,642)	(5,196,113)	(620,250)	(718,627)
Cash received from non-controlling interest for shares capital issuance of a subsidiary company	-	17,542,017	-	-
Cash paid to non-controlling interest for decrease shares capital of a subsidiary company	(41)	-	-	-
Cash paid for dividend	(1,532,279)	(1,499,612)	(1,532,279)	(1,499,612)
Cash paid for dividend to non-controlling interests	(1,172,927)	(603,001)	-	-
Net cash provided from (used in) financing activities	66,575,374	72,853,483	(3,652,529)	(5,728,979)
Net increase (decrease) in cash	707,573	11,577,831	-	(40)
Cash at beginning of the year	15,298,105	3,720,274	-	40
Cash at ending of the year	16,005,678	15,298,105	-	-

Supplemental cash flows information

Non-cash transactions

Properties foreclosed transferred from loans, other receivable and investments in

receivables purchased	3,421,731	4,090,092	2,312	136,115
Bad debt written off	424,174	1,172,526	3,193	5,505

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 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements													
Equity attributable to the Company's shareholders													
Other components of equity													
	Issued and paid-up share capital			Amount by which				Share of other comprehensive income (losses) of associates	Retained earnings			Non-controlling interests	Total
	Preferred shares	Common shares	Premium on common share	Premium of a subsidiary company's share	in subsidiary lower than attributable net book value	Revaluation surplus on investments	Appropriated		Statutory reserve	Treasury shares reserve	Unappropriated		
Balance as at 1 January 2010	159	13,331,381	2,065,645	775,814	226,460	2,006,578	152,273	979,539	387,501	13,784,815	(387,501)	14,083,952	47,406,616
Dividend paid (Note 31)	-	-	-	-	-	-	-	-	-	(1,405,613)	-	-	(1,405,613)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	905	-	-	905
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	-	-	-	140,881	-	(140,881)	-	-	-
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	16,770,450	16,770,450
Total comprehensive income for the year (losses)	-	-	-	-	-	(1,293,091)	(171,544)	-	-	5,638,853	-	4,772,984	8,947,202
Balance as at 31 December 2010	159	13,331,381	2,065,645	775,814	226,460	713,487	(19,271)	1,120,420	387,501	17,878,079	(387,501)	35,627,386	71,719,560
Balance as at 1 January 2011 - as previously reported	159	13,331,381	2,065,645	775,814	226,460	713,487	(19,271)	1,120,420	387,501	17,878,079	(387,501)	35,625,805	71,717,979
The allocation of cost of business combination adjustment (Note 2.3)	-	-	-	-	-	-	-	-	-	-	-	1,581	1,581
Balance as at 1 January 2011 - as restated	159	13,331,381	2,065,645	775,814	226,460	713,487	(19,271)	1,120,420	387,501	17,878,079	(387,501)	35,627,386	71,719,560
Cumulative effect of change in accounting policy for employee benefits (Note 4)	-	-	-	-	-	-	-	-	-	(1,170,458)	-	(1,117,685)	(2,288,143)
Dividend paid (Note 31)	-	-	-	-	-	-	-	-	-	(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 29)	-	-	-	-	-	-	-	81,756	-	(81,756)	-	-	-
Conversion of preference shares to ordinary shares (Note 27)	(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

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 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements									
	Issued and paid-up share capital			Other components	Retained earnings			Unappropriated	Treasury shares	Total
	Preferred	Common	Premium on	of equity	Appropriated					
	shares	shares	common share	Revaluation	Statutory	Treasury shares				
			surplus	reserve	reserve	on investments	reserve			
Balance as at 1 January 2010	159	13,331,381	2,065,645	2,120,819	979,539	387,501	10,024,808	(387,501)	28,522,351	
Dividend paid (Note 31)	-	-	-	-	-	-	(1,405,613)	-	(1,405,613)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	906	-	906	
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	140,881	-	(140,881)	-	-	
Total comprehensive income for the year (losses)	-	-	-	(1,830,822)	-	-	2,817,624	-	986,802	
Balance as at 31 December 2010	<u>159</u>	<u>13,331,381</u>	<u>2,065,645</u>	<u>289,997</u>	<u>1,120,420</u>	<u>387,501</u>	<u>11,296,844</u>	<u>(387,501)</u>	<u>28,104,446</u>	
Balance as at 1 January 2011	159	13,331,381	2,065,645	289,997	1,120,420	387,501	11,296,844	(387,501)	28,104,446	
Cumulative effect of change in accounting policy for employee benefits (Note 4)	-	-	-	-	-	-	(13,141)	-	(13,141)	
Dividend paid (Note 31)	-	-	-	-	-	-	(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 29)	-	-	-	-	81,756	-	(81,756)	-	-	
Conversion of preference shares to ordinary shares (Note 27)	(26)	26	-	-	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	10,715	-	-	1,635,133	-	1,645,848	
Balance as at 31 December 2011	<u>133</u>	<u>13,331,407</u>	<u>2,065,645</u>	<u>300,712</u>	<u>1,202,176</u>	<u>387,501</u>	<u>11,304,801</u>	<u>(387,501)</u>	<u>28,204,874</u>	

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 2011 and 2010

1. General 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 MBK Tower, 10-11 and 15-20 Floors, 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.

2. Thanachart Bank Plc.’s project to purchase Siam City Bank Plc.’s ordinary shares with the purpose of transferring Siam City Bank Plc.’s entire business to Thanachart Bank Plc.

2.1 The purchase of the ordinary shares of Siam City Bank Plc. from the Financial Institutions Development Fund

On 11 March 2010, Thanachart Bank Plc. (“Thanachart Bank”) entered into a share purchase agreement with the Financial Institutions Development Fund (“FIDF”) to purchase 1,005,330,950 shares of Siam City Bank Plc. (“SCIB”), or 47.58 percent of the total issued and paid-up share capital, at a price of Baht 32.50 per share, or for total of Baht 32,673 million. On 9 April 2010, Thanachart Bank paid FIDF for SCIB’s shares. Combined with 104,964,000 SCIB’s shares held by the Company, as at 9 April 2010, the Company and Thanachart Bank’s shareholding in SCIB was totaling 52.55 percent. The purchased of SCIB’s shares was approved by the 2010 Annual General Meeting of the Company and Thanachart Bank’s shareholders, and the Bank of Thailand (“BOT”). BOT also approved the Thanachart Bank to hold the shares of SCIB in accordance with certain specified conditions, i.e. SCIB is to continue operating as commercial bank but has to return its license within 31 December 2011, the requirements on capital funds calculation, the structure of the financial business group, and holdings in companies in the financial business group.

The Share Purchase Agreement between Thanachart Bank as “the Purchaser” and the FIDF as “the Seller”, dated 11 March 2010, states that the obligations, guarantees, liabilities or indemnities of the Seller to SCIB under any arrangements, agreements or documents in connection with the merger between SCIB and Bangkok Metropolitan Bank Public Company Limited (“BMB”) (the “Seller’s Obligations”) including funds deposited in accounts opened and maintained with SCIB to compensate for any losses or damages suffered or incurred by SCIB arising out of or in connection with the merger between SCIB and BMB will continue in full force and effect after completion of the sale and purchase of SCIB’s shares. Rights and obligations of SCIB related to the Seller’s Obligation, including funds deposited in the accounts opened and maintained with SCIB, will be transferred to and/or assumed by Thanachart Bank, with effect from the completion date of the entire business transfer from SCIB to Thanachart Bank. In addition, in case of the liquidation of the Seller, the Seller’s Obligations will be transferred and/or assumed by another government agency.

2.2 Additional tender offer for ordinary shares of SCIB in 2010

In June 2010, Thanachart Bank made an additional tender offer to the minority shareholders of SCIB, at the same price as it paid to purchase shares of SCIB at auction from FIDF. Other shareholders sold 1,091,439,949 shares, or for a total of Baht 35,472 million, or 51.66 percent of the issued and paid-up shares of SCIB as a result of the tender offer, and combined with its existing holding, Thanachart Bank’s shareholding in SCIB reached 99.24 percent. Such additional purchase of SCIB’s shares included 104,964,000 shares purchased from the Company, the Company therefore recognised a gain on sale of Baht 2,136 million, and related income tax expenses of Baht 629 million, in the separate financial statement for the year 2010. The gain on sale of Baht 2,113 million in the consolidated financial statement has been deferred and presented netting of goodwill from business combination, and the related income tax has been presented as “suspense account - deferred tax from business combination” which is continuously recognised based on the decreasing in assets.

In November 2010, Thanachart Bank acquired 14,907,658 additional shares of SCIB for a total of Baht 484 million, increasing its shareholding to 99.95 percent of the issued and paid-up shares of SCIB. The Stock Exchange of Thailand announced the voluntary delisting of SCIB’s shares on 13 December 2010.

2.3 Allocating the cost of business combination

Thanachart Bank acquired 47.58 percent of SCIB's shares in April 2010, and combined with the Company's existing holding at 4.97 percent, the Thanachart Group held 52.55 percent interest in SCIB's shares, and on the same day, management of Thanachart Bank were assigned as directors of SCIB in a number that gave Thanachart Bank voting control over of SCIB. Because of acquiring the control over SCIB through shareholding and management, the Company and Thanachart Bank have treated SCIB's shares as investment in a subsidiary company since then. As a result of purchasing additional shares to increase its shareholding in SCIB to 99.24 percent in June 2010 and 99.95 percent in November 2010, the total cost of investment in SCIB was Baht 68,801 million in the consolidated financial statements (including expenses in business combination and after deducting inter company transactions). On 9 April 2010, Thanachart's management preliminarily estimated the fair value of each asset and liability of SCIB for the purpose of allocating the cost of business combination and recognised the difference between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to its shareholding as goodwill from business combination in the consolidated financial statements.

However, after the purchase, Thanachart Bank adjusted the estimated fair value of the assets and liabilities because of additional information that was received. This is in line with the related financial reporting standard that allows the purchaser to adjust the fair value for up to one year from the purchase date. The revised fair values of assets and liabilities are as follows:

1. Assets and liabilities in SCIB and its subsidiaries' account were valued and noted that the fair value of assets and liabilities of SCIB and its subsidiaries as at investment payment date were totaled of Baht 48,635 million, which was Baht 4,264 million higher than book value.
2. Intangible assets are assets that will generate future economic benefits. Thanachart Bank estimated the fair value of the intangible assets of SCIB at Baht 4,100 million, comprised of (a) Core Deposit Intangibles which are evaluated using the incremental cash-flows from low cost deposit, and considering the cost saving from current and saving deposits; and (b) Customer Relationships which are valued on the base of future revenues that will be earned from SCIB's existing customers.

3. For liabilities specify at acquisition date and contingent liabilities, Thanachart Bank estimated these and concluded that no additional contingent liabilities need to be recognised.

Differences between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to the shareholding, amounting to Baht 15,740 million, are recognised as goodwill from business combination in the consolidated financial statements. The Company has retrospectively adjusted the comparative financial information in the previous year's financial statements as if the accounting records for business combination had completed since the acquisition date.

The fair value of the assets and liabilities of SCIB and its subsidiaries and the carrying value of each significant account as at the date the Company and Thanachart Bank assumed control over SCIB are as follow:

	Book value	Fair value	
		Previous balance	Revised
Intangible assets	293	4,393	4,393
Other assets	435,702	437,016	439,966
Total liabilities	391,495	391,495	391,495
Non-controlling interests	129	129	129
Net assets value	44,371	49,785	52,735
Cost of business combination		68,801	68,801
Goodwill from business combination		18,688	15,740

In allocating the purchase price, the Company and Thanachart Bank did not recognise deferred tax liabilities of Baht 2,466 million arising from the adjustment of assets to fair value (if the Company recognised deferred tax liabilities on the date of business combination, the balance of such liabilities as at 31 December 2011 would be decreased to Baht 1,644 million, calculated using the tax rates enacted at the year-end date), and did not recognise the employee benefits of SCIB and its subsidiaries payable under labour law, amounting to Baht 1,804 million, since the two relevant accounting standards are not yet effective for the year of business combination.

Since the fair value adjustment of assets and liabilities mentioned above and the recalculation of goodwill, the Company and Thanachart Bank has retrospectively adjusted the comparative financial information in the previous year's financial statements as if the Company and Thanachart Bank have completely accounted for the business combination on the acquisition date, resulted in the following revisions to the consolidate comparative financial statements as of 31 December 2010:

(Unit: Million Baht)

	31 December 2010	
	Before adjustment	After adjustment
Net investment	143,312	145,376
Properties foreclosed	11,970	12,856
Intangible assets	4,805	4,805
Goodwill	16,620	13,671
Non-controlling interests	35,626	35,627

2.4 Key operation after the tender offer for SCIB's shares in 2011

On 10 March 2011, BOT approved Thanachart Bank's proposed plan for an entire business transfer of SCIB's business to the Thanachart Bank. The significant conditions of such approval are that SCIB must complete the entire business transfer and return the banking licenses and banking authorisations to the Ministry of Finance within 31 December 2011, and promptly proceed with the liquidation process, and that obligations between the Thanachart Bank and FIDF are to comply with the Share Purchase Agreement dated 11 March 2010.

On 7 April 2011, the 2011 Annual General Meeting of the Shareholders of SCIB and Thanachart Bank passed resolutions approving the transfer of SCIB's entire business to Thanachart Bank, and the BOT has already approved this transaction. The Meetings also delegated the related authorities to SCIB's Board of Directors and Thanachart Bank's Board of Directors for further arrangement. On 30 June 2011, a meeting of the Thanachart Bank's Board of Directors passed a resolution to perform the entire business transfer from SCIB to the Thanachart Bank on 1 October 2011 (entire business transfer date).

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, with the parties agreeing a transfer price of Baht 50,134 million. The transfer price was set in accordance with the guidelines for setting transfer prices of financial assets among companies in the Thanachart group, and an independent financial advisor opined that is fair value. SCIB recognised gain on the entire business transfer of Baht 5,299 million which has been eliminated in the consolidated financial statements.

Significant guidelines of the transfer prices of financial assets and liabilities are as follow:

- Loans: The transfer values were based on the outstanding loan balances net of related allowance for doubtful accounts.
- Investments: The fair values of marketable securities were based on the latest bid prices, while the fair value of debt securities is determined using the yield rate quoted by the Thai Bond Market Association, and the fair values of other investments were determined from expected future cash flows or expected dividend to be received or net book value.
- Property foreclosed: The fair values were based on the values appraised by independent appraisers in accordance with the BOT guidelines, after deduction of a discount determined on the basis of past selling experience.
- Deposits/debt issued and borrowings: Almost all deposits and short-term borrowings have floating rate interest and therefore the fair value is deemed to be close to the book value. Long-term deposits and borrowings have interest yields that closest to market interest rates, therefore the fair values is determined close to the book values.
- Other assets/liabilities: The fair value approximates the book values.
- Off-balance sheet items and commitments under various exchange contracts are transferred at book value.

Significant assets and liabilities at the transferred date are as follow:

	(Unit: Million Baht)
Interbank and money market items - net	67,649
Investments - net	47,852
Loans to customers and accrued interest receivables	236,689
Properties foreclosed	3,303
Land, premises and equipment	7,830
Other assets	17,754
Deposits	255,968
Debts issued and borrowings	58,366
Other liabilities	16,609
Entire business transfer price - net	<u>50,134</u>

Since 1 October 2011, SCIB has ceased all business operation. On 1 November 2011, the Board of Directors of SCIB passed the resolution to pay interim dividend at Baht 7.50 per share to its shareholders, totaling Baht 15,846 million. In November 2011, Thanachart Bank purchased additional SCIB's shares from the minority shareholders to give those minority shareholders a change to sell SCIB's shares before dissolution. SCIB's shareholders sold totaling 696,865 shares, amounting to Baht 16 million, Thanachart Bank therefore holds 2,112,375,422 share or 99.98% of the paid-up shares.

On 6 December 2011, an extraordinary meeting of SCIB's shareholders passes a resolution to approve the change of its company's name to "SCIB Plc.". On 8 December 2011, SCIB returned its banking license and banking authorisations to the Ministry of Finance, and registered the changes in the company name to be "SCIB Plc.". SCIB registered its dissolution on 9 December 2011.

2.5 Transfer business of subsidiaries in the group

Siam City Securities Co., Ltd.

On 28 October 2010, the Boards of Directors of Thanachart Bank and SCIB passed resolutions to approve a plan for a business combination between Thanachart Securities Plc. (“Thanachart Securities”) and Siam City Securities Co., Ltd. (“SCIB Securities”), which is a subsidiary in the Group, by means of a partial business transfer of the assets of SCIB Securities to Thanachart Securities. The price of the transfer was to be not less than the book value, with reference to the latest adjusted book value before the transaction date. In November 2010, an extraordinary meeting of SCIB Securities’ shareholders approved the partial business transfer. On 30 December 2010, SCIB Securities entered into agreements to transfer assets relating to the securities business and obligations relating to the investment banking business, amounting to Baht 11 million, effective from 31 December 2010, while transfers of claims under agreements appointing an agent and/or broker for securities trading, including securities business receivables and payables with a net balance of Baht 206 million, and cash collateral for settlements amounting to Baht 216 million, were effective on 1 January 2011. SCIB Securities also transferred certain employees to Thanachart Securities on the same day.

SCIB Securities temporary discontinue of its operations since 1 January 2011. The Annual General Meeting of the shareholders of SCIB Securities, held on 27 April 2011, approved the reduction of the registered and paid-up share capital of SCIB Securities from Baht 2,000 million to Baht 900 million. SCIB Securities registered the shares reduction on 7 June 2011.

In August 2011, SCIB disposed investment in common shares of SCIB Securities at a price of Baht 168 million and recognised gains on the disposal of Baht 40 million in the consolidated financial statements. This disposal is in accordance with the approval by the Board of Directors of SCIB on 23 June 2011.

Siam City Asset Management Co., Ltd.

On 27 January 2011, the Board of Directors of SCIB passed a resolution to approve an offer to purchase and/or to sell shares of Siam City Asset Management Co., Ltd. to Government Pension Fund, a former shareholder. During May 2011, SCIB disposed all of its shares to the purchaser at a price of Baht 198 million and recognised gain on the disposal of Baht 26 million in the consolidated financial statements.

Siam City Bank Plc. / TS Asset Management Co., Ltd.

During the year 2011, SCIB and TS Asset Management Co., Ltd. ("TS AMC") (the new company, which was licensed by BOT and set up to receive the transfer of SCIB's non-performing loans and property foreclosed, for further management) entered into an agreement to transfer rights in loan receivables and property foreclosed, and transfers the assets are as follows:

	Fair value
	(Million Baht)
- Non-performing assets	9,062
- Property foreclosed	3,083

The transfer of such financial assets was treated as a true sale in both financial statements of the transferee and the transferor since the transferor surrendered control over the assets. The selling prices were mutually agreed among companies in Thanachart Group with reference to what in the opinions of a financial advisor were fair values. Compensation for this transfer will be considered the fair value when recognising the selling price and the values of the transferred assets, which are as follows:

- For non-performing loans, the fair values are referred to the outstanding loan balance net of related allowance for doubtful accounts.
- For property foreclosed, the fair values are referred to the value appraised by independent appraisers in accordance with the BOT guidelines, after deduction by an amount determined on the basis of past experience.

Under the conditions of the agreement, the transferee is entitled to claim compensation if conditions specified in the agreement are breached. However, gains (losses) from transfers of assets and the balance of such assets between SCIB and TS AMC are eliminated when preparing the consolidated financial statements because the transfers are intercompany transactions.

Siam City Insurance Co., Ltd.

On 27 July 2011, the Board of Directors of SCIB passed a resolution approving the sale of SCIB's investments in shares of Siam City Insurance Co., Ltd. SCIB subsequently sold all the shares to purchasers on 19 August 2011 at a total price of Baht 114 million. The gain on disposal of Baht 22 million was recognised in the consolidated financial statement.

3. Basis of preparation of the financial statements

3.1 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. Hence, the Company reclassified certain items of the comparative financial statements.

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.

3.2 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”).

	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
	2011	2010	2011	2010
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	83.44	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
SCIB Plc. (Formerly known as “Siam City Bank Plc.”)	-	-	99.98	99.95
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Co., Ltd.	-	-	100.00	100.00
Thanachart Life Assurance Co., Ltd.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	100.00
TS Asset Management Co., Ltd.	-	-	100.00	-
Ratchthani Leasing Plc.	-	-	65.18	-
National Leasing Co., Ltd.	-	-	100.00	100.00
Siam City Life Assurance Co., Ltd.	-	-	100.00	100.00
SCIB Service Co., Ltd.	-	-	100.00	100.00
Siam City Securities Co., Ltd.	-	-	-	99.79
Siam City Asset Management Co., Ltd.	-	-	-	60.00

- 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 2011 and 2010 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income	
	2011	2010	2011	2010
Thanachart Bank Plc.	818,978	406,663	18,848	16,729
SCIB Plc.	-	406,974	8,603	9,980
Thanachart Life Assurance Co., Ltd.	20,285	19,753	1,962	1,467
Siam City Life Assurance Co., Ltd.	11,195	11,008	(89)	482
Thanachart Insurance Co., Ltd.	7,142	5,148	1,974	1,520
Thanachart Securities Plc.	3,873	3,953	1,377	1,343
TS Asset Management Co., Ltd.	11,361	-	284	-
Ratchthani Leasing Plc.	12,033	-	171	-
NFS Asset Management Co., Ltd.	3,915	3,653	396	379

- c) Thanachart Bank invested in 100 percents shareholding in TS Asset Management Co., Ltd., which was newly established in March 2011.
- d) In October 2011, Thanachart Bank received the transfer of investments in 437,250,000 ordinary shares of Ratchthani Leasing Plc. from SCIB for 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. is 48.35 percent. On 1 November 2011, Thanachart Bank also purchased 437,486,500 additional shares, at the price of Baht 1.52 per share, or for a total of Baht 665 million, resulting in Thanachart Bank's shareholding increased to 65.18 percent of total shares in issue. The investment was therefore treated as investment in subsidiary. Such purchase of additional ordinary shares is deemed to be a step acquisition. Under the financial reporting standard, Thanachart Bank had to assess the value of investment in equity held on the date before the business combination, using the fair value at the purchase date, and then realised gain of Baht 33 million in profit or loss in the comprehensive income statements.

	Amount
	(Million Baht)
Fair value of investment in equity as at the purchase date before business combination	556
Less: Investment value at equity before business combination	(523)
Gain on revaluation of investments recognised in profit or loss	33

In addition, under the business combination, Thanachart bank has to estimate the fair value of each asset and liabilities for the purpose of allocating the cost of business combination. The fair value of the assets and liabilities of Ratchthani Leasing Plc. and the carrying value of each significant account as at the date Thanachart Bank obtained control over Ratchthani Leasing Plc. are as follow:

	Book Value	Fair Value
Loans to customers	11,842	11,576
Land, premises and equipment	45	62
Other assets	1,502	1,512
Total liabilities	11,278	11,278
Net asset value	2,111	1,872
Cost of business combination		1,221

In allocating the purchase price, the cost of business combination does not differ from the net adjusted book value of the assets and liabilities at the purchase date, at the purchase portion, and thus no goodwill arose from this business combination. In addition, the Company did not recognise deferred tax assets of Baht 72 million arising from the adjustment of assets to fair value since accounting standard regarding income tax is not yet effective in the year of business combination. However, if the Company had applied such standard on that date, deferred tax assets as at 31 December 2011 would decrease to be Baht 48 million (effect from the tax rates enacted at the year-end date).

Therefore, the consolidated financial statements includes the statement of financial position of Ratchthani Leasing Plc. as at 31 December 2011 and the consolidated statement of comprehensive income includes income and expenses of such company from 1 November 2011 (the date that Thanachart Bank assumed control) to 31 December 2011. The consolidated statement of comprehensive income recognised net loss from Ratchthani Leasing Plc. totaling Baht 14 million from the date that Thanachart Bank assumed control, based on its shareholding interest.

For additional information to facilitate evaluation of the financial impact of the business combination, proforma consolidated total income and profit of the Company and its subsidiaries for the year are presented below, inclusive of income and profit of Ratchthani Leasing Plc. had occurred since the beginning of the year.

(Unit: Million Baht)

For the year ended 31 December 2011

Total income as if business combination occurred on 1 January 2011	67,989
Profit attributable to the Company as if business combination occurred on 1 January 2011 (exclude adjustment transactions before the purchase date)	5,019

- e) The consolidated statements of comprehensive income for the year ended 31 December 2010 included the operating results of SCIB and the subsidiaries held by SCIB from 9 April 2010 to 31 December 2010 because the Thanachart Bank purchased the ordinary shares of SCIB and assumed control over SCIB in April 2010.
- f) In May 2011, SCIB disposed of investments in ordinary shares of Siam City Asset Management Co., Ltd. to a former shareholder for Baht 198 million. Gain on disposal of Baht 26 million was recognised in the consolidated financial statements. In addition in August 2011, SCIB disposed of investments in ordinary shares of Siam City Securities Co., Ltd. for Baht 168 million, with gain of Baht 40 million recognised in the consolidated financial statements.
- g) The consolidated statements of comprehensive income for the year ended 31 December 2010 included the operating results of T Leasing Co., Ltd. from 1 January 2010 till 30 April 2010 (the disposal date). Thanachart Bank disposed such investment for a total of Baht 213 million and recognised gain of Baht 27 million in the consolidated financial statements.

- h) 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. However, the consolidated financial statements as at 31 December 2010 and the consolidated statements of comprehensive income for the years ended 31 December 2011 and 2010 did not include the financial statements of a subsidiary, Chada Thong Properties Co., Ltd., in which SCIB has indirectly held at 70 percent, because that subsidiary has ceased its operations and is in the process of being liquidated. SCIB has already made a full allowance for impairment in the value of its investment in that subsidiary. However, during the third quarter of 2011, SCIB sold out all of its investment.
- i) 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.
- j) 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.
- k) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

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

4. Adoption of new accounting standards during the year

During the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

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

Financial reporting standards:

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

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements for the current year, except for TAS 19 “Employee Benefits”.

TAS 19 Employee Benefits

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

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change will have the effect of decreasing the beginning balance of retained earnings of the Company and its subsidiaries (1 January 2011) by Baht 1,170 million (separate financial statements: decreasing retained earnings by Baht 13 million). The cumulative effect of the changes in accounting policy has been presented in “Cumulative effect of change in accounting policy for employee benefits” in the statement of changes in equity.

In addition, the change has the effect of decreasing the profit of the Company and its subsidiaries for the year ended 31 December 2011 by Baht 101 million, or Baht 0.08 per share (separate financial statements: decreasing profit by Baht 7 million or Baht 0.006 per share).

5. New accounting standards issued during the year not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

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

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

The Company and its subsidiaries' management believe that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for TAS 12 "Income Taxes"

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset and liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the Company and its subsidiaries' management is evaluating the impact on the financial statements in the year when this standard is adopted.

6. Significant accounting policies

6.1 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 by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the 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 companies cease 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

Insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income or expenses over the coverage period.

Insurance premium income is presented after deducting unearned premium reserve.

Reinsurance premium income is recognised when the reinsurer places the reinsurance application or 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.

6.2 Expenses recognition

- a) Interest expenses

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

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

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

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

c) Fees and service expenses

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

6.3 Investments

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

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

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

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

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

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 instruments is determined based on the yield rates quoted by the Thai Bond Market Association, other market or yield rate of government bond adjusted by an appropriate risk factor, as the case may be. The fair value of unit trusts is determined based on their net asset value.

The fair value of investments with embedded derivatives that have no active market or quoted market price are not available, is determined by using internal model (2010: the fair value was determined by using the fair value as determined by the seller). Gain/losses arising from revaluation is recognised as part of profit or loss in the statements of comprehensive income. This method of measurement is in compliance with the BOT's notification.

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

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

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

6.4 Investments in receivables purchased and allowance for impairment

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

In case that the receivables purchased enter into troubled debt restructuring agreements, 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.

6.5 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.

6.6 Loans to customers

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

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

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

6.7 Allowance for doubtful accounts

- a) The Company and its subsidiaries 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 allowance for doubtful accounts is recognised as expenses during the year.

The Company and its subsidiaries 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 receivables) after net of collateral value. Collateral values include vehicles under hire purchase/financial lease contracts. For non-performing loans, the Company and the subsidiaries provide provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, 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 or financial lease receivables are treated as uncollateralised.

- b) Subsidiaries engaged in securities business provide an allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collaterals. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the Notifications of the SEC.

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

6.8 Troubled debt restructuring

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

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

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

6.9 Recognition and amortisation of customers' assets

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

6.10 Property foreclosed

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

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

6.11 Land, premises and equipment and depreciation

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

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

Depreciation is included in determining income.

- c) An item of land, premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in part of profit or loss in the statements of comprehensive income.

6.12 Intangible assets and amortisation

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

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

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

No amortisation for computer software under development.

6.13 Leasehold rights

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

6.14 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.

6.15 Receivables from/Payable to Clearing House

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

6.16 Securities purchased under resale agreements/Securities sold under repurchase agreements

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

6.17 Premium due and uncollected, and allowance for doubtful accounts

Premium due and uncollected is stated at its net realisable value. Subsidiaries 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 due as at the financial statement date.

6.18 Asset/Liabilities from insurance

Reinsurance assets represent balances due from reinsurance companies, deposits placed for reinsurance and insurance reserve to recover from reinsurers. Insurance reserve to recover from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies, and are in accordance with the related reinsurance contracts.

Reinsurance liabilities represent balances due to reinsurance companies and deposits for reinsurance held by the subsidiaries. The amounts payable on reinsurance are estimated in a manner consistent with the related reinsurance contracts.

6.19 Unearned premium/life insurance premium reserve

Non-life insurance contract

The subsidiaries set up gross unearned premium reserve in accordance with the followings:

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

In 2011, the Office of the Insurance Commission ("OIC") has required that insurers allocate an additional gross unexpired risk reserve in an amount not less than the difference between gross unexpired risk reserve and unearned premium reserve, in cases where gross unexpired risk reserve is higher than unearned premium reserve. Gross unexpired risk reserve is calculated based on an actuarial method using a best estimate of expected claims over the remainder of the insured period, based on historical data.

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 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 (2011).

6.20 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, in 2011, the OIC changed the method to be used for setting additional reserve for incurred but not reported (IBNR) claims. The reserve is calculated using an international standard actuarial method, based on the best estimated of claims expected to be paid in the future for losses occurring before or as at the financial statement date, including both reported and unreported claims, net of loss reserve already recorded (formerly, the subsidiary set up additional provision for IBNR at the higher of the reserve calculated using actuarial method minus the recorded amount or outstanding claims, and 2.5 percent of total net premiums written in the previous twelve months).

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.

6.21 Long-term leases

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

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

6.22 Sales of commercial paper

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

6.23 Financial derivatives

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

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance transactions. Gains or losses arising from changes in the fair value of the contracts are recognised in part of profit or loss in the statements of comprehensive income.

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 exchange contracts are presented at the net amount in the statements of financial position.

The subsidiaries record obligations in respect of futures contracts made for trading purposes as off-balance transactions items. Gains (losses) from changes in the fair value of financial derivatives contracts are recorded as profit or loss. Fair value is determined based on the daily settlement price quoted by Thailand Futures Exchange Public Company Limited. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined by a technical and valuation model, in which the variables used will be derived from the observable markets.

6.24 Related party transactions

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

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

6.25 Impairment of assets

The Company and its subsidiaries assess at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries realise loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell reflects the amount that the Company and its subsidiaries could obtain at the financial reporting date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

6.26 Employee benefits

a) Short-term employee benefits

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

b) Post-employment benefits (Defined contribution plans)

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

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

6.27 Foreign currencies

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

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

6.28 Income tax

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

6.29 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

7. Significant accounting judgments and estimates

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

7.1 Recognition and derecognition of assets and liabilities

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

7.2 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.

7.3 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.

7.4 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.

7.5 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.

7.6 Land, premises and equipment/Depreciation

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

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

7.7 Goodwill and intangible assets

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

7.8 Finance lease/Operating lease

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

7.9 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.

7.10 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. Estimating these reserves requires management to exercise judgment, with reference made to historical data and current best estimates at that time.

Life assurance policy reserve is calculated under an actuarial method, and adjusted upwards to reflect risk factors and deviations. The main assumptions used relate to policy termination or surrender rates, selling and administrative expenses, mortality, morbidity, longevity, expenses and discount rates. Estimating these reserves requires management to exercise judgments with reference made to historical data and current best estimates at that time.

7.11 Loss reserve and outstanding claims

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

7.12 Employee benefits

Obligations under 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.

7.13 Litigation and contingent liabilities

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

8. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial						
Institutions Development Fund	5,492	2,000	7,492	4,821	26,000	30,821
Commercial banks	579	8,518	9,097	879	21,022	21,901
Specialised financial institutions	40	8,238	8,278	43	14,545	14,588
Other financial institutions	197	22,618	22,815	150	16,099	16,249
Total	6,308	41,374	47,682	5,893	77,666	83,559
Add: Accrued interest receivables	-	11	11	-	34	34
Less: Allowance for doubtful						
accounts	-	(193)	(193)	-	(162)	(162)
Total domestic items	6,308	41,192	47,500	5,893	77,538	83,431
Foreign						
US Dollar	1,449	13,470	14,919	776	169	945
Euro	119	-	119	119	-	119
Others	523	103	626	495	114	609
Total	2,091	13,573	15,664	1,390	283	1,673
Add: Accrued interest receivables	-	68	68	-	1	1
Total foreign items	2,091	13,641	15,732	1,390	284	1,674
Total	8,399	54,833	63,232	7,283	77,822	85,105

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	75	-	75	68	-	68
Specialised financial institutions	1	-	1	1	-	1
Other financial institutions	-	-	-	-	20	20
Total domestic items	76	-	76	69	20	89

As at 31 December 2011, the Company had deposits with a subsidiary company of Baht 68 million in the separate financial statements (2010: Baht 57 million).

9. Derivatives

As at 31 December 2011 and 2010, 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					
	2011			2010		
	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	858	820	63,491	509	296	53,139
Derivatives for banking book	-	1,706	31,788	3	5	3,488
Interest rate						
Derivatives for trading	64	60	5,957	72	66	5,657
Derivatives for banking book	-	-	3,967	-	-	13,681
Foreign exchange rate and interest rate						
Derivatives for trading	29	9	2,212	959	235	8,533
Derivatives for banking book	585	291	15,445	1,574	339	21,529
Others						
Derivatives for trading	-	-	641	-	-	-
Total	1,536	2,886	123,501	3,117	941	106,027

* 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 2011 and 2010:

Counterparty	Consolidated financial statements	
	2011	2010
	Percent	Percent
Financial institutions	80.01	73.91
Third parties	19.99	26.09
Total	100.00	100.00

10. Investments

10.1 Classified by type of investment

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2011		2010		2011		2010	
	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	10,883	10,855	324	325	-	-	-	-
Private debt securities	4,771	4,758	31	31	7	7	10	10
Foreign debt securities	642	637	3,015	3,023	-	-	-	-
Domestic marketable equity securities	38	45	78	87	-	-	-	-
	16,334	16,295	3,448	3,466	7	7	10	10
Add(Less): Allowance for change in value	(39)		18		-		-	
Net	16,295		3,466		7		10	
Available-for-sale securities								
Government and state enterprises securities	40,977	41,103	52,685	52,604	100	100	-	-
Private debt securities	18,409	18,553	9,853	10,017	20	20	-	-
Foreign debt securities	25,515	25,425	12,704	12,920	-	-	-	-
Domestic marketable equity securities	7,752	8,553	8,068	9,137	264	565	317	607
	92,653	93,634	83,310	84,678	384	685	317	607
Add: Allowance for change in value	985		1,372		301		290	
Less: Allowance for impairment	(4)		(4)		-		-	
Net	93,634		84,678		685		607	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2011		2010		2011		2010	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Held-to-maturity debt securities								
Government and state enterprises securities	28,575	29,434	39,102	39,446	419	419	2,270	2,266
Private debt securities	6,592	7,189	5,884	6,080	3,636	3,625	3,646	3,646
Foreign debt securities	1,500	1,488	5,704	5,719	-	-	-	-
Investment in receivables purchased	1,658	1,352	1,802	1,447	929	824	1,002	861
	<u>38,325</u>	<u>39,463</u>	<u>52,492</u>	<u>52,692</u>	<u>4,984</u>	<u>4,868</u>	<u>6,918</u>	<u>6,773</u>
Less: Allowance for impairment	<u>(306)</u>		<u>(355)</u>		<u>(105)</u>		<u>(141)</u>	
Net	<u>38,019</u>		<u>52,137</u>		<u>4,879</u>		<u>6,777</u>	
Other Investment								
Investment in property fund	671		845		-		-	
Domestic non-marketable equity securities	3,926		4,247		163		209	
Foreign non-marketable equity securities	<u>84</u>		<u>84</u>		<u>-</u>		<u>-</u>	
	4,681		5,176		163		209	
Less: Allowance for impairment	<u>(118)</u>		<u>(81)</u>		<u>(77)</u>		<u>(77)</u>	
Net	<u>4,563</u>		<u>5,095</u>		<u>86</u>		<u>132</u>	
Total investment - net	<u>152,511</u>		<u>145,376</u>		<u>5,657</u>		<u>7,526</u>	

10.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements									
2011					2010				
Maturity					Maturity				
Less than					Less than				
At call	1 year	1 - 5 years	Over 5 years	Total	At call	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities									
Government and state enterprises securities									
-	20,131	20,828	18	40,977	-	31,163	21,491	31	52,685
Private debt securities									
-	1,557	14,856	1,996	18,409	-	4,130	5,600	123	9,853
Foreign debt securities									
-	19,020	6,495	-	25,515	-	904	11,800	-	12,704
Total									
-	40,708	42,179	2,014	84,901	-	36,197	38,891	154	75,242
Add: Allowance for change in value									
-	36	103	41	180	-	13	278	8	299
Net									
-	40,744	42,282	2,055	85,081	-	36,210	39,169	162	75,541
Held-to-maturity debt securities									
Government and state enterprises securities									
-	6,833	15,682	6,060	28,575	-	6,519	11,127	21,456	39,102
Private debt securities									
-	3,990	2,288	314	6,592	-	1,356	3,063	1,465	5,884
Foreign debt securities									
-	1,500	-	-	1,500	-	4,799	905	-	5,704
Investment in receivables ⁽¹⁾									
1,646	8	4	-	1,658	1,773	17	12	-	1,802
Total									
1,646	12,331	17,974	6,374	38,325	1,773	12,691	15,107	22,921	52,492
Less: Allowance for impairment									
(306)	-	-	-	(306)	(355)	-	-	-	(355)
Net									
1,340	12,331	17,974	6,374	38,019	1,418	12,691	15,107	22,921	52,137
Total debt securities									
1,340	53,075	60,256	8,429	123,100	1,418	48,901	54,276	23,083	127,678

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

(Unit: Million Baht)

Separate financial statements									
2011					2010				
Due within					Due within				
Less than					Less than				
At call	1 year	1 - 5 years	Over 5 years	Total	At call	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities									
Government and state enterprises securities									
-	100	-	-	100	-	-	-	-	-
Private debt securities									
-	-	20	-	20	-	-	-	-	-
Net									
-	100	20	-	120	-	-	-	-	-
Held-to-maturity debt securities									
Government and state enterprises securities									
-	419	-	-	419	-	2,270	-	-	2,270
Private debt securities									
-	-	-	3,636	3,636	-	10	-	3,636	3,646
Investment in receivables ⁽¹⁾									
929	-	-	-	929	1,002	-	-	-	1,002
Total									
929	419	-	3,636	4,984	1,002	2,280	-	3,636	6,918
Less: Allowance for impairment									
(105)	-	-	-	(105)	(141)	-	-	-	(141)
Net									
824	419	-	3,636	4,879	861	2,280	-	3,636	6,777
Total debt securities									
824	519	20	3,636	4,999	861	2,280	-	3,636	6,777

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

10.3 As at 31 December 2011, a revaluation surplus and a revaluation deficit in the consolidated equity amounting to Baht 15 million and Baht 71 million, respectively, are as a result of the recategorisation of debt securities (2010: outstanding revaluation surplus amounting to Baht 18 million and outstanding revaluation deficit amounting to Baht 125 million in the consolidated financial statements).

10.4 As at 31 December 2011, investments in held-to-maturity debt securities included non-transferable promissory notes amounting to Baht 4 million in the consolidated financial statements, which were received as a result of the transfer of non-performing loans to Thai Asset Management Corporation (“TAMC”) (2010: Baht 715 million in the consolidated financial statements, and Baht 320 million in the separate financial statements). However, the agreed transfer price received in the form of promissory notes could be revised up or down after TAMC reviews the prices, assesses the collateral or adjusts the prices.

As at 31 December 2011, the Company and its subsidiaries are still unable to assess the exact amount of such losses since TAMC has been dissolved and is in the process of liquidation. However, the Company and its subsidiaries estimated the contingent losses arising from the management of non-performing assets at approximately Baht 383 million in the consolidated financial statements, and Baht 183 million in the separate financial statements. Such amounts have been shown as a part of provisions for liabilities (2010: Baht 383 million in the consolidated financial statements, and Baht 183 million in the separate financial statements).

In addition, the Company and its subsidiaries also shares joint responsibility with TAMC for future profits or losses arising from TAMC’s management of the non-performing assets as mentioned in Note 46.2 to the financial statements.

10.5 As at 31 December 2011 and 2010, 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.

10.6 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 2011 and 2010, 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	
	2011	2010	2011	2010
Manufacturing and commerce	843	800	419	400
Banking and finance sector	761	1,307	-	-
Real estate and construction	21	21	20	20

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

Securities	Consolidated financial statements			
	2011		2010	
	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	355	60.00
Sub Thawee Property Fund	36	56.00	76	56.00
Business Strategic Fund	278	67.33	278	67.33
Thanachart Long Term Fixed Income Fund	62	27.79	60	27.79
Thanachart Fixed Income FIF 51	50	22.63	50	22.63

10.7 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 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Investments in receivables purchased	1,658	1,802	929	1,002
Less: Allowance for impairment	(306)	(355)	(105)	(141)
Investments in receivables purchased - net	<u>1,352</u>	<u>1,447</u>	<u>824</u>	<u>861</u>

	2011				2010			
	Number of debtors	Balance per agreement	Purchase price	Yield	Number of debtors	Balance per agreement	Purchase 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	911	11,806	1,658		1,396	12,876	1,802	
<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	263	5,546	929		343	6,221	1,002	

During the years ended 31 December 2011 and 2010, 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					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
2011					
Modification of terms	7	35	35		
Total	7	35	35		
2010					
Modification of terms	10	66	66		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	2	2	Land and premise thereon	4
Total	12	68	68		
Separate financial statements					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
2011					
Modification of terms	1	2	2		
Total	1	2	2		
2010					
Modification of terms	2	31	31		
Total	2	31	31		

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from the end of the years 2011 and 2010 are as follows:

Consolidated financial statements				
Periods	2011		2010	
	Number of	Outstanding loan	Number of	Outstanding loan
	receivables	balances after	receivables	balances after
		restructuring		restructuring
	Million Baht		Million Baht	
Defaulted after restructuring	-	-	1	-
Due within the year	7	35	11	68
Total	7	35	12	68

Separate financial statements				
Periods	2011		2010	
	Number of	Outstanding loan	Number of	Outstanding loan
	receivables	balances after	receivables	balances after
		restructuring		restructuring
	Million Baht		Million Baht	
Due within the year	1	2	2	31
Total	1	2	2	31

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 2011 and 2010, there were no outstanding restructured receivables in the investments in receivables purchased account.

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

As at 31 December 2011 and 2010, 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	
2011	2010	2011	2010	2011	2010	2011	2010
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Investments in receivables purchased</u>							
1. Closed financial institutions	7	7	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	3	-	-	3
3. Companies which have loan settlement problems or have defaulted on the repayment	215	251	1,218	1,279	1,780	1,828	225

Separate financial statements							
Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts	
2011	2010	2011	2010	2011	2010	2011	2010
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Investments in receivables purchased</u>							
1. Companies which have loan settlement problems or have defaulted on the repayment	86	109	714	752	1,085	1,105	71

11. Investments in subsidiary and associated companies

11.1 Separate financial statements

As at 31 December 2011 and 2010, investments in subsidiary companies and an associated company in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following companies:

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements							
		Paid-up share capital		Percentage of holding (Percent)		Value of investment under the cost method		Dividend income for the years ended 31 December	
		2011	2010	2011	2010	2011	2010	2011	2010
<u>Subsidiary companies</u>									
Thanachart Bank Plc.	Commercial bank	55,137	55,137	50.96	50.96	29,056	29,056	1,124	552
NFS Asset Management Co., Ltd.	Asset management	1,000	1,000	100.00	100.00	1,000	1,000	-	-
Max Asset Management Co., Ltd.	Asset management	572	572	83.44	83.44	469	469	262	157
NASSET Property Fund 6	Investment in non-performing assets and collection rights	395	420	99.80	99.80	395	420	20	145
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
<u>Associated company</u>									
MBK Plc.	Property rental, hotel and services	1,886	1,886	10.00	10.00	658	658	94	90
Total investments in subsidiary and associated companies - net						31,614	31,639	1,500	944
Less: Allowance for impairment						(16)	(16)		
Total investments in subsidiary and associated companies - net						31,598	31,623		

11.2 Consolidated financial statements

As at 31 December 2011 and 2010, 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
MBK Plc. (operating in property rental, hotel and services business)	1,886	1,886	19.90	19.90	948	948	1,639	1,591	188	178	234	323
Siam Samsung Life Insurance Co., Ltd. (operating in life insurance business)	500	500	25.00	25.00	104	104	34	82	-	-	(46)	(24)
Siam City Insurance Co., Ltd. (operating in non-life insurance business)	-	40	-	45.50	-	92	-	109	10	-	(8)	17
Ratchthani Leasing Plc. (operating in hire-purchase and leasing business)	-	823	-	48.35	-	403	-	457	12	-	78	54
Total investments in associated companies					<u>1,052</u>	<u>1,547</u>	<u>1,673</u>	<u>2,239</u>	<u>210</u>	<u>178</u>	<u>258</u>	<u>370</u>

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 October 2011, Thanachart Bank purchased additional common shares of Ratchthani Leasing Plc. As a result, Thanachart Bank's shareholding increased from 48.35 percent to 65.18 percent and the status of Ratchthani Leasing Plc. changed from an associated company to a subsidiary company.

11.3 During the year 2011, NASSET Property Fund 6 decreased the number of its registered units and returned of Baht 25 million to the Company, based on the net assets value at the declaration date. The Company therefore recorded a gain on capital return of Baht 6 million in the separate financial statement. This gain has been eliminated in the consolidated financial statements.

11.4 The consolidated statement of financial position as at 31 December 2011 and 2010 included Baht 20 million of assets and Baht 0.2 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.

11.5 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 2011 and 2010 are as follows:

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2011	2010	2011	2010	2011	2010
Cash flows from operating activities						
Profit before income tax	503	568	157	158	321	-
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	(13)	(10)	(11)	(29)	-	-
Loss on impairment of property foreclosed	(42)	95	6	2	12	-
Reversal impairment loss of loans and debt securities	(251)	(348)	(9)	(5)	(221)	-
Others	(22)	(3)	2	(2)	-	-
	<u>175</u>	<u>302</u>	<u>145</u>	<u>124</u>	<u>112</u>	<u>-</u>
Interest expenses	72	43	-	-	85	-
Interest income	(128)	(181)	(50)	(6)	(273)	-
Dividend income	(9)	(1)	-	-	-	-
Cash received from interest	127	167	47	6	232	-
Cash paid for interest	-	-	-	-	(83)	-
Cash paid for corporate income tax	(89)	(93)	(31)	(79)	-	-
Income from operating activities before changes in operating assets and liabilities	<u>148</u>	<u>237</u>	<u>111</u>	<u>45</u>	<u>73</u>	<u>-</u>
Decrease (increase) in operating assets						
Current investments	(576)	130	(130)	-	-	-
Investments in receivables purchased	-	82	5	25	-	-
Loans to customers	248	259	36	27	(8,010)	-
Property foreclosed	322	246	116	95	(3,093)	-
Other assets	(5)	(3)	6	2	(47)	-
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	9,822	-
Other liabilities	(200)	233	24	5	123	-
Net cash flows from (used in) operating activities	<u>(63)</u>	<u>1,184</u>	<u>168</u>	<u>199</u>	<u>(1,132)</u>	<u>-</u>

(Unit: Million Baht)

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2011	2010	2011	2010	2011	2010
	Cash flows from investing activities					
Cash received from disposal of long-term investments	106	210	-	-	-	-
Cash received from interest on investments	1	3	-	-	4	-
Cash received from dividend	9	1	-	-	-	-
Net cash flows from investing activities	116	214	-	-	4	-
Cash flows from financing activities						
Cash received from issuance of share capital	-	-	-	-	2,000	-
Cash received from borrowing	-	(1,400)	-	-	-	-
Cash paid for borrowings	(72)	(43)	-	-	-	-
Cash paid for dividend	-	-	(315)	(243)	-	-
Net cash flows from (used in) financing activities	(72)	(1,443)	(315)	(243)	2,000	-
Net increase (decrease) in cash and cash equivalents	(19)	(45)	(147)	(44)	872	-
Cash and cash equivalents at beginning of the year	85	130	171	215	-	-
Cash and cash equivalents at end of the year	66	85	24	171	872	-

11.6 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 30 September 2011 and 2010 and for the years then ended are as follows:

(Unit: Million Baht)

Paid-up share capital		Total assets		Total liabilities		Total income for the years ended		Net income for the years ended	
30 September		30 September		30 September		30 September		30 September	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1,886	1,886	27,409	28,752	13,916	14,006	8,582	8,548	1,182	2,477

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 2011 and 2010 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 2011 is not material different from that income for the year ended 31 December 2011.

- b) Summarised financial information of Siam Samsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 31 December 2011 and 2010 and for the periods then ended are as follows:

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income for the periods ended 31 December		Net income (loss) for the periods ended 31 December		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
	Siam Samsung Life Insurance Co., Ltd.	500	500	1,989	2,073	1,854	1,766	1,170	911	(184)	(98)
	Siam City Insurance Co., Ltd.	-	40	-	932	-	689	414	632	(17)	37
Ratchthani Leasing Plc.	-	823	-	9,549	-	8,270	913	695	160	112	

Income, net income (loss) and share of profit (loss) of investments in associated companies were determined based on the financial statements for the period as from the date that have controlled, and in the interest proportion, until the date of disposal or the date that the status changed to be a subsidiary company.

- 11.7** As at 31 December 2011 and 2010, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand is as follows

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	MBK Plc.	3,313	3,791	1,664
Ratchthani Leasing Plc.	-	616	-	-

12. Loans to customers and accrued interest receivables

12.1 Classified by loan type

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Loans to customers</u>				
Overdrafts	23,358	24,562	-	-
Loans	272,788	277,614	198	205
Notes receivable	49,975	62,156	1,008	1,008
Hire purchases receivables	326,115	272,196	139	345
Financial leases receivables	2,084	2,366	-	-
Others	234	429	-	-
Less: Deferred revenues	(39,686)	(32,360)	(8)	(13)
Total loans to customers net of deferred revenues	634,868	606,963	1,337	1,545
Add: Accrued interest receivables	980	956	9	9
Total loans to customers net of deferred revenues and accrued interest receivables	635,848	607,919	1,346	1,554
Less: Allowance for doubtful accounts				
- BOT's minimum requirement provision	(26,166)	(25,450)	(259)	(365)
- Excess provision	(429)	(707)	-	(140)
Less: Revaluation allowance for debt restructuring	(386)	(464)	-	-
Loans to customer and accrued interest receivables - net	608,867	581,298	1,087	1,049
<u>Securities business receivables</u>				
Credit balances receivables	1,926	1,341	-	-
Other receivables	310	1,342	-	-
Total securities business receivables	2,236	2,683	-	-
Less: Allowance for doubtful accounts	(305)	(1,338)	-	-
Securities business receivables - net	1,931	1,345	-	-
Loans to customer and accrued interest receivables - net	610,798	582,643	1,087	1,049

12.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	622,859	450	623,309	593,376	4,794	598,170
US Dollar	7,282	5,853	13,135	7,468	3,834	11,302
Other currencies	395	425	820	372	-	372
Total loans to customers	630,536	6,728	637,264	601,216	8,628	609,844
Less: Intercompany gain from						
gross loans transferred	(160)	-	(160)	(198)	-	(198)
Total*	630,376	6,728	637,104	601,018	8,628	609,646

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,337	-	1,337	1,545	-	1,545
Total*	1,337	-	1,337	1,545	-	1,545

* Total loans net of deferred revenues

12.3 Classified by type of business and loan classification

(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)

Consolidated financial statements								
2010								
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	8,124	2,432	193	72	164	10,985	-	10,985
Manufacturing and commerce	73,914	8,668	1,700	8,461	5,073	97,816	2	97,818
Real estate and construction	45,690	1,991	1,552	644	2,831	52,708	46	52,754
Public utilities and services	55,587	4,491	1,452	1,661	3,245	66,436	5	66,441
Personal consuming								
Housing loans	72,976	1,902	589	826	1,564	77,857	-	77,857
Securities business	-	-	-	-	-	-	2,683	2,683
Hire purchase	218,569	15,425	783	609	2,817	238,203	1,740	239,943
Others	15,478	842	428	170	1,091	18,009	64	18,073
Others	40,282	781	204	622	1,398	43,287	3	43,290
Total	530,620	36,532	6,901	13,065	18,183	605,301	4,543	609,844
Less: Intercompany gain from loans transferred								(198)
Total*								609,646

* 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*	1,005	-	4	-	328	1,337

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
2010						
	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	3	-	9	8	22
Hire purchase	91	9	1	3	228	332
Others	4	-	-	1	183	188
Total*	1,097	12	1	13	422	1,545

* Total loans net of deferred revenues

12.4 Non-performing loans

As at 31 December 2011 and 2010, the Company and its subsidiaries (banking, securities and asset management) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Non-performing loans (excluding accrued interest receivables)				
The Company	332	436	332	436
Banking business	17,989	35,520	-	-
Securities business	306	1,339	-	-
Asset management	20,918	2,164	-	-

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

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
The Company	229	330	229	330
Banking business	16,558	44,046	-	-
Securities business	306	1,339	-	-

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

12.5 Debt restructuring

During the years 2011 and 2010, the Company and its subsidiaries have entered into debt restructuring agreements as follows:

Type of restructuring	consolidated financial statements				
	For the years ended 31 December				
	Number of debtors	Outstanding loans balance before restructuring ⁽¹⁾ Million Baht	Outstanding loans balance after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
2011					
Modification of repayment conditions	38,745	16,599	16,599		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	14	989	989	Land and common share	462
Total	38,759	17,588	17,588		
2010					
Transfer of assets	3	24	24	Land and premise thereon	37
Modification of repayment conditions	5,998	11,041	10,974		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	6	203	189	Land	173
Total	6,007	11,268	11,187		

(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 loans balance before restructuring ⁽¹⁾	Outstanding loans balance after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		
2011					
Modification of repayment conditions	43	7	7		
Total	<u>43</u>	<u>7</u>	<u>7</u>		
2010					
Modification of repayment conditions	28	25	25		
Total	<u>28</u>	<u>25</u>	<u>25</u>		

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

Counting from the end of the year, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2011 and 2010, are summarised below.

Consolidated financial statements				
For the years ended 31 December				
Periods	2011		2010	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	1,266	1,749	1,305	593
Due within the year	965	1,887	733	808
Less than 5 years	27,991	8,649	2,112	1,739
5 - 10 years	8,502	5,219	1,616	7,328
10 - 15 years	14	45	114	459
Over 15 years	21	39	127	260
Total	<u>38,759</u>	<u>17,588</u>	<u>6,007</u>	<u>11,187</u>

Periods	Separate financial statements			
	For the years ended 31 December			
	2011		2010	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Past due after restructuring	3	1	6	12
Due within the year	36	3	22	13
Less than 5 years	4	3	-	-
Total	43	7	28	25

Supplemental information for the years 2011 and 2010 relating to restructured loans is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Interest incomes recognised in the statements of comprehensive income	1,458	1,270	2	7
Gain on debt settlement/disposal	107	105	13	29
Gain on assets transferred from debt settlement	6	21	-	-
Cash repayment from receivables	5,742	4,925	22	83
Properties foreclosed received for debts settlement	295	400	-	-
Loss on debt restructuring	40	131	-	-

As at 31 December 2011 and 2010, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Total number of outstanding receivables		Restructured receivables				Outstanding balances, net of collateral	
			Number of receivables		Outstanding balances			
	2011	2010	2011	2010	2011	2010	2011	2010
	Thousand	Thousand			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	3.6	7.6	60	57	120	122	26	26
Thanachart Bank Plc.	1,378.9	944.3	52,289	13,944	25,803	5,324	9,350	2,414
Siam City Bank Plc.	-	358.7	-	6,247	-	22,871	-	9,560
Thanachart Securities Plc.	0.9	0.4	3	3	35	35	35	35
TS Asset Management Co., Ltd.	2.5	-	1,630	-	12,978	-	5,173	-
Other subsidiaries	5.9	6.1	243	283	1,119	1,404	245	424

12.6 Hire purchases/Financial leases receivables

As at 31 December 2011, net hire purchase/financial lease receivables of the Company and its subsidiaries amounting to Baht 282,703 million were recorded in the consolidated financial statements. These mostly comprise hire purchase agreements or financial lease agreements for cars and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates.

(Unit: Million Baht)

	Consolidated financial statement as at 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)

Consolidated financial statement as at 31 December 2010

	Amounts due under lease agreements			
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	89,626	177,745	7,191	274,562
Less: Unearned finance income	(13,978)	(18,246)	(242)	(32,466)
Present value of minimum lease payments receivable				
Allowance for doubtful accounts	75,648	159,499	6,949	242,096
Hire purchases/Financial leases receivables - net				(5,370)
				<u>236,726</u>

* 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

(Unit: Million Baht)

Separate financial statement as at 31 December 2010

	Amounts due under lease agreements			
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	345	-	-	345
Less: Unearned finance income	(13)	-	-	(13)
Present value of minimum lease payments receivable	332	-	-	332
Allowance for doubtful accounts				(233)
Hire purchases/Financial leases receivables - net				99

* Included non-performing receivables

12.7 Classified by classification

As at 31 December 2011 and 2010, the Company and its financial institution subsidiaries (banking and asset management business) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Consolidated financial statements ⁽¹⁾						
	Loans and accrued interest receivables		Net balance used in made allowance for doubtful accounts ⁽²⁾		Minimum percentage (Percent)	Allowance for doubtful accounts	
	2011	2010	2011	2010		2011	2010
Normal	542,595	531,383	201,388	189,336	1	4,049	2,179
Special mention	40,463	36,603	18,290	16,955	2	721	2,249
Substandard	7,151	6,919	3,897	2,978	100	3,897	3,071
Doubtful	11,775	13,072	7,509	8,206	100	7,509	8,283
Doubtful of loss	20,405	18,253	9,005	9,371	100	9,209	9,455
Total	622,389	606,230	240,089	226,846		25,385	25,237
Additional allowance for possible uncollectability debts						417	707
Total						25,802	25,944

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

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

(Unit: Million Baht)

	Separate financial statements						
	Loans and accrued interest receivables		Net balance used in made allowance for doubtful accounts ⁽¹⁾		Minimum percentage (Percent)	Allowance for doubtful accounts	
	2011	2010	2011	2010		2011	2010
Normal	1,005	1,097	1,000	1,091	1	10	10
Special mention	-	12	-	8	2	-	-
Substandard	4	1	-	1	100	-	1
Doubtful	-	13	-	4	100	-	4
Doubtful of loss	337	431	249	350	100	249	350
Total	1,346	1,554	1,249	1,454		259	365
Additional allowance for possible uncollectability debts						-	140
Total						259	505

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

During July - December 2011, there was widespread flooding in Thailand. The floods may affect the business of certain debtors. Thanachart Bank has provided support to its customers in accordance with the policy of the BOT, by relaxing principal and/or interest payments, extending the repayment schedule, maintaining the status of each debtor as it was before such floods occurred, and not treating the related receivables as substandard debt. As at 31 December 2011, a total of 27,783 debtors with total balances of Baht 22,096 million had received relaxations of terms due to the flooding. However, the Company and Thanachart Bank's management believe that no further significant damage will be incurred as a result of this situation.

12.8 Loan to companies which have settlement problems

As at 31 December 2011 and 2010, loans of the Company and its subsidiaries in the consolidated financial statements and the separate financial statements included debts due from companies with weak financial positions and poor operating results, as follows:

	Consolidated financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2011	2010	2011	2010	2011	2010	2011	2010
			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	7	8	888	456	100	113	790	359
3. Non - listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	9	11	585	750	334	753	236	275
4. Companies which have loan settlement problems or have defaulted on the repayment	1,326	1,344	24,966	31,853	12,324	14,343	13,574	14,298

	Separate financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2011	2010	2011	2010	2011	2010	2011	2010
			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	72	109	102	113	85	107	30	39

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

As at 31 December 2011 and 2010, subsidiary companies operating in the securities business classified securities business receivables and accrued interest receivables, in accordance with the Notification of the Securities and Exchange Commission (“SEC”) governing accounting for the non-performing debts of securities companies as follows:

(Unit: Million Baht)

	Receivable balances		Allowance for doubtful accounts		Debt balance net of allowance for doubtful accounts	
	2011	2010	2011	2010	2011	2010
	Normal	1,930	1,344	-	-	1,930
Substandard	3	4	2	3	1	1
Doubtful	303	1,335	303	1,335	-	-
Total	2,236	2,683	305	1,338	1,931	1,345

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

12.10 Hire purchase receivables/financial lease receivables of subsidiaries classified by aging

As at 31 December 2011 and 2010, 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)

	2011	2010
Current or overdue not over 90 days	12,846	1,568
Overdue 91 - 365 days	363	40
Overdue more than 1 year	66	48
Debtors under legal actions	205	107
Total	13,480	1,763
Allowance for doubtful accounts provided in the accounts	792	212

12.11 As at 31 December 2011 and 2010, the Company has loans to a subsidiary company as follows:

Company's name	Type of credit	Contract period	Interest rate	Outstanding balances	
		as at 31 December 2011	as at 31 December 2011	2011	2010
				Million Baht	Million Baht
<u>Subsidiary company</u>					
NFS Asset Management Co., Ltd.	Promissory note	At call	MLR of Thanachart Bank	1,000	1,000
Total				<u>1,000</u>	<u>1,000</u>

13. Allowance for doubtful accounts

(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	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	2,179	2,249	3,071	8,283	9,455	707	25,944	1,551	27,495
Allowance for doubtful accounts of subsidiary purchased during the year	-	-	-	-	-	-	-	542	542
Allowance for doubtful accounts of subsidiary disposed during the year	-	-	-	-	-	-	-	(1,022)	(1,022)
Increase (decrease) during the year	1,870	(1,528)	988	(575)	1,586	(290)	2,051	92	2,143
Bad debts recovery	-	-	-	253	161	-	414	10	424
Bad debts written-off	-	-	(20)	(452)	(936)	-	(1,408)	(75)	(1,483)
Reversal from disposal of loans	-	-	(142)	-	(1,057)	-	(1,199)	-	(1,199)
Balance - end of the year	<u>4,049</u>	<u>721</u>	<u>3,897</u>	<u>7,509</u>	<u>9,209</u>	<u>417</u>	<u>25,802</u>	<u>1,098</u>	<u>26,900</u>

(Unit: Million Baht)

Consolidated financial statements									
2010									
The Company and a subsidiary company which are financial institutions									
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	909	190	1,237	1,345	5,709	387	9,777	659	10,436
Allowance for doubtful accounts of subsidiaries purchased during the year	971	2,854	1,346	4,745	6,244	-	16,160	1,074	17,234
Allowance for doubtful accounts of subsidiary disposed during the year	-	-	-	-	-	-	-	(64)	(64)
Increase (decrease) during the year	299	(795)	488	2,437	(1,034)	320	1,715	(28)	1,687
Bad debts recovery	-	-	-	222	77	-	299	16	315
Bad debts written-off	-	-	-	(466)	(600)	-	(1,066)	(106)	(1,172)
Reversal from disposal of loans	-	-	-	-	(941)	-	(941)	-	(941)
Balance - end of the year	2,179	2,249	3,071	8,283	9,455	707	25,944	1,551	27,495

(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

(Unit: Million Baht)

Separate financial statements							
2010							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	29	2	17	22	378	140	588
Decrease during the year	(19)	(2)	(16)	(18)	(43)	-	(98)
Bad debts recovery	-	-	-	-	21	-	21
Bad debts written-off	-	-	-	-	(6)	-	(6)
Balance - end of the year	10	-	1	4	350	140	505

14. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Balance - beginning of the year	464	98	-	-
Beginning balance of the subsidiaries acquired during the year	-	472	-	-
Decrease during the year	(35)	(40)	-	-
Amortised during the year	(43)	(39)	-	-
Reversal on hair-cut loans	-	(27)	-	-
Balance - end of the year	386	464	-	-

15. Classification of assets

As at 31 December 2011 and 2010, the quality of assets of the Company and its subsidiaries classified in accordance with the announcements of the Bank of Thailand are as follows:

(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	453	761	341	21,960
Total	39,364	622,389	453	761	621	663,588

(Unit: Million Baht)

Consolidated financial statements

	2010					
	Loans to customer and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	51,797	531,383	-	-	193	583,373
Special mention	-	36,603	-	-	86	36,689
Substandard	-	6,919	-	-	8	6,927
Doubtful	-	13,072	-	-	14	13,086
Doubtful of loss	-	18,253	341	824	608	20,026
Total	51,797	606,230	341	824	909	660,101

(Unit: Million Baht)

Separate financial statements

	2011					
	Loans to customer and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	-	1,005	-	-	-	1,005
Special mention	-	-	-	-	1	1
Substandard	-	4	-	-	1	5
Doubtful	-	-	-	-	-	-
Doubtful of loss	-	337	198	412	83	1,030
Total	-	1,346	198	412	85	2,041

(Unit: Million Baht)

Separated financial statements

	2010					
	Loans to customer and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	20	1,097	-	-	-	1,117
Special mention	-	12	-	-	3	15
Substandard	-	1	-	-	-	1
Doubtful	-	13	-	-	-	13
Doubtful of loss	-	431	234	484	83	1,232
Total	20	1,554	234	484	86	2,378

16. Property foreclosed

(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
Assets awaiting disposal						
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)

Consolidated financial statements						
For the year ended 31 December 2010						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	3,580	6,656	259	(1,179)	(78)	9,238
Internal appraiser	1,489	16	52	(103)	78	1,532
Movable assets	434	-	3,742	(3,884)	-	292
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	506	577	155	(31)	106	1,313
Internal appraiser	1,346	7	193	(302)	(106)	1,138
Assets awaiting disposal						
External appraiser	-	168	-	-	-	168
Total property foreclosed	7,355	7,424	4,401	(5,499)	-	13,681
Less: Allowance for impairment	(831)	-	(314)	320	-	(825)
Property foreclosed - net	6,524	7,424	4,087	(5,179)	-	12,856

(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

(Unit: Million Baht)

Separate financial statements					
For the year ended 31 December 2010					
	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	1,960	13	(301)	-	1,672
Internal appraiser	249	-	(13)	-	236
Movable assets	6	9	(12)	-	3
Assets foreclosed from purchase					
by bid on the open market					
Immovable assets					
External appraiser	76	42	-	18	136
Internal appraiser	402	23	(44)	(18)	363
Others					
Immovable assets					
External appraiser	-	130	-	-	130
Total property foreclosed	2,693	217	(370)	-	2,540
Less: Allowance for impairment	(531)	(24)	71	-	(484)
Property foreclosed - net	2,162	193	(299)	-	2,056

17. Land, premises and equipment

(Unit: Million Baht)

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

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2010						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2009	489	540	3,399	216	18	4,662
Increase from purchase of subsidiary companies	4,173	2,142	704	62	134	7,215
Decrease from disposal of subsidiary company	-	-	(6)	(1)	-	(7)
Additions	101	69	395	23	91	679
Transfers/disposals	(99)	27	(247)	(97)	(108)	(524)
31 December 2010	4,664	2,778	4,245	203	135	12,025
<u>Accumulated depreciation</u>						
31 December 2009	-	92	2,025	121	-	2,238
Decrease from disposal of subsidiary company	-	-	(2)	(1)	-	(3)
Transfers/disposals	-	(15)	(247)	(97)	-	(359)
Depreciation for the year	-	169	802	66	-	1,037
31 December 2010	-	246	2,578	89	-	2,913
<u>Allowance for impairment</u>						
31 December 2009	1	-	-	-	-	1
Increase (decrease) during the year	(1)	-	1	-	-	-
31 December 2010	-	-	1	-	-	1
<u>Net book value</u>						
31 December 2010	4,664	2,532	1,666	114	135	9,111
Depreciation charge for the year						1,037

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2011						
	Land	Buildings and buildings 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

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2010						
	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2009	63	147	103	35	-	348
Additions	-	-	1	3	1	5
Transfers/disposals	(48)	(19)	(24)	(9)	-	(100)
31 December 2010	15	128	80	29	1	253
<u>Accumulated depreciation</u>						
31 December 2009	-	46	77	15	-	138
Transfers/disposals	-	(6)	(14)	(9)	-	(29)
Depreciation for the year	-	7	8	5	-	20
31 December 2010	-	47	71	11	-	129
<u>Net book value</u>						
31 December 2010	15	81	9	18	1	124
Depreciation charge for the year						20

As at 31 December 2011, the Company and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 52 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 1,391 million (separate financial statements: Baht 14 million and Baht 64 million, respectively).

18. Intangible assets

(Unit: Million Baht)

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

(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	Computer software
				Total	
<u>Allowance for impairment</u>					
31 December 2010	-	-	-	-	-
Increase during the year	-	27	-	-	-
Decrease from disposal of a subsidiary company	-	(2)	-	-	-
31 December 2011	-	25	-	-	-
<u>Net book value</u>					
31 December 2011	3,498	1,031	-	180	4,709
Remaining amorisation period	8 years	0 - 10 years	1 - 3 years	-	0 - 2 years
Amortisation expenses for the year				636	-

(Unit: Million Baht)

For the year ended 31 December 2010						
Consolidated financial statements						Separated financial statements
Intangible assets from business combination	Computer software	Membership fees for Thailand		Computer software under development	Total	Computer software
		Futures Exchange and others				
<u>Cost</u>						
31 December 2009	-	534	7	116	657	8
Increase from purchase of a subsidiary company	-	253	1	40	294	-
Additions/increases from business combination	4,100	67	-	109	4,276	-
Transfers	-	101	-	(101)	-	-
Disposals	-	(6)	(1)	(1)	(8)	-
31 December 2010	4,100	949	7	163	5,219	8
<u>Accumulated amortisation</u>						
31 December 2009	-	175	5	-	180	7
Transfers/Disposals	-	(3)	-	-	(3)	-
Amortisation for the year	137	99	1	-	237	1
31 December 2010	137	271	6	-	414	8
<u>Net book value</u>						
31 December 2010	3,963	678	1	163	4,805	-
Amortisation expenses for the year					237	1

As at 31 December 2011, 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 47 million (separate financial statement: Baht 7 million).

19. Goodwill

As at 31 December 2011 and 2010, goodwill stated in the consolidated financial statements are as follows.

	(Unit: Million Baht)	
	2011	2010
Goodwill - beginning of the year	15,784	44
Increase during the year	-	15,740
Total goodwill	15,784	15,784
Deferred gain on disposal of investment	(1,803)	(2,113)
Goodwill - ending of the year	13,981	13,671

20. Other assets

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Accrued premium insurance income	439	444	-	-
Other receivables	1,709	1,095	97	100
VAT refundable	57	676	-	-
Other receivables - VAT paid in advance for customers	198	174	1	2
Suspense accounts between head office and branches	-	326	-	-
Deposit	257	311	4	4
Estimated insurance claims recoveries	264	187	-	-
Receivable from clearing house	25	391	-	-
Prepaid corporate income tax	1,032	7	13	-
Deposit from derivative contracts	357	148	-	-
Suspense amount - Deferred tax arrived from business combination	537	629	-	-
Others	878	716	23	21
Total	5,753	5,104	138	127
Less: Allowance for impairment	(404)	(673)	(84)	(84)
Other assets - net	5,349	4,431	54	43

21. Deposits

21.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Current	7,117	7,205	-	-
Saving	169,051	181,106	-	-
Promissory notes	61	61	-	-
Certificates of deposit	2	5,297	-	-
Fixed deposits				
- Less than 6 months	52,172	154,231	-	-
- 6 months and up to 1 year	133,546	39,381	-	-
- Over 1 year	73,916	145,101	-	-
Total deposits	435,865	532,382	-	-

21.2 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	435,621	1	435,622	531,979	1	531,980
US Dollar	84	20	104	160	25	185
Other currencies	22	117	139	90	127	217
Total	435,727	138	435,865	532,229	153	532,382

22. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	-	3,065	3,065	1,427	2,601	4,028
Commercial banks	700	10,033	10,733	174	4,823	4,997
Specialised financial institutions	3,100	7,234	10,334	24	3,206	3,230
Other financial institutions	17,016	9,704	26,720	14,361	6,635	20,996
Total domestic items	20,816	30,036	50,852	15,986	17,265	33,251
Foreign						
US Dollar	3	8,599	8,602	81	6,832	6,913
Euro	-	-	-	-	24	24
Baht currency	241	456	697	95	262	357
Total foreign items	244	9,055	9,299	176	7,118	7,294
Total	21,060	39,091	60,151	16,162	24,383	40,545

As at 31 December 2011, a subsidiary company has loans from financial institutions that require it to comply with certain conditions, as summarised below.

- (a) A long-term loans amounting to Baht 773 million, repayable in 48 monthly installments from the date of loan drawdown, with interest charged at the average MLR less a fixed percentage per annum, payable monthly. The loans are secured by the assignment of collection rights over hire purchase receivables of the subsidiary company with a value of not less than 125 percent of the loan balances, and the transfer of ownership of the vehicles for which collection rights are assigned, as well as the assignment of collection rights over deposit accounts and related interest of the subsidiary company. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1 and to maintain non-performing receivables at not more than 10 percent of total hire purchase receivables.
- (b) A long-term loans amounting to Baht 275 million, repayable in 36 monthly installments from the date of loan drawdown, with interest charged at fixed interest rate per annum, payable monthly. The loan is secured by the assignment of collection rights over hire purchase/financial lease receivables of the subsidiary company, and the transfer of ownership of vehicles, with a value of not less than 110 percent of the loan balances that were drawn down. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1.

- (c) A long-term loans amounting to Baht 6 million, repayable in 42 monthly installments from the date of loan drawdown, with interest charged at the average MLR less a fixed percentage per annum, payable monthly. The loans are secured by the assignment of collection rights over hire purchase receivables of the subsidiary company with a value of not less than 125 percent of the loan balances, and the transfer of ownership of the vehicles for which collection rights are assigned, as well as the assignment of collection rights over deposit accounts and related interest of the subsidiary company. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1 and to maintain non-performing receivables at not more than 10 percent of total hire purchase receivables.

23. Debt issued and borrowings

As at 31 December 2011 and 2010, 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 2011)	Maturity year	Consolidated		Separate	
			financial statements		financial statements	
			2011	2010	2011	2010
Unsubordinated and unsecured debentures			-	1,455	-	1,500
Unsubordinated and unsecured debentures (a - b)	3.35 and 4.90 percent	2013 and 2014	12,000	12,000	12,000	12,000
Perpetual subordinated hybrid bonds issued under Tier I (c)	8.60 percent	Dissolution	3,494	3,494	-	-
Subordinated hybrid bonds issued under Tier II (d)	5.25 percent	2019 and 2024	4,996	5,000	-	-
Subordinated debentures issued under Tier II (e - h)	5.00 - 5.50 and 6.00 percent	2015 - 2020	22,997	23,000	-	-
Bills of exchange	0.00 and 3.25 percent	At call	56	11	-	-
Bills of exchange	0.50 - 4.65 percent	2012 - 2014	218,168	139,523	-	-
Promissory notes	4.75 percent	At call	942	-	-	-
Borrowings - Department of Alternative Energy Development and Efficiency			-	234	-	-
Total debt issued and borrowings			262,653	184,717	12,000	13,500

- (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 22 April 2010, Thanachart Bank issued 7,130,000 name registered of perpetual, non-cumulative, subordinated, hybrid Tier 1 bonds, with a face value of Baht 1,000 each, and sold them to two major shareholders of Thanachart Bank. The bonds mature upon dissolution or liquidation of Thanachart Bank. The bonds are unsecured and non-convertible and bear interest at a rate equal to the highest interest rate for a six-month fixed deposit plus 6 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.
- (d) On 24 July 2009, Thanachart Bank issued 5,000,000 name registered subordinated hybrid bonds, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. Of these, 3.5 million units mature in 2019 and bear interest at rate of 5.25 percent per annum for the first five years, and 5.5 percent per annum for the sixth to tenth years, while 1.5 million units mature in 2024 and bear interest at rate of 5.25 percent per annum for the first five years, 6.0 percent per annum for the sixth to tenth years and 6.5 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.
- (f) On 9 May 2008, Thanachart Bank issued 5,000,000 name registered subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2015 and bear interests at rate of 5.1 percent per annum for the first three years, and 6 percent per annum for the fourth to seventh years, payable quarterly.

- (g) On 3 April 2009, Thanachart Bank issued 2,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interest at fixed interest rates of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years, and 6.5 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.
- (h) On 2 April 2010, Thanachart Bank issued 6,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2020 and bear interests at fixed interest rate of 5 percent per annum for the first five years and 5.5 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.
- (i) On 19 June 2009, SCIB issued 10,000,000 unsecured subordinated debentures with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interests at fixed interest rates of 5.50 percent per annum for the first three years, 6.00 percent per annum for the fourth to seventh years, and 6.50 percent per annum for the eighth to tenth years. Interest is payable quarterly. SCIB has a call option to early redeem these debentures at par if the conditions specified are met. On 20 June 2011, SCIB early redeemed all debentures at par value with no gain (loss) on the transaction. Thanachart Bank has issue new debentures to replace SCIB's debentures with the same interest rates, terms, and conditions. The BOT has given approval in principle to counting such subordinated debentures as Tier II of Thanachart Bank starting from the date that the entire business transfer between Thanachart Bank and SCIB is completed. This is in accordance with the BOT's letter for the entire business transfer of SCIB.

24. Provisions

(Unit: Million Baht)

Consolidated financial statement						
For the year ended 31 December 2011						
	Loss from litigation	Employee benefits	Obligations of off-balance	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2011	99	45	285	383	393	1,205
The cumulative effect of the changes in the accounting policy for employee benefits	-	2,288	-	-	-	2,288
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)

Consolidated financial statement					
For the year ended 31 December 2010					
	Loss from litigation	Obligations of off-balance	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2010	28	-	383	16	427
Increase from purchase of subsidiary companies	60	420	-	290	770
Increase during the year	11	-	-	216	227
Decrease from actual utilised	-	-	-	(24)	(24)
Reversal of provisions	-	(135)	-	(60)	(195)
As at 31 December 2010	99	285	383	438	1,205

(Unit: Million Baht)

	Separate financial statement			
	For the year ended 31 December 2011			
	Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	Total
As at 1 January 2011	9	2	183	194
The cumulative effect of the changes in the accounting policy for employee benefits	-	13	-	13
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

(Unit: Million Baht)

	Separate financial statement			
	For the year ended 31 December 2010			
	Loss from litigation	transferred to TAMC	Others	Total
As at 1 January 2010	9	183	8	200
Increase during the year	-	-	8	8
Decrease from actual utilised	-	-	(14)	(14)
As at 31 December 2010	9	183	2	194

Employee benefits

Employee benefits recognised in part of profit or loss in the statements of comprehensive income for the year ended 31 December 2011 summarised as follows:

	(Unit: Million Baht)	
	Consolidated financial statement	Separate financial statement
	2011	2011
Current service cost	153	2
Interest cost	81	1
Loss on curtailment	(160)	-
Actuarial (gain) loss	(42)	4
Termination benefits	332	-
Total employee benefits	<u>364</u>	<u>7</u>

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

	(Percent per annum)	
	Consolidated financial statement	Separate financial statement
	2011	2011
Discount rate	4.07 - 4.70	4.09
Future salary increase	6.00 - 6.50	6.00
Average turnover rate	0.00 - 42.11	0.85 - 21.51

During the year 2011, Thanachart Bank received the transfer of 6,368 employees from SCIB, this accorded with a resolution passed by a meeting of the Board of Directors of Thanachart Bank and is as approved by BOT. SCIB also transferred employee benefit liabilities related to the transferred employees amounting to Baht 1,395 million to Thanachart Bank, together with another Baht 337 million of accrued employee expenses. Under the employee transfer agreement, all rights and benefit of employees will be determined counting consecutively from their existing length of service.

25. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Life policy reserve	29,831	25,961	-	-
Loss reserves and outstanding claims	3,441	1,141	-	-
Unearned premium reserve	2,659	2,461	-	-
Other liabilities under insurance policies	223	211	-	-
Total insurance contract liabilities	36,154	29,774	-	-

Subsidiaries presented life policy reserve under long-term insurance contracts at the higher amount of net level premium valuation (NPV) and gross premium valuation (GPV). As a result of these changes, life insurance policy reserve liabilities of a subsidiary company as at 31 December 2011 was increased by Baht 649 million which was recognised as part of profit or loss.

From July to December 2011, there was widespread flooding in Thailand. The floods has an effect to the insured of the subsidiary companies. However, the subsidiary companies have assessed and recorded the impact of this situation in the financial statements and believe that no further significant damage will be incurred.

26. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Other payables	1,325	633	26	57
Suspense cash received from accounts receivable	477	799	15	24
Reinsurance payable	319	260	-	-
Unearned income from hire purchases	300	164	-	-
Deposits from derivative contracts	-	1,762	-	-
Provision for income tax	330	568	-	-
Corporate income tax payable	2,480	2,404	-	1
Accrued expenses	3,571	2,911	37	26
Suspense payables	1,362	1,177	-	-
Payables to clearing house	306	98	-	-
Insurance premium received in advance	686	443	-	-
Proceeds from the sales of property foreclosed under contracts	428	429	24	14
Others	699	699	46	31
Total other liabilities	<u>12,283</u>	<u>12,347</u>	<u>148</u>	<u>153</u>

27. Share capital/Treasury stocks

During the year ended 31 December 2011, preferred shareholders converted 2,520 preference shares to the Company's common shares. Therefore, as at 31 December 2011, 13,336 preferred shares remained unconverted. Each preferred share can convert to 1 common share and the conversion right is unconditional and does not expire.

As at 31 December 2011 and 2010, the Company has totaling 55,324,300 shares of treasury stocks or an amount of Baht 387.5 million (at cost). Such treasury stocks were not disposed of during the year and are to be disposed of within 3 years counting from end of the repurchasing period (within June 2012).

28. Other components of equity

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
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	195	139	-	-
Equity instruments	576	740	301	290
Held-to-maturity investments	15	18	-	-
Total	786	897	301	290
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(128)	(59)	-	-
Equity instruments	(7)	-	-	-
Held-to-maturity investments (reclassified from available-for-sale investment)	(71)	(125)	-	-
Total	(206)	(184)	-	-
Total revaluation surplus on investments	580	713	301	290
Share of other comprehensive income of associates	(19)	(19)	-	-
Total	1,563	1,696	301	290

29. Statutory reserve

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

As at 31 December 2011, the Company allocated Baht 81.8 million of net income for the year 2011 to the statutory reserve (2010: Baht 140.9 million).

30. 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 BOT approved such waiver with the conditions that in determining the capital funds of the Company and Thanachart Bank, the value of investment in SCIB is not deducted until the date of dissolution of SCIB, while the computation of the ratio of the capital to risk assets and contingent liabilities includes the assets and contingent liabilities of SCIB until the date that SCIB return its banking license. The Company will disclose capital requirement information as at 31 December 2011 on its website at www.thanachart.co.th, within April 2012. Moreover, the Company and its subsidiaries had disclosed capital requirement information as at 30 June 2011 on the Company's website since October 2011.

31. Dividends

During the years ended 31 December 2011 and 2010, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share	Payment date
		Million Baht	Baht	
Interim dividend on income for the first half-year of 2011	The Company's Board of Directors on 26 September 2011	639	0.50	20 October 2011
Dividend on income for the second half-year of 2010	The Annual General Meeting of shareholders on 8 April 2011	894	0.70	3 May 2011
Total		1,533	1.20	
Interim dividend on income for the first half-year of 2010	The Company's Board of Directors on 27 September 2010	639	0.50	26 October 2010
Dividend on income for the second half-year of 2009	The Annual General Meeting of shareholders on 7 April 2010	767	0.60	6 May 2010
Total		1,406	1.10	

32. Interest income

Interest income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Interbank and money market items	2,237	1,057	2	5
Investments and trading transactions	86	90	3	2
Investments in debt securities	4,143	3,666	350	336
Loans	20,942	14,952	76	51
Hire purchase and financial lease	17,011	15,262	2	32
Total interest income	44,419	35,027	433	426

33. Interest expenses

Interest expenses for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Deposits	8,969	5,953	-	-
Interbank and money market items	1,288	511	-	-
Contribution fee to the Deposit Protection Agency	1,955	1,914	-	-
Issues debt instruments				
- Subordinated debentures	1,852	1,500	-	-
- Unsubordinated debentures	609	698	611	701
- Others	5,427	1,418	-	-
Borrowings	1	3	-	-
Fees and services expense on borrowings	3	1	2	3
Total interest expenses	20,104	11,998	613	704

34. Fees and service income

Fees and service income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Fees and service income				
Acceptance, aval and guarantees	271	228	-	-
Hire purchase fee income	911	905	10	48
Credit card services	698	395	-	-
ATM and electronic banking services	669	575	-	-
Management fees	477	537	-	-
Insurance brokerage fee income	224	226	-	-
Others	623	536	1	2
Total fees and service income	3,873	3,402	11	50
Fees and service expenses	(501)	(521)	(1)	(2)
Net fees and service income	3,372	2,881	10	48

35. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Foreign exchange and derivatives relating to foreign exchange	875	360	-	-
Foreign exchange and derivatives relating to interest rate	1	1	-	-
Debt securities	17	(5)	-	-
Equity securities	(5)	211	-	-
Others	3	4	-	-
Total	891	571	-	-

36. Gains (loss) on investments

Gains (loss) on investments for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Gains (losses) on disposal				
Available-for-sale securities	214	388	37	120
General investments	90	-	6	-
Losses on price adjustments on loans transferred to TAMC	(1)	-	-	-
Investments in subsidiary and associated companies	397	27	-	2,136
Gain on revaluation of investments (under business combination)	33	-	-	-
Gains on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	71	85	34	75
Reversal of impairment on general investments (losses)	(37)	23	-	-
Gain on transfer of investments	372	-	-	-
Gain on the capital returned	-	-	6	8
Total	1,139	523	83	2,339

During the year, a subsidiary company has transferred investment which classified as held-to-maturity debt securities amounting to Baht 8,439 million to be trading in order to comply with the measurement of insurance liabilities reserve for long-term insurance contracts of which the value of the liabilities reserve is depended on the changes in discounted market interest rate. As a result of this transfer, a gain of Baht 329 million was recognised in profit or loss. The subsidiary company also transferred investments classified as available-for-sale securities amounting to Baht 2,000 million to be trading with a gain on transfer of Baht 43 million.

As described in note 2.2 to the financial statements, the Company sold 104,964,000 ordinary shares of SCIB to Thanachart Bank in June 2010 and recognised a gain on the sale of Baht 2,136 million in the separate financial statements. Such amount had been eliminated in the consolidated income statements for the year 2010.

37. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to approximately Baht 15 million to the Company's and its subsidiaries' directors, which was approved by the Annual General Meeting of Shareholders held on 8 April 2011.

38. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Million Baht)			
	For the years ended 31 December			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Impairment loss of loans				
Loans to customers (reversal)	2,143	1,687	(166)	(98)
Interbank and money market items	30	38	-	-
Amortisation of revaluation allowance for debts				
restructured during the year	(40)	(36)	-	-
Loss from debt restructuring (reversal)	(35)	131	-	-
Loss from impairment of investments in				
receivables purchased (reversal)	(21)	(167)	(10)	28
Total	<u>2,077</u>	<u>1,653</u>	<u>(176)</u>	<u>(70)</u>

39. 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 year 2011 since after adding back and deducting income and/or expenses which are disallowed for tax computation purposes, there is a net loss.

40. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2011 and 2010 of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Other comprehensive income				
Available-for-sale investments:				
Unrealised gains (losses) during the year	(128)	1,299	48	329
Gains (losses) on reclassified type of investments	43	(2,040)	-	(2,040)
Realised gains (losses) that included in profit or loss	(214)	(388)	(37)	(120)
	(299)	(1,129)	11	(1,831)
Share of other comprehensive income in associated companies (loss)	-	(226)	-	-
Other comprehensive income for the year (loss)	(299)	(1,355)	11	(1,831)

41. 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	
2011	2010	2011	2010	2011	2010
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profit attributable to the Company					
5,002,433	5,638,853	1,277,815	1,277,814	3.91	4.41
Effect of dilutive securities					
Preference shares convertible to common shares					
-	-	15	16		
Diluted earnings per share					
Profit of common shareholders assuming conversion of dilutive securities					
5,002,433	5,638,853	1,277,830	1,277,830	3.91	4.41

Separate financial statements						
For the years ended 31 December						
Profit for the year		Weighted average number of common shares		Earnings per share		
2011	2010	2011	2010	2011	2010	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Profit attributable to the Company	1,635,133	2,817,624	1,277,815	1,277,814	1.28	2.21
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	15	16		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	<u>1,635,133</u>	<u>2,817,624</u>	<u>1,277,830</u>	<u>1,277,830</u>	<u>1.28</u>	<u>2.21</u>

42. 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 ended 31 December 2011, approximately Baht 453 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 5 million).

43. 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 2011)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2011	2010	2011	2010	
<u>Transactions occurred during the years</u>					
Subsidiaries					
Purchase of investment in subsidiary company	-	-	-	18,245	
Purchase of debt securities	-	-	17,512	42,492	At market price
Sales of investment in subsidiaries	-	-	-	3,402	
Sales of debt securities	-	-	158	18,474	At market price
Sales of operating assets (2011: gain Baht 34 million 2010: gain Baht 41 million)	-	-	100	109	At the contract price
Capital returned from subsidiaries (2011: gain Baht 6 million 2010: gain Baht 8 million)	-	-	31	127	At the net assets value
Interest income from loans	-	-	72	43	At interest rate of Thanachart Bank's MLR
Interest income from cash at bank	-	-	2	5	At interest rate of 0.625 - 1.50 percent per annum
Interest income from investments in debt securities	-	-	299	258	At interest rate of 2.45 - 3.30 and 5.00 - 8.60 percent per annum
Dividend income	-	-	1,406	854	As declared
Rental and other service income	-	-	172	203	At the rate agreed under the service contract
Interest expenses	-	-	2	4	At interest rate of 3.35, 4.90 and 5.25 percent per annum
Other expenses	-	-	30	53	

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2011)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2011	2010	2011	2010	
<u>Transactions occurred during the years (continued)</u>					
Associated companies					
Purchase of investment in subsidiary company	-	161	-	-	
Purchase of debt securities	80	350	-	-	At market price
Sales of debt securities	384	17,046	-	-	At market price
Sales of investment in a subsidiary company (2010: gain Baht 27 million)	-	213	-	-	
Interest income	369	199	-	-	At interest rate of 0.75 - 7.25 percent per annum
Dividend income	-	-	94	90	As declared
Fee and service income	7	13	-	-	At the rate agreed under the contract
Other income	-	3	-	-	
Interest expenses	82	70	-	-	At interest rate of 0.25 - 4.25 and 5.25 percent per annum
Rental expenses	45	42	-	-	At the rate agreed under the contracts
Insurance premium/life insurance premium expenses	1	4	-	-	At the rate agreed under the contract
Other expenses	12	13	32	31	
Dividend paid	52	40	156	143	As declared

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2011)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2011	2010	2011	2010	
<u>Transactions occurred during the years (continued)</u>					
Related companies					
Purchase of investment in subsidiary company	-	6,228	-	-	
Purchase of debt securities	1,139	3,229	-	-	At market price
Sales of debt securities	562	3,137	-	-	At market price
Sales of fixed assets and other assets (2010: gain Baht 78 million in the consolidated financial statement and gain Baht 85 million in the separate financial statement)	-	266	-	208	
Sales of property foreclosed (2010: gain Baht 29 million)	-	373	-	-	
Purchase/sales of forward exchange contracts (2011: loss Baht 114 million 2010: loss Baht 9 million)	443,694	179,266	-	-	At market price
Interest income	659	284	-	-	At interest rate of 0.05 - 8.69 percent per annum
Dividend income	57	70	24	24	As declared
Insurance premium/life insurance premium income	4	-	-	-	At the rate agreed under the contract
Other income	40	55	-	2	
Interest expenses	431	300	1	8	At interest rate of 0.125 - 6.10 and 7.40 - 8.60 percent per annum
Rental expenses	123	116	-	-	At the rate agreed under the contracts
Fee and service expenses	1	91	-	3	At the rate agreed under the contracts
Project management expenses	65	58	27	29	At the contract price calculated by reference to estimated usage time
Insurance premium/life insurance premium expenses	-	125	-	-	
Other expenses	23	34	3	10	
Dividend payment	1,113	558	-	-	As declared

In addition to the transactions mentioned above, during the year ended 31 December 2011, SCIB transferred non-performing loans and properties foreclosed to TS Asset Management Co., Ltd., and transferred loans and all of its assets to Thanachart Bank, which all of them are subsidiary companies in the group. The transfer prices are mutually agreed with reference to financial advisors have opinion that they are fair values as described in note 2.4 and 2.5 to the financial statements

The outstanding balances of the above transactions during the years ended 31 December 2011 and 2010 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	212	377
Loans to customers	-	-	1,000	1,316
Interbank and money market items (liabilities)	-	-	1	2
Debt issued and borrowings	-	-	39	93
<u>Associated companies</u>				
Loans to customers	7,513	5,757	-	-
Deposits	292	436	-	-
Debt issued and borrowings	2,468	1,930	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	1,296	2,896	8	21
Loans to customers	17,889	11,551	-	-
Deposits	1,166	4,465	-	-
Interbank and money market items (liabilities)	7,581	6,592	-	-
Debt issued and borrowings	7,527	3,841	46	150

As at 31 December 2011 and 2010, the significant outstanding balances of the above transactions are as follows:

(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	-
Related companies									
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	26	-	100	-	-
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
	<u>1,123</u>	<u>582</u>	<u>11,286</u>	<u>230</u>	<u>1,089</u>	<u>7,968</u>	<u>6,176</u>	<u>441</u>	<u>2,975</u>

(Unit: Million Baht)

Consolidated financial statements									
2010									
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.	-	-	-	11	144	-	1,800	18	30
Ratchthani Leasing Plc.	-	-	6,503	-	37	-	-	-	-
Related companies									
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	98	-	-	-	-
Siam City Insurance Co., Ltd.	-	-	-	-	98	-	-	-	-
Seacon Development Plc.	-	-	736	1	1	-	-	-	58
Thai Hua Rubber Plc.	-	-	1,777	-	191	-	150	1	6
Krunghai IBJ Leasing Co., Ltd.	-	-	593	-	-	-	-	-	-
Advanced Info Service Plc.	-	244	24	6	2,041	-	200	39	19
Synphaet Co., Ltd.	-	-	654	-	9	-	-	-	28
Government Savings Bank	4,057	-	-	-	-	30	650	225	-
The Bank of Nova Scotia	436	-	-	2	-	6,853	3,494	76	1,458
Krunghai Card Plc.	-	964	9,344	6	4	-	-	-	-
Wangkanai Sugar Co., Ltd.	-	-	1,658	-	15	-	-	-	48
Chaimongkol Refinery Co., Ltd.	-	-	2,840	-	95	-	-	-	3
Srithai Superware Plc.	-	-	446	-	50	-	-	-	6
Other related companies	341	175	1,277	41	820	37	730	20	221
	<u>4,834</u>	<u>1,383</u>	<u>25,852</u>	<u>67</u>	<u>3,603</u>	<u>6,920</u>	<u>7,024</u>	<u>379</u>	<u>1,877</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>

(Unit: Million Baht)

Separate financial statements									
2010									
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.	56	3,636	-	72	-	-	622	-	-
NFS Asset Management Co., Ltd.	-	-	1,000	-	-	-	-	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	45	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	22	-	-
Other subsidiary companies	1	-	-	4	-	-	5	-	-
Associated company									
MBK Plc.	-	-	-	1	-	-	8	-	-
Related companies									
Other related companies	20	-	-	1	-	151	3	-	-
	<u>77</u>	<u>3,636</u>	<u>1,000</u>	<u>78</u>	<u>-</u>	<u>196</u>	<u>660</u>	<u>-</u>	<u>-</u>

As at 31 December 2011 and 2010, the Company has loan to subsidiary as described in note 12.11 to the financial statements.

As at 31 December 2011, the Company and its subsidiaries have investments amounting to Baht 1,172 million (Baht 469 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 (2010: Baht 1,052 million in the consolidated financial statements and Baht 451 million in the separate financial statements).

As at 31 December 2011 and 2010, 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	
	2011	2010	2011	2010
Loans	49	59	-	-
Deposits	535	487	-	-

Directors and management's remuneration

During the years 2011 and 2010, 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	
	2011	2010	2011	2010
Short-term employee benefits	680	581	80	85
Post-employment benefits	12	-	2	-
Termination benefit	26	-	-	-
	<u>718</u>	<u>581</u>	<u>82</u>	<u>85</u>

44. Financial information by segment

44.1 Financial position and results of operations classified by business transaction

The financial position as at 31 December 2011 and 2010, 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			
	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			
	2010			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	977,150	10,758	(105,151)	882,757
Interbank and money market items (assets)	98,208	196	(13,299)	85,105
Investments	135,443	10,505	(572)	145,376
Investments in subsidiary and associated companies	108,843	-	(106,604)	2,239
Loans to customers and accrued interest receivables	584,888	-	(2,245)	582,643
Deposits	532,973	-	(591)	532,382
Interbank and money market items (liabilities)	43,894	10,291	(13,640)	40,545
Debt issued and borrowings	189,615	-	(4,898)	184,717

(Unit: Million Baht)

Consolidated financial statements				
2011				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	45,713	218	(1,512)	44,419
Interest expenses	(21,346)	(37)	1,279	(20,104)
Net interest income	24,367	181	(233)	24,315
Net fee and service income	4,743	(4)	(1,367)	3,372
Net insurance/Life insurance income	896	-	1,231	2,127
Other operating income	15,907	39	(10,015)	5,931
Other operating expenses	(23,024)	-	1,264	(21,760)
Impairment loss of loans and debt securities	(2,086)	-	9	(2,077)
Income tax	(3,044)	-	(92)	(3,136)
Income before non-controlling interests	17,759	216	(9,203)	8,772

(Unit: Million Baht)

Consolidated financial statements				
2010				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	35,676	274	(923)	35,027
Interest expenses	(12,443)	(47)	492	(11,998)
Net interest income	23,233	227	(431)	23,029
Net fee and service income	4,045	-	(1,164)	2,881
Net insurance/Life insurance income	1,447	-	904	2,351
Other operating income	10,344	15	(4,712)	5,647
Other operating expenses	(17,840)	(3)	734	(17,109)
Impairment loss of loans and debt securities	(1,681)	-	28	(1,653)
Income tax	(5,473)	-	629	(4,844)
Income before non-controlling interests	14,075	239	(4,012)	10,302

The financial position as at 31 December 2011 and 2010 and the results of operations for the years then ended, per separate financial statements, are the result of domestic operations only.

44.2 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 2011								
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	433	43,226	468	194	1,143	122	308	(1,475)	44,419
Interest expenses	(613)	(20,440)	(157)	(17)	-	-	(119)	1,242	(20,104)
Net interest income	(180)	22,786	311	177	1,143	122	189	(233)	24,315
Net fee and service income	10	3,946	6	504	(16)	(5)	294	(1,367)	3,372
Net insurance income	-	-	-	-	(317)	1,213	-	1,231	2,127
Other operating income	1,966	11,388	372	1,359	501	44	316	(10,015)	5,931
Other operating expenses	(336)	(19,604)	(189)	(1,397)	(467)	(636)	(395)	1,264	(21,760)
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)
Income before non-controlling interest	1,635	13,937	746	473	418	483	283	(9,203)	8,772

(Unit: Million Baht)

	For the year ended 31 December 2010								
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	426	33,961	187	129	829	60	310	(875)	35,027
Interest expenses	(704)	(11,652)	(43)	(5)	-	-	(38)	444	(11,998)
Net interest income	(278)	22,309	144	124	829	60	272	(431)	23,029
Net fee and service income	48	3,242	5	547	(119)	(4)	326	(1,164)	2,881
Net insurance income	-	-	-	-	579	868	-	904	2,351
Other operating income	4,132	3,766	334	1,503	312	52	260	(4,712)	5,647
Other operating expenses	(387)	(14,642)	(110)	(1,437)	(379)	(474)	(414)	734	(17,109)
Impairment loss of loans and debt securities	70	(2,158)	353	-	-	-	54	28	(1,653)
Income tax	(767)	(3,577)	(157)	(216)	(443)	(208)	(105)	629	(4,844)
Income before non-controlling interest	2,818	8,940	569	521	779	294	393	(4,012)	10,302

(Unit: Million Baht)

As at 31 December 2011									
	The	Banking	Asset	Securities	Life	Non-life	Other		
	Company	business	managemen	business	insurance	insurance	business	Eliminations	Consolidated
			t business		business	business			
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

(Unit: Million Baht)

As at 31 December 2010									
	The	Banking	Asset	Securities	Life	Non-life	Other	Elimination	
	Company	business	managemen	business	insurance	insurance	business	s	Consolidated
			t business		business	business			
Interbank and money									
market items	89	84,277	256	1,684	1,263	130	221	(2,815)	85,105
Investments	7,526	103,226	1,061	767	28,794	3,967	607	(572)	145,376
Investments in									
subsidiary and									
associated									
companies	31,623	75,272	-	763	776	347	62	(106,604)	2,239
Loans to customers									
and accrued interest									
receivable - net	1,049	579,541	1,202	1,345	58	-	1,693	(2,245)	582,643
Land, premises and									
equipment - net	124	8,731	1	79	128	19	29	-	9,111
Other assets	2,233	31,498	2,999	2,034	703	1,126	122	17,568	58,283
Total assets	42,644	882,545	5,519	6,672	31,722	5,589	2,734	(94,668)	882,757

45. Encumbrance of assets

As at 31 December 2011 and 2010, 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	
	2011	2010	2011	2010
Investment in securities				
Placed at insurance registrar	7,448	6,214	-	-
Placed at court	20	283	-	-
Placed for derivatives agreements	-	190	-	-
Placed for electricity usage	-	13	-	-
Property foreclosed				
Immovable assets subject to buyback options or first refusal rights	969	525	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	1,483	1,707	102	85
	<u>9,920</u>	<u>8,932</u>	<u>102</u>	<u>85</u>

46. Commitments and contingent liabilities

As at 31 December 2011 and 2010, significant commitments and contingent liabilities consisted of:

46.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Aval to bills	386	654	-	-
Guarantees of loans	1,230	422	-	-
Liability under unmatured import bills	1,105	571	-	-
Letter of credits	2,626	2,456	-	-
Other obligations				
Committed (but not draw) overdraft	28,549	45,740	-	-
Others	21,405	24,235	1	1
Total	<u>55,301</u>	<u>74,078</u>	<u>1</u>	<u>1</u>

In addition, the Company and its subsidiaries have commitments in respect of foreign exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts and gold futures, as mentioned in Note 9 to the financial statements.

- 46.2** During the years 2001 and 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 gain or loss cannot be estimated at this stage, but as at 31 December 2011, 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.
- 46.3** The Company and Thanachart Bank have entered into agreements to sell housing loans/transfer rights to the Secondary Mortgage Corporation, under which it is committed to compensate the Corporation for losses from uncollected housing loans up to a maximum of 20 percent of the valuation of the said receivables. As at 31 December 2011, its maximum obligation is Baht 3 million in consolidated financial statement (separate financial statements: Baht 1 Million).
- 46.4** As at 31 December 2011, the Company and its subsidiaries have commitments to pay the service fees in relation to property foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term rental contracts, as follow:

(Unit: Million Baht)

Year	Consolidated	Separate	
	financial statements	financial statements	
	Other companies	Other companies	Subsidiaries
2012	1,728	7	5
2013	1,273	1	5
2014 onward	4,057	3	8

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

46.5 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 2011, outstanding obligations are summarised below.

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

As at 31 December 2011, 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 from (ii). Thanachart Bank's management believes that no significant further losses will arise since the transfers of those assets corresponded to the principles of the agreements made among SCIB, BMB and SAM and the agreement given by FIDF.

- 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 2011, the transferred assets which SAM is re-examining totaling Baht 370 million consist of (i) Baht 28 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 342 million of transactions incurred by BMB. If losses arise from (ii), 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 258 million. In addition, SAM is now negotiating with Thanachart Bank to request interest payment on the assets transferred back, or a price adjustment.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to approximately Baht 11,280 million, as disclosed under contingent liabilities in Note 47 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 2011, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 791 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.

46.6 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.

47. Litigation

As at 31 December 2011, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 24,667 million (separate financial statements: Baht 624 million) in respect of litigation. However, the Company and its subsidiaries' management have already made certain provision for contingency losses, and for the remaining portion the management believes that no losses will result and therefore no liabilities are currently recorded.

Part of the contingent liabilities of the litigation mentioned above in the consolidated financial statements amounting to Baht 22,446 million represents claims filed against SCIB as defendant or co-defendant in lawsuits. These comprise both lawsuits directly involving SCIB and obligations arising as a result of the transfer of business from BMB; (i) Baht 11,166 million relates to SCIB's own lawsuits, with Baht 8,594 million of this amount relating to a tort case in which the actual loss is only Baht 202 million. The Court of First Instance has already ordered the case be dismissed and it is in the process of being reviewed by the Supreme Court. The total sum of claims in cases relating directly to SCIB's business, after deducting this tort case, is thus Baht 2,572 million; and (ii) The remaining portion of Baht 11,280 million represents cases in which SCIB is involved as a result of the transfer of business from BMB, and for which SCIB is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF (Baht 9,586 million of this amount relates a single case brought by a debtor that BMB had already transferred to SAM before SCIB received the transfer of business from BMB, and SCIB believes that the lawsuit has been brought against the wrong party, and not SCIB's responsibility, SCIB's management believes that SCIB has no liability in respect of such case.). SCIB had already made provisions for contingent liabilities totaling Baht 62 million for those lawsuits under (i) above where the Court of First Instance has already judged in favor of the plaintiff. SCIB's management believes that there will be no significant future losses as a result of the remaining cases. However, all contingent liabilities and provisions for contingent liabilities were transferred from SCIB to Thanachart Bank at the date of the entire business transfer.

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

48. Letter of guarantees

As at 31 December 2011, the Company and its subsidiaries had letter of guarantees issued by the Company and its subsidiaries, amounting approximately Baht 24 million, placed for electricity usage of the branches (separate financial statements: Baht 1 million).

49. 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.

49.1 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.

49.2 Market risk

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

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

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	2011			
	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 and derivatives	-	-	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 and derivatives	-	-	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)

Consolidated financial statements				
2010				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	15,298	15,298
Interbank and money market items	1,176	77,560	6,496	85,232
Derivatives assets	-	-	3,117	3,117
Investments	7,613	124,310	12,503	144,426
Investments in associated companies	-	-	2,239	2,239
Loans to customers ⁽¹⁾	255,679	353,820	345	609,844
Receivable from purchase and sale securities and derivatives	-	-	2,007	2,007
Other assets - receivable from clearing house	-	-	391	391
<u>Financial liabilities</u>				
Deposits	185,103	341,358	5,921	532,382
Interbank and money market items	7,149	31,424	1,972	40,545
Liabilities payable on demand	-	-	3,127	3,127
Derivatives liabilities	-	-	941	941
Debt issued and borrowings	3,996	180,699	22	184,717
Payable from purchase and sale securities and derivatives	-	-	4,054	4,054
Other liabilities - payable from clearing house	-	-	98	98

(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 and derivatives	-	-	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.

(Unit: Million Baht)

Transactions	Separate financial statements			
	2010			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Interbank and money market items	46	-	43	89
Investments	1,002	5,927	526	7,455
Investments in subsidiary and associated companies	-	-	31,639	31,639
Loans to customers ⁽¹⁾	1,113	395	37	1,545
Financial liabilities				
Debt issued and borrowings	-	13,500	-	13,500
Payable from purchase and sale securities and derivatives	-	-	604	604

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

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

(Unit: Million Baht)

Transactions	Consolidated financial statements						
	2011						
	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
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
<u>Financial liabilities</u>							
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)

Transactions	Consolidated financial statements						
	2010						
	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	147	76,912	501	-	-	77,560	1.75 - 2.21
Investments	-	26,746	27,245	47,320	22,999	124,310	1.74 - 4.56
Loans to customers (include intercompany gain on loan transferred)	7,257	48,148	40,785	198,504	59,126	353,820	5.48 - 7.60
<u>Financial liabilities</u>							
Deposits	53	193,903	125,714	21,688	-	341,358	1.65 - 1.98
Interbank and money market items	7,232	19,710	3,076	1,406	-	31,424	1.52 - 1.55
Debt issued and borrowings	1	109,246	36,234	35,185	33	180,699	2.66 - 4.59

(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

(Unit: Million Baht)

Separate financial statements							
2010							
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	-	1,973	3,944	10	-	5,927	5.21
Loans to customers	285	15	95	-	-	395	8.18
<u>Financial liabilities</u>							
Debt issued and borrowings	-	-	1,500	12,000	-	13,500	4.59

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 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2011			2010		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	65,322	2,237	3.43	78,136	1,057	1.65
Investments and trading operations	5,773	86	1.49	6,118	90	1.84
Investment in debt securities	136,917	4,143	3.03	139,696	3,666	2.93
Loans/hire purchase and finance leases	668,147	37,953	5.72	539,588	30,214	6.24
<u>Interest bearings financial liabilities</u>						
Deposits	447,692	10,924	2.44	538,339	7,867	1.67
Interbank and money market items	56,784	1,288	2.27	47,274	511	1.25
Debt issued and borrowings	224,707	7,892	3.51	141,955	3,620	2.71

(Unit: Million Baht)

	Separate financial statements					
	For the years ended 31 December					
	2011			2010		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	138	2	1.36	364	5	1.46
Investments and trading operations	48	3	5.38	27	2	5.27
Investment in debt securities	6,063	350	5.77	12,024	336	2.80
Loans/hire purchase and finance leases	1,038	78	7.57	1,770	83	4.68
<u>Interest bearings financial liabilities</u>						
Interbank and money market items	1	-	1.52	2	-	0.67
Debt issued and borrowings	13,269	613	4.60	15,845	704	4.43

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

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

The status of subsidiaries' foreign currency balances as at 31 December 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	2011				
	US Dollar	Euro	Yen	Won	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	618	396	292	-	383
Interbank and money market items	14,987	119	128	-	498
Derivative assets	5	-	-	-	-
Investments	11,192	599	3,036	549	12,365
Loans to customers	13,186	234	486	-	101
Other assets	458	1	17	-	49
Total assets	40,446	1,349	3,959	549	13,396
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	13,279
<u>Foreign currency commitments</u>					
Guarantees of loans	920	-	310	-	-
Liability under unmatured import bills	368	34	118	-	5
Letter of credits	2,376	100	91	-	22
Others	984	48	1	-	27

(Unit: Million Baht)

	Consolidated financial statements				
	2010				
	US Dollar	Euro	Yen	Won	Others
<u>Foreign currency in the statements of</u>					
<u>financial position</u>					
Cash	234	213	119	1	191
Interbank and money market items	3,312	119	151	33	427
Investments	14,724	571	1,376	4,799	37
Loans to customers	11,350	289	30	-	54
Other assets	306	8	9	22	9
Total assets	29,926	1,200	1,685	4,855	718
Deposits	185	72	2	-	143
Interbank and money market items	8,119	24	-	-	-
Liability payable on demand	-	-	1	-	-
Other liabilities	1,763	-	9	-	-
Total liabilities	10,067	96	12	-	143
Net	19,859	1,104	1,673	4,855	575
<u>Foreign currency commitments</u>					
Guarantees of loans	36	22	-	-	-
Liability under unmatured import bills	305	29	56	-	32
Letter of credits	2,134	112	103	-	28
Others	4,506	25	-	-	19

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 received repayment in foreign currency that the Company and its subsidiaries made for trading transactions or hedging transactions (banking book) as follow:

(Unit: Million Baht)

	Consolidated financial statements				
	2011				
	US Dollar	Euro	Yen	Won	Others
Foreign exchange contracts					
- Bought	32,441	1,002	386	-	552
- Sold	52,246	1,757	1,509	-	12,295
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	-	-	-	-

(Unit: Million Baht)

	Consolidated financial statements				
	2010				
	US Dollar	Euro	Yen	Won	Others
Foreign exchange contracts					
- Bought	23,624	145	194	-	404
- Sold	30,779	754	721	-	1,090
Cross currency and interest rate swap contracts					
- Bought	6,874	-	-	-	-
- Sold	21,091	599	1,187	4,786	-
Interest rate swap contracts					
- Bought	916	-	-	-	-
- Sold	916	-	-	-	-

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities 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.

49.3 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 2011 and 2010 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	16,006	-	-	-	16,006
Interbank and money market items ⁽¹⁾	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 ⁽²⁾	49,578	193,203	394,483	-	637,264
Receivable from purchase and sale securities and derivatives	-	858	-	-	858
Other assets - receivable from clearing house	-	25	-	-	25
<u>Financial liabilities</u>					
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 and derivatives	-	851	-	-	851
Other liabilities - payable from clearing house	-	306	-	-	306
<u>Commitments</u>					
Aval to bill	1	342	43	-	386
Guarantees of loans	-	1,230	-	-	1,230
Liability under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	2,540	-	-	2,626
Other commitments	41,733	6,138	2,080	3	49,954

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

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

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2010				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	15,298	-	-	-	15,298
Interbank and money market items ⁽¹⁾	7,429	77,682	121	-	85,232
Derivatives assets	-	3,117	-	-	3,117
Investments	1,773	51,949	83,986	6,718	144,426
Investments in associated companies	-	-	-	2,239	2,239
Loans to customers ⁽²⁾	65,207	183,423	361,214	-	609,844
Receivable from purchase and sale securities and derivatives	-	2,007	-	-	2,007
Other assets - receivable from clearing house	-	391	-	-	391
<u>Financial liabilities</u>					
Deposits	188,545	318,006	25,831	-	532,382
Interbank and money market items	16,162	22,917	1,466	-	40,545
Liability payable on demand	3,127	-	-	-	3,127
Derivatives liabilities	-	941	-	-	941
Debt issued and borrowings	11	136,308	44,904	3,494	184,717
Payable from purchase and sale securities and derivatives	-	4,054	-	-	4,054
Other liabilities - payable from clearing house	-	98	-	-	98
<u>Commitments</u>					
Aval to bill	13	585	56	-	654
Guarantees of loans	354	57	11	-	422
Liability under unmaturred import bills	156	415	-	-	571
Letter of credits	156	2,280	20	-	2,456
Other commitments	56,107	9,407	2,513	1,948	69,975

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

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

(Unit: Million Baht)

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 and derivatives	-	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.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2010				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Interbank and money market items	69	20	-	-	89
Investments	1,002	2,291	-	4,162	7,455
Investments in subsidiary and associated companies	-	-	-	31,639	31,639
Loans to customers ⁽¹⁾	1,437	102	6	-	1,545
Financial liabilities					
Debt issued and borrowings	-	1,500	12,000	-	13,500
Payable from purchase and sale securities and derivatives	-	604	-	-	604
Commitments					
Other commitments	1	-	-	-	1

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

49.4 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 and derivatives, 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.

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 derivatives, and payable to clearing house are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2011 and 2010, the book value and fair value of financial instruments of the Company and its subsidiaries are as follow.

(Unit: Million Baht)

	Consolidated financial statements			
	2011		2010	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	16,006	16,006	15,298	15,298
Interbank and money market items	63,232	63,232	85,105	85,105
Derivatives assets	1,536	1,536	3,117	3,117
Investments	152,511	153,955	145,376	145,932
Investments in associated companies	1,673	1,673	2,239	2,239
Loans to customers	610,798	610,798	582,643	582,643
Receivables from purchase and sale securities and derivatives	858	858	2,007	2,007
Other assets - receivable from clearing house	25	25	391	391
<u>Financial liabilities</u>				
Deposits	435,865	435,865	532,382	532,382
Interbank and money market items	60,151	60,151	40,545	40,545
Liabilities payable on demand	2,131	2,131	3,127	3,127
Derivatives liabilities	2,886	2,886	941	941
Debt issued and borrowings	262,653	262,653	184,717	184,717
Payable from purchase and sale securities and derivatives	851	851	4,054	4,054
Other liabilities - payable from clearing house	306	306	98	98

(Unit: Million Baht)

	Separate financial statements			
	2011		2010	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Interbank and money market items	76	76	89	89
Investments	5,657	5,646	7,526	7,339
Investments in subsidiary and associated companies	31,598	31,598	31,623	31,623
Loans to customers	1,087	1,087	1,049	1,049
Receivables from purchase and sale securities and derivatives	1	1	-	-
<u>Financial liabilities</u>				
Debt issued and borrowings	12,000	12,000	13,500	13,500
Payable from purchase and sale securities and derivatives	-	-	604	604

49.5 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 gold 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 2011 and 2010, 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					
	2011			2010		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	34,382	-	34,382	24,367	-	24,367
- Sold	67,807	-	67,807	33,344	-	33,344
Cross currency and interest rate swap contracts						
- Bought	824	523	1,347	6,393	481	6,874
- Sold	9,598	7,245	16,843	14,574	13,089	27,663
Interest rate swap contracts						
- Paid fixed interest rate	2,692	3,953	6,645	500	15,480	15,980
- Paid floating interest rate	325	2,954	3,279	-	3,359	3,359
- Received fixed interest rate	325	2,954	3,279	-	3,359	3,359
- Received floating interest rate	2,692	3,953	6,645	500	15,480	15,980
Gold future contracts						
- Sold	641	-	641	-	-	-

50. Reclassification

The Company and its subsidiaries have reclassified certain amounts in the financial statements as at 31 December 2010 and for the year then ended to conform to the current year's classifications, in accordance with the revised format stipulated by the BOT, with no effect to previously reported net income or equity.

(Unit: Million Baht)

	31 December 2010			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Receivables from clearing house	-	391	-	-
Derivatives assets	3,117	-	-	-
Investment - net	144,993	142,929	7,526	7,344
Property foreclosed - net	12,856	11,970	2,056	2,056
Goodwill	13,671	16,620	-	-
Financial derivatives assets	-	3,117	-	-
Other assets - net	4,506	4,115	43	43
Payable to clearing house	-	98	-	-
Derivatives liabilities	-	941	-	-
Provisions for liabilities	822	781	194	11
Financial derivatives liabilities	941	-	-	-
Corporate income tax payable	-	2,404	-	1
Accrued expenses	-	3,070	-	26
Life insurance premium reserve	-	1,881	-	-
Other liabilities	15,314	7,901	153	126

(Unit: Million Baht)

	2010			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	35,027	-	426	-
Interest and dividend income	-	35,252	-	1,402
Interest expenses	11,998	10,083	704	701
Fee and service income	3,402	3,625	50	50
Fee and service expenses	520	239	2	2
Gains on trading and foreign exchange transactions	571	-	-	-
Gains on investments	523	895	2,339	2,311
Brokerage fees on trading of securities	-	1,329	-	-
Gains on foreign exchange and financial derivatives	-	376	-	-
Gains on disposal of property foreclosed and other assets	664	680	413	413
Gain on debt settlement/disposal	-	299	-	29
Other operating income	3,029	1,421	404	375
Dividend income	492	-	976	-
Contribution fee to the Deposit Protection Agency	-	1,915	-	-
Premises and equipment expenses	3,092	3,346	105	106
Other expenses	4,740	4,769	156	158
Impairment loss of loans and debt securities	1,653	-	70	-
Bad debts and doubtful accounts	-	1,689	-	98
Loss on debt restructuring	-	131	-	-

51. Events after the reporting period

On 20 February 2012, 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 0.70 per share, or a total of Baht 894 million, to the ordinary and preference shareholders in respect of the operating profit for the second half of the year 2011.

52. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2012.