



**KIATNAKIN
BANK**



WE WORK YOU WIN

**YOUR SUCCESS
IS OUR MISSION**

ANNUAL REPORT 2012

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We advise, You advance

Our professional staff provide you lucrative financial products and solutions to make you succeed before others.





We strengthen, You secure

Kiatnakin Bank merged with Phatra Capital to become 'High Performance Bank'. We now expand ranges of business opportunities and reduce economic risk in order to provide diverse services distinctively and assuredly.





We sustain, You stride

We operate business under good corporate governance in concern of best outcome for our customers, business partners, shareholders, community and society, with aiming to walk alongside you on a sustainable and stable growth path.





ETHICS

Kiatnakin Bank Milestone



1971

The Beginning. Kiatnakin Finance and Securities Company Limited established with the initial authorized share capital of Baht 10 million.

1973

In two years, it was awarded License to operate in finance and securities.

1982

Became Broker No. 19 on the Stock Exchange of Thailand.

1988

Listed on the Stock Exchange of Thailand.

1993

It became a Public Company Limited.

1997

Together with 57 other financial institutions, it was forced to temporarily suspend operations due to the economic crisis.

1998

Granted permission by the Ministry of Finance to resume business operations.

2004

It was received an upgrade in credit rating from "BBB+" to "A-" by TRIS Rating Company Limited.

2005

Granted permission by the Ministry of Finance to establish a commercial bank under the name Kiatnakin Bank PCL.

2007

"Best Shareholder Treatment Awards" from Thailand Securities Depository Company Limited (TSD)

2008

One of 22 from 448 listed companies that awarded a "Excellent" rating for corporate governance from the Thai Institute of Directors Association (IOD)

2011

Acquired credit rating at "A- / Stable", with "Positive" Outlook by TRIS Rating Company Limited.

2012

September 11, 2012 Kiatnakin Bank Public Company Limited and Phatra Capital Public Company Limited announced the completion of merger to be "Kiatnakin Phatra Financial Group", aiming to offer clients with its expertise in 2 areas of commercial banking and capital market, to create the excellence in every practice of its core business and to provide the ultimate financial services to clients.

Nowadays

Kiatnakin Bank Public Company Limited provides full range of financial and investment services professionally as well as offers excellent products and services to support customers' success.



Vision

To be recognized as the bank that stands for customers' success and builds a sustainable community

Mission

1. To provide a complete and expert service and to enhance customers' potential for a sustainable achievement.
2. To operate under corporate governance in concern of best outcome for all stakeholders.

Corporate Value

Expertise

Result Orientation

Self Motivation

Trustworthiness

Entrepreneurship

Integrity

Accountability



Awards of Success



"A-" Credit Rating By TRIS Rating Co., Ltd.

The Bank and its debentures were rated "A-" with "POSITIVE" outlook by TRIS Rating Co., Ltd.

"Excellent" 100 Scores (The sixth consecutive year)

Received "Excellent" 100 scores for the sixth consecutive year from Annual General Meeting (AGM) in 2012, conducted by Thai Investor Association (TIA) and the Securities and Commission Thailand (SEC)

Corporate Governance Asia Recognition Award 2012

Received "Corporate Governance Asia Recognition Award 2012" from Corporate Governance Asia which is the region's most authoritative journal on Corporate Governance. We are 1 from 12 companies in Thailand which could receive this award.

Taxpayer Recognition Award

Received "Taxpayer Recognition Award" (Ratsadakorn-pipat Award) from The Revenue Department in order to glorify taxpayers' duties and deserve to be regarded as a good taxpayer to other people included entrepreneurs in 2011.

Investors Choice Award

Received "Investors Choice Award" 100 scores for the fourth consecutive year (2009-2012) from Annual General Meeting (AGM), conducted by Thai Investor Association (TIA) under Volunteer Advocacy Project which corporated by the Securities and Exchange Commission Thailand (SEC) and the Stock Exchange of Thailand (SET)

SET Award of Honor (Corporate Governance Report)

Received "SET Award of Honor" (Corporate Governance Report) to maintain the distinction and excellence for the third consecutive year (2010-2012) during award ceremony of "SET Awards 2012" by the Stock Exchange of Thailand (SET) and Money and Banking magazine.

SET Award (Corporate Social Responsibility)

Received "Outstanding Corporate Social Responsibility Awards 2012" (SET market capitalization of over Bath 10 billion) during award ceremony of "SET Awards 2012" by the Stock Exchange of Thailand (SET) and Money and Banking magazine.

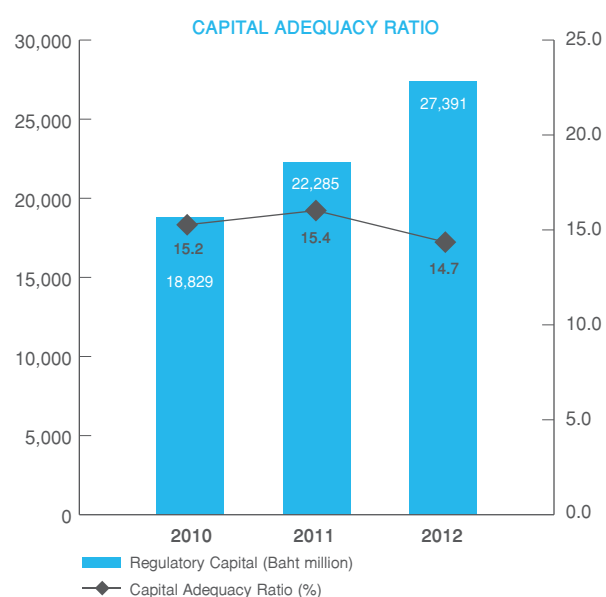
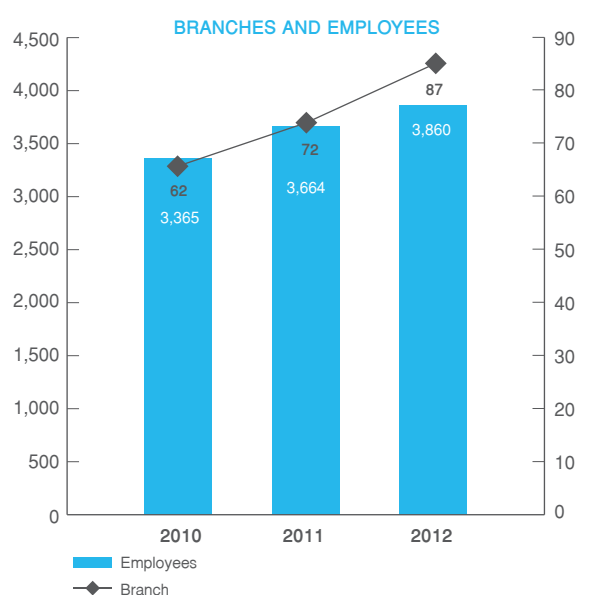
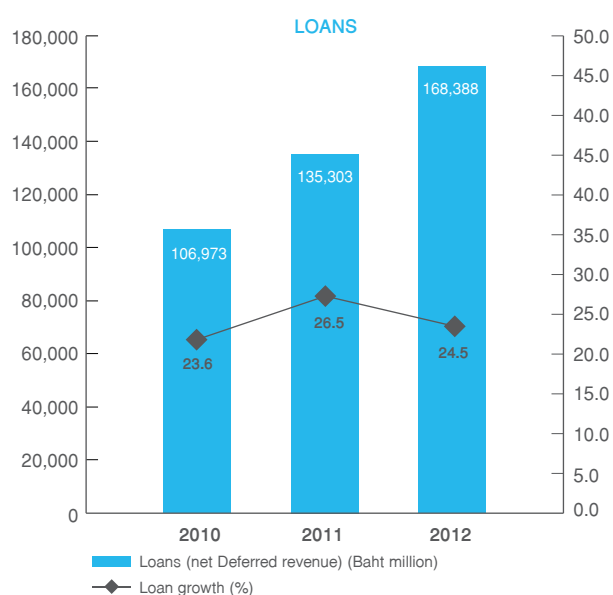
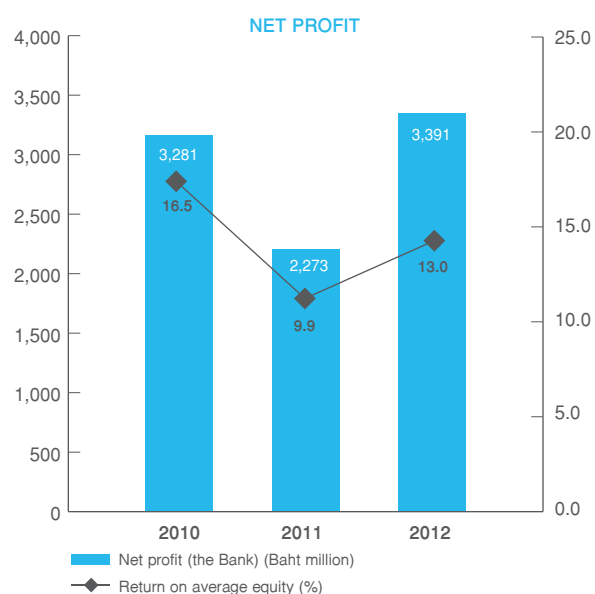
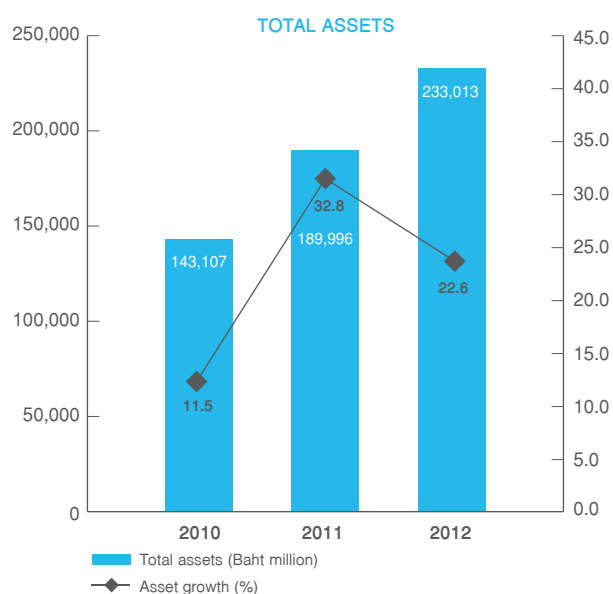
Financial Highlights

The Consolidated Financial Statements

(Baht Million)

| | 2010 (Restated) | 2011 (Restated) | 2012 |
|---|--------------------|--------------------|----------|
| Financial Position | | | |
| Investment in receivables (net) | 6,700 | 5,292 | 4,726 |
| Loans (net Deferred revenue) | 106,973 | 135,303 | 168,388 |
| Allowance for doubtful accounts & troubled debt restructuring | (4,235) | (5,120) | (6,172) |
| Total assets | 143,107 | 189,996 | 233,013 |
| Deposits | 75,931 | 69,040 | 153,027 |
| Debt issued and borrowings | 35,308 | 86,013 | 29,123 |
| Total liabilities | 120,989 | 165,731 | 199,815 |
| Total equity | 21,877 | 23,885 | 32,898 |
| Comprehensive Income | | | |
| Net interest income | 5,826 | 6,476 | 7,113 |
| Fees and services income (net) | 1,152 | 1,419 | 2,281 |
| Gain from sale of foreclosed assets | 1,483 | 1,245 | 1,224 |
| Total operating income | 9,075 | 9,530 | 11,518 |
| Total operating expenses | 4,525 | 4,831 | 5,929 |
| Impairment loss of loans and debt securities | 470 | 1,278 | 1,555 |
| Profit from operating before income tax expenses | 4,080 | 3,421 | 4,033 |
| Net profit (attributable to equity holder of the Bank) | 3,281 | 2,273 | 3,391 |
| Financial Ratio (%) | | | |
| Return on average equity | 16.5 | 9.9 | 13.0 |
| Return on average assets | 2.4 | 1.4 | 1.6 |
| Loan spread | 5.1 | 4.3 | 3.9 |
| Loan to deposit and borrowing | 96.5 | 87.6 | 92.8 |
| NPL to total loans | 4.6 | 3.5 | 3.3 |
| Loan loss reserve to NPL | 85.1 | 108.0 | 109.5 |
| Cost to income ratio | 43.0 | 51.3 | 51.1 |
| Capital Adequacy Ratio | 15.2 | 15.4 | 14.7 |
| Branches and Employees | | | |
| Branches | 62 | 72 | 87 |
| Employees | 3,365 | 3,664 | 3,860 |
| KK Share Information | | | |
| Share price - High (Baht) | 41.75 | 39.50 | 50.00 |
| - Low (Baht) | 23.50 | 25.75 | 30.00 |
| - Close (Baht) | 39.00 | 32.00 | 48.50 |
| - Average (Baht) | 31.57 | 33.27 | 39.00 |
| No. of share outstanding ('000 shares) | 565,826 | 634,329 | 832,831 |
| Market Capitalization (Baht million) | 22,067 | 20,299 | 40,392 |
| EPS - Basic (Baht) | 6.01 | 3.59 | 4.88 |
| - Diluted (Baht) | 5.74 | 3.57 | 4.85 |
| PE ratio (time) | 7.75 | 7.61 | 13.44 |
| PBV ratio (time) | 1.07 | 0.91 | 1.21 |
| Book Value per share (Baht) | 39.1 | 38.3 | 39.9 |
| Dividend per share (Baht) | 2.40 | 2.40 | 2.40* |
| Dividend payout (%) | 50.8 | 53.3 | 58.9 |
| Dividend yield (%) | 6.15 | 7.50 | 4.95 |
| Credit ratings by TRIS Rating Co., Ltd. | | | |
| Company rating | A- | A- | A- |
| Rating Outlook | Stable | Positive | Positive |

* Dividend payment for the year 2012 at the rate of Baht 2.40 per ordinary share, the interim dividend of Baht 1.00 per ordinary share was paid on October 5, 2012, while the remaining Baht 1.40 per ordinary share will be proposed to the meeting of the ordinary shareholders on April 25, 2013





Message from the Board of Directors

2012 was another challenging year for Thailand. Not only the country's fragile economic situation resulting from the flood disaster during the last quarter of 2011, but the world's fragile economic recovery, as well as a rising oil price trend and the European sovereign debt crisis posed a great impact on the Thai exports as a whole. However, the Government's economic stimulus policies which include measures such as credit support, daily minimum wage increase, corporate income tax cut, and a highly successful first-time car buyer tax rebate scheme, managed to boost the consumers' aggregate demand and enhanced the country's economic progress by 5.3% in 2012 as compared to the insignificant growth of 0.1% in the year 2011.

The Thai finance sector has played a very significant role in gearing the Thai economic upturn. The government's economic stimulus measures coupled with increasing private investments boosted domestic demand and cause further credit expansion, particularly in 2012. The commercial banks in Thailand played their role in effectively managing the liquidity to adequately service such credit expansion and also to cope with the reduction of the government's protection on amount for deposits from Baht 50 million to Baht 1 million, originally set to launch in the year 2012. As a result, competition in deposit campaigns among banks intensified from the beginning of the year. Nonetheless, such competition became less rigorous after the Bank of Thailand announced its revision on the commercial banks' contribution rate on financial institution's funding to include 0.46% on their public funding base which includes deposits, bills of exchange and other borrowing funds, to be paid to the Financial Institution Development Fund (FIDF); and another 0.01% on their public funding base to be paid to the Deposit Protection Agency. The Specific Financial Institutions (SFIs) were also required to pay similar contributions at similar rates, to the Fund for National Development. In addition, the government's final decision to extend its deposit guarantee protection to cover any bank deposits amount up to Baht 50 million for another 3 years has helped in strengthening the depositors' confidence in the Thai financial system and reduce the flow of potential fund transfer between financial institutions.

To tackle the situation as prior stated, all commercial banks including Kiatnakin Bank adapted their business strategies to address the changing environment. To name a few, the Bank rendered necessary assistance to both direct and indirect flood - stricken debtors throughout the first half of 2012 to support in the continuation of their business operations. The Bank also expanded its services to the high-growth regions, while taking due precautions over the control and maintenance of the quality of the assets; these efforts resulted in a credit expansion of 24.5%, and a reduction of non-performing loans by 3.3%. For the deposit segment, the Bank redesigned its products and adjusted each respective interest rate to align with the increasing cost.

The Bank recorded its 2012 operating result with a net profit of Baht 3,391 million, or an increase of 49.2%, out of which Baht 403 million was contributed by the Phatra Capital Plc. reflected in the consolidated financial statements as at September 12, 2012, following a successful merger between the Bank and Phatra Capital Plc. that was approved by the Annual General Meeting of Shareholders held on April 26, 2012.

In executing such a merger, the Bank tendered a share purchase offer to every shareholder of Phatra Capital Plc. at the swap rate of 1 Phatra share to 0.9135 of the Bank share. At the end of the tender offer period on September 11, 2012, the response to the tender offer accounted for 99.93%; at the same time, the Bank transferred the shares of Kiatnakin Fund Management Co.,Ltd. and Kiatnakin Securities Co., Ltd. to Phatra Capital Plc. to amalgamate as "Kiatnakin Phatra Financial Group" so to strengthen the Group's efficiency and synergy. In addition, the Bank restructured its management team as well as various committees to be in line with the merger plan, and appointed Mr. Banyong Pongpanich as Chief Executive Officer. Its business activities were also separated into the commercial banking group and the capital market group.

Looking into 2013, the world economy has seen a better outlook but still needs to keep a close watch whilst the Thai economy continues to grow, though at a slower pace. Given positive attributes from the Government's economic stimulus measures plus the outlook for the upcoming ASEAN Economic Community to take effect in 2015, and the Greater Mekong Sub-Region Cooperation, regional prosperity can possibly be expected.

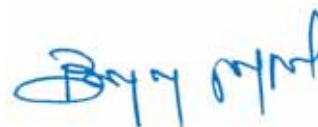
To be well prepared for the future, in particular the upcoming financial liberalization, Kiatnakin Phatra Financial Group is determined to elevate the level of its competitiveness and value creation by forging Phatra Capital's expertise in the capital market and financial research and analysis, while capitalize on the Bank's strength in banking business with large clientele base by designing and offering innovative products and services that well suit client's needs .

As a result of long continued efforts to maximize its potential, adhering to the corporate governance and corporate social responsibility in the business undertakings, and offering commitment towards success solutions for its clients, Kiatnakin Phatra Financial Group has been continually recognized by the authorities and regulators as well as leading media at home and abroad.

We, Kiatnakin Bank, would like to express our gratitude to all our shareholders, customers, and business alliances for their constant support and consistent confidence. We also would like to thank our management and staff whose dedicated efforts have made us truly the "Banking for the Success of our Clients and Sustainable Benefit of the Society".

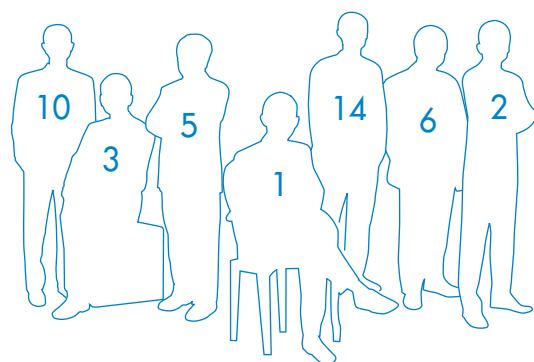


(Mr. Supol Wattanavekin)
Chairman of the Board of Directors



(Mr. Banyong Pongpanich)
Chief Executive Officer

Board of Directors



- | | | |
|----|-----------------------------|----------------------|
| 1. | Mr.Supol Wattanavekin | Chairman |
| 2. | Mr.Tawatchai Sudtikitpisan | Vice Chairman |
| 3. | Mr.Pichai Dachanapirom | Independent Director |
| 4. | Assoc.Prof.Manop Bongsadadt | Independent Director |
| 5. | Mr.Chet Pattrakornkul | Independent Director |
| 6. | Mr.Pravit Varutbangkul | Independent Director |
| 7. | Dr.Anumongkol Sirivedhin | Independent Director |
| 8. | Mr.Pongtep Polanun | Independent Director |
| 9. | Mr.Tarnin Chirasoonton | Director |



- | | |
|--------------------------------|-------------------------|
| 10. Mr.Veravat Chutichetpong | Director |
| 11. Mr.Suraphol Kulsiri | Director |
| 12. Mr.Suvit Mapaisansin | Director |
| 13. Mr.Banyong Pongpanich | Director / |
| | Chief Executive Officer |
| 14. Mr.Aphinant Klewpatinond | Director / |
| | Chairman of Commercial |
| | Bank and President |
| 15. Miss Thitinan Wattanavekin | Director / |
| | Head of Priority |
| | Banking Group |

Executive Committee



1. Mr.Banyong Pongpanich
Chairman of Executive Board / Chief Executive Officer
2. Mr.Aphinant Klewpatinond
Director / Chairman of Commercial Bank and President
3. Mr.Pracha Chumnarnkitkosol
Director / Head of Debt Restructuring Group
4. Miss Thitinan Wattanavekin
Director / Head of Priority Banking Group
5. Mr.Krittiya Veeraburus
Director / Head of Corporate Strategy Group

Report on the Social Responsibility, Community and Environment



Report on the Social Responsibility, Community, and Environment

During the past 41 years of its financial institutional history, Kiatnakin Bank has conducted its business with social responsibility and has tried to cause the least possible adverse impact, to be recognized as the bank that stands for customers' success and builds a sustainable community according to its planned vision. The Bank also places emphasis on increasing opportunities for the majority of the people in the country to have funding sources available for occupations and provide increased financial security to families, community and society.

In 2012, the Bank was awarded the "SET Awards 2012" for the outstanding listed company in the category of social responsibility from The Stock Exchange of Thailand in collaboration with the Money and Banking Magazine. This award reflects the path that the Bank has been pursuing with a strong commitment towards Corporate Social Responsibility (CSR) in its business process, or "CSR in process", and beyond its business operations, or "CSR after process".

"CSR in process" is defined as having good corporate governance in the organizational level, with a pledge to fight fraud & corruption, and embrace operational accountability and transparency. The Bank, thus, established the Compliance and Governance Committee to oversee that its business operations are conducted in accordance with good corporate governance and in compliance with rules and regulations of the regulatory authority. The Bank inspires its staff to adhere to their duties with honesty, responsibility, and regulatory compliance. It also prescribed banking policies and rules for its staff to abide by, such as professional ethics, policies on management standards that include transparency and accountability, and policies against improper benefits connected to work. The 115 KK CSR Agents are appointed to advocate the implementation of these policies by promoting common understanding and general acceptance among the Bank staff and motivate their work attentiveness and responsibility through direct communication and follow-up with all staff levels and units. The Bank also applies new IT technology to improve work and service efficiency, reduce travel time and communication costs, and deliver better quality services to its clients. All these actions lead to the creation of the returns to the shareholders and real benefits to society.

"CSR after process" is defined as social activities and social charitable actions performed beyond the scope of its business operational process. The Bank continued its CSR activities under the "People Development for National Development with Kiatnakin Projects" with its belief that "human resources are important and most valuable to the development of a country". Activities are conducted in three main areas as follows:

- Education
- Moral and Social Development
- Emergency Relief and Social Welfare

The “KK Financial Literacy” Project was later added as another core activity group in this project since 2012, aiming to provide the public with fundamental financial knowledge in management of income, assets, risks and liabilities, and good money discipline behavior. This contribution is regarded as a part of the direct social responsibility of a financial institution.

The merger of the Bank and the Phatra Capital Public Co., Ltd. into the Kiatnakin Phatra Financial Group in 2012 is a key factor that contributes to an increasing competency in undertaking its CSR programs. As the belief and concept of both the Bank and the Phatra Capital Public Co., Ltd. are similar, the beneficial synergies are thus realized into projects such as:

- Application of executives and staff skills in canvassing development plans for the Thai financial market together with government agencies, regulatory authority and influential private sectors of the economy.
- Establishment of policy and supervision efforts to firmly encourage staff to fight against corruption via various activities such as staff participation in the anti-corruption walk arranged by the Thai Bankers’ Association and their alliances.
- Provision of learning and knowledge to the general public on “Financial Literacy” to extended target groups such as developing training courses for small investors in the KK iCube program, providing services to staff on personal investment plans etc.
- Provision of educational opportunities to underprivileged people in society such as sponsoring the construction of a learning center for schools in remote areas.
- Support Buddhism and culture such as support events organized by the Buddhadasa Indapanno Archives

The proceedings of such CSR programs compliment the sustainable growth of the Bank’s banking operations and encourage it to provide meaningful returns and quality services to its shareholders and clients, whereas such efforts also enable it to take better care of its staff and society by providing opportunities for better quality of lives. All of these are important missions of the Bank as a responsible financial institution that adheres to the business success of its clients and sustainability of society.

People Development for National Development with Kiatnakin Projects

“Wherever we are, our Kiatnakin Group will always be a part of the communities in which we operate and will assist them in their progress towards a sustainable development. When a business becomes successful, it needs to be more generous with other people.”

Inspirational motto of Mr. Kiat Wattanavekin,
the Founder of Kiatnakin Bank



The above inspirational motto has enlightened each and every staff that the success of the Kiatnakin Banking Group does not solely depend on its business performance but on the partnership in fostering the sustainable development of the community and society. To start with, the Bank abides to the principles of good corporate governance in conducting its businesses concurrently with participation in the social activities to help the underprivileged people. As such, the Bank established a project namely “People Development for National Development with Kiatnakin Projects” and conducted the activities in three main areas as follows:

Education

Moral and social development

Emergency relief and Social Welfare

The continued social responsibility spirit and determination to improve its undertakings for social benefits have paid off. The Bank earned recognition and confidence from various organizations as well as “Outstanding CSR Award” presented by the Stock Exchange of Thailand (SET) in collaboration with the Money & Banking Magazine at the “SET Awards 2012”. In addition, the Bank received “CG Asia Recognition Awards 2012” from Corporate Governance Asia Magazine.

In 2012 the Bank focused on imparting its financial expertise to enhance the knowledge of the staff and society at large, thus initiated a new activity called “KK Financial Literacy” under the “People Development for National Development with Kiatnakin Projects” which aimed to provide financial management knowledge in four aspects including income, assets, risks and liabilities, on the ground of sufficiency economy philosophy, to the internal and external target groups of staffs, clients, youths and communities surrounding its branch offices.

Education

The Bank realized and recognized the merit of education as an instrument to improve the quality of life of the people in society. Educational programs were implemented as follows:

- Scholarship programs offered in collaboration with Kiatruammit Education Foundation:

Since 1971, the Bank in collaboration with Kiatruammit Education Foundation, has consistently offered scholarships, supported school buildings, donated educational materials and supplies to needy students nation-wide in classes ranging from kindergarten to high school levels. In 2012, 300 scholarships were granted. Besides, the Bank organized "fundamental financial" education course, an activity under "KK Financial Literacy" for the parents, teachers and students of Nong Chok Pitthayanusorn School, Nong Chok Konglibhuakyo School, and Prachasuksa School, under this scholarship program.



Impression from a student towards KK Financial Literacy



*Master Kongpob Jaadthongkam,
Student in Grade 5
at Prachasuksa
(Kianghua) School*

"Knowledge obtained from the Bank's speaker on how to wisely earn, spend, save, towards creating wealth in every household, make me understand better the importance of saving. I will apply the knowledge to increase my savings by not spending wastefully. The faster we start saving, the much more money we have than others"



*Mrs. Pimon Sama
Director of Nong Chok
Konglibhuakyo School*

"The school has been trying to instill such habit in the students through various learning activities. The Bank's program has enhanced such understanding. I wish that the Bank's program be offered every term to help instill saving attitude as part of our routine life"



*Mr. Chakkrit Bumrungrakul
Investment Analyst,
Phatra Securities Plc.
Student under Kiatnakin
Responsibility Scholarship # 2008*



"The Bank's scholarship provides me with the education opportunity without concern over the expenses, forging my conscience to best use the acquired knowledge in return to the society. I greatly appreciate and thank the Bank for this invaluable opportunity"

• Kiatnakin Responsibility Scholarships

The Bank in collaboration with Chulalongkorn University, Thammasat University, and the Metropolitan Police Bureau has consistently provided the scholarships in bachelor degree program at Chulalongkorn University and Thammasat University for undergraduate students, children of the Bank's employees, and children of the metropolitan police, who possessed good ethical behavior and volunteer spirits for social welfare. In 2012, the Bank organized a program titled "Success Model for Modern Executives" to those scholarship recipients as a guidance and preparation for their future career success; avail them an opportunity to build a relationship and network among their fellows; and to congratulate the first batch of 30 graduates in 2011, out of 91 undergraduate students granted with the scholarships.



• The mai Bangkok Business Challenge @ Sasin

The Bank cosponsored the competition in English known as "The mai Bangkok Business Challenge @ Sasin", organized by Chulalongkorn University in collaboration with the Market for Alternative Investment (mai) 10 consecutive years to serve as a forum for graduate students to exhibit their potential as a new generation of entrepreneurs in a presentation of business plan at the international level. The winning team was awarded with a trophy from H.M. King Bhumibol Adulyadej.



• Bicycles for Youngsters Project

Since 1992, the Bank in collaboration with World Vision Foundation of Thailand supported the continuing educational opportunities for the youths by donating bicycles to the schools in the remote areas to lend to the students to bike to school, helping them to attend classes without travelling obstacles. In 2012, the Bank donated a total of 100 bicycles in 5 provinces nation-wide to serve this purpose.

*Ms. Chitra Thumborisuit
Director, World Vision
Foundation of Thailand*



"World Vision Foundation would like to thank the Bank, an old ally and regular supporter of the Foundation. We hope to participate in and get support from the Bank in other programs to develop Thai children's education."

Moral and Social Development

The Bank realized the importance of moral and social development as a guide leading towards an ethical life, safe from new forms of social harms that came alongside material prosperity. The Bank embarked on the following programs



• The "Spiritual Development for Cultivation of Wisdom and Peace"

The Bank collaborated with Young Buddhists Association of Thailand in organizing dhamma education programs for spiritual development, for enhancing wisdom and peace. The programs were provided to the Bank's executives, employees, clients and interested public since 1994, to encourage the application of Buddhist doctrines in daily life.



*Mr. Chatchai Sujjaritkul
Director, Young Buddhists
Association of Thailand*

"The Bank has extended continued support to the Young Buddhists Association of Thailand in the following three areas.

- Fund: through sponsoring those attended various meditation courses for spiritual development, such as the course established by the revered Mother Dr. Siri Krinchai.

- Workforce: through encouraging clients, Bank's employees, public in general to attend meditation courses for spiritual development and better life, at one's convenience and due discretion.

- Mental Support: the Bank's executive and staff would always attend the events organized by the Association, giving us mental support and strength in doing our job"



• KK Financial Literacy Project

The Bank continually imparted the knowledge in finance to its employees through various media channels and organized "KK Financial Literacy" with an intention to develop the skills of a group of office maids, security guards, drivers and messengers working at the head office totaling 30 participants in managing their earnings, expenses, savings, investments, risks and debts.

The post-training follow-up in November showed that most of the participants better managed their own financials, whereby those burdened with debts intended to trim down unnecessary expenditure to pay back loans. Some participants could save almost 70% of their monthly salary to invest in sideline business.

• "Outstanding Saving Award Program" in collaboration with Duang Prateep Foundation.

The Bank in collaboration with Duang Prateep Foundation launched the "Outstanding Saving Award Program" for eleven consecutive years to support the cooperative activities in Klongtoey community. The Bank offered the annual awards to the members in recognition of their financial discipline. Besides, the Bank coorganized the program to encourage the community's participation in exchanging ideas about the benefits of saving and good financial discipline. Currently, the members of the cooperatives rose to around 1,700 and those having better saving discipline increased by 30% annually.



• Youth Relations Against Drugs Program

The Bank together with the Metropolitan Police Bureau and the Youth Relations Center have organized the "Youth Relations against Drugs" program for eight consecutive years, to educate the Bangkok youths on the dangers of drugs and protection against various forms of social harms. In 2012, a total of 3,000 students from 9 schools under Bangkok Metropolitan Administration attended the program.



• Royal Buddhist Robe Presentation Ceremony (Katin) at Wat Jedyod, Chiangmai.

In the continued spirit to uphold Buddhism, the Bank organized the Royal Buddhist Robe Presentation Ceremony (Katin) at Wat Jedyod, Muang District, Chiangmai. The ceremony was attended by the government officials, Bank's clients and religious public.

Emergency Relief and Social Welfare

The natural disasters in Thailand in 2011 posed a grave impact to lives and property of Thai people through to 2012. The Bank assisted those flood victims through "KK flood relief program" and joined other relief agencies in the following activities:



• Canals Care Program

The Bank in collaboration with Thaipat Institute launched the "Canals Care Program" originally set up by the Ministry of Finance aiming to instill the "volunteer spirit" in the community with regard to keeping the canals clean so to effectively function as floodway, by providing knowledge, methods to measure water flow rate and water level, as well as fundamental knowledge in finance based on the "clean canals, happy homes, happy heart" concept to the members of Nong Pla Mor community, Nong Jok District, students of Nong Chok Pitthayanusorn School, and Matsayit An Ro Man School



• Quarterly Blood Donation

The Bank, in collaboration with the Mobile Blood Donation Unit of the Thai Red Cross and Srinakharinwirot University, organized four blood donation activities at K. Tower to help relieve blood shortage situation. Such activities were dedicated to H.M. the King and H.M. the Queen on her 80th Birthday Anniversary.



• Other Social Welfare Activities

- In collaboration with the Thai Red Cross, the Bank supported "Sabena sharing love and mental support" to fight breast cancer on the occasion of H.M. the Queen's 80th Birthday Anniversary"

- Support the revered Mother Siri Krinchai Foundation in organizing meditation courses at Phromsiri Meditation Center, Nakhon Si Thammarat, and Wat Laem Maklua, Nakhon Pathom

- Support the INTERCAMP activity organized by the Kiatnakin Responsibility Scholarships recipients from Thammasat University.

- Support the National Council of Women of Thailand under the Patronage of H.M. the Queen in organizing a seminar on "Tips for Young Entrepreneurs Heading towards AEC" on the occasion of H.M. the Queen's 80th Birthday Anniversary" and on the occasion of 10th anniversary of royally granted "Thai Women's Day"

Drive CSR through CSR Agents

The Bank gained support from 115 staffs, from all units and branches nation-wide as CSR agents to enhance the communication between the head office and the employees across the organization with an intention to promote common understanding of corporate social responsibility, starting with the employees' professional ethics, work process improvement to uplift the quality of work and customer service. At the same time, the CSR agents were to collect suggestions and problems for further improvement of CSR activities.



CSR in process and work environment

The Bank aimed at improving CSR in process and work environment by conducting its business operations in compliance with the corporate governance principles as well as improving internal work process as follows:

- Set up the corporate policy, practice guidelines and encourage the employees to abide to the professional business ethics.
- Ensure fair treatment in the acquisition policy.
- Distinguish the clients who abided to the good governance and CSR principles.
- Distribute the opportunities to access the source of funding to the people in remote areas.
- Focus on providing credits to commercial car hire-purchase customers who had limited access to source of funding, to support their business undertakings.
- Organize the property business plan competition called "KK Biz RE Innovation Awards 2012" to the undergraduate students and general public.
- Set up KK iCube, an investment training institute initiated by Kiatnakin Securities (KKS), to educate the general public.

Social Activities by the nation-wide Bank's Employees



In 2012, the Bank's employees initiated a joint program with the communities surrounding its branch offices totaling 41 projects, to name a few

- Library 3-D project: to donate books and library's equipment & facilities to Wat Ban Noi School, Don Jedi Sub-district, Panomtuan District, Kanchanaburi.
- Kiatnakin 's love of saving for the youths: joint with Ban Silapin community and Rim Klong Bang Luang community, Pasicharoen District, Bangkok, to instill a right mindset in the youths towards love of saving.
- KK's love for the kids: to sponsor the rehabilitation work for pre-school kids center at Wat Saengarun, Khuan Niang District, Songkla.
- Exploring the world of learning: to sponsor the repair & renovation of the school library, Ban Bong School, Na Pa Sub-district, Muang District, Phetchabun.
- KK Chaiphaphum for the kids: to organize an educational promotion activity for Chaiphaphum School for the Deaf
- Support of educational materials and supplies to the handicapped children development center: to donate computers, printers and sliding steel cabinets to Payao Special Education Center.

In 2012, the Bank continued its CSR activities under "People Development for National Development with Kiatnakin Projects" and focused on providing the fundamental knowledge in finance to the target group under "KK Financial Literacy" Project, whereby the Bank's knowledge and expertise would be passed on to the public for the benefit of the society. This once again affirmed the Bank's inspirational motto that "Wherever we are, our Kiatnakin Group will always be a part of the community in which we operate, and will assist them in their progress towards a sustainable development. When a business becomes successful, it needs to be more generous with other people"



The Development of “Kiatnakin Phatra Financial Group”

Kiatnakin Bank and Phatra Capital PCL. completed the merger on September 11, 2012 to synergize our business expansion and pursue the achievement of operational excellence in each of the core businesses of the Bank and Phatra with the aim to combine banking expertise and capital market proficiency

In 1971, Kiatnakin Finance and Securities Company Limited was established with Baht 10 million registered capital. The company operated in the finance and securities business and was listed in the Stock Exchange of Thailand in 1988 before its transformation to a public company in 1993. Eventually, the company separated its finance activities from its securities business in 1999.

The company experienced both the glorious time of the financial boom and suffered the slumps of several severe economic crises especially that of 1997. In the aftermath of the 1997 financial crisis, it was one of the 57 finance companies that were forced to temporarily discontinue its operation. However, with its perseverance commitment and all the support from its alliances such as shareholders, customers, management, and employees who have been working dedicatedly, the company became one of the only two companies which were granted the permission by the Ministry of Finance to resume its operations in 1998. The company survived the crisis and grew steadily. Later it was granted permission to operate a banking business. Kiatnakin Bank Public Company Limited (“the Bank”) began to officially operate as a commercial bank on October 3, 2005

Under severe competition in the Banking and Finance sector and the increased liberalization and deregulation of the financial market, the Bank thus declared its merging decision with Phatra Capital Public Company Limited (“Phatra”) in late 2011 to synergize its business expansion and pursue the achievement of operational excellence in each of the core businesses of the Bank and Phatra with the aim to combine their relevant banking expertise and capital market proficiency. The merger was accomplished in September 11, 2012, after the Bank acquired 99.93% share of Phatra from its former shareholders, according to the swap ratio of

1 share of Phatra to 0.9135 share of the Bank, according to the merger and acquisition plan approved by the general shareholder’s meeting in year 2012.

Moreover, on September 28, 2012, the Bank increased its shareholding in Kiatnakin Fund Management Company Limited (KK-Fund) to 99.9% and transferred all of its shareholdings in KK-Fund and Kiatnakin Securities Company Limited (KKS) to Phatra on December 28, 2012 and January 2, 2013 respectively. The “Kiatnakin Phatra Financial Group”(“the Group”) has emerged to provide commercial banking business and capital market business.

Major development

• Year 2011

In the mist of the crisis and turmoil, the Bank continues to focus on its development in order to build the stability for its future business. There was a reorganization of management structure and executive team to accommodate its business expansion. The board of compliance and corporate governance and the board of corporate credit and assets for sales were established. There was also business reorganization by merging relevant departments into a retail banking business unit to unify the Bank’s strategic management and operation. The wealth management department was also established to service high net worth individuals.

In order to increase its potential in the wealth management business, the Bank bought 60% shares of Siam City Asset Management Company Limited from the Government Pension Fund on July 12, 2011. The company’s name was then changed to “Kiatnakin Fund Management” (KK-Fund). KK-Fund focuses on bringing its expertise in strategically developing products and services to reach its high net worth customers’ satisfaction.

Later, on December 9, 2011, the bank announced its merger with Phatra to substantially increase its competitiveness in the wealth management business, securities business and investment banking business. The merger also increased the Bank's potential and opportunity to pursue a new business endeavor in the future.

- **Year 2012**

The Accomplishment of the merger with Phatra

Referring to the merger plan between KK and Phatra approved by the Bank's shareholder's meeting 2012 on April 26, 2012, the Bank made the Tender Offer for securities of Phatra from all Phatra shareholders during the tender offer period from August 7–September 11, 2012 (total 25 business days) in order to delist all the Phatra's securities from the Stock Exchange of Thailand (the SET) at the share swap ratio of 1 share of Phatra for 0.9135 share of the Bank under the condition that, at the end of the tender offer period, Phatra shareholders accepting the tender offer shall represent not less than 75% of the total number of shares sold of Phatra. Moreover, if the transaction results that more than 90% of Phatra's total shares are sold, the Bank will entirely transfer its shares of Kiatnakin Securities Co., Ltd. (KKS) at the book value and shares of Kiatnakin Fund Management Co., Ltd. (KK-Fund) at the acquisition price of KK-Fund to Phatra.

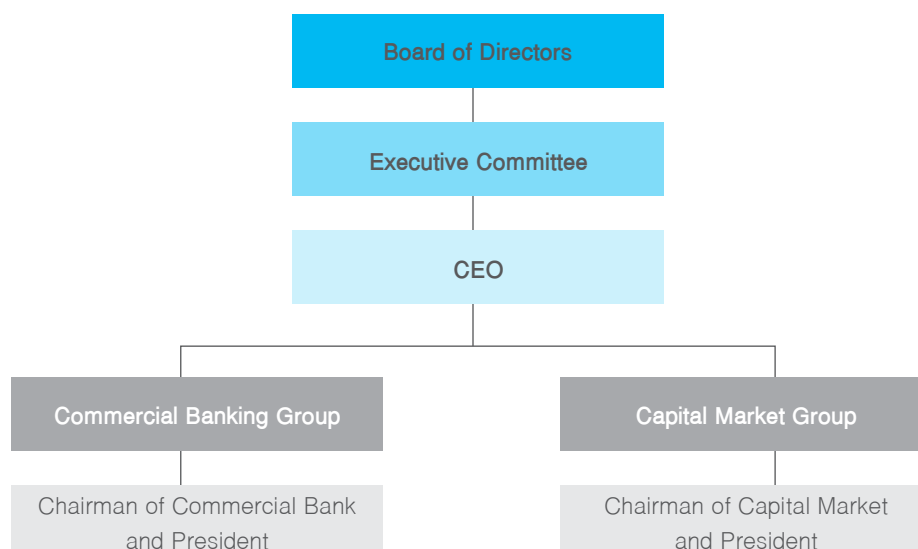
The merger was successful with the result of the Tender Offer totaling 99.93% of total shares of Phatra

accepted the Tender Offer, therefore the registered and paid-up capital of the Bank increased by 191,979,745 shares, started trading on September 25, 2012, when Phatra's securities were formally delisted from the Stock Exchange of Thailand (SET).

Additionally, the Bank completed the additional share purchase of 40% of total issued and paid-up of KK-Fund shares from the Government Pension Fund in accordance with the Board of Directors Meeting No.7/2012, on September 7, 2012. The transaction was completed on September 28, 2012 when total Baht 63 million cash was settled in exchange for the KK-Fund shares of total 4.8 million shares. There was a record of goodwill totaling Baht 19 million from this transaction. Therefore, the Bank holds 99.9% of KK-Fund. Thereafter, KK transferred the shares of KK-Fund and KKS to Phatra on December 28, 2012 and January 2, 2013 respectively in accordance with the merger plan.

Business Supervision and Management

After the merger, the management of the Bank and Phatra will target the cooperation of the business, whether with regard to commercial banking business and capital market business, or the existing business and new business. The Group will utilize the positive potential of both companies in adding the value of the economy to maximize the benefits to the overall organization.



- **The Structure of the management and supervision comprises of**

1) Board of Directors consist of 15 directors, responsible for determining the policy and strategic place in the business of the Bank and companies under its supervision

2) Executive Committee will be responsible for determining the policy, strategic plan, and operational goal of the Bank and companies under its supervision, and also set the business plan and annual budget of the Group to be proposed to the Board of Directors of the Bank.

3) Management of the Group consists of

1) CEO is responsible in all aspects assigned by the Executive Committee. CEO's power and responsibilities will include setting a detailed business plan, supervising the Chairman and President of the Bank and executives of the Bank and subsidiaries under the consolidated supervision to ensure that operation in all aspects is achieved in accordance with the policy, business plan and target, as well as the annual budget.

2) Chairman of Commercial Bank and President is responsible for the commercial banking business

3) Chairman of Capital Market and President is responsible for the capital market business

Strategy

The Bank's long term strategy consists of five strategic themes.

- 1) Specialized Retail Bank
- 2) Niche Bank
- 3) Business Alliance
- 4) Operational Excellence
- 5) People Excellence

The Bank has implemented a Balanced Scorecard in its strategic management. The strategic map is carried out through the organization level and on the departmental level in order to align and balance the goals of each and every level. This will allow the visionary growth. The focuses of the Corporate Strategic map are as follows:

- **Organizational Capacity Perspective**

The Bank focuses on its human resources development, the development of an information system, corporate culture and the bond between the employees and the organization in order to create long term stability.

- **Internal Business Process Perspective**

In order to achieve customers' satisfaction, the Bank continuously increases its efficiency in every aspect: operating system, risk management, product development, and work procedures,

- **Customer Perspective**

The Bank creates the relationship with its customers by offering suitable products and services to all the target customers (retails, high net worth and corporate). It also focuses on image and social responsibilities.

- **Financial Perspective**

The Bank aim is on the growth of credits and fee incomes, as well as the competitive level of operating expenses control, which will enhance the Bank's financial stability and will help achieve the targeted return for the shareholders.

After the merger with Phatra Capital, the business units focused on the development of five main areas:

1) Flexibility: To be a highly flexible organization in order to be able to respond to various customers needs

2) Speed: To be able to service the clients quickly with its precise decision making process

3) Innovation: To be an innovative organization with a continuous product and process development to be in line with the market trend.

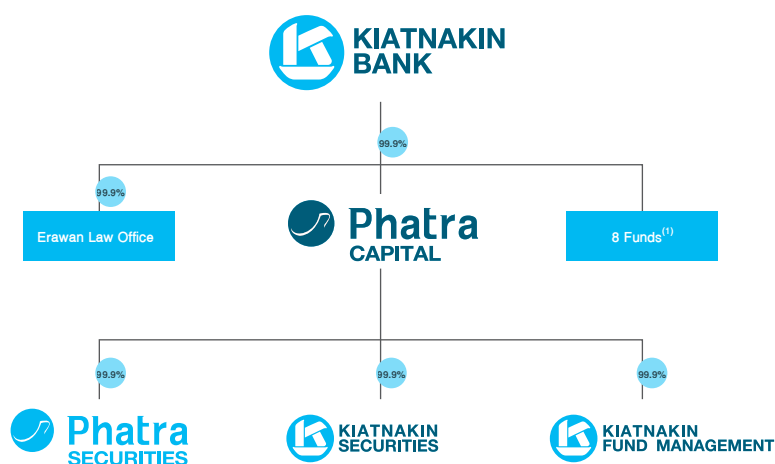
4) Quality: To be an organization with a well resourced management in the aspects of human resource management, capitals, and information systems.

5) Efficiency: To be an effective organization by controlling its operating cost to a competitive level.

Business Operations

Kiatnakin Phatra Financial Group Structure ("the Group")

Kiatnakin Bank ("KK" or "the Bank") is the parent company of the Group, operating commercial banking and holdings in Phatra Capital Co., Ltd. ("Phatra"), a holding company holding shares in securities companies i.e. Phatra Securities Public Co., Ltd. ("PSEC"), Kiatnakin Securities Co., Ltd., ("KSEC"), and Kiatnakin Fund Management Co., Ltd., ("KK-Fund") undertaking fund management business. Erawan Law Office Co., Ltd. is a subsidiaries company of the bank, supporting legal services to companies in the Group. Additionally, Kiatnakin Bank also holds units trust in eight mutual funds for resolving financial institution problems. The shareholding structure of the Group is presented as follows;



⁽¹⁾ Asia Recovery Fund 1 (99.95%), Asia Recovery Fund 2 (99.59%), Asia Recovery Fund 3 (99.97%), Thai Restructuring Fund (98.91%), Asia Recovery Property Fund 1 (99.50%), Asia Recovery Property Fund 3 (98.77%), Bangkok Capital Fund (95.72%), and Gamma Capital Fund (94.03%)

Subsidiaries of the Kiatnakin Phatra Financial Group are:

1) Phatra Capital Co., Ltd., acting as a holding company for investment purposes. This company has a registered and paid-up capital of Baht 1,502 million.

2) Phatra Securities Co., Ltd. deals in 8 aspects of securities namely, securities brokerage, securities trading, securities borrowing and lending, providing advisory services for investments, creation and management of private and mutual funds (which is not yet active). However, Phatra Securities Co., Ltd. is participating in 4 other areas of brokering, trading in derivatives, providing advisory services for investment in derivatives and management of funds for investment in derivatives (the last 2 is still not in operation). Furthermore, we have been registered as "A" advisors to the Ministry of Finance as well as being recognized by the board of the SEC as advisor and representative for trading of investment units. Phatra Securities Co., Ltd has a registered and paid-up capital of Baht 1,068 million.

3) Kiatnakin Securities Co., Ltd. is a securities firm for securities brokerage, securities trading, borrowing and lending of securities, providing advisory services for investments and trading in futures, with a registered and paid-up capital of Baht 650 million.

4) Kiatnakin Fund Management Co., Ltd. is a securities firm for the creation and management of mutual funds, property related mutual funds, pension funds and private funds, with a registered and paid-up capital of Baht 120 million.

5) Erawan Law Office Co., Ltd. provides legal services to companies in the Group and mutual funds in which banks holds unit trusts, management of rights of the investors as well as legal proceedings in compliance and debt repayment in accordance with the law. The Company also provides legal advice for documentation of agreements and other legal matters. It has a registered and paid-up capital of Baht 1 million.

Business of the Group

The business of the Group is divided into 4 main business groups

1) Commercial Banking: Under the supervision and management of the Chairman of Commercial Bank and President, includes retail lending and corporate loans i.e. Real estate development loans and SMEs loans

2) Capital Market: Under the supervision and management of the Chairman of Capital Market and President, includes securities brokerage, private banking, investment, and asset management

3) Priority Banking: provides services for deposits, financial management and investment advisory to meet with the requirements of high net worth individuals

4) Special Asset Management: Restructuring debts auctioned from the Financial Sector Restructuring Authority (FRA) and Legal Execution Department (LED) as well as managing foreclosed assets for sales for both residential and investment purposes.

Priority Banking and Special Asset Management are separated to be under supervision of the Head of each business division and report directly to the CEO.

Revenue Structure of the Group

The consolidated financial statements included Phatra and PSEC financial performance since September 12, 2012 onward. The revenue structure of the Group in accordance with the consolidated financial statements for the year 2012 is present in the Table : Revenue Structure.

Nature of Products and Services

1) Commercial Banking Business comprises of

1) Retail loans

Retail loan is operated by the Bank's Retail Banking Group, focusing mainly on providing financial services to retail customers who are private individuals. The major products and services are as follows;

1.1 Auto Hire Purchase

The Bank provides all types of motor vehicles hire purchase services that include new and used automobiles, passenger cars, multi-purpose vehicles, and commercial vehicles, for individuals and corporate entities. Under a normal hire purchase scheme, the hirer initially pays a certain sum of down

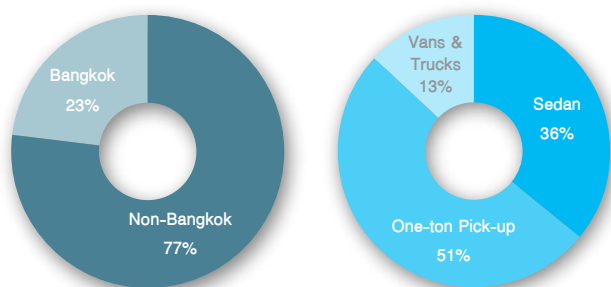
Table : Revenue Structure

| | 2010 | | 2011 | | 2012 | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|
| | Baht million | % | Baht million | % | Baht million | % |
| Interest income | 8,767 | 96.6 | 11,296 | 118.5 | 14,452 | 125.5 |
| Interest expense | 2,942 | 32.4 | 4,821 | 50.6 | 7,339 | 63.7 |
| Net interest income | 5,826 | 64.2 | 6,476 | 68.0 | 7,113 | 61.8 |
| Fees and services income | 1,256 | 13.8 | 1,573 | 16.5 | 2,573 | 22.3 |
| Commercial Banking business | 784 | 8.6 | 1,071 | 11.2 | 1,429 | 12.4 |
| Capital Market business | 421 | 4.6 | 450 | 4.7 | 1,035 | 9.0 |
| Others | 51 | 0.6 | 52 | 0.5 | 108 | 0.9 |
| Fees and services expense | 104 | 1.1 | 154 | 1.6 | 292 | 2.5 |
| Net fee and service income | 1,152 | 12.7 | 1,419 | 14.9 | 2,281 | 19.8 |
| Gain (loss) on trading and foreign exchange transaction, net | 109 | 1.2 | (12) | (0.1) | 226 | 2.0 |
| Gain on investment | 258 | 2.8 | 180 | 1.9 | 443 | 3.8 |
| Gain from sales of foreclosed assets | 1,483 | 16.3 | 1,245 | 13.1 | 1,224 | 10.6 |
| Dividend income | 65 | 0.7 | 55 | 0.6 | 23 | 0.2 |
| Other operating income | 182 | 2.0 | 167 | 1.8 | 209 | 1.8 |
| Total operating income | 9,075 | 100.0 | 9,530 | 100.0 | 11,518 | 100.0 |

payment for the vehicle purchase, and makes subsequent equal installment payments to the Bank for the amounts as prescribed in the hire purchase agreement. During the hire purchase period, the Bank shall maintain its legal ownership over the hire purchased assets. Once all the prescribed installments are settled in full, the ownership thereof shall thus be transferred to the hirer. The hire purchase term usually ranges from 12-84 months with a fixed interest rate charged according to the prevailing market rate as at the date of the hire purchase agreement.

Moreover, the Bank also offers other related automobile services such as annual motor vehicle tax payments, application for vehicle licenses, car insurance and payments of other related automobile taxes. Its service provision covers the Bangkok metropolitan area and other provincial areas.

Hire purchase activities are the Group's major line of business which continues to grow, and accounts for 72.2% of its total lending portfolio. The hire purchase credit grew 15.9% from Baht 96,946 million as of December 31, 2011 to Baht 122,093 million as of December 31, 2012. The hire purchase ratio of new automobiles to used automobiles was 53 to 47 in 2012.



The Bank continues to expand its hire purchase business with the focus on the promptness and effectiveness of the services, and strict credit controls on the loan quality. The interest rates applied for hire purchase activities are in the same level as prevailing market rates and in proportion with the length of installment periods.

1.2 Personal Loan

Personal loan business involves multi-purpose loans extended to existing hire purchase clients with good credit status and repayment records to support their liquidity needs. The maximum loan limit is at five times the client's monthly income amount, with a maximum repayment period of 48 months. The personal loan comprises of two facility types; term loan and revolving loan.

A term loan is an unsecured multi-purpose lending with a scheduled repayment term and quick loan approval process granted to support borrower's liquidity needs. A revolving loan is a loan facility of which the cash amount can be transacted by using the Bank's KK Cash Card and the withdrawals can be made directly via the ATM Pool. The repayment conditions and the minimum installment amounts are prescribed by the Bank.

1.3 Housing Loan

A housing loan is credit extended to finance homebuyers, mostly for purchase of land property, houses, and units in residential buildings. The financing is limited by the coverage of only within the Bangkok Metropolitan area and its vicinity, and in Chonburi Province.

The Bank signed a memorandum of understanding with the Secondary Mortgage Corporation (SMC) on the funding arrangement for the Bank's fixed rate housing loan activities via securitization schemes, under which certain parts of the Bank's portfolio on housing credit were purchased by the MSC. Moreover, the MSC and the Bank also cooperated with real estate companies to provide housing loans for homebuyers in their housing estate projects. In 2012, the Bank sold the housing loan to SME totaling Baht 1,003 million.

1.4 Micro-SMEs Loans

Micro-SMEs loan is credit extended to finance small and medium sized enterprises in business sectors such as the service industry, and wholesale and retail business. The credit granted to these entrepreneurs can possibly be on the basis of individual lending and/or lending to business entities. There are various types of facilities for this lending category such as a business working capital line, O/D, and business

expansion loans. In general, these facilities can be classified into a clean loan and a secured loan.

1.5 Retail Deposit

The Bank provides deposit services to its retail customers; both individual and corporate entities. There are three types of deposit accounts; current, saving and fixed deposit accounts. The Bank focuses on providing acceptable deposit yields and consistently develops new products and services that well serve its clients' needs and enhance their satisfaction.

1.6 Car Cash

This credit scheme offers a term loan collateralized by the pledge of an automobile as the loan security by transferring the ownership of such automobile to the Bank. The target customer groups for this credit product are both borrowers who used to be the Bank's hire purchase customers and any new customers.

1.7 Bancassurance

The Bank also acts as an insurance broker, or "Bancassurance", whereby it uses its sales channel to sell life and casualty insurance products. It cooperates with its business alliances or leading insurance companies that are well known for their innovative policy design and wide range of insurance coverage, to provide suitable insurance policies for the Bank's hire purchase customers. The Bank's insurance sales include insurances for all vehicle types, as well as "Car Shield" or a comprehensive insurance policy that covers the full payment of hire purchase obligations upon the hirer's death.

1.8 Car Auction

The Bank holds a monthly used car auction for the cars that it has possessed from customers at two of its auction centers which are located on the Bangna-Trat Highway (K.M.8) and in Udon Thani Province. Moreover, the Bank also offers other related automobile services such as annual motor vehicle tax payments, and applications for vehicle licenses.

In 2011, the Bank's auction centers were the very first car-auction centers to be accredited with ISO 9001:2008 thanks to its high standard integrated full service capacity that offers a qualified choice service to the public.

2. Corporate Lending

Corporate lending activities comprise of two major loan products; real estate development loans, accounted for 12.2% of the Bank's total lending and SMEs loans, accounted for 11.0% of the Bank's total lending portfolio. The details of these credit products are as follows:

2.1 Real Estate Development

The Bank provides real estate credit to property development companies and real estate developers; both medium and small sized developers within Bangkok and in the provincial areas. The Bank is equipped with the qualified credit teamwork and technical specialists that are capable of providing a full range of services including technical advisory services on engineering works, construction, architectural designs, research and development information, as well as regulations and legal matters. The Banks also has a network that can provide customer support on advertising, public relations, and project management. This support can help enhance its customers' business potentials.

Real estate lending is a credit scheme facility that requires project finance skills and clear understanding of the development purpose of the projects. The Bank concentrates on facilitating its customers with its timely approval processes, suitable types of loan facilities, an adequate loan amount, and appropriate repayment schedules that suit the customer's anticipated cash flow scheme.

As of December 31, 2012, the Bank's real estate lending was Baht 20,446 million expanding 21.3% from the prior year. The portfolio comprised of credit for housing estate and town house projects (72%) and condominium projects (28%).

2.2 SMEs Loan

The Bank provides SME loans mainly to businesses in the motor vehicle and real estate industry. The Bank's SME loans at the end of year 2012 was Baht 18,861 million, increasing 38.3% from the end of year 2011. The SME loan details can be summarized as follows:

2.2.1 Apartment Lending

Apartment lending is a credit extended to finance entrepreneurs who operate rental

apartments, service apartments, rental of residential units, and dormitories; both for new investments and for renovation work. The Bank has its team of architectures and engineers who can offer advice on standard construction plans and standard construction work for the projects.

The Bank's target customers for these credit products are the landlords of property in promising locations who want to develop their property for residential rental purpose, and existing owners of dormitories or apartments who need additional financing for their business expansion or renovation purposes.

2.2.2 Logistics Lending

Logistics lending is a credit extended to finance logistic activities, which includes transportation of cement, oil, container boxes, automobiles, vehicles spare parts, etc. The Bank offers various credit types such as a hire purchase scheme for owners of a car rental fleet, hire purchase companies for trucks and lorries, and towing trucks with two or more trailers. Other facilities for logistic lending are term loans for land purchase and building construction, and working capital facilities.

2.2.3 Floor Plan Lending

Floor plan lending is a credit extended to finance both new and used car dealers, to support their working capital requirement. The Bank's credit products include working capital lines, long term loans, and L/G and O/D lines. The credit purposes are to support their business operations and long term expansion plans.

2.2.4 Printing and Packaging Lending

Printing and packaging lending is a credit extended to finance printing and packaging businesses. Packaging includes paper and plastic packaging. The Bank's credit products include loans for factory expansion and machinery purchase, secured revolving facilities, credit for refinancing, and trade finance for imported materials.

2) Capital Market Business

This sector is under the operations of the subsidiaries of the Bank i.e. Phatra Capital Co., Ltd. (Phatra), Phatra Securities Co., Ltd. (PSEC), Kiatnakin

Securities Co., Ltd. (KKS) and Kiatnakin Fund Management Co., Ltd. (KK-Fund) and can be divided into 4 main areas:

1) Agency Business

PSEC and KKS are brokers for trading of stocks and futures registered with the Security Exchange of Thailand (SET), Market for Alternative Investment (mai) and Thailand Futures Exchange (TFEX). PSEC and KKS are registered members of the SET, number 6 and 19 respectively. PSEC is a broker for foreign and Thai institutions while KKS is a broker for customers who are individuals.

In 2012, PSEC was ranked 9 in the market share of the SET, accounting for 4.25% of the total trade of SET. As of December 31, 2012, PSEC had revenues from brokerage fees of Baht 934 million. The ratio of revenues from institutions and major customers were 62.2% and 37.8% respectively.

Of the total brokerage fees earned, 56.9% were from foreign institutions with Merrill Lynch accounting for 83.3% of it. This is in accordance with the agreement between PSEC and Merrill Lynch for trading of equities securities of the SET, under the condition that 80.0% of all trade must be channeled through PSEC and that PSEC would receive brokerage fees at the agreed rates.

In respect to trading of securities by Merrill Lynch for their "qualifying clients", Merrill Lynch would transact within "reasonable endeavors" for buying and selling for the best value at "best execution" for both Merrill Lynch and "qualifying clients" through PSEC as stipulated in the agreement. For transactions of "qualifying clients" of Merrill Lynch, PSEC would receive a brokerage fee of 60.0% of applicable rate to Merrill Lynch. Merrill Lynch is the largest foreign institution client of PSEC (taking into consideration both Merrill Lynch's and their "qualifying clients" accounts). In the event that PSEC wishes to engage directly other international investment bank or financial institutions or any other institutions that are in competition with Merrill Lynch, PSEC must obtain consent from Merrill Lynch.

Local institutions customers of PSEC are asset management companies, provident funds, private funds, government pension funds, the social security office, life insurance companies and other insurance

Table illustrating the value of securities traded through PSEC, brokerage fees and market share as of December 31, 2012

| | Local Institutions | Foreign Institutions | High Net Worth Individuals |
|---|----------------------|----------------------|----------------------------|
| Total trading values of PSEC (Baht million) | 126,493.00 | 287,135.68 | 171,343.33 |
| Market Share ⁽¹⁾ (%) | 10.28 ⁽²⁾ | 7.71 ⁽³⁾ | 1.97 |
| Brokerage fee (Baht million) | 250.68 | 330.59 | 352.66 |
| Market share of brokerage fee (%) | 26.84 | 35.40 | 37.76 |

Source : SET and Phatra Securities Co., Ltd

(1) The market share is calculated based on the figures as collected by PSEC and data released by the SET.

(2) The market share of local and foreign institutions is calculated after deducting trading transactions of the Proprietary Account.

(3) The market share of foreign institutions of PSEC is divided by transactions of foreigners after deducting transactions of foreign individuals

companies. As of December 31, 2012, 40 institutions have transacted at least once within the last year.

PSEC acts as brokers for major private individuals using our financial consultants and marketing staff who are registered with the SET in the capacity to advise customers with investment opportunities for bonds of the money market, debt instruments, mai instruments and other investment units. As of December 31, 2012, the value of assets under advisory of PSEC was Baht 181,998 million, up from Baht 138,636 million of 2011. PSEC. has a customer list of 7,728 accounts, with 3,757 accounts having traded at least once throughout the past 12 months.

In order to provide good brokerage services to the clients of PSEC and Merrill Lynch, PSEC uses its main strength of global market analysis and money market instruments, to advise on investing in securities of the Stock Exchange of Thailand.

Under a mutual agreement between PSEC and Merrill Lynch, analysts of PSEC would study the economic and political environment in Thailand as well as investment opportunities and companies registered with the SET to provide an investment analysis that Merrill Lynch would present to their clients under their name and PSEC would present the same analysis to their clients under their name also.

PSEC is a registered agent of the Stock Exchange of Thailand (SET), Market for Alternative Investment (mai) as well as with the Thai Clearing House. As of December 31, 2012, revenues from brokerage fees of PSEC from futures trading was at Baht 66 million, down from Baht 69 million of the

previous year, and a market share of Market For Alternative Investment (mai) of 6.79% (based on the value of traded contracts).

Besides these, PSEC has also received a permit to be broker acting as a principal and brokerage agent of the Securities and Exchange Commission (SEC), to provide services for securities borrowing and lending. Lenders and borrowers are institutional investors, major private individuals and the securities and futures trading department of PSEC. PSEC acts as the contract party between borrowers and lenders accordingly to meet the needs of the clients. Borrowing and lending of securities is a way to develop new investment opportunities for the investor.

KKS is a broker for individual investors, Thai and foreign. Investors are able to trade securities with our marketing officers, in the trading room using both cash and margin accounts as well as through the Internet.

For 2012, KKS was ranked 23rd in the market share, accounting for 1.47% of total trading value of SET. As of December 31, 2012, KKS had revenues from brokerage fees in securities trading of Baht 411 million and revenues from brokerage fees in futures trading of Baht 52 million.

2) Investment Banking Business

PSEC is one of the leading investment bankers in Thailand, providing sound financial advice and placing securities products of government agencies, state enterprises and leading companies of Thailand.

Previous examples of our work include IPO/POs of PTT Thailand PCL, Kasikorn Bank PCL, Thai International Airways PCL, Thai Oil PCL, Glow Energy PCL,

Airports Authority of Thailand PCL, Rayong Oil Refinery PCL, Thai Beverage PCL, Esso (Thailand) PCL, BTS Group (Holding) PCL and subsidiaries of Charoen Pokphand Food PCL.

In 2012, PSEC was able to help companies to raise capital through the SET with a total value of Baht 134,648 million in 2 types.

2.1 Public Offering

| Name of company | Details of the project | Value (Baht million) | Success |
|---|---|----------------------|---|
| PTT Exploration & Petrochemical Products PCL | Private placement of common shares | 92,300 | <ul style="list-style-type: none"> The largest value of PO in Thailand Awarded Best Secondary Deal of the Year in South East Asia from Alpha Southeast Asia Awarded Triple A Regional Deal Award in the Best Secondary Offering category by The Asset |
| Leasehold Property Fund and Tesco Lotus Retail Growth (TLGF) | Public offering to raise capital | 7,546 | - |
| Leasehold Property Fund and Tesco Lotus Retail Growth (TLGF) | Initial Public offering of investment units | 18,408 | <ul style="list-style-type: none"> The largest offering of investment units by a fund in Thailand Awarded Best Thailand Deal by Finance Asia |

2.2 Overnight offering or Accelerated Global Tender (AGT)

| Name of company | Details of the project | Value (Baht million) | Success |
|--------------------------------------|------------------------|----------------------|---|
| Robinson Department Store PCL | Private Offering | 6,728 | - |
| Bangkok Chain Hospital PCL | Private Offering | 4,291 | - |
| CP All PCL | Private Offering | 4,544 | <ul style="list-style-type: none"> The 1st placement of ordinary shares after the market has closed in Thailand |
| Central Plaza Hotel PCL | Private Offering | 833 | - |

PSEC plays a major part in the M&A market by advising major corporations in mergers and acquisitions, finding investors and collaborative businesses, restructuring of business and developing

financial instruments. In 2012, we had participated in the mergers and acquisitions of 3 companies with a total value of Baht 19,247 million.

| Name of Company | Details of the project | Value (Baht million) |
|------------------------------------|--|----------------------|
| Bank of Ayudhya PCL | Acquisition of listings of small customers from HSBC | 3,557 |
| Siam Cement Group (SCG) PCL | Acquisition of Thai Plastics and Chemicals PCL by tender offer | 9,508 |
| Phatra Capital PCL | Merging of Kiatnakin Bank PCL with Phatra Capital PCL | 6,182 |

In 2012, there were a number of mergers and acquisitions between major Thai corporations and foreign companies. This occurred as the market in Thailand is limited and many Thai companies were financially sound. Besides these, there were consolidations of local companies to restructure and increase their competitiveness in the world market.

For 2013, PSEC will place emphasis on increasing earnings through the participation of more M&A, raising capital in the SET and aggressively market our products to new customers and especially, to major corporations that have not raised capital or is a member of the SET. Furthermore, PSEC will increase effort in expanding the customer base to include medium-size companies who lack the knowledge or expertise to raise capital in the money market in Thailand.

In order to strengthen our position and serve our customers, PSEC will look to expanding distribution channels and introduce new money instruments which would be developed within the company as well as with cooperation from outside sources.

3) Investment Business, divided into 3 categories

3.1) Medium and Long Term Investment

Medium and Long Term Investment is operated by the Direct Investment Department of Phatra Capital under governance of the Investment Committee. The committee has considered and approved each investment and divestment. It also specified return rate together with appropriate risk level. The investment, with average 1-5 years of operation, is focusing on equity and equity-link both inside and outside the SET. The Direct Investment Department of Phatra will invest in undervalued stock of the company consisting of competent management; good business model; business growth opportunity; ability to generate high return on investment; and sustainable competitive advantage. The representative of Phatra Capital may sit as a board of the invested company, however; the representative is not a condition for investment decision.

Phatra highly emphasizes on the conflicts of interest especially on the use of internal information to avoid inequality between investment of Phatra

and PSEC' investors. Thus The Direct Investment Department of Phatra is treated equally and has no access to information or analysis papers differ from other investors of PSEC. Additionally, policies on usage of internal information; employees' trading; and Chinese Wall between entities are placed in order to promote transparency under good governance and to prevent any conflict of interest that may occur in the future.

In term of risk management, the Direct Investment Department has a policy to conduct investment analysis concerning not only opportunities but also risk on investment. The department identifies and prepares investment proposals including timing; condition; and guideline for selling of investment. The proposal, varied by cases, must be approved by the Investment Committee before any investment is made. Once invested, the Investment Committee will assign the Risk Management Department to monitor based on the Risk Management Framework on a daily basis. The Investment Committee is set to be informed or called for meeting to review particular investment once market value of invested security generate loss at specific level or reveal concentration risk, and to perform investment risk assessment due to market risk regularly. Beside, the Direct Investment Department monitors performance of invested companies to verify and evaluate the investment on a regular basis. It may also utilize appropriate financial instruments, such as derivative, for hedging which will be determined by the Investment Committee.

In 2012, the Board of Phatra Capital has set investment amount to maximum Baht 8,000 million; each investment in asset and/or securities of minimum Baht 50 million. The policy can be adjusted according to business plan of equity industry and equity market situation. To ensure return on investment at appropriate risk level, the Direct Investment Department considers several factors prior proposing to the Investment Committee. This includes company visit; management interview; industry analysis; intrinsic value analysis; understand of internal control and corporate governance; and investment risk analysis.

At the end of 2012, the Direct Investment Department had net securities balance of Baht 1,637 million; gain from investment according to

Statement of Comprehensive Income for the year 2012 of Baht 787 million consisting of dividend revenue of Baht 38 million; gain from securities trading of Baht 408 million; and unrealized gain of Baht 341 million.

3.2) Equity and Derivative Trading

This investment is operated by the Equity & Derivatives Trading Department of Phatra Securities with currently 3 investment strategies as

3.2.1) Arbitrage Trade

Arbitrage Trade is short-term investment of not more than 1 year in equity and equity-linked listed on the SET and TFEX notably that they are securities listed in the SET100 index or of minimum Baht 3,000 million market value; future contract and option (including its underlying asset); and ETF under Market Neutral principle. Profit is market price difference between underlying asset and its derivative, including securities or derivatives with same underlying asset. The trade is made under investment and risk framework approved by the Investment Committee and the Risk Management Committee to get a return rate specified by the Investment Committee. Trading of securities and/or derivative is made to mitigate risk on overall market price.

3.2.2) System Trade

Arbitrage Trade is short-term investment of not more than 1 year in equity and equity-linked listed on the SET and TFEX notably that they are securities listed in the SET100 index or of minimum Baht 3,000 million market value; future contract and option (including its underlying asset); and ETF utilizing information from pricing model and test of market price relation. The practice aims to define features and opportunities to make profit via price difference. Similar to Arbitrage Trade, trading of securities and/or derivative is made to mitigate risk on overall market price.

3.2.3) Financial Product and Service

The department issues and offer financial instruments to the investors which meanwhile are equity-linked note and derivative warrant. Equity-linked note is short-term bond; its gain refers to underlying asset stated in the contract. Derivative warrant is a warrant that the department had registered for trading via the SET system. To issue and offer the instrument,

the department will evaluate and define purchase and selling price based on related factors in order to maintain proper return rate.

In term of risk management, the Risk Management Committee has set policy upon investment volume referring to liquidity of invested securities; VaR limit; and accumulated loss limit. The committee also assigns the Risk Management Department of Phatra Securities to monitor investment and report to related parties on a daily basis. In case that investment volume or risk level is higher than particular criteria, the Equity & Derivatives Trading Department will manage meet the criteria within certain timeframe.

In 2012, the department had investment amount approved by the committee of Phatra Securities of not more than Baht 2,900 million. The Investment Committee had also set ceiling for each investment strategy as: maximum Baht 2,900 million for Arbitrage Trade (allow transferring from other strategies due to lower risk of Arbitrage Trade); maximum Baht 300 million for System Trade; and maximum Baht 1,500 million for Financial Product and Service.

At the end of 2012, the department had net investment totaled Baht 2,347 million: net remaining equity-linked note of Baht 1,643 million and total cash used for investment of Baht 704 million.

3.3) Short-Term Investment using Hedge Fund Strategy

The strategy is operated by the Hedge Fund Department focusing on short-term investment of not more than 1 year in equity and equity-linked securities by using systematic investment strategy together with quantitative analyzing and risk management to get a return rate specified by the Investment Committee.

In term of risk management, the Risk Management Committee has guideline to monitor and review investment portion; Value-at-Risk; and statistical performance. It also set investment limit as per liquidity of invested securities, and accumulated loss limit as per the Investment Committee. This includes the regulation that, once Maximum Drawdown rate is over 10%, the Hedge Fund Department must stop trading and report to the committee to consider further plan.

The Risk Management Department of Phatra Securities is in charging of monitoring and reporting to the management on a daily basis.

In 2012, the department had an initial investment amount approved by the committee of Phatra Securities of not more than Baht 2,000 million. At the end of 2012, the department had net asset totaled Baht 2,126 million.

4) Asset Management Business

This business is operated by the Private Fund Management Department of Phatra Securities and KK Fund Management.

PSEC authorized by the SEC to operate in private-fund management since April 26, 2012. Main customers in this business are both personal and juristic person, both local and international. Presently the focus is in foreign investment.

Private fund business provides service in asset management as assigned by the customer. Investment policy is set to reflect certain customer's needs while aligning with accepted risk level. The fund manager makes investment decision based on policy and agreement made by the customer. Gain on this service is in form of service fee as indicated in fund management agreement.

As of December 31, 2012, Phatra Securities had total 38 private funds under management; net asset amounting to Baht 1,842 million.

PSEC highly emphasizes on the conflicts of interest and supervision of internal information. To avoid inequality between investment of the company, investment of the customers, and private fund management for the customers, PSEC has treated the Private Fund Management Department same as other investors. Thus the department is freely able to trade with other security companies or other entities outside PSEC. The department also conducts investment analysis using its own Investment Analysis Business Unit. This analysis includes management interview and company or government unit visit aiming to achieve most useful information for the customers.

KK-Fund operates all types of fund management with mutual fund management license and private fund management license. It provides fund management service to personal and corporate customer together

with juristic interested in mutual fund, provident fund, and private fund.

Historically, KK-Fund has focused on mutual funds and property sector funds. At the end of 2012, the company had total net asset under management amounted of Baht 24,464 million, total number of funds are 30 funds consisted of 6 equity funds, 13 fixed income funds, 1 mixed fund, 6 foreign investment funds, and 4 property sector funds.

3) Priority Banking

The services provided are including private banking, investment consultation, and selling agent of mutual funds to respond to and satisfy the growing needs of high net worth clients

The Bank integrates a wide range of banking products including various deposit products and investment schemes and offers them to better suit its customers' preference. The products include the Bank's deposit instruments and other investment products such as mutual funds for equity, bond, commodity, derivatives, and real estate, as well as various life insurance programs namely savings, annuity, pension etc. Moreover, it also offers E-Banking, financial advisory services, and financial transaction services.

The Bank acts as a sales agent for 17 fund management companies and is a business alliance to insurance companies that work with it on its bancassurance product schemes.

4) Special Asset Management (SAM)

Special Asset Management (or Distressed Asset Management) is operated by the Bank together with 8 other mutual funds in which the Bank holds their unit trusts. The Bank began its distressed assets management activities in 1999 when it auctioned some debt portfolios from the Financial Sector Restructuring Authority (FRA). During 2003 - 2006, the Bank also auctioned debts under the liquidation process from the Legal Execution Department. In 2010, the Bank acquired unit trusts in the Gamma Capital Fund and the Bangkok Capital Fund, both of which operate mutual fund operations which is a similar line of business as those operated by the Bank's subsidiaries.

The special asset management comprises Debt Restructuring Department, NPL&NPA Support Department to handle debt restructuring negotiation, and Asset Management Department responsible for sales of foreclosed assets. The details of asset for sales such as their locations, size, and price range are provided in www.kkasset.com for viewing by customers and interested parties.

Marketing and Competition

1. Distribution Channels

The Group has operated our business through 4 entities including Kiatnakin Bank, Phatra Securities, Kiatnakin Securities, and Kiatnakin Fund Management. Additionally, there are agencies who help selling some of our products and services, details are as follows;

1) Kiatnakin Bank

At the end of 2012, the Bank had totally 87 branches (including head quarter) increased from 72 branches in 2011. The majority of new branches opened in 2012 were in the Bangkok Metropolitan area and its vicinity for funding purpose, while the branches opened in provincial areas were to support lending business to cover all target groups of client as well as to enhance a wider and larger customer/deposit base.

Other than its existing branch network, the Bank also operates two auction centers which are located on the Bangna-Trad Highway (K.M. 8) and in Udon Thani Province to also support the car auction activities in the provincial areas.

In 2013, the Bank has no plan to open more new branches as the existing branch network is sufficient to service customers both lending and funding business. However, there will be service model improvement to be in line with the business strategy and target.

The Bank's Distribution Division is responsible for sales and service channels development via its banking network to respond to and satisfy the growing needs of its customers. These channels include the KK ATM service; a 24 hour electronic banking system that allows the Bank's customers to perform banking transactions via a nationwide ATM pool, the KK-E-Banking Service; an online banking system that

provides basic banking services, the KK Alert Service; and an automatic system which provides SMS transaction alerts via client's mobile phones.

In addition, there is the KK Contact Center at telephone number 02-680-3333 ; an automatic phone banking system that allows customers to make transactions and inquiries. In addition, the Bank also provides information and other contact channels via online media such as its website (www.kiatnakin.co.th) and its Facebook page.

2) Phatra Securities (PSEC)

The sales and service channel of Phatra Securities is through its head office at Muang Thai-Phatra Office Tower 1 Tel. 0-2275-0888, 0-2693-2000

3) Kiatnakin Securities (KKS)

KKS provides securities services via head office at Amarin Tower, 7th Floor, and 11 other branches. Customers can contact Customer Service: Tel. 0-2680-2888. Details of KKS branches are as follows;

| Location | No. | Branches |
|----------------------|-----|--|
| Bangkok and vicinity | 4 | Amarin Tower, Asoke, Bangna, Nonthaburi |
| Provincial areas | 8 | Khon Kaen, Chiang Mai, Rayong, Hadyai, Hadyai 2 (Mini Branch), Chonburi, Phitsanulok, Samut sakorn |

4) Kiatnakin Fund Management (KK-Fund)

As for the KK-FUND distribution network, it operates from its head office at the Charn Issara Tower 1, 4th Floor, and its other sales support network such as commercial banks and securities companies whose names are listed in the prospectus. The distribution network contributes to the development of a customer diversified base and its ability to better reaches a wider customer base.

2. Market Condition and Competition

1) Commercial Banking business

There are 14 commercial banks in the Thai banking system, 11 of which are publicly listed companies in the Stock Exchange of Thailand. Thai

banks, classified by their assets sizes, deposits, and net loans, based on the summary of assets and liabilities (C.B. 1.1), can be grouped as follows:

In 2012, Thai banking industry strongly recovered following the continuous economic improvement from the end of 2011. The credit demand in 2012 increased as domestic demand also increased from several supportive factors such as the government's economic stimulus packages, the repair and recovery from the flood in late 2011, as well as the private sector investment, therefore, loans increased by Baht 1.06 trillion, or up 14.0% from the end of 2011. The credit growth was driven mainly from strong consumer loans growth especially auto hire-purchase which drastically increased from the previous year due to the government's excise tax rebate scheme.

Total combined deposits were Baht 9.3 trillion, grew by 28.7% from the end of 2011, following strong credit demand, and the government's measures i.e. 1) Fee collected from commercial banks paying to Financial Institutions Development Fund (FIDF) and Deposit Protection Agency (DPA) at the rate totaling 0.47% of deposits and borrowings, 2) the tightening rules and regulations on Bill of Exchange (BE) issuance, and 3) The reduction of the coverage of insured deposits to Baht 1 million per account (the previous schedule was in August 2011 before an extension to be on August 2014). Therefore, banks turned to collect deposits rather than BE resulting to increasing deposit volume while BE portion declined. Meanwhile, banks also issued debentures totaling Baht 180 billion, increased from Baht 18 billion in 2011.

Table presents Assets, Deposits, and Net loans of Thai Commercial banking system at the end of 2012

| No. | Thai Commercial Banks | Assets | | Deposits | | Loans (net allowance for doubtful account) | |
|---------------------------------|-------------------------|-------------------|------------------|------------------|------------------|---|------------------|
| | | Baht million | Market share (%) | Baht million | Market share (%) | Baht million | Market share (%) |
| 1 | Bangkok Bank | 2,338,099 | 18.2 | 1,774,371 | 19.0 | 1,480,574 | 17.2 |
| 2 | Krung Thai Bank | 2,248,268 | 17.5 | 1,667,374 | 17.9 | 1,478,988 | 17.2 |
| 3 | Siam Commercial Bank | 2,145,316 | 16.7 | 1,614,589 | 17.3 | 1,490,457 | 17.3 |
| 4 | Kasikorn Bank | 1,921,321 | 14.9 | 1,394,536 | 15.0 | 1,273,614 | 14.8 |
| 5 | Bank of Ayudhya | 986,467 | 7.7 | 692,994 | 7.4 | 714,405 | 8.3 |
| 6 | Thanachart Bank | 951,007 | 7.4 | 701,282 | 7.5 | 707,612 | 12.4 |
| 7 | TMB Bank | 711,968 | 5.5 | 496,414 | 5.3 | 426,986 | 5.0 |
| 8 | UOB Bank | 355,959 | 2.8 | 201,934 | 2.2 | 207,679 | 2.4 |
| 9 | TISCO Bank | 275,124 | 2.1 | 220,634 | 2.4 | 233,979 | 2.7 |
| 10 | Standard Chartered Bank | 260,007 | 2.0 | 110,516 | 1.2 | 103,399 | 1.2 |
| 11 | Kiatnakin Bank | 223,931 | 1.7 | 153,532 | 1.6 | 163,072 | 1.9 |
| 12 | CIMB Thai | 200,269 | 1.6 | 135,285 | 1.5 | 133,602 | 1.6 |
| 13 | Land and House Bank | 122,081 | 0.9 | 84,388 | 0.9 | 85,171 | 1.0 |
| 14 | ICBC (Thai) | 120,066 | 0.9 | 67,208 | 0.7 | 91,889 | 1.1 |
| Total | | 12,859,883 | 100.0 | 9,315,057 | 100.0 | 8,591,427 | 100.0 |
| 4 large-sized commercial banks | | 8,653,004 | 67.3 | 6,450,870 | 69.3 | 5,723,633 | 66.6 |
| 3 medium-sized commercial banks | | 2,649,442 | 20.6 | 1,890,690 | 20.3 | 1,849,003 | 21.5 |
| 7 small-commercial banks | | 1,557,437 | 12.1 | 973,497 | 10.5 | 1,018,791 | 11.9 |

Source : Summary Statement of Assets and Liabilities (C.B.1.1) as of December 31, 2012, the Bank of Thailand

Due to an increase in credit demand at the higher rate than the growth of deposits and BE, then the liquidity in the banking system was tightening compared with the year before, reflecting in the loan to deposits and borrowing ratio rose to 88.3%, from 87.3% at the end of 2011. As for the interest rate of Thai commercial banks, deposit rates and lending rates were quite stable for the first nine months of 2012 before declining in the fourth quarter of 2012 after the Bank of Thailand reduced the policy rate by 0.25% to 2.75% in the MPC meeting in October 2012. Consequently the 1 year term deposits and MLR (average of big 4 banks) at the end of the year stood at 2.46% and 7.0%, drop from 2.87% and 7.25% in the beginning of the year.

Outlook for the commercial banking business

For the year 2013, it is expected commercial banks to continually expand in relative to the Thai economic direction, supported by the government spending offsetting the slowdown of private sector spending, and a recovery of export as a result of demand from other countries to help Thai economy to grow at 4.5% per year. As a result, credit demand in the commercial banking system can also inflates at 13.5% per year which is the expansion in the level of double digit growth for 4 consecutive years.

The credit demand by type of business will be more diversify in the first half of 2013, in which consumer loans will continue to grow mainly from auto hire purchase loan as a result of the delivery of cars under the first car scheme till at least in the mid year. Moreover, the minimum wage increase to Baht 300 per day will help stimulate more purchasing power and credit demand for consumption. Meanwhile, corporate loans will grow in the second half of the year following the government stimulus campaign for certain industries such as construction and transportation will benefit from the investment projects of the government.

The competition for funding in the banking industry in 2013 will be less as commercial banks raised funds aggressively in the form of deposits and debentures in 2012. However, the continuous growth of credit demand will tighten the liquidity in the banking system as in the year 2012.

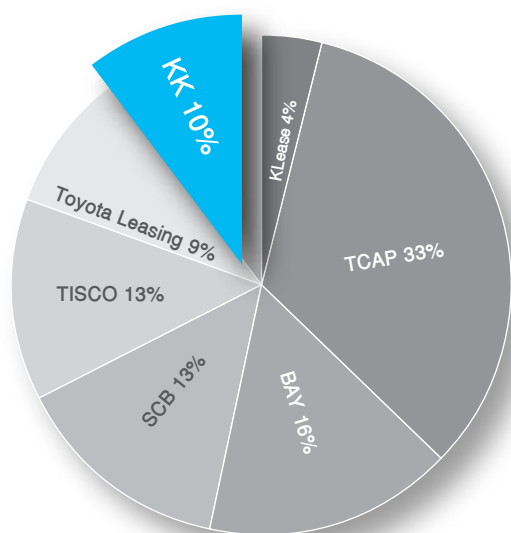
For the interest rate direction in the commercial banking system is likely to remain, according to the policy interest rate is expected to be 2.75% until the end of the year. The expected interest rate of one year term deposit and MLR (average 4 big banks) remains stable at 2.46% and 7.0% respectively. However, even though the interest rate on deposits announced will not change from the year 2012 but special deposits offering at the higher interest rates to retain customers will continue, especially when local financial markets are likely to be tight, resulting from competition to mobilize capital from the Government to support the investment projects.

Asset quality is an issue that require closely monitoring in 2013 is asset quality in the banking system due to the accelerated consumer loan growth in 2012 especially auto hire purchase. If any risks occur, both from foreign and internal factors such as the economy of main countries does not recover as expected, lay off problem due to minimum wage increased to Baht 300, price of goods increases, may affect customers' ability to service their debts. Eventually, asset quality will become a concerning issue for commercial banks to manage further.

2) Hire purchase business

In 2012, the number of cars sold in Thailand was 1,436,335 units, jumped significantly by 80.9% from 2011, thanks to the government economic stimulation measures such as the excise tax rebate scheme for first time car-buyers, and proactive marketing strategies applied by car manufacturers such as the launching of new car models into the market. Therefore, all financial institutions had launched promotion campaign to car dealers leading to continually intense pricing competition.

There are 5 commercial banks active in the hire purchase market including Thanachart Bank, Bank of Ayudhya, Siam Commercial Bank, TISCO Bank, and Kiatnakin Bank. Total hire purchase loans of 7 hire purchase players at the end of 2012 were Baht 1,067 billion (remark: the outstanding hire purchase loan of Toyota Leasing was at the end of accounting year ended March 31, 2012). The hire purchase market share of each player is presented as follows;



In 2012, the Bank emphasizes on service and good relationships with business partners/customers by aiming for no. 1 in the market whereby the Bank has expertise and competitiveness. The main product is the car hire purchase, together with several products such as car insurance, credit insurance, personal loans, and other loans. The Bank will propose appropriate products for each group of hire purchase customers. In addition, the marketing will be conducted through new car and used car dealers, with approximately 900 new car dealers and 2,000 used car dealers.

Outlook for the Hire Purchase Business in 2013

Hire purchase lending trends in Thai banking system in 2013 seems to be a continuous expansion at the high rate. With support from new car sales, factors that are expected to be approximately 1.2 million cars, decreased by 15.0% from last year. Therefore, the new hire purchase loans in 2013 in the banking system will be higher than the repayment of existing hire purchase loans. The delivery of cars under the first car scheme booked in 2012 is also delayed and will gradually deliver in the first half of 2013, which is recognized as a driver for hire purchase loans growth.

In the second half of 2013, when cars under the first car scheme are delivered, all hire purchase players will adjust their promotion campaigns offered to

car manufacturers in other types of cars. Meanwhile, asset quality is the key concern for commercial banks to closely monitor since the first car scheme was attractive for car buyers to quickly make decision without taking into account their ability to pay installments and eventually becoming NPLs in the future.

3) Real Estate Business

From the survey by Agency for Real Estate Affairs Co., Ltd., at the end of 2012, it is found that there were 419 new real estate projects launched comprising total number of units sold was 103,481 units, approximately 99.0% were residential projects. Value of residential projects were accounted for 98.0%, with 60.0% or 62,548 units were apartments, 22,503 units or 22.0% were townhouses, and 12,720 units or 12.0% were single houses. The remaining of 2.0% was detached houses and commercial buildings.

Value of real estate launched in 2012 was Baht 304,629 million. This is approximately 48%, or Baht 146,221 million as apartments, and 26% or Baht 80,208 million as single houses, 18% or Baht 56,092 million as townhouses. This can be said that several new residential projects launched in 2012 were resulting from the 2011 flood recover.

In 2012, there are totaling 107,412 units sold, higher than the number of units opened in 2012 at 102,080 units, showing that sales of property was in a good condition. However, the sales in 2012 were not only the units opened in 2012 but also the units opened earlier. At the end of 2012, there are 128,934 units available for sales, including 32.0% or 40,853 units of apartments, 30.0% or 33,778 units of single houses, and 30.0% or 38,617 units of townhouses, and the remaining of detached house totaled 7,937 units.

The remaining units are expected to be sold out within 12 months. However, apartments are expected to be sold within 7 months while townhouse will take longer approximately 21 months. Single houses and detached house will take 35 months to be sold.

The competition among financial institutions in real estate lending and SMEs lending in 2012 was quite high, most players were focusing on credit

terms and conditions, and interest rate, which were different from Kiatnakin bank that focus on service and expertise as well as flexibility of loans and service to meet each business sector's demand. The main competitors in this segment are Krung Thai Bank, Bangkok Bank, Siam Commercial Bank, Kasikorn Bank, and Bank of Ayudhya, competing on credit terms, interest rate, and service.

In 2012, the Bank emphasized marketing for specific group of customers under the name "KK BIZ" through the campaign "Driving Your Business", focusing on GRADE B level of customers and higher in certain locations and target customers in each business area. The Bank also expanded business to provincial areas following urbanization trend, the target provinces are such as Chiang Mai, Khon Kaen, Chonburi, and Phuket, by organizing activities associated with the business partners, as well as roadshow to target group of each business.

In order to compete with peers, the Bank is still focus on our strength in lending expertise in niche market whereby value added services will benefit to clients. The Bank has not relied on any individual customer or dealer more than 30% of total revenue.

Outlook for real estate market in 2013

The competition in this market is expected to remain high especially in SMEs customers in aforementioned provincial areas where all commercial banks have the same interest and big commercial banks are the leader in such areas. However, there is an opportunity for the Bank to extend business further to upcountry with the Bank's strength in good service quality, and more flexible lending terms.

In 2013, the transfer of title deed and sales of residential registration will be approximately 163,000 units and 120,000 units, continually growing from 4.7% and 16.5% in 2012 respectively. The supporting factors are from continuous economic expansion at the rate of 4.5% per year, coupled with downward interest rate environment. However, land price and construction cost will accelerate, and the implementation of the Loan to Value (LTV) measure for the low rise project valued below Baht 10 million might delay consumers' purchasing power.

According to the study in property market nationwide, it is found that property market in upcountry has high growth opportunity, reflecting from the expansion rate of the outstanding real estate lending in provincials area was higher than that of Bangkok and vicinity. This is due to urbanization trend, especially in the major cities such as tourist destinations i.e. Phuket, Hua-Hin, and Pattaya, and business and industrial cities like Rayong, Chonburi, Khon Kaen, and Nakornrachasima.

There are 12 provinces with high growth opportunity for property market, which can be classified into 2 groups as follows;

1. Property market grew along with economic foundations including

- Large lending market with outstanding loans above Baht 1,000 million, i.e. Chonburi, Phuket, Khon Kaen, and Rayong

- Small lending market with outstanding loans below Baht 1,000 million, i.e. Ubon rachathani and Lumpang

2. Property market with growth opportunity such as

- Provinces that have income per head grew better than the country. Meanwhile property market expands less than average of the country, this is reflecting an opportunity for property market expansion in the future, i.e. Mahasarakam, Nongkai, and Buriram

- Provinces with slightly growth of income per head but surrounding with positive factors for economic growth, will also be positive factors for property market in the future. The positive factors are Asean Economic Community (AEC), which is good for border area like Sakaew and Kanchanaburi, as well as Phitsanulok located on Greater Mekong Sub-region.

4) Capital Market Business

Thai capital market condition in 2012 is considered good. In the first quarter, capital markets began to recover from a serious condition from a major flood in the last quarter of 2011 before gradually improving the continuously higher throughout the year because Thai listed companies had high average profits compared with other capital markets in

the region. Therefore, there was foreign investment flowing into the country continuously, which is one of the main factors that help promote growth of the Thai capital market in 2012. The average daily trading value of the SET Index and mai increased by 9.6% from 2011, with an average daily turnover of Baht 32,304 million, and the SET index adjusted up to 1,397.19 points, the highest level in the past 16 years, before decreased slightly and closed at 1,391.93 points at year end, rose by 36.0% from 2011.

Overall, the development of Thai capital market can be seen from a series of new financial products e.g. USD Futures, and Sector Index Futures. Moreover, in term of fund-raising, several large Thai corporate with strong balance sheets had acquired or merged with foreign corporate, and Thai corporate also consolidated to increase competitiveness opportunity and to get ready to deal with higher competition from the upcoming ASEAN Economic Community in 2015.

With fairly good market condition in 2012, the business of Phatra, both Agency Business operated at Phatra Securities, and Investment Business generated satisfactory results. Total consolidated revenue of Phatra and subsidiaries were quite stable with total revenue of Baht 2,316 million, 59% and 41% of which were revenue from agency and investment business respectively.

• Securities Brokerage and Futures Exchange

Competition in securities brokerage business remains high due to the liberalization of brokerage fee since the beginning of 2012, together with number of brokers totaling 38 firms as a member of the SET, who provides similar services. Therefore, most of securities brokers emphasize on competitive quality of service, up-to-date research papers, and ability to allocate new stock offering to their customers.

Table presenting the SET and mai market condition, trading value, and market share of PSEC and KKS

| | 2011 | 2012 |
|---|-----------|-----------|
| Average daily trading value of the SET and mai (Baht million) | 29,473.30 | 32,304.35 |
| Trading value of the SET and mai by investor type | | |
| Foreign Investors (%) | 22.81 | 24.24 |
| Local Institutions (%) | 8.80 | 7.78 |
| Local Individuals (%) | 55.20 | 54.98 |
| Proprietary Trading (%) | 13.19 | 13.00 |
| Average trading value of PSEC (Baht million) | 2,825.20 | 3,062.62 |
| Market share of PSEC (including proprietary trading) (%) | 4.79 | 4.74 |
| Market share-Foreign Investors (%) | 8.31 | 7.71 |
| Market share-Local Institutions (%) | 11.82 | 10.28 |
| Market share-High Net Worth Client (%) | 2.27 | 1.97 |
| Ranking | 8 | 9 |
| Average trading value of KKS (Baht million) | 721.67 | 823.41 |
| Market share of KKS (including proprietary trading) (%) | 1.41 | 1.47 |
| Ranking | 24 | 23 |

Source : The SET and PSEC and KKS data

| TFEX Market Summary | 2011 | 2012 |
|---|------------|------------|
| Number of contracts | 10,027,116 | 10,457,928 |
| Trading Value (Baht million) | NA | NA |
| Trading volume of PSEC (no. of contracts) | 677,860 | 1,420,220 |
| Trading value of PSEC (Baht million) | 341,130.29 | 457,270.76 |
| Market share of PSEC (%) | 3.38 | 6.79 |

Source : the SET

TFEX has developed and continuously grown to provide alternative investment of investors. In 2012, TFEX launched new products such as USD Futures to create an opportunity for investors and export and import entrepreneurs to use as a currency risk management, which started trading in June, and Sector Index Futures to provide opportunities for investors to make profits or to manage risk on the volatility of the sector index effectively, which started the first trading in October. There are 14 brokers for TFEX.

For TFEX market, PSEC emphasizes on quality of service, research papers, and technology to support TFEX transactions effectively and lower cost such as technology for high frequency trading.

- **Investment Banking Business**

In 2012, the amount of fund raising activities by listed companies was totally Baht 196,246 million, divided into equity securities of Baht 148,517 million and property funds of Baht 47,728 million. Fund raising via the equity market comprises of 1) Initial Public Offering (IPO) of 18 firms (8 companies listed on the SET, and 10 companies listed on the mai) amounting to Baht 22,356 million, and 2) Public Offering, Right Offering, and Private Placement totaling Baht 126,162 million.

Besides, there was Overnight offering or Accelerated Global Tender (AGT) from 8 companies, amounting Baht 71,041 million, of which PSEC was a lead underwriter for 4 transactions with total value of Baht 16,396 million.

The value of overnight marketed private placement offering activities had increase substantially in line with the SET Index, which significantly increased by 34.3% in 2012. For fund raising activities, PSEC

has set more active business plan, with great emphasize on overnight marketed private placement which requires less preparation time and more flexible in term of offering period to suit market condition, as well as on IPOs. Moreover, PSEC was also looking for opportunities to underwrite investment units of property funds and infrastructure funds.

Total financial advisory for M&A transaction in 2012 was totally 23 deals, amounting Baht 134,304 million. PSEC involved 3 financial advisory transactions, total amount of Baht 18,826 million. Additionally, PSEC is still focus on financial advisory business for investment banking business' clients continuously.

Other securities firms also turned to focus on investment banking business with the aim to increase revenue as well as to support their securities brokerage business, therefore competition in this business is intense. As of December 31, 2012, there were 74 companies who have been granted to operate financial advisory service and currently are operating, while there were 40 securities firms who are granted as an underwriter. The competition in this business will be on quality of team, experience and expertise in business, initiatives of new financial instruments to meet clients' needs, and strong customer relationship.

- **Asset Management Business**

For the asset management industry, there are 23 asset manage companies under the SEC supervision, total Net Asset Value (NAV) was Baht 2.6 trillion, increased by 25.5% from Baht 2.08 trillion at the end of 2011. Referring to the data from the Association of Investment Management Companies (AIMC), the net asset value increased substantially in the first quarter of 2012, amounting Baht 2.22

trillion, increased from Baht 2.08 trillion at the end of 2011, or 6.6%.

The total NAV at the end of 2012, can be divided into Baht 1.58 trillion of fixed income funds or 60.0% of total funds, Baht 572 billion or 22.0% of total funds. Meanwhile, Retirement Mutual Funds (RMF) and Long-Term Fund (LTF) were continuous growing, with Baht 123 billion of RMF, and Baht 200 billion of LTF. Foreign Investment Fund (FIF)'s NAV increased from 2011 to Baht 611 billion, after the past 2 years the NAV declined since FIF investing in Korea were gradually matured.

Total asset under management (AUM) of KK-Fund in 2012 equaled to Baht 24.4 billion, increased by Baht 2.18 billion from 2011, with total 30 funds under management. KK-Fund is focus on 2 types of funds including mutual fund, accounted 31.0% of total AUM, and property fund accounted for 69.0% of total AUM. In addition, KK-Fund succeeds in property fund management and is well recognized by investors which can be seen from the 5 times of capital increase with total net assets of Baht 2.78 billion.

In 2012, KK-Fund set up totally 16 funds, including 11 fixed income funds with the investment policy to invest in both government and corporate

bonds locally and internationally and fixed investment period, 3 Trigger funds investing off shore, and 1 Trigger fund investing onshore, and 1 equity funds.

The size of asset management market grew significantly by 25.5%, therefore, the key competitive advantage will be focusing on professional fund managers and experienced team, who are well recognized by asset management society, and hold license granted by the SEC. Additionally, quality of team, expertise of consultant team, and innovation in term of investment instruments to provide diversified range of choice to satisfy customers' needs. The network and selling agents who are capable to advise and provide quality of service are the other important factors.

Private funds business was also growing continuously and very competitive, there are 24 asset management companies operating in this segment, with total 1,991 funds, increased by 18.0% from the end of 2011, equivalent to total net asset value of Baht 322,111 million, up 2.0% from 2011. PSEC started operating this business in 2012, emphasis in quality of service, long experienced fund managers. At the end of 2012, PSEC has totally 38 private funds under management, with total NAV of Baht 1,847 million.

Risk Factors and Risk Management

The merger between Kiatnakin Bank Public Company Limited (“the Bank” or “KK”) and Phatra Capital Public Company Limited (“Phatra”) successfully completed on September 11, 2012; as a result, the new business structure of “Kiatnakin Phatra Financial Group” (“the Group”) have been developed. the new structure consists of the Bank, as the parent company of the Group by undertaking a commercial banking business, and its subsidiaries that comprise Phatra Capital Plc., Phatra Securities Plc., Kiatnakin Securities Co., Ltd., and Kiatnakin Fund Management Co., Ltd., all undertaking an equity market related business, and lastly Erawan Law Office Co., Ltd., providing any legal supports to the Group.

Risk Management Overview

Kiatnakin Phatra Financial Group (“the Group”) acknowledges risk factors, both internal and external, that may affect its business operation such as changes in the economy, industry, environment or business operational procedures. In this regard, the Group has generated and placed importance on a reliable system of its risk management by having Risk Management Group and individual Risk Management Department at each subsidiary to regulate and support the risk management practice of the Group.

During 2012, the Group restructured its Risk Management’s organization in order to effectively correspond to the new business structure of the Group. One important example was that Market Risk Department has already been separated from the prior Market and Liquidity Risk Department, aimed to promptly respond to the anticipated increase of transaction volume in a trading book. Another example was the efficiency escalating in credit risk management by expanding roles and working

units within Credit Risk Department those are a Credit Review Unit and a Financial Institutions Counterparty Risk Unit. Moreover, Model Risk Unit was established Risk Management Support Department to control and support Model Risk Management of the Group.

Besides conforming risk management after the guidance of the Bank of Thailand, the Group also applies the Enterprise Risk Management (ERM) following the guideline of The Committee of Sponsoring Organizations of the Treadway Commission (COSO), a framework for risk management across the enterprise integration based on international principles. Moreover, COSO integrates the risk management, strategic plan and business opportunity to achieve the goal effectively and efficiently as well as permanently create the value added for the Group’s shareholders and stakeholders.

Risk Management Policy and Guideline

To satisfy an effective risk management of Kiatnakin Phatra Financial Group as a whole, the Group policy has indicated that risk management must pass through

the organization. Each group and its individual units fully have their responsibility to perceive and manage their risks appropriately, following the Group’s frame of risk management policy. The Risk Management Department plays a key role to regulate and examine to ensure that each business group and its unit have sufficient risk management and control system. In addition, each business group shall have funds allocation, whose amount

is evaluated by its possible risk associated with its business revenue loss, sufficiently to response on its own business risks.

The Group gives priority to training and development of employees’ knowledge in risk management which encourages the Group to achieve the goal effectively and efficiently. Additionally the ordinary public disclosure of risk management and capital information is importantly taken into account.



Risk Management Framework

The roles and responsibilities of the relevant committees and risk management authorities:

- **Board of Directors**

Supervise the Group's Risk Management Committee to ensure the determination of policy, procedures and control measures on risk management on various aspects covering the risk on strategic, credit, market, liquidity and operation.

- **Risk Management Committee**

Determine risk management policy, revising adequacy of policy and risk management system as well as supervising and monitoring risk volume of the Group to be at a level cohesive to the Group's risk appetite. The aim is to maintain all risks within an acceptable boundary and conduct business at a suitable of return.

- **Risk Management Group**

Design and develop tools and risk management process and also educate to business unit and subsidiaries of the Group. Moreover, Risk Management analyzes, monitors, controls and prepares the risk management report of the Group in order to manage following the risk appetite.

- **Internal Audit Group**

Audit and verify the operational processes in accordance with policies, regulations and operational risk management. Internal Audit examines and assesses the performance of internal control system and quality of operational processes to controls and reduces the risk.

- **Capital Management Department**

Plan, monitor and determine the Group's capital for the sufficiency of capital to service the group's financial activity and business performance. Importantly, Internal Capital Adequacy Assessment Process (ICCAP) has been properly utilized; it supports the Group to manage overall risks in any normal environment or in crisis, and also to be in accordance with the capital management standards under Pillar 2 of the Bank of Thailand requirement.

- **Risk Owner**

Be the product owner / departments / branches / and units of the Group, response to manage the various risks, processes and systems related products and services of their departments. The objective is to control the risk based on risk appetite and followed policies, regulations and risk management procedure as well as identification, assessment, monitoring and reporting of risk.

Improvement for Risk Management

Board of Directors approve Risk Road Map to be the guidelines of long term risk management consisting of 3 parts which are

- 1) Development of data warehouse infrastructure
- 2) Development of risk management and capital adequacy tools
- 3) Capital enterprise risk management

The project period is five years and aims to improve the credit risk complied with the capital requirements based on internal model, using Internal Rating Based Approach (IRB).

The Group has developed risk management approach that includes ICAAP and Basel II Pillar 2 Standard Approach. As a result, all significant risks could be managed and under control. Also, all approaches ensure that the Group has a sufficient capital to cover any risks and its business growth.

Scenario analysis has brought to the risk management procedure for the determination of risks under any unanticipated crisis as well as the capital sufficiency. By all means, policies, procedures, and practices of risk management are transformed to a written with approved by the Board of Directors.

Key Risk Categories

Kiatnakin Phatra Financial Group has taken into account any aspects of risk management not only those may negatively affect the Group's businesses, but those could also have complied with the practices regulated by the Bank of Thailand. Then there have been 5 major aspects of risk management as follows:

1. Strategic Risk
2. Credit Risk

- 3. Market Risk
- 4. Liquidity Risk
- 5. Operational Risk

1. Strategic Risk

Strategic risk arises from the derivation of strategic plan and implementation that are improper or inconsistent with the strategies, policies, organizational goals, competition and resources of the organization, which would eventually affect the revenues and capital of the Group. This is a result from both internal and external factors.

To lower the possibility and severity from strategic risk, the Group starts with the key components of strategic risk management which are risk identification, risk assessment, risk monitoring and reporting, and risk control. The Group identifies and assesses the strategic risk on two aspects which are risk on unachievable target and risk on annual strategic and business planning process. When the important Strategic risk is found, the Group reduces the risk, monitors and regularly reports to the Board of Directors and top executives to ultimately come up with a solution plan.

Regarding the strategic risk management of subsidiaries, all procedures should rely on the strategic risk management policy of the Group, which indicates that risk management of both itself and each subsidiary.

Risk factors in Business Operation

Strategic risk of the Group could be described as following;

1.1 Risk of economic uncertainty

In 2013, major concerns on economic risk will be divided to global risk and domestic risk. On the first aspect, the uncertainty of global economy that might be caused by political issues taking effect in an economic movement. For example, the increasing of the United States debt ceiling should take into consideration the future downgrading of the US government bond. Geopolitical risk in the Middle East and Northeast Asia could lead those regions into political and economic instability. Further example, among Southern European countries, their government's spending cut program would have continuously shrunk their economic span.

The second concern will come from the risk of domestic economy that will comprise 2 crucial risks. The

first one becomes risk from fiscal discipline, plausibly through (1) government's fiscal activities to increase its spending while shorten its income, (2) Quasi-fiscal activities on Specific Financial Institutions: SFIs and (3) an inefficient management of State-owned enterprises impacting the future government budget burden. Secondly, it refers to the risk of monetary discipline that might be the consequence of QE3 and QE4 used by the Federal Reserve of the U.S. These money injections may lead to the stronger value of Baht that will address the Bank of Thailand to further drop a policy interest rate. As a result, bubbles in both assets and household lending will arise. In addition to the strengthen Baht, there might be a tremendous amount of foreign direct investment coming into the country that will let the Bank of Thailand to come up with various procedures of Capital Control, resulting in drowning investors' confidence.

The Group still continuously and cautiously carries on the risk policy as well as integrates risk management into every step of business operation. Furthermore, the Group has also assessed business scenario and stress test exercise as well as prepared responding plan for unexpected crises to ensure that the capital is sufficient in the stress situation. An appropriate risk management principle has always been sustained to maintain high liquidity level and good credit procedure.

1.2 Risk from Capital Adequacy (ICAAP)

The Group significantly places the importance on Internal Capital Adequacy Assessment Process (ICAAP) to ensure that its capital maintained above the capital target. Necessary methods or tools are achieved to appropriately assess capital adequacy over operational risk of the Group.

That ICAAP is a coordination among various departments to achieve consistency of the Group's performance, target, strategy, business plan and risk appetite approved by the Board of Directors. The capital target is determined and reviewed at least annually. If the changes significantly impacted the level of capital, the capital target will be corrected as well.

Based on the calculation of capital adequacy accordance to the Basel II, the Group maintains the capital requirement under Standardised Approach (SA) for credit and market risks while Basic Indicator Approach (BIA) used for operational risk. Capital is not required for

other risks because the volume of transactions has not reached the significance level according to the Bank of Thailand's notification. However, the Group has the policy to maintain excess capital in accordance with risk appetite which is much more than the minimum capital requirement of the Bank of Thailand and sufficient for all risk in Pillar I and Pillar II.

In 2012, the Bank's business had substantially grown not only by the lending size, but also in its overall incomes; consequently, both credit and operational risks elevated. The Bank's total capital expanded by Baht 5,106 million to total Baht 27,391 million. It resulted from the paid-up capital increase by issuing share swap in a business merger with Phatra, and also from ESOP-W2 exercises during the year as well as from net profit after dividend payment. However, risks of the Bank rose that surpassed the growing of its capital. BIS ratio as of December 31, 2012, as a result, dropped by 0.71% from the end of 2011 to 14.69%, which remained above the minimum requirement of the Bank of Thailand at 8.50%. The table below shows a comparison of Capital Adequacy ratios of the Bank only in different years.

However, the Group plans to maintain capital in accordance with Internal Rating Based Approach (IRB) for credit risk and the Standardised Approach (SA-OR) for operational risk in the future. Both methods reflect the risks better than current methods; therefore, the required capital for retail loan will be lower. This shows that the risk for capital adequacy will be decreased.

Besides regulatory capital, Economic capital is being developed to assess the capital adequacy for various risks of the Group. This method is the internal assessment and will be monitored along with regulatory capital in the future.

For regulatory capital requirement in accordance with Basel III, which is effective by January 31, 2013,

the quality of capital is more concern. The Common Equity Tier 1 (CET1), is composed mainly of common stock and retained earnings, will be the highest quality and able to handle loss best. Furthermore, CET1 of the bank is approximately 95.4% of total capital. This displays that the capital quality and capital level of the Group is more adequate for business expansion and all risk under Basel III.

Capital Requirement Policy

The Group has policy to maintain capital for the various risks and business expansion in the future. Capital target and minimum capital requirement, are defined in risk appetite statement of the Group, are not less than the requirements of the Bank of Thailand, strictly required at 8.50%.

Capital target and minimum capital requirement are defined in risk appetite statement of the Group, containing the main objectives as follows:

- Maintain the capital higher than 8.50% required by the Bank of Thailand base on Pillar I notification to handle other significant risks unidentified under the minimum capital requirement.
- Preserve the capital in accordance with risk appetite and risk tolerance approved by Board of Directors.
- Consider the level of capital requirement in stress situation and prepare the capital contingency plan as well.
- Maintain the adequate capital for the risks of The Group under Pillar II
- Regard to the impact of maintained capital on shareholders.

In order to assess the capital completely, the Group

- Develop the risk assessment system, evaluated using quantitative methods in normal and stress

Capital Adequacy Ratio (Bank only)

| Capital Adequacy ratios (%) | December 31, 2010 | December 31, 2011 | December 31, 2012 | Minimum required by the Bank of Thailand |
|-----------------------------|-------------------|-------------------|-------------------|--|
| Tier I Capital | 14.55 | 14.70 | 14.01 | 4.25 |
| Total Capital | 15.18 | 15.40 | 14.69 | 8.50 |

scenarios, for credit risk, market risk, operational risk, credit concentration risk and interest rate risk in the banking book.

- Improve the criteria of capital requirement associated with type of significant risk and business unit in the Group
- Prepare capital plan and capital contingency plan to maintain the capital higher than minimum regulatory requirement
- Develop business performance system consider cost of capital and allocate return on equity by business unit
- Improve the risk assessment and capital adequacy by economic capital

The Group has a policy on being a specialized business focusing on hire purchase, real estate and Special Asset management business to achieve expertise and competitiveness in that business. With that strategy, the Group therefore has the following risk control measures:

- Maintain Capital Adequacy Ratio (CAR) at an adequate level to respond to the impact of business concentration of the Bank and fluctuation of future incomes. Nonetheless, the Group maintains a higher ratio than the average industrial level. As of December 31, 2012, the ratio was 14.69%, higher than the 8.50% as per the Bank of Thailand's notification, or the total capital of Baht 27,391 million.
- Minimize market and liquidity risk while addressing the credit risk with the Group's long-standing expertise.
- Control the diversification of present core business of the Group at an appropriate level while seeking potential new core business

In addition, strategic risk management is taken responsibility by Board of Directors and Executive Committee. Strategic and business planning department prepares and reviews strategic plan as well as monitor the Group's performance. The department presents the strategic plan to Executive Committee for acknowledgement and then proposes the acknowledged strategic plan including budgeting framework to Board of Directors for approval.

The Group also tracks actual performances comparing to the business plan and budgeting,

associated with an evaluation on different levels, to find out the causes and solution as well as corrective actions follow-up, which suits the nature and transaction volume of the Group's business. .

2. Credit Risk

Credit risk is a risk wherein a counterparty or debtor of the Group is unable to fulfill the terms and conditions of a contract making him unable to repay the due debt or intends to default the contract. Once that incident occurs without having a full collateral coverage, net income and capital of the Group directly affect.

Risk factors in Business Operation

2.1 Credit Concentration Risk

The Group sets the risk limit of credit concentration to reduce the impact of losses from NPL and the Group's earnings volatility, which is divided into three aspects; Single Lending Limit, Large Borrower Concentration and Sector Concentration.

2.2 Risk of non-performing loans and collateral

In overall, loan quality of the Group in 2012 seemed slightly improving, compared to the earlier year due to following NPL plan and revised lending policy as well as controls and monitors the loan quality. The collateral value is ordinarily appraised and reviewed by an internal valuer or external independent valuer, who is incorporated with the Securities and Exchange Commission's standards, and would be moderated by the Appraisal Subcommittee according to the appraisal process and procedure.

The guideline of credit risk management is to focus on lending to specialized business in accordance with lending policy, lending criteria and conditions, loan approval authority including the tools such as mapping the credit rating. The Group gives priority to the ability to repay the loan, capability and reliability of the entrepreneur as well as closely monitors the loan. This lets the Group know the loan quality and support the customer quickly.

The Group places importance on the structure of credit risk management, covered comprehensive policy that is consistent with strategies and risk appetites, taken responsibility by the Risk Management Committee. Ending of 2012, the Bank held NPL itself Baht 5,621 million, accounted for 3.3% of the total loan as showing below.

Non - performing loans (NPLs)

| Loan Type | December 31, 2010 | | December 31, 2011 | | December 31, 2012 | |
|--------------------------------------|-------------------|-------------|-------------------|-------------|-------------------|-------------|
| | Million Baht | % of loan | Million Baht | % of loan | Million Baht | % of loan |
| Retail Lending | 1,004 | 1.3 | 1,375 | 1.3 | 2,345 | 1.8 |
| Hire Purchase | 783 | 1.1 | 989 | 1.0 | 1,936 | 1.6 |
| Personal loan | 55 | 2.0 | 60 | 2.0 | 62 | 1.8 |
| Micro-SMEs loan | 2 | 0.2 | 67 | 4.0 | 112 | 6.6 |
| Housing loan | 164 | 10.0 | 258 | 17.0 | 236 | 46.6 |
| Commercial Lending | 3,125 | 12.1 | 2,449 | 8.0 | 2,584 | 6.6 |
| Real Estate Development | 2,600 | 17.8 | 1,962 | 11.6 | 1,955 | 9.6 |
| SMEs loan | 525 | 4.7 | 486 | 3.6 | 629 | 3.3 |
| Special Asset Management loan | 840 | 43.2 | 912 | 57.0 | 692 | 53.1 |
| Total loan | 4,968 | 4.6 | 4,735 | 3.5 | 5,621 | 3.3 |

Hire Purchase Loan is business with low fluctuation and high growth rate, yet, the competition in terms of service and interest rate is visibly high. However, it is a business wherein the risk is self-distributed. Major risk factors would arise from changes in economy, laws and automobile industry which would affect the repayment ability of debtors as well as policy and business operation of the Group.

As ending of 2012, NPL of hire purchase loans was total Baht 1,936 million or 1.6% of its loan amount, slightly increased from the end of 2011 as a result of the hire purchase business moving toward more used cars lending. To illustrate, lending the used-car hire purchase has provided a higher net return (after damage cost deducted) as well as a greater number of %NPL relative to the new car hire purchase. Nevertheless, the Bank had its substantial level of reserve (at 140%) to prevent any losses that might occur from this incident.

The most important incentive of a fast-paced growing in the auto lending business in Thailand in 2012 was the first-car scheme launched by Thai government that year. This scheme, on the other hand, plausibly took a negative effect on the drowning of loan quality and even worse once the client turned to be NPL whose car was foreclosed for auction. Therefore, in 2013 the Bank will be more focusing on its loan quality monitoring process, and also on any regulations related to public excise regarding its private auctions of foreclosed cars.

Micro-SMEs Loan Although during the second half of 2012 Micro-SMEs loan's %NPL significantly arose,

the loan's clients had their collaterals fully covering their loan amount, which would minimize the Bank's loss. Presently, some clients have their loan restructured successfully whereas the remaining loan portfolio is in the negotiation progress. To prevent the future damage and limit %NPL rising, the Bank has been improving the lending procedure both prior and after a loan approval. In sum, as of December 31, 2012, Micro-SMEs' loan outstanding alone remained at 1.0% of the total loan portfolio outstanding while its NPL stood at 2.0% of the total NPL of the consolidated loan portfolio.

Housing Loan, NPL of housing loan by ending of 2012 declined from ending of 2011, down from Baht 258 million to Baht 236 million. In fact, the Bank has its policy to minimize the housing loan portfolio. One of that was selling some loan portfolio to the Secondary Mortgage Corporation (SMC). As a result of housing loan outstanding dropping itself, its %NPL relatively increased.

Real estate Development Loan This business requires the greater amount of investment and its success comes from either lands or building units sold. Then its risk management is focused on the selection and approval process for projects with potential and prospect of success within the current and forthcoming market conditions. Additionally, the consideration also looks for dispersion of projects and product characteristics. Determination of return is based on an apparent credit risk level to reduce impact from changes in real estate environment, competitors, and consumers. At the end of 2012, the real estate development loan had a total NPL

of Baht 1,955 million or 9.6% of its loan amount, a decrease from that of 11.6% in the end of 2011. The majority was NPL from loan approved before 2006 prior to a tightening of loan policy, which the problems were gradually resolved before leading to a continuous decrease of NPL.

The reviewing of credit quality focuses on loan limit of each lending group and subprime loan monitoring. The Group has tightened its real estate loan policy leading to better quality of new loans and appropriate dispersion of project location in consistent with the market conditions.

SMEs Loan is comprised of apartment lending, floor plan lending, logistic lending, printing and packaging lending. At the end of 2012, SMEs loan was total Baht 18,860 million, with 3.3% NPL of its total loan.

Special Asset Management Loan is a business with volatility of cash flow, debt restructuring period and collateral value. The success of which therefore depends upon ability and efficiency of restructuring process that is appropriate to the repayment ability of debtor and credit collateral as well as internal and external legal process.

With regards to overall concept for all types of business lending, the Group, with realization of such business fluctuation, has placed importance on selection of quality loan process and high level of capital reserve and provision for doubtful debt.

At the end of 2012, the doubtful debt provision was 109.5% of total NPL, an increase from that of 108.0% of total NPL at the end of 2011. This provision will be reserved to sufficiently accommodate impact from any possible changes in economic environment that might affect the business.

3. Market Risk

This become the risk when the value or price of assets, such as interest rate, exchange rate, asset in money or capital market, deviates and then takes effect to the Bank's stability on either Trading Book or Banking Book, and may negatively result the Bank's incomes and capital.

Since market risk is an uncontrollable one, the Bank then put a strong effort to manage the market risk to align within both the Bank's risk appetite and its overall risk

policy. Therefore, market risk management policy has been constructed with its regularly reviewing, aimed to promptly correspond to any changing of character, quantity, complexity of financial transaction, or current market situation. Also, in the market risk management, its risk indicators and risk limit have been utilized in the process of an appraisal, follow up, and control of market risk to satisfy the risk appetite.

Asset and Liability Management Committee (ALCO), Investment Committee, and Treasury Department altogether take the responsibility to administer, monitor and control the market risk in accordance with risk management policy as well as report to Risk Management Committee and the Board of Directors on regularly.

Risk factors in Business Operation

The Bank has structured market risk management into 2 aspects: market risk in Trading Book and market risk in Banking Book. In 2012, transaction volume in the Trading Book was relatively low, as low as 0.003% of total assets, total liabilities, and total financial derivatives of the Bank combined, as of ending 2012.

3.1 Interest Rate Risk

To mitigate risks and impacts from variable interest rate, the Bank has managed a mismatch between an interest rate sensitive assets and rate sensitive liabilities both on and off the balance sheet. Besides, Earning perspective and Economic value perspective have regularly been reviewed through Repricing Gap analysis, under both normal circumstance and stress test.

The Bank develops and improves Economic Value of Equity Model (EVE Model), following the requirement of the Bank of Thailand, that is used to assess and analyze the risk as well as to evaluate the impact of the risk, more precisely, on economic value of the Bank.

With realization on the importance of interest rate variability which has direct effect on net interest incomes, the Board of Directors has therefore assigned the Assets and Liability Management Committee (ALCO) to monitor and control their impact through the adjustment of maturity and duration of the interest rate on liability to match with such of that on an asset side. The importance has been placing on the shorter average maturity of the Bank's liabilities that could be harmful and need a special monitoring.

The structure of asset and liability of the Bank as of December 31, 2012, if the interest rate increases by 1.0%, the Bank's net interest incomes would reduce by 4.8% from estimated net interest incomes earning in the next year, and also send an impact on the bank's economic value by 6.9% of the Bank's total capital.

3.2 Impairment of Foreclosed Assets Risk

To reduce risk from the impairment, the Bank provides policies such as the appraisal and review of the asset on a regular basis, a record of foreclosed assets' value at the lower between fair value and book value, the impairment amortized by period of holding. At present, the Group has the book value of foreclosed asset at 53.3% comparing to appraisal value.

Although the previous sales of the Bank's foreclosed assets were very close to their appraisal value, in real estates business, market price has played an important role on financial status and performance of the Bank. The provisions are recorded by discounted value, according to the holding period. As of December 31, 2012, the book value of foreclosed asset was Baht 4,980 million whereas its appraisal value was Baht 10,253 million, or 205.9% of its book value.

3.3 Exchange Rate Risk

Although the risk from exchange rate movement of the Bank is low due to the insignificant level of either its transaction volume or its relevant transactions, The Bank also aims to prevent that risk from future investing in any foreign currency instruments. Along that, Treasury Department has proceeded to fully hedge any transactions through procedures: FX swap and cross currency swap, or otherwise approved by Asset and Liability Management Committee (ALCO).

3.4 Equity Price Risk

A relatively low risk might be taken into account for an equity price movement due to the insignificant level of either its transaction volume or its irrelevant transactions within the Bank. The status of equity price risk is managed, looked over and reported based on a daily market price, associated with a Stop Loss Limit along the controlling process. Nonetheless, this risk has become significance once considering all the Bank's subsidiaries' business. When each subsidiary has related to any activities in the equity market, it individually comes up with its risk limit to prevent that risk, happening

from the market price fluctuation, such as Value at Risk Limit (VaR Limit).

Regarding the market risk management of the Group, the Bank has followed through the Bank of Thailand's regulations on the Consolidated Supervision. This risk management supervision includes evaluating, monitoring, reporting, and controlling the market risk on each individual subsidiary of the Group to be in accordance with the group's risk management strategy and policy. Each subsidiary is required to regularly report its market risk situation to the Risk Management Committee of the Bank for a purpose that any losses could be prevented and decreased in their severity.

4. Liquidity Risk

Liquidity risk is the risk wherein the Group may be unable to fulfill its obligation within a specified time period because it cannot convert the asset into cash or fund in time.

In addition to the minimum requirement of liquid asset holding by the Bank of Thailand, the Bank also possesses liquidity surplus to ensure the sufficient amount of on hand liquidity to cover both current and future payment as well as to mitigate risk from economic impacts. The Bank's liquidity is carefully managed under not only in qualitative but also in quantitative method in order to diversify any possible risks. Furthermore, customer behavior on making their withdrawal/deposit is used to analyze the proper amount and cost of cash holding at a certain period of time; available capital then is suitably utilized to yield benefits during positive market climate.

The Group has Asset and Liability Management Committee (ALCO), Treasury Department, and Risk Management Group to have their direct responsibility to monitor and take liquidity risk to be under control, followed the risk management policy. Then the status of liquidity risk is required to report to the Risk Management Committee and the Board of Directors on a regular basis.

The liquidity management of the Bank is under supervision of the Assets and Liability Management Committee (ALCO) and Treasury Department to ensure appropriate liquidity level. Core policies are as follows:

- Maintenance of high level of liquidity on a continuous basis
- Control maturity mismatch between liabilities and assets at an acceptable level
- Distribution of liability genres
- Expansion of deposit base, considering the concentration of deposit accounts and maturity term
- Provision of contingent liquidity reserves

In addition, the Bank regularly exercises liquidity stress test in various scenarios as well as prepares contingency funding plan defined role and responsibility of executives and related parties. The plan is practiced on annual basis.

Overall, in 2012 liquidity risk level of the Bank had been under control with an alignment upon the risk appetite. All Instruments that have brought to measure liquidity risk consist of Cash flow / Liquidity projection, Liquidity ratio, and Liquidity Gap analysis considering both Contractual Maturity and Behavioral Maturity - to be favorable the actual behavior. These analyses shall effectively take place under both normal circumstance and stress test to ensure the prompt.

Regarding the liquidity risk management of the Group, the Bank has followed through the Bank of Thailand's regulations on the Consolidated Supervision. This risk management supervision includes evaluating, monitoring, reporting, and controlling the liquidity risk on each individual subsidiary of the Group to be in accordance with the Group's risk management strategy and policy. Each subsidiary is required to regularly report its liquidity risk situation to the Risk Management Committee of the Bank for a purpose that any losses could be prevented and decreased in their severity.

5. Operational Risk

Operational risk refers to the risk of direct or indirect losses in bank earnings and capital funds, resulting from failure or inadequate processes, personnel, operating and IT systems, or external events.

To have operational risk mitigation, the Bank acknowledges each division to be able to identify, evaluate, follow, and report its crucial risk; besides, each one has to manage its individual Key Risk Indicator (KRI) and to set a controlling standard to control the risk. In addition, the Group also requires all units to collect and

report Loss Data, Near Miss data, and Legal Loss, which occurs once the Bank has been accused, resulting from the operational risk, and tended to loss the case, in a risk event database for the purpose of risk management and supporting the development of operational risk measurement models in the future.

For the coming year of 2013, the Group still places great importance on new product released to ensure those new products are in line with risk appetite and have a decent controlling process. All units have to completely do all risk assessment and measure the effectiveness of controlling method before launching. In addition, the Group also has an efficient operational risk management process. In the event of damage, the risk owner will work with risk management, internal audit and compliance to analyze the causes of the incident. This risk owner also takes responsibility to control and monitor the events as well as provides the plan to reduce damage under the risk appetite within a reasonable time including operation cost compared with benefits.

The structure of the Group's Risk Management facilitates the operational risk management effectively. Besides the Board of Directors, the Risk Management Committee and Internal Audit, there is Risk Coordinator (Risk-co) whose roles include coordinating with the Risk Management Department, and participating in risk management process of: identifying, measuring, monitoring, reporting, controlling and coordinating within the unit, in order to acknowledge peers the policies and guidelines on operational risk management. In the event that can become the significant operational risk, Risk-co will report the incident to Risk Management Department.

Due to natural disasters and political unrest, the Group designated units that have borne Critical Activities to prepare a Business Continuity Plan to ensure that all key transaction continues in case of emergency.

Between a period of 2012-2013, many projects subject to the improvement of operational risk management has been in progress, such as

- Calculation instrument used to calculate capital allocated to liquidity risk: Standardized Approach (SA-OR Project), which in return benefits on the stronger competitiveness and more accurate risk projection
- Operational Risk Management System Enhancement Project in order to improve the efficiency in control

system as well as to respond the happening damage and risk properly and timely; it should elevate the risk management standard similarly to the international's.

In addition, the Group has joined one of the Bank of Thailand's projects called "Operational Loss Data Pooling" that benefits the Group to be able to reach other peers' operational loss data once bringing into a comparison. To be able to compare data across other banks, this will enhance the Group's risk management effectiveness, and, furthermore, will provide more examples to the developing model of Advanced Measurement Approach (AMA), used in evaluation capital requirement for liquidity risk.

Due to an ongoing improvement and emerging invention in both of money and equity markets, many new risk factors should be arising and, in fact, more difficult to be anticipated. To be worse, some present risks and their results could turn more severe by any chances. Those tragic changes might harmfully impact the business operation and also the financial performance of either the Bank itself or the Group. Thus, continuing advancement along with an active approach on risk management duties have always played significant role in terms of limiting any future losses of the business.

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) report for the year ended December 31, 2012 discusses principal changes in the audited consolidated financial statements for the year 2012 in comparison to the operating performance and financial position of the year 2011.

Overall Business Operations in 2012

Loan portfolio of the Bank has continuously been growing since the beginning of the year at the rate of 24.5%ytd, essentially from all loan types. For hire purchase (HP) business, the Bank has shifted to more used cars hire purchase lending while new cars hire-purchase business was well supported by the strengthening domestic car sale as well as the government's subsidy in the first-car scheme in 2012. Other core lending businesses, including real estate development and SMEs lending, have been expanding outbound toward many emerging business districts.

The Bank has reduced the proportion of Bill of Exchange (BE) fund raising from the public since 1Q12 right after the Bank of Thailand (BOT) announced the regulation to collect an incremental fee paid to the DPA and the FIDF, effective in 2012. The new regulation states that 0.46% of deposits, BE, and borrowings accounts for FIDF fee while 0.01% of deposits accounts for DPA fee. Therefore, the Bank's fund raising has been shifting toward more deposit accounts including current accounts, saving accounts, and term deposits, and more both short- and long-term debentures. Since the beginning of 3Q12, the Bank has no longer offered BE to the public.

There were total 15 new branches opened in 2012, adding to 87 branches nationwide at the end of the year, with 3,860 staff (including staff of Phatra Capital and Phatra Securities) at the end of 2012.

Major events and changes in 2012

• Thailand flood incident in 2011

Due to the great flood in Thailand at the end of 2011, the Bank of Thailand issued the measures for all commercial banks to be able to maintain the current status of clients as they were before experiencing the flood, to provide financial supports by alleviating conditions of settlements and restructuring. However, the Bank has issued the debtor assistance measures including suspending payment of principal and interest, debt restructuring, as well as setting aside appropriate provisioning, and keep track of credit quality to ensure the good credit quality.

• The completion of the merger with Phatra Capital Plc. ("Phatra")

Referring to the merger plan between KK and Phatra approved by the Bank's shareholder's meeting 2012 on April 26, 2012, the Bank made the Tender Offer for securities of Phatra from all Phatra shareholders during the tender offer period from August 7 - September 11, 2012 (total 25 business days) in order to delist all the Phatra's securities from the Stock Exchange of Thailand (the SET) at the share swap ratio of 1share of Phatra for 0.9135 share of the Bank under the condition that , at the end of the tender offer period, Phatra shareholders accepting the tender offer shall represent not less than 75% of the total number of shares sold of Phatra. Moreover, if the transaction results that more than 90% of Phatra's total shares are sold, the Bank will entirely transfer its shares of Kiatnakin Securities Co., Ltd. (KKS) at the book value and shares of Kiatnakin Fund Management Co., Ltd. (KK-Fund) at the acquisition price of KK-Fund to Phatra.

The merger was successful on September 11, 2012 with the result of the Tender Offer totaling 99.93% of total shares of Phatra accepted the Tender Offer, therefore the registered and paid-up capital of the Bank increased by 191,979,745 shares, started trading on September 25, 2012, when Phatra's securities were formally delisted from the SET.

Additionally, the Bank completed the additional share purchase of 40% of total issued and paid-up of KK-Fund shares from the Government Pension Fund in accordance with the Board of Directors Meeting No.7/2012, on September 7, 2012. The transaction was completed on September 28, 2012 when total Baht 63 million cash was settled in exchange for the KK-Fund shares of total 4.8 million shares. There was a record of goodwill totaling Baht 19 million from this transaction. Therefore, the Bank holds 99.9% of KK-Fund. Thereafter, KK transferred the shares of KK-Fund and KKS to Phatra on December 28, 2012 and January 2, 2013 respectively in accordance with the merger plan.

The business of KK Phatra Financial Group is divided into 2 groups, 1) Commercial Banking business, under responsibility of Chairman of Commercial Bank and President, consisting of retail banking, and corporate lending both real estate development lending and SMEs lending, and 2) Capital Market business, taking care by Chairman of Capital Market and President, comprising of brokerage, investment banking, investment business, and fund management. Moreover, special assets management or distressed business was separated out to report directly to the Bank's CEO.

• The consolidated financial statements for the year 2012

The operating performance of Phatra and Phatra Securities Co., Ltd. (PSEC) was consolidated to the Bank's financial statements from September 12, 2012 onwards and there are some significant accounting items occurred from the merger in the statements of financial positions as follows;

- Investment in Phatra totaled Baht 8,927 million in the bank only statements on the merger day
- Total Shareholders' equity increased from additional shares issued for the share swap amounting 191,979,745 shares at par value of Baht 10, and share premium totaling Baht 7,007 million.
- Goodwill amounting to Baht 4,770 million arose in the consolidated financial statements. Goodwill

has been derived from the difference in value of consideration transferred, that is the number of shares issued multiplied by the Bank's share price of Baht 46.50 per share on the last day of the tender offer period, compared to the fair value of identifiable assets and liabilities. Additionally, the Bank of Thailand have specified through their approval notification that goodwill arising from investment in Phatra shall be deducted from the Bank's Tier 1 Capital Fund.

According to the Thai Financial Reporting Standard 3 (TFRS 3): Business Combinations stated that within a year after the purchase date, the measurement of the fair value can be performed and adjust the fair value of the acquired securities booked on the purchase date. The merger transaction between KK and Phatra was the share swap, in which KK issued new ordinary shares in exchange for Phatra shares and the Bank's management viewed that the fair value booked on the purchase date was considerably higher than the actual fair value of the acquired securities.

Therefore, KK has adjusted the fair value of the consideration paid by taking the fair value of the shareholder's equity of the acquiree plus the synergy occurred from the merger, and the share price of the acquirer during the period of negotiation of share swap into account. The fair value adjustment is conducted in accordance with the Question and Answer paper regarding the accounting for Business Combinations for share swap transaction posted on the Federation of Accounting Professions. Consequently, the value of investment in Phatra decreased by Baht 1,760 million to Baht 7,167 million and the change of investment in Phatra reflected in the reduction of the share premium. Goodwill in the consolidated financial statements reduced by Baht 1,760 million to Baht 3,010 million at the end of 2012.

Additionally, in 2012, the Bank has adopted IAS No.12 Income Taxes (Bound volume 2009) to apply the deferred tax recording, with the backward adjustment in the financial statements.

KK financial performance 2012 vs target

| Targets (%) | Target | Actual |
|--|-----------|--------|
| Return on equity (ROAE) ¹ excl goodwill | | |
| Bank's Net income/ Bank's equity | 13.0-15.0 | 13.0 |
| Bank's Net comprehensive income/ Bank's equity | - | 12.9 |
| Loan growth | 21.0 | 24.5 |
| Loan Spread (incl. DPA fee) | 4.3 | 3.9 |
| NPL/Total Loans (excluding interbank) | 3.5-3.7 | 3.3 |
| Total Loan loss reserve/ total NPLs (coverage ratio) | >100.0 | 109.5 |
| Branches (Including Head Office) | 80-85 | 87 |

Summary of Performance of the Bank and subsidiaries

Operating results of the Bank and subsidiaries for the year ended 2012 comparing with those of the year 2011, the consolidated net profit totaled Baht 3,391 million, increased by 49.2%yoy, with Phatra's net profit of Baht 403 million. Meanwhile, the consolidated comprehensive income was totaling Baht 3,375 million, increased by 54.0%yoy, and Phatra's comprehensive income was Baht 403 million. The total operating income increased by 20.9%yoy.

Net interest income increased by 9.8%yoy, in which total interest income rose by 27.9% yoy while interest expense increased by 52.2%yoy as a result of the Bank collecting more deposits and borrowings to support its lending business. Also, due to the new Bank of Thailand (BoT) regulation, announced in 2012, on FIDF and DPA fee, as well as the policy remained high at 3.0% from the beginning of the year so the Bank could not lower deposit rate further until the Monetary Policy Committee reduced the policy rate in December 2012 to 2.75%.

Net fees and services income increased by 60.7%yoy, attributable mainly to an increase in fee income from bancassurance business following strong hire-purchase loan growth. Brokerage fee improved by 102.2%yoy contributed from KKS totaling Baht 463 million, and from Phatra amounting Baht 387 million since 12 September 2012 onward. Additionally, there were fees generated by Phatra Securities including underwriting fee, financial advisory fee, and fee from

stocks borrowing and lending business. Meanwhile, gain from sales of foreclosed assets was similar to the year before.

As a result of the merger transaction, gain on trading and foreign exchange transactions increased mainly from sale of equity trading and derivatives of Phatra Securities, and gain from investment was Baht 324 million from sale of securities of Direct Investment of Phatra.

Other operating expenses increased by 22.7%yoy mainly from an increase of personnel expense and premises and equipment expenses following 15 new branches expansion. However, with the Bank policy to control its operating cost and to boost efficiency, cost-to-income ratio in 2012 was 51.1%, compared with 51.3% in 2011.

Bad debts, doubtful accounts and loss on debt restructuring totaled Baht 1,555 million, up 21.7%yoy. The Bank has set aside more specific provision expense amounting Baht 1,755 million following rising NPLs, leading to the coverage ratio of 109.5% compared with 108.0% in 2011.

Basic earnings per share and diluted earnings per share were Baht 4.88 per share and Baht 4.84 per share respectively. The Bank's paid up and share capital at the end of 2012 was Baht 8,328,318,590 increased from the additional share issued for the share swap transaction and the exercise ESOP-W2 during the year. Return on Average Equity (ROAE), Return on beginning Equity (ROE) and Return on Average Assets (ROAA) are as follows;

¹ Average total equity of the Bank = (average the beginning equity and the ending equity excluding capital increase) + capital increase excluding goodwill

| | 2011 | 2012 |
|---|------|------|
| Net Profit of the Bank | | |
| ROAE excluding goodwill* | 9.9 | 13.0 |
| ROE excluding goodwill** | 10.4 | 13.5 |
| ROAA excluding goodwill | 1.4 | 1.6 |
| Comprehensive income of the Bank | | |
| ROAE excluding goodwill* | 9.6 | 12.9 |
| ROE excluding goodwill** | 10.0 | 13.4 |
| ROAA excluding goodwill | 1.3 | 1.6 |

* ROAE is calculated from average total equity of the Bank = (average the beginning equity and the ending equity excluding capital increase) + capital increase excl goodwill

** ROE is calculated from the beginning equity of the Bank + capital increase excl goodwill

Statement of Comprehensive Income

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| For the year ended December 31, | CONSOLIDATED | | Change | |
|--|--------------------|------------------|------------------|-------------|
| | 2011 "Restated" | 2012 | Amount | % |
| Interest income | 11,296,385 | 14,451,703 | 3,155,318 | 27.9 |
| Interest expenses | 4,820,659 | 7,338,953 | 2,518,294 | 52.2 |
| Net interest income | 6,475,726 | 7,112,750 | 637,024 | 9.8 |
| Fees and services income | 1,573,428 | 2,572,765 | 999,337 | 63.5 |
| Fees and services expenses | 154,092 | 292,147 | 138,055 | 89.6 |
| Net fees and services income | 1,419,336 | 2,280,618 | 861,282 | 60.7 |
| Gains (loss) on tradings and foreign exchange transactions | (11,640) | 225,865 | 237,505 | (2,040.4) |
| Gain on investments | 179,544 | 443,304 | 263,760 | 146.9 |
| Gain from sale of foreclosed assets | 1,244,851 | 1,223,813 | (21,038) | (1.7) |
| Dividend income | 54,943 | 22,567 | (32,376) | (58.9) |
| Other operating incomes | 166,901 | 208,714 | 41,813 | 25.1 |
| Total operating income | 9,529,661 | 11,517,631 | 1,987,970 | 20.9 |
| Other operating expenses | | | | |
| Employee's expenses | 2,340,283 | 3,034,642 | 694,359 | 29.7 |
| Directors' remuneration | 13,331 | 18,967 | 5,636 | 42.3 |
| Premises and equipment expenses | 859,225 | 1,026,197 | 166,972 | 19.4 |
| Taxes and duties | 270,843 | 288,136 | 17,293 | 6.4 |
| Loss from revaluation of foreclosed assets | (110,748) | 85,987 | 196,735 | (177.6) |
| Other expenses | 1,457,599 | 1,475,500 | 17,901 | 1.2 |
| Total other operating expenses | 4,830,533 | 5,929,429 | 1,098,896 | 22.7 |
| Impairment loss of loans and debt securities | 1,277,642 | 1,554,971 | 277,329 | 21.7 |
| Profit from operating before income tax expenses | 3,421,486 | 4,033,231 | 611,745 | 17.9 |
| Income tax expenses | 1,121,548 | 605,446 | (516,102) | (46.0) |
| Net profit | 2,299,938 | 3,427,785 | 1,127,847 | 49.0 |
| Net profit attributable to: | | | | |
| Equity holders of the Bank | 2,272,627 | 3,391,287 | 1,118,660 | 49.2 |
| Non-controlling interest | 27,311 | 36,498 | 9,187 | 33.6 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Bank | 2,192,225 | 3,375,257 | 1,183,032 | 54.0 |
| Non-controlling interest | 31,942 | 38,619 | 6,677 | 20.9 |
| Earnings per share of Equity holders of the Bank | | | | |
| Basic earnings per share (Baht) | 3.59 | 4.88 | | |
| Diluted earnings per share (Baht) | 3.57 | 4.85 | | |

Interest income was Baht 14,452 million, rose by 27.9%yoy, contributing from interest income from hire purchase and financial lease income totaling Baht 8,365 million, up 27.4%yoy, relative to continually expansion of hire purchase business at the growth rate of 25.9%ytd. Interest income from loans totaled Baht 3,620 million, increased by 25.9%yoy following continuous strong loan growth of all corporate lending business. Interest income from investment was up by 134.9%yoy, mainly from investment in fixed income portfolio which the size of the portfolio expanded significantly in 2Q12 and 3Q12, coupled with the policy rate remained at 3.0% since the beginning of the year. Interest income from investment in loan, depending on success of debt restructuring and litigation process, increased by 19.7%yoy, to Baht 886 million. Meanwhile, interest income from interbank and money market was Baht 645 million, dropped by 10.0%yoy resulting from interest rate environment in money market as well as liquidity of the Bank.

Interest expenses were Baht 7,339 million, up by 52.2%yoy, attributable to the stable high policy rate at 3.0%, restricted the Bank from deposit rate reduction as well as high competition on deposit from all banks

has caused high deposit rates in the market. The Bank also collected more deposits and borrowings to support strong business growth. Moreover, an additional FIDF and DPA fees charged to all banks.

Net interest income was Baht 7,113 million, up by 9.8%yoy. Loan spread was lower to 3.9%, compared to 4.3% in 2011 as a result of higher cost of fund from 3.5% to 4.0% following high interest rate environment and high volumes of deposits and borrowings.

In 2012, yield on loan was fluctuated in 1H12. In 1Q12, the yield on loan reduced as a result of stop accrue interest income from restricted HP loan and fleet lending under the flood impact scheme with the grace period of 3-6 months, which was accounted for 0.47bps of yield on loan. Meanwhile, yield on loan in 2Q12 improved mainly from the termination of the flood impact scheme providing to hire purchase and fleet lending clients so the Bank was able to normally accrue interest income from those clients who joined the scheme, together with the success of restructuring real estate development loan and the Bank received a decent amount of repayment and closing that account, therefore yield on loan in 2Q12 was higher than normal.

Table : Interest Income

| For the year ended | Baht million | | | |
|--|--------------|--------------|--------------|--------|
| | Consolidated | | Change | |
| | Dec 31, 2011 | Dec 31, 2012 | Baht million | % |
| Interest income | 11,296 | 14,452 | 3,156 | 27.9 |
| Interest on loans | 2,876 | 3,620 | 744 | 25.9 |
| Interest on interbank and money market items | 717 | 645 | (72) | (10.0) |
| Hire purchase and financial lease income | 6,565 | 8,365 | 1,800 | 27.4 |
| Interest on securities | 398 | 935 | 537 | 134.9 |
| Interest on investment in loans | 740 | 886 | 146 | 19.7 |

Table : Interest Expense

| For the year ended | Baht million | | | |
|--|--------------|--------------|--------------|-------|
| | Consolidated | | Change | |
| | Dec 31, 2011 | Dec 31, 2012 | Baht million | % |
| Interest expense | 4,821 | 7,339 | 2,518 | 52.2 |
| Interest on deposits | 2,084 | 3,850 | 1,766 | 84.8 |
| Interest on interbank and money market items | 167 | 199 | 32 | 19.0 |
| Interest on debt issued and borrowings | 2,276 | 2,599 | 323 | 14.2 |
| Fees and charges on borrowings | 7 | 9 | 1 | 17.0 |
| FIDF and DPA fees | 287 | 683 | 396 | 138.3 |

Table : Loan Spread

| % | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 |
|---------------|------|------|------|------|------|------|
| Yield on loan | 7.8 | 7.3 | 8.4 | 7.8 | 7.9 | 7.9 |
| Cost of fund | 3.5 | 3.8 | 4.0 | 4.0 | 4.0 | 4.0 |
| Loan spread | 4.3 | 3.5 | 4.4 | 3.8 | 3.9 | 3.9 |

Net fee and service income was Baht 2,281 million, increased by 60.7%yoy, mainly attributable to the rising fee and service income by 63.5%yoy to Baht 2,573 million that was comprising of 1) fee from banking business totaled Baht 1,537 million, rose by 36.8%yoy, largely from bancassurance business of Baht 928 million, 2) fee income from capital market business including brokerage income generated by Kiatnakin Securities Co., Ltd., and Phatra Securities Plc., totaled Baht 463 million, and Baht 387 million respectively, following investment momentum in the capital market, investment banking fee was Baht 102 million from underwriting fee for Tesco Lotus Retail Growth Freehold and Leasehold Property Fund (TLGF) and PTT Exploration and Production Plc. (PTTEP). Moreover, fee from fund management business operating by KK Fund Management Co., Ltd., totaled Baht 81 million, up 172.5%yoy. Meanwhile, total fee and service expense was Baht 292 million, up 89.6%yoy.

Other operating income totaled Baht 11,518 million, increased by 20.9%yoy from an improvement in net interest income, and net fee and service income mentioned earlier. Gain from investments totaled Baht 324 million, increased by 146.9%yoy, from the Direct Investment of Phatra, and gain from trading and foreign exchange transaction increased from sale of equity trading and derivatives of Phatra Securities was Baht 150 million. However, gain from sale of foreclosed assets was Baht 1,224 million, close to the year before, from the sold assets value equaled to Baht 3,209 million.

Other operating expenses were Baht 5,929 million, up 22.7%yoy, largely from personnel expense and premises and equipments expense increased by 29.7%yoy and 19.4%yoy respectively, following new branches opening, more number of employees and from the merger with Phatra. Cost-to-income ratio stood at 51.1%, comparing with 51.3% in 2011.

Bad debts and doubtful accounts and loss on debt restructuring were totally Baht 1,555 million, increased by 21.7%yoy. This comprised of bad debts and doubtful accounts amounting to Baht 1,755 million, as a specific provision following rising NPL. In 2012, the Bank set aside additional general provision of Baht 120 million per quarter from 2Q12 to 4Q12.

Corporate Income Tax was Baht 605 million, equivalent to the effective tax rate of 15.0%, the corporate income tax was reduced from 30% to 23% for fiscal year 2012, also income from sale of foreclosed assets under the 8 mutual funds, which are subsidiaries of the Bank is not subject to tax expense.

Statements of Financial Position

Assets, as at 31 December 2012, were totally Baht 233,013 million, comparing to as of 31 December 2011, assets were up Baht 43,017 million or 22.6%ytd, partly from the merger with Phatra so the assets of Phatra totaled Baht 12,000 million were consolidated and goodwill occurred Baht 3,010 million. Total loans net deferred revenue grew by 24.5%ytd, from Baht 135,749 million at the end of 2011, to Baht 168,994 million, driven mainly from all lending business. Net investment in securities was Baht 37,624 million, increased by 40.6%ytd from government and state enterprise securities in trading securities. Additionally, securities business receivables increased from securities of Phatra Securities.

Net investment in loans was Baht 4,726 million, declined 10.7%ytd as a result of continually debt restructuring process; likewise, net interbank and money market fell by 53.2%ytd, following liquidity management to match with interest rate and market environment. Net foreclosed assets declined by 23.9%ytd to Baht 4,980 million. Deferred tax assets recorded Baht 619 million as the Bank has adopted IAS No.12 Income Taxes (Bound volume 2009) in the beginning of 2011.

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| ASSETS | CONSOLIDATED | | Change | |
|---|----------------------------|--------------------|-------------------|-------------|
| | Dec 31, 2011 "restated" | Dec 31, 2012 | Amount | % |
| Cash | 381,614 | 1,392,284 | 1,010,670 | 264.8 |
| Interbank and money market items, net | 16,081,082 | 7,525,276 | (8,555,806) | (53.2) |
| Derivatives assets | - | 84,536 | 84,536 | - |
| Investments in securities, net | 26,753,350 | 37,623,838 | 10,870,488 | 40.6 |
| Investments in receivables, net | 5,291,730 | 4,726,345 | (565,385) | (10.7) |
| Investments in properties, net | 77,518 | 77,746 | 228 | 0.3 |
| Loans and accrued interest receivables, net | | | | |
| Loans | 151,922,307 | 190,260,441 | 38,338,134 | 25.2 |
| Securities business receivables | 446,249 | 606,437 | 160,188 | 35.9 |
| Accrued interest receivables | 798,198 | 1,010,596 | 212,398 | 26.6 |
| Total loans and accrued interest receivables | 153,166,754 | 191,877,474 | 38,710,720 | 25.3 |
| <u>Less</u> Deferred revenue | (16,619,783) | (21,872,843) | (5,253,060) | 31.6 |
| <u>Less</u> Allowance for doubtful accounts | (5,119,272) | (6,143,902) | (1,024,630) | 20.0 |
| <u>Less</u> Allowance for troubled debt restructuring | (733) | (27,789) | (27,056) | 3,691.1 |
| Net loans and accrued interest receivables | 131,426,966 | 163,832,940 | 32,405,974 | 24.7 |
| Properties foreclosed, net | 6,543,304 | 4,979,625 | (1,563,679) | (23.9) |
| Land, premises and equipment, net | 938,478 | 1,369,832 | 431,354 | 46.0 |
| Other intangible assets, net | 292,432 | 325,486 | 33,054 | 11.3 |
| Goodwill | 56,071 | 3,085,290 | 3,029,219 | 5,402.5 |
| Deferred tax assets | 668,882 | 618,666 | (50,216) | (7.5) |
| Securities and derivative business receivables | 279,192 | 4,818,085 | 4,538,893 | 1,625.7 |
| Accounts receivable from Clearing House | 33,168 | 756,716 | 723,548 | 2,181.5 |
| Other assets | 1,171,829 | 1,796,015 | 624,186 | 53.3 |
| Total assets | 189,995,616 | 233,012,680 | 43,017,064 | 22.6 |

The Bank and subsidiaries' gross non-performing loans (gross NPLs) were Baht 5,628 million, or 3.3% of total loans, increased from Baht 4,742 million or 3.5% of total loans at the end of 2011. Allowance for bad debt and doubtful accounts to total NPLs was 109.5%, comparing with 108.0% at the end of 2011.

Regarding the progress of legal issue with the Legal Execution Department (LED) in foreclosed assets bidding process causing LED payable of Baht 575 million recorded in 4Q10, the case is still in the legal process. Therefore, there was no accounting impact shown in the 2012 financial statements.

Liabilities were totally Baht 199,815 million, increased by 20.6%ytd, deposits were Baht 153,027 million, up 121.7%ytd, comprising of 83.2% of term deposits and 16.8% of current and saving accounts (CASA), compared with 82.7% and 17.3% of term deposits and CASA accounts respectively at the end of

2011. This was importantly because the Bank gradually decreased Bills of Exchange (BE) portion and rolled over to term deposits instead.

Meanwhile, debts issued total borrowings were Baht 29,123 million, decreased 66.1%ytd, including total debentures amounting Baht 16,999 million, down 4.0%ytd. Meanwhile, Bills of Exchange (BE) were Baht 12,124 million, declined by 82.1%ytd. This fall has followed the Bank's policy of lowering the BE proportion since the Bank of Thailand announced the additional fee charge of Financial Institutions Development Fund (FIDF) 0.46% inclusive BE and debentures in addition to the previous fee collection based on deposits only.

At the end of 2012, current and saving accounts were accounted for 13.7% of total interest bearing debt, increased from 7.4% at the end of 2011. Loan to deposits and borrowings ratio stood at 92.8% compared with 87.6% at the end of 2011.

BAHT'000

| LIABILITIES | CONSOLIDATED | | Change | |
|--|----------------------------|--------------------|-------------------|-------------|
| | Dec 31, 2011 "restated" | Dec 31, 2012 | Baht million | % |
| Deposits | 69,039,581 | 153,027,238 | 83,987,657 | 121.7 |
| Current Account | 164,376 | 206,153 | 41,778 | 25.4 |
| Saving Account | 11,769,864 | 25,541,035 | 13,771,171 | 117.0 |
| Term Deposits | 57,105,342 | 127,280,050 | 70,174,708 | 122.9 |
| Interbank and money market items, net | 5,220,382 | 5,468,407 | 248,025 | 4.8 |
| Liabilities payable on demand | 231,839 | 374,595 | 142,756 | 61.6 |
| Derivatives liabilities | 701 | 7,931 | 7,230 | 1,031.4 |
| Debt issued and borrowings | 86,012,821 | 29,123,336 | (56,889,485) | (66.1) |
| Debentures | 17,707,000 | 16,999,360 | (707,640) | (4.0) |
| Bills of Exchange | 67,651,871 | 12,123,975 | (55,527,896) | (82.1) |
| Other Fixed Income Instruments | 653,950 | - | (653,950) | (100.0) |
| Provisions | 223,676 | 327,599 | 103,923 | 46.5 |
| Deferred tax liabilities | - | 163,329 | 163,329 | - |
| Accounts payable to clearing house | 90,294 | 149,364 | 59,070 | 65.4 |
| Securities and derivative business payables | 170,996 | 4,757,450 | 4,586,454 | 2,682.2 |
| Accrued interest expenses | 872,048 | 834,779 | (37,269) | (4.3) |
| Other accounts payable | 1,537,726 | 1,962,853 | 425,127 | 27.6 |
| Legal Execution Department payable | 575,380 | 575,380 | 0 | 0.0 |
| Income tax payable and specific business tax payable | 61,583 | 376,285 | 314,702 | 511.0 |
| Other liabilities | 1,694,365 | 2,666,576 | 972,211 | 57.4 |
| Total liabilities | 165,731,392 | 199,815,122 | 34,083,729 | 20.6 |

Shareholders' equity of the Bank was Baht 32,902 million, up 37.8%ytd. This is attributable to the additional Baht 1,920 million from KK shares issued to swap with Phatra shares, and the share premium adjusted fair value increased Baht 5,247 million, as well as the exercise of ESOP-W2 during the year, causing total issued and paid-up capital of Baht 8,328,318,590, increased by 31.3%ytd, with premium of share capital stood at Baht 10,848 million, up 192.0%ytd. An unappropriated retained earnings was Baht 13,577 million, up 13.3%ytd. Consequently, Capital Adequacy

ratio (BIS ratio) as at 31 December 2012 based on Basel II reported to the Bank of Thailand, including 1H12 net profit was 14.69% with Tier 1 Capital of 14.01%. If these include the 2H12 net profit, BIS ratio was 15.20% with Tier 1 Capital was 14.52%.

The result of the exercise of ESOP-W2, the warrants to purchase new ordinary shares offered to Directors and/or employees of the Bank and/or its subsidiaries, exercise ratio (warrant: ordinary share) of 1:1 at exercise price of Baht 29.27 per unit. There were totally 5 times, details are as follows;

Table : The exercise of ESOP-W2

| No | Exercise date | Number of warrant holders exercised (person) | Number of ordinary shares derived from this exercise (shares) | Registered and paid-up capitals (Baht) | Trading date |
|----|---------------|--|---|--|--------------|
| 1 | 30/9/2011 | - | - | 6,343,288,640 | - |
| 2 | 30/12/2011 | 31 | 319,400 | 6,346,482,640 | 11/01/2012 |
| 3 | 30/3/2012 | 143 | 1,921,050 | 6,365,693,140 | 11/04/2012 |
| 4 | 29/6/2012 | 30 | 234,900 | 6,368,042,140 | 10/07/2012 |
| 5 | 29/9/2012 | 239 | 4,047,900 | 8,328,318,590 | 11/10/2012 |
| 6 | 28/12/2012 | 70 | 846,400 | 8,336,782,590 | 11/01/2013 |

The remaining of ESOP-W2 was 18,520,350 units, and the last exercise day will be 30 June 2015.

Additionally, the Board of Directors Meeting No. 7/2012 on September 7, 2012 approved the interim dividend for the 1H12 operating results for the Bank's shareholders at the rate of Baht 1.00 per share, paid on October 5, 2012 equaled to Baht 829 million.

Business Segment Performance

1) Commercial Banking Business including lending business divided into Retail Banking Group, Corporate Lending Group, and Special Asset Management (SAM) or distressed asset management. The breakdown of total loan portfolio is presented in the table below

Retail Banking loans totaled Baht 127,780 million including hire purchase loan, personal loan, Micro-SMEs loan, and housing loan, details are as follows;

Hire purchase business was Baht 122,093 million, up 25.9%ytd. New hire purchase business volume approved in 2012 totaled Baht 60,498 million. (1Q12 = Baht 15,674 million, 2Q12 = Baht 14,743 million, 3Q12 = Baht 14,078 million, 4Q12 = Baht 16,002 million). Since mid of 2012, the Bank changed the policy to focus more on used car hire purchase lending due to better yield than new car hire-purchase. The portion of new cars versus used cars was 53:47 at the end of 2012, comparing with 54:46 at the end of 2011.

Domestic new car sales in the first 11M12 reported at 1,289,993 units, 74.4% more than its sales

in the first 11M11. This improvement was caused by a strong support from both government and private sectors. For example, local auto manufacturers have been able to resume their production at full capacity after that suspension since severe flooding last year. Also, the incentive program of the government so called "first-car buyer" as well as the rapidly growing of Eco-car market, both have been encouraging Thai auto market to grow tremendously this year. The penetration rate of KK new car hire purchase to the domestic car sales stood at 4.1% for these first 11 months of 2012. The NPLs of hire-purchase loan increased to 1.6%, surged from 1.0% at the end of 2011.

Housing loan, the Bank joined the Housing Loan Project of Secondary Mortgage Corporation (SMC), resulting to the reduction of mortgage loan from Baht 1,517 million to Baht 502 million at the end of 3Q12 and gain from selling home loan amounting Baht 20 million.

Corporate lending business including Real estate development loans and SMEs loan, details are as follows;

Real estate development loans (RE) were Baht 20,446 million, grew by 21.3%ytd as a result of strong business expanding outward to other fast-growing business districts. Meanwhile, the Bank still places great effort to help and support our customers in order to reduce NPLs. The NPLs stood at 9.6%, dropped from 11.6% at the end of 2011.

SMEs loans were Baht 18,860 million, grew by 38.3%ytd. SMEs loan comprises of several business

Table : Loan Portfolio

| Type of loans | December 31, 2011 | | December 31, 2012 | | Change (%ytd) |
|--|-------------------|------|-------------------|------|---------------|
| | Baht million | % | Baht million | % | |
| Retail Lending | 103,210 | 76.0 | 127,780 | 75.6 | 23.8 |
| Hire Purchase | 96,946 | 71.4 | 122,093 | 72.2 | 25.9 |
| Personal Loan | 3,079 | 2.3 | 3,490 | 2.1 | 13.4 |
| Micro-SMEs Loan | 1,667 | 1.2 | 1,692 | 1.1 | 1.5 |
| Housing Loan | 1,517 | 1.1 | 505 | 0.3 | (66.7) |
| Commerical Lending | 30,491 | 22.5 | 39,306 | 23.2 | 28.9 |
| Real Estate Development | 16,851 | 12.4 | 20,446 | 12.2 | 21.3 |
| SMEs loan | 13,640 | 10.0 | 18,860 | 11.0 | 38.3 |
| Special Asset Management loan | 1,601 | 1.2 | 1,302 | 0.9 | (18.7) |
| Other loans | 446 | 0.3 | 606 | 0.3 | 36.0 |
| Total loans and account receivables | 135,749 | 100 | 168,994 | 100 | 24.5 |

Table : NPLs distributed by loan type (consolidated)

| Type of loans | December 31, 2011 | | | December 31, 2012 | | |
|-------------------------------|-------------------|-------|------------|-------------------|-------|------------|
| | Baht million | % | % of loans | Baht million | % | % of loans |
| Retail Lending | 1,375 | 29.0 | 1.3 | 2,345 | 41.7 | 1.8 |
| Hire Purchase | 989 | 20.9 | 1.0 | 1,936 | 34.4 | 1.6 |
| Personal Loan | 60 | 1.3 | 2.0 | 62 | 1.1 | 1.8 |
| Micro-SMEs Loan | 67 | 1.4 | 4.0 | 112 | 2.0 | 6.6 |
| Housing Loan | 258 | 5.4 | 17.0 | 236 | 4.2 | 46.6 |
| Commerical Lending | 2,449 | 51.6 | 8.0 | 2,584 | 45.9 | 6.6 |
| Real Estate Development | 1,962 | 41.4 | 11.6 | 1,955 | 34.7 | 9.6 |
| SMEs loan | 486 | 10.3 | 3.6 | 629 | 11.2 | 3.3 |
| Special Asset Management loan | 912 | 19.2 | 57.0 | 692 | 12.3 | 53.1 |
| Other loans | 7 | 0.1 | 1.5 | 6 | 0.1 | 1.1 |
| Total | 4,742 | 100.0 | 3.5 | 5,628 | 100.0 | 3.3 |

sectors including apartment, floor plan, logistic, and printing and packaging. Its NPLs stood at 3.3%, declined from 3.6% at the end of 2011.

The consolidated NPL ratio was at 3.3%, declined from 3.5% at the end of 2011, as a result of closely monitoring and controlling of non-performing loans portfolio. The NPLs reduced mainly from success of restructuring some real-estate development loans and repayment from clients. Meanwhile, NPLs from hire purchase lending has increased along the year 2012 from the 2011 flooding impacted hire purchase clients, solid hire purchase loan growth in 2012, and shifting towards more used car segment.

Total allowance for doubtful accounts and troubled debt restructuring stood at Baht 6,170 million, equivalent to 109.5% of total NPLs, comprising of allowance for doubtful accounts (specific reserve) totaling Baht 5,721 million, and general provision totaling Baht 423 million. The loan loss reserve to required reserve equaled to 140.1% at the end of 2012.

2) Capital Market business

The SET index closed at 1,391.93 points at the end of 2012, compared with 1,025.32 points at the end of 2011, while the average daily turnover was Baht 31,084 million.

- Kiatnakin Securities Co., Ltd. ("KKS") providing brokerage services to mainly retail investors, generated brokerage fee income totaling Baht 463 million, with the

market share of 1.43% in 2012 for both in SET and mai, ranked 23 from total 32 brokerage houses; in the meantime, total trading volumes of KKS were totally Baht 188,931 million.

- Phatra Securities Plc. ("PSEC") operates Agency Business providing brokerage services to all type of investors both local and foreign investors, as well as high net worth individuals. The market share of PSEC for the year 2012, both in SET and mai, was 4.42%, ranked 9. For the consolidated financial statement for the year 2012, brokerage fees from securities business totaling Baht 387 million, and fees from stock borrowing and lending business totaling Baht 3 million were consolidated.

- The other main business area of PSEC is Investment Business, managed by 2 departments including Equity and Derivatives Trading Department focusing on equity and equity-linked securities in the capital market and derivative market, with short-term investment not more than 1 year, and Hedge Fund Department focusing on equity and derivative trading with less than 1 year investment horizon. In the consolidated financial statements for the year 2012, gain on securities trading and derivatives trading totaling Baht 150 million were booked in the gain on trading and foreign exchange transactions. Moreover, gain on investment from Direct Investment business amounting Baht 324 million generated by Phatra was also consolidated in gain on investment item.

- Kiatnakin Fund Management Co., Ltd. (“KK-Fund”) generated fee income totaling Baht 81 million to the consolidated financial statements for the year 2012. The Bank started to consolidate KK-Fund performance since 3Q11 after the Bank acquired 60.0% of KK-Fund’s total shares in July 2011 and later on 28 September 2012, the Bank increased shareholding portion in KK-Fund to 99.9%.

- At the end of 2012, KK-Fund’s AUM stood at Baht 24,464 million; with total 33 mutual funds under management. Their market share accounted for 0.94% out of the entire mutual fund segment that carried 1,399 mutual funds among 24 Asset Management peers with total AUM equaled to Baht 2,614,403 million.

3) Special Asset Management (SAM) or Debt Restructuring Business included investment in loans totaling Baht 4,726 million, reduced by 10.7%ytd, and net foreclosed assets totaled Baht 4,980 million, dropped by 23.9%ytd. According to the progress of

SAM business to restructure those investments in receivables, commercial loans prior to financial crisis and financial claim loans decreased by 18.7%ytd, amounting to Baht 1,302 million at the end of 2012.

The target of sales of foreclosed assets in 2012 was Baht 3,500 million, meanwhile the actual sales were Baht 3,209 million, comparing with the book value of Baht 1,965 million and the appraisal value of Baht 2,875 million, generating gain from sale of foreclosed assets totaled Baht 1,244 million

Capital Adequacy

Kiatnakin Phatra Financial Group has policy to maintain capital for various risks and business expansion in the future. Capital target and minimum capital requirement, are defined in risk appetite statement of the Group, are not less than the requirements of the Bank of Thailand. The regulatory capital adequacy ratio (BIS ratio) and Tier 1 capital ratio are required at 8.50% and 4.25% respectively.

Table : Capital Adequacy Ratio (Bank only)

| Capital Adequacy Ratio (%) | 2010 | 2011 | 2012 | Regulatory Requirement |
|----------------------------|-------|-------|-------|------------------------|
| Tier 1 capital | 14.55 | 14.70 | 14.01 | 4.25 |
| Total capital | 15.18 | 15.40 | 14.69 | 8.50 |

Auditor's Fee

In 2012, the Bank and subsidiaries engaged Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., as an external auditor for the Bank and subsidiaries and incurred the fee charge as follow;

- **Audit fee**

The Bank and subsidiaries engaged Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. for audit and other related services and incurred the expenses including the audit fee totaling Baht 10 million.

- **Non-audit fee**

The Bank and subsidiaries paid non-audit fee for other services including services for special audit under the requirement of the Bank of Thailand, electronic fund

transfer audit, consulting service on accounting related issues and other projects etc. to Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., totaling Baht 15 million, Additionally, there will be another Baht 59 million to be paid in the future for the service agreed but not completed in 2012.

Credit Rating

The credit rating of Kiatnakin Bank PLC. assigned by TRIS Rating Co., Ltd., on March 14, 2013 for both the company rating and current senior debenture rating was affirmed at "A-", and the rating outlook was "positive".

| Credit Rating | November 30, 2011 | February 14, 2012 | March 14, 2013 |
|--|----------------------|----------------------|-------------------|
| Company Rating | A- | A- | A- |
| Issue Rating | | | |
| KK127A: Baht 2,493 million senior debenture due 2012 | A- | A- | - |
| KK120A: Baht 2,000 million senior debenture due 2012 | A- | A- | - |
| KK142A: Baht 2,905 million senior debenture due 2014 | - | - | A- |
| KK144A: Baht 2,485 million senior debenture due 2014 | - | - | A- |
| KK140A: Baht 2,000 million senior debenture due 2014 | - | - | A- |
| KK16DA: Baht 975 million senior debenture due 2016 | - | A- | A- |
| KK187A: Baht 240 million senior debenture due 2018 | A- | A- | A- |
| KK18DA: Baht 625 million senior debenture due 2018 | - | A- | A- |
| KK18DB: Baht 10 million senior debenture due 2018 | - | A- | A- |
| Rating outlook | Positive | Positive | Positive |

Source : TRIS Rating Co., Ltd. Announcement

Corporate Governance

The Bank's Board of Directors continually pays great attention and commits to conduct its business operations according to good corporate governance principles prescribed by relevant bank supervision authorities. This attentiveness and commitment enables the Bank to achieve numerous best governance honors and rewards; such as

- The Thai Investors Association's quality assessment award for one of the best examples for an "excellence" and "quality" arrangement of its 2012 Annual General Meeting of the Shareholders with the full assessment scores.
- The prestigious Investors' Choice Award from the Thai Investors Association for Thai public listed companies with a full 100% assessment score for the "excellent" and "quality" arrangement of its annual general meeting for four consecutive years since 2009 - 2012.
- The Top Corporate Governance Report Award and "Outstanding CSR Award" for listed companies from the "SET Awards 2012" event organized by the Stock Exchange of Thailand in collaboration with the Money and Banking Magazine.
- The SET Award of Honor for the best CSR report offered by the Stock Exchange of Thailand and the Money and Banking Magazine in the "SET Awards 2012" event to listed companies that successively uphold their "excellency" in various corporate aspects for at least three consecutive years.
- The Best Corporate Governance Honor by the Institution of Directors (IOD) according to its annual corporate survey.
- The CG Asia Recognition Awards 2012 on 20 June 2012 from the "Corporate Governance Asia" Magazine, the region's most authoritative journal on Corporate Governance. There were only 12 Thai listed companies awarded with these honors.

Good Corporate Governance Policy

The Board of Directors has placed importance on good corporate governance to increase transparency, business competency, and confidence among shareholders,

investors and related parties. The Board of Directors has approved good corporate governance policy in writing in the 2/2006 meeting with core contents covering the rights and equality of shareholders and stakeholders; committee structure as well as its roles, responsibilities, accountabilities and independency; disclosure of information and transparency; risk control and management; and business ethics. The details are presented in the Bank website: www.kiatnakin.co.th as well as widely communicated to the executives and employees to ensure better understanding on the matter.

Implementation of Good Corporate Governance

In 2012, the Bank has implemented good corporate governance practice to its shareholders, investors, stakeholders and related parties successfully for the entire 5 practices successes by the Stock Exchange of Thailand as follows:

1. Rights of Shareholders

1.1) Advance and Adequate Disclosure of Information to Shareholders

The Bank has stipulated that a General Shareholders Meeting be held once within 4 months after the end date of accounting year. The Extra Ordinary General Shareholders Meeting would be called if there were the urgent proposals which needed the shareholders' approval. In 2012, the General Shareholders Meeting was held on April 26, 2012. There was no Extra Ordinary General Shareholders Meeting during the year. The shareholder meeting was implemented in compliance with the AGM Checklist of the Thai Investors Association, Thai Listed Companies Association and SEC. Prior to the meeting, invitations and relevant meeting materials were sent to the shareholders no lesser than 31 days, via the Bank's website (www.kiatnakin.co.th) and the Stock Exchange of Thailand's website. The Bank also assigned Thailand Securities Depository Co., Ltd., the registrar of the Bank's shareholders, to send out invitation letters to the shareholders 21 days in advance. In addition, the Bank's invitation letters were announced in the newspaper both Thai and English for three consecutive days. Attached therewith were list of directors along with their profiles,

both newly nominated and re-elected directors by the Board of Directors; list of auditors and remuneration; dividend payment policy with explanation and sum payable; and statement of objectives and rationale for the meeting with the Board of Directors' opinion.

Prior to the meeting, the Office of Directors compiled all inquiries sent by shareholders to the Board of Directors via the Bank's website (www.kiatnakin.co.th) or via Email: investor_relations@kiatnakin.co.th.

The shareholder's meetings are tape recorded in video form, and their minutes of meetings properly made in writing. Prior to each shareholder's meeting, the Bank's Chairman shall notify the meeting about the voting and vote counting procedures for each agenda. Questions raised by the shareholders, the reply made by the Bank's directors, and the voting summary for each meeting agenda which includes the number of those which voted for or against a resolution as well as those which abstained, are properly recorded both in audiovisual form and with written notes. Thus, for each of the meeting agendas, the shareholders have been provided with sufficient information for their decision making. For its shareholders' meetings, the Bank uses the meeting arrangement services provided by the Thailand Securities Depository Co., Ltd., and applies the bar-code system for registration and vote counting summary.

In 2012, the Bank prepared complete minutes of the shareholders' meetings which covered all material contents, and duly submitted it to the relevant government agency within 14 days from the date of the shareholder's meeting, as well as posted such minutes on the Bank's website.

1.2) Facilitate Shareholders to Fully Exercise their Rights to Participate and Vote

The Bank held the Annual General Shareholders Meeting on the date, time and venue that would facilitate the shareholders. Those who were unable to attend could grant the power of attorney to others to attend and raise questions from the floor as well as cast votes on their behalves. In 2012, the Bank would allow shareholders the rights to propose an agenda and nominate a candidate for directorship at least 3 months prior to the end of each accounting year, which was between October 1 - December 31,

2011. Then the Bank dispatched invitations via the Stock Exchange system and publicized the rules and procedures of the nomination agenda on the Bank's website (www.kiatnakin.co.th).

1.3) Allocate Appropriate Meeting Time and Encourage Shareholders to Express their Opinions

During each shareholder's meeting, the Bank shall allocate appropriate time and encourage its shareholders to express their opinions and raise questions concerning matters of the Bank to its Board of Directors. The allocated time for questions and answers shall be sufficient enough for shareholders to completely obtain relevant explanations. Every details were written in the minutes of meeting.

1.4) Meeting Participation of all Directors

The Bank has a policy requiring that all Chairmen, the Board of Directors, Audit Committee, Nomination and Remuneration Committee; the Chief Executive Officer (CEO); the President; Heads of Departments as well as Senior Executives and auditors to participate in all shareholders meetings to provide additional information and answer questions to shareholders. In 2012, the Chairman of: the Board of Directors, all committee and sub-committees; CEO and President; Heads of Departments and Senior Executives of Finance and auditors were present at the meeting promptly.

The Bank has really concerned the fact that shareholders should have their absolute individual rights according to the laws and regulations. Additionally, the Bank also aims to promote more rights of shareholders by disclosing its performance, its benefits and important activities via the website (www.kiatnakin.co.th) to allow all shareholders a consistent and equal access of information.

2. Equitable Treatment of Shareholders

The Bank realizes that all shareholders be treated fairly and justly in every aspect. In 2012, the Bank treated the shareholders as follows:

2.1) Facilitate Minor Shareholders to Suggest Meeting Agenda in Advance

The Bank allowed shareholders the rights to propose additional meeting agenda and nominate a

candidate for directorship prior to the dispatch of invitations to meeting by the Bank via the Stock Exchange system to be publicized on the Bank's website (www.kiatnakin.co.th). In 2012, the Bank opened the period between October 1 - December 30, 2011 for that nomination. However, there was no any agenda or nomination from the minor shareholders during that period. Additionally, shareholders were granted the rights to select directors individually and to consider and approve the conditions and policy on director's remuneration.

2.2) Criteria for Advance Notification of Agenda Proposed by Minor Shareholders

(1) For minor shareholders to propose a meeting agenda for the General Shareholders Meeting and nominate a candidate for directorship, the Bank has specified the procedure wherein shareholders submit their nominations to the Board of Directors, 3 months in advance of the shareholders meeting. Criteria for shareholders qualified to do so are as follows;

- Holder of at least 200,000 shares (two hundred thousand shares) either on an individual level or a group of shareholders. Such shareholding proportion is lower than the SET's recommended practice of holding not less than 0.5% of the total voting rights of the company.

- Hold the above number of shares for at least 1 year and continue to hold such amount of shares on the date of proposing an agenda or nominating a candidate for directorship.

- Able to show proof of share ownership such as certified letter from the Securities Company or other certification from the Stock Exchange of Thailand or Thailand Securities Depository Co., Ltd.

(2) Qualified shareholders could propose meeting agenda by filling a form to propose topics to the agenda of the 2012 General Shareholder Meeting and submit the form along with supporting document to the Bank within a specified period. To ensure efficiency, the Bank applies the following conditions when considering the meeting agenda:

- Matters related to normal business operation of the Bank whereas the shareholders have notified cause/s for suspicion of unusual operation.

- Matters within the ability of the Bank to carry out.

- Matters not in violation of laws, announcements or regulations of the banking authorities, regulatory agencies, related organizations or Articles of Associations of the Bank, resolutions of shareholders meetings, Good Corporate Governance and business ethics.

- Matters beneficial to shareholders and the public at large.

- Matters proposed by qualified shareholders whereas the shareholders have fulfilled the criteria set forth by the Bank on the proposed agenda and nomination of a candidate for directorship.

- Matters that are equipped with complete, adequate and accurate information or evidence submitted in a timely manner.

- Matters considered by the Board of Directors to be worthy of being added in the Agenda.

- Matters never been executed by the Bank and the Board of Directors considered to be beneficial for the operation of the Bank.

- Matters that the Bank has never considered or passed resolution on.

The Board of Directors shall consider the appropriateness of agenda matters proposed by shareholders which are in accordance with the above criteria, unless the Board of Directors sees otherwise. The Board of Directors' Consideration is final. In cases where various shareholders proposing similar matters, the Board of Directors may combine them as one additional agenda. Matters approved by the Board of directors shall be added to the Agenda stated in the Letter of Invitation along with comments from the Board of Directors. On the other hand, matters not approved by the Board of Directors, yet prior to the shareholders meeting, via the Bank's website or other communication channel deemed appropriate.

Furthermore, shareholders who are also executives will not be able to propose additional agenda. The meeting will be conducted as per Agenda informed to the shareholders. Meanwhile, the Bank also encourages shareholders who are unable to attend to use the power of attorney which the shareholders could dictate voting direction (Proxy Form B) and nominate

independent director. The Bank promotes the use of voting ballot on crucial occasions such as on related transaction and purchase and sell of assets to ensure transparency and accountability.

3. Roles of Stakeholders

The Bank, with acknowledgement on the right of all stakeholders, has a policy to manage impacts from business operation in all aspects. It projects to ascertain all related parties that its business has taken into consideration the environmental concern for a sustainable development. In addition, all stakeholders, both internal stakeholders i.e. employees, executives, and subsidiaries as well as any external stakeholders, their rights have to be fairly protected. In cases of transaction between the Bank and related individual or business, there is a clear, fair, transparent and accountable set of procedure. The Bank also presents details of such transactions in the notes to quarterly financial statements as well as in the annual report. The Bank also notes with gratitude the support from stake holders that render competitiveness for long-term success of the Bank and entails a guideline of treatment for each group of stakeholders as follows:

3.1) Shareholders

The Board of Directors deems it their responsibility to ensure that executives and employees work with honesty and integrity; upholding their responsibilities and accountabilities for their work performance to achieve shareholders' trust and acceptance that any action is done with fairness and consideration for both major and minor shareholders.

Furthermore, shareholders have the rights to protect their interest via comments, recommendations and votes on any changes of significance as well as election of directors and remuneration scheme, profit allocation and dividend payment, appointment of auditors and remuneration in the shareholders meeting. The Bank is obliged to disclose information with correctness, completeness and accountability.

3.2) Customers

The Bank has always cared for and paid attention to the requirement of the customers with dedication to offer the best financial products and services. The Bank has paid attention to details and

been ready to closely listen to all issues to maintain long-term relationship, been trustworthy and been alongside with the customers supporting them according to their competitiveness to succeed. In that regard, the Bank has developed a system and network of branches together with implementation of advanced technologies to increase management efficiency to become more rapid, flexible and responsive to the customers' requirements. The Bank does concern its personnel development aimed to the most understanding of clients' needs and their business. Meanwhile, other financial and investment advisory shall be served to all customers for their highest benefits.

In cases of suggestions on services, complaints or reports on irregularity of operation, the customers could do so via the website (www.kiatnakin.co.th) or at KK Contact Center (Phone number 0-2680-3333) at any instances. The Bank has placed utmost importance to the suggestions, complaints and reports on irregularity or suspicious operation which would damage the Bank. Informant of any nature shall be protected under the Bank strict protection mechanism.

3.3) Employees

The Bank realizes the importance of the employees who are the most valuable assets. With that notion, there has been a constant human resource development both in terms of management and personnel development so that the employees would be a key development driving force for the Bank to become a leading financial institute able to best serves the customers. In addition, training and development policy are carefully constructed; since 2011, Care Team has been built by Human Resources Group to strengthen all employees' ability through Care Program.

Remuneration Policy

The Bank has compensation policy providing proper remuneration management for executives and employees at rates compatible with other leading companies. There is also a clear description of duties as well as continuous development and promotion of potential scheme to enhance their skills and competency in order to advance in their career.

Welfare Policy

Regarding the welfare policy, the Bank has provided employee welfare including Provident Fund,

Social Security Fund, Group Health Insurance, Group Life Insurance, Group Accident Insurance, Annual Medical Check-Up, Nurse Office within the Bank, Mother Corner (breast milk collection room) as well as Kiatnakin Responsibility Scholarships for employees' children, and other monetary benefits for assisting employees in some occasions, and so forth.

Good Corporate Governance Policy

Furthermore, the Bank has placed significance on corporate governance in accordance to the 'Good Corporate Governance' principle taking into consideration virtue, ethics and fairness which would lead to positive culture and image for the Bank or its overall business. The Bank has therefore established the code of ethics and code of conduct and communicated to employees at all levels be it managerial and operational, to ensure that their performance are under the same guidance.

The Bank also prescribed policies and practice guidelines in the event of work problems or errors or omissions in the work process, as well as acceptance of gifts, services, or benefits from outsiders. All these policies and practice guidelines provide common understandings and clear procedures aimed to protect/rectify any damages or mistakes related to work and operations, while encouraging transparency and positive work environment that epitomizes high ethical standards of professional conducts.

Environment Policy

As for the policy on the environment, the Bank has carried out the standards of "The Bank Energy Saving" and also continued on an energy saving program named Save Energy @ Kiatnakin Bank since year 2005 to ensure that employees have consumed all resources with their maximum utility and efficiency. All the policies would allow employees and their family to concern about how to reserve the energy and to keep the orderliness of the office. The activities were focused on the environment and cleanliness and green aspects under the name "KK Clean and Green Provincial Branches"; a training of Waste assortment of office and household waste are offered by experts from Pollution Control Division, Ministry of Natural Resources and Environment to volunteering KK Energy Ambassador, maids and security guards who are key persons for energy and resource saving campaign.

As far as the workplace management is concerned, the Bank undertook the changing of 6,213 light bulbs in its head office at K Tower from regular light bulbs to energy saving ones. The action helped in reducing its related energy costs by 3.7%. The Bank also encouraged its nationwide branch network via campaigns launched by its sales and services network, together with its branch operation network, to proactively induce all its branches to commit on maximization of efficient use of energy such as electricity, water and telecommunications.

The Bank abolished the use of benzene and diesel for all of its 293 cars and switched to the use of gasohol 91, which is an alternative energy source that helped reduce hydrocarbon and carbon monoxide emissions in the atmosphere, and saved its petrol costs by 4-5% per year.

The Bank implemented control measures for resource utilization by selecting office equipment and utilities that support energy and natural resources savings such as use of water saving appliances for bathroom sanitary wares, electricity saving through automatic time switch control devices, innovation of office furniture by encouraging its trade suppliers to select "Green Label" materials for use or to apply proven production process with low-pollution energy conversion technologies. The Bank also participated in the "KK Clean & Green" project to assure its standards of environmental management and hygiene as well as promotion of its "Green Branches" program.

The Bank encourages its staff to initiate environmental programs such as "One month, one man, one tree: providing beautiful a garden to children of Jarusorn Bamrung School" in Pathumthani Province, "You..... can help; Stop using your car one day per month to ease traffic " project organized by the Ministry of Communication, the Bangkok Metropolitan Authority, and Jor Sor 100 Radio Broadcast Station, as well as mangrove reforestation projects, and school renovation projects for children etc.

Health and Safety Policy

Regarding policy on health and safety, the Bank has set up working environment taking into account safety, health and the environment suitable for employees to work while ensuring convenience of the

customers. Furthermore, the Bank has organized fire drills and office security system. The Bank has also announced 'Guidelines for Safety and Unusual Sight' to ensure safety to the buildings and its employees.

Information technology policy

The Bank has developed positive corporate culture and working atmosphere as well as equal treatment for employees with respect to their honor, pride and privacy. The Bank also aims to promote and develop the employees via additional trainings to enhance their knowledge and expertise.

The Bank prescribed its physical security policies for its premises and physical security information management for its information and communications technology. Both measures assure safe environments for physical security and information technology security and reassure that its basic infrastructure is kept in good condition and available for prompt use. There are also measures against damage protections, unauthorized disclosure of information; and compliance & best practice guidelines towards respect and protection of intellectual property rights and copyrights. It is also the Bank's policy to inform its staff and urge them to comply against infringement of intellectual property rights and copyrights.

The Bank has prepared communication channels for employees to voice their comments or complaints over working condition, management, and information of suspicious activities among them through the Bank's website at www.kiatnakin.co.th or forward information directly to the Internal Audit Unit or Human Resource Development Unit. Furthermore, the Bank has laid down strict mechanism to protect any informant of corruption or suspicious activities that would damage the Bank.

3.4) Creditors

The Bank has strictly adhered to the terms and conditions given with the creditors with full gratification for the trust and support rendered to the Bank from all creditors and depositors throughout the economic crisis.

3.5) Business Partners

Part of the Bank's success comes from the support of its business partners. Thus, the Bank has strictly adhered to the terms and conditions of contracts

with the business partners based on the concept of building success side by side. In 2011, the Bank has no dispute with its business partners.

3.6) Society, Community, and the Environment

The Bank is determined to conduct its business with responsibilities to the society, community and the environment on the philosophy that its business must yield benefits to the community, society, customers, employees, shareholders, stakeholders and related organizations to promote development of the economy, quality of life and standard of living for all to ensure sustainable progress and strength.

The Bank was awarded an excellent listed corporate on distinguished CSR performances from the "SET Awards 2012" event organized by the Stock Exchange of Thailand in collaboration with the Money and Banking Magazine, and the CG Asia Recognition Awards 2012 from the "Corporate Governance Asia" Magazine, which is the region's most authoritative journal on Corporate Governance.

The Bank was among the 16 private organizations piloting 'volunteer-minded employees for sustainable organization and social development organized by the Center for the Promotion of National Strength on Moral Ethics and Values (Moral Center) with Kenan Institute Asia. To develop the strong and sustainable culture of volunteer-minded in employees' behavior, the Bank support many activities of public services, which more details are clearly stated in CSR section

The Bank emphasizes efficiency enhancement on work process development to better provide its services and increase consumer satisfaction via its "CSR in Process" which includes programs such as reduction of operating costs by applying the 5 S rules, reduction of audit time in remote areas, reduction of time spent on account closing procedure for car hire purchase business to enhance consumer satisfaction, promotion of skill training in personal financial management for clients, staff, youth, and surrounding communities. The Bank promotes the improvement of national human resources under the "Developing the People and Nation with Kiatnakin" Project which focuses on three core aspects of (1) Education; (2) Moral and social development; and (3) Emergency relief and charity

work. It established the Kiatnakin Bank Foundation and registered the foundation as a charity organization in 2012 to support other aspects of social charity work.

The Channel to contact or complain to the Bank's independent directors: since year 2008, the Bank has allowed all stakeholders to contact or complain any incidents directly through www.kiatnakin.co.th

4. Disclosure and Transparency

The Board of Directors has placed importance on disclosure of information with correctness, completeness, thoroughness and timeliness covering financial information and general information such as financial statements, Annual Disclosure Form (Form 56-1) and Annual Reports as well as crucial information affecting share prices of the Bank. The aforementioned updated information are disseminated to investors and related parties via communication channels of the Stock Exchange of Thailand and the Bank's website (www.kiatnakin.co.th). There is also an Investor Relations Centre to provide news, information and activities of the Bank to the investors, shareholders, analysts and general public. Interested individuals could contact the

Investor Relations at:

Phone +66-2841-5925

Fax +66-2841-5529

Email : investor_relations@kiatnakin.co.th

Address

Kiatnakin Bank Public Company Limited
Investor Relations Department
209/1 K Tower B, 31st Floor,
Sukhumvit 21 (Asoke), Klongtoey-Nua,
Wattana, Bangkok 10110

The Bank discloses information through several channels and presses regularly in order to ensure that shareholders and stakeholders are well informed. However, since the second quarter of 2012 until the completion of the merger with Phatra Capital Plc on September 11, 2012, the Bank was in the silent period, not meet and discuss with all shareholders and investors during the merger process.

In 2012, senior executives and investor relations of the Bank met and provided any information to local as well as foreign shareholders and investors as follows;

| Type of Meeting | No. of meetings |
|---|-----------------|
| 1. One-on-One Meeting | 39 |
| 2. Conference Call | 10 |
| 3. Analyst Meeting | 3 |
| 4. Investor Conference | 2 |
| 5. Road Show (Shareholders and Investors) | 4 |
| 6. Press Conference | 2 |

The management of the Bank also recognizes the significance of investor relationship, and has assigned their executives to participate as directors of the Thai Investor Relations Club (TIRC) and the Listed Companies Association. This club and association intend to foster continued development in investor relations among public listed companies, and encourage communication of accurate and timely information to domestic and overseas investors. The Bank supports the involvements of its Investor Relations Department in the TIRC activities, which are excellent opportunities for exchange of knowledge, experiences, practice guidelines, and creation of good relationship among listed companies.

The Bank has also stipulated that the Board of Directors disclose of their responsibilities to the financial statements alongside the report of the auditor in this Annual Report. The Board of Directors also supervised the disclosure of information, authorities, responsibilities, details of remuneration policy, numbers of meetings, records of attendance of each committee both main and sub-committees, including of remuneration received by the Directors from subsidiaries are also disclosed in the Director's Remuneration Table.

5. Board Responsibilities

• Director organization

As of February 1, 2013, the Board of Directors consists of 15 directors of which 3 are executives; 6 non-executives and 6 independent directors. To comply with good corporate governance, the Bank has appointed a non-executive director as a Chairman of the Board of Directors. The Chairman of the Executive Committee and the President are 2 individuals. The practice has led to a clear separation of duties on policy making, regulating and managing. The details are as follows:

Chairman of the Board of Directors

Responsible for the Board of Directors in their conduct to ensure that strategies, vision and missions have been materialized and achieved as specified by the Board. Regulating to ensure ethics and transparency of business and provide efficient internal control system and appropriate risk management. Protect benefits of the shareholders and uphold image of the Bank to gain creditability from all parties concerned.

Chief Executive Officer (CEO) and President

Supervise the organization to progress in the specified direction, vision and strategic plans. Ensure that operation in all aspects is under proper monitoring system while management is in accordance with good corporate governance via provision of policy, code of practice, regulations and controlling system to ensure transparency, ethics and clarity as well as sufficient internal control system, compliance and risk management pursuance with public laws and regulations to yield maximized benefits to shareholders, achieve creditability and social responsibility.

Independent Director

The Bank has specified that an independent director with the highest seniority act as chairman should there be any agenda of relevant. The Bank has laid down stricter qualification requirement for an independent director than the minimum requirement of the Securities and Exchange Commission as follows:

(1) Holds shares not exceeding 0.5 percent of total share with voting right of the Bank, parent company, subsidiaries, associated companies, major shareholders or person with controlling power of the Bank. This includes shares held by individual related to that independent director.

(2) Never been or was director participating in management, employee, officer, or advisor receiving regular salary or person with controlling power over the Bank, parent company, subsidiaries, associated companies, subsidiaries of other company of the same level, major shareholders or person with controlling power over the Bank, unless having been dismissed from such position at present and for the last 2 years. Nonetheless, such restriction does not include an independent who has been a civil servant or advisor to a government agency that is a major shareholder or having controlling power over the Bank.

(3) Not having relation either by blood or legal registration as father, mother, spouse, sibling and children, including spouse of children of executives, major shareholders, person with controlling power or individual nominated as executive or person with controlling power over the Bank and subsidiaries.

(4) Never have or had business relation with the Bank, parent company, subsidiaries, associated companies, major shareholders or person with controlling power over the Bank in such manner that may prevent independent discretion of self; nor being substantial shareholder or person with controlling power of person with business relation with the Bank, subsidiaries, associated companies, major shareholders or person with controlling power over the Bank, unless having been dismissed from such position at present and for the last 2 years.

The business relation as stipulated in Clause 1 above includes normal trading transaction in lease taking or leasing out of real estate; transactions on securities and services or taking or giving of financial assistance by means of borrowing or lending; guaranteeing; collateral providing; or other similar manners which would render the Bank or the party financial obligation to each other at the amount of 3 percent or more on the net tangible assets of the Bank or from Baht 20 million, depending on whichever is lesser. The calculation of debt obligation is as per the method of calculation of value of connected transaction pursuant to the Notification of the Capital Market Supervising Committee on Regulation in Respect of Entering into a Connected Transaction *mutatis mutandis*. Yet consideration of such obligation shall take into account the obligation occurred in the past 1 year prior to the business relation with such person.

(5) Never been or was auditor of the Bank, parent company, subsidiaries, associated companies, major shareholders or person with controlling power over the Bank; nor being substantial shareholder, person with controlling power or partner of the auditing firm that the auditor of the Bank, parent company, subsidiaries, associated company, major shareholders or person having controlling power over the Bank, belongs to, unless having been dismissed from such position at present and for the last 2 years.

(6) Never been or was provider of any profession service including legal advisor or financial advisor receiving a fee of over Baht 2 million per annum from the Bank, parent company, subsidiaries, associated company, major shareholders or person having controlling power over the Bank, nor being substantial shareholder with controlling power or partner of person providing such professional service, unless having been dismissed from such position at present and for the last 2 years.

(7) Not a director being selected as representative of the Board of Directors, major shareholder or shareholder with relation to the major shareholders.

(8) Not engaged in any business of similar nature and in substantial competition with the Bank or subsidiaries nor being a substantial partner in any partnership nor director participating in management, employee or official earning regular salary nor holding more than 1 percent of the total share with voting right of other companies of similar nature and in substantial competition with the Bank or subsidiaries.

(9) Not having any other characteristics that may jeopardize ability of self to provide independent discretion relating to the operation of the Bank. A person appointed as independent director, upon fulfilling the above (1) - (9) criteria, may be assigned by the Board of Directors to make decisions on the operation of the Bank, parent company, subsidiaries, associated company, subsidiaries of the same level, major shareholders or person with controlling power over the Bank, by means of collective decision.

Other Committees

The Board of Directors appointed 5 other committees to further study and screen matters of particular areas, namely: Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Executives Committee, and Compliance and Governance Committee. The authorities are detailed under the "Organization Structure" part.

• Roles and Responsibilities

Details are stated in the "Organization Structure" part.

• Business Ethics

The Bank has publicized professional ethics as guidance for good practices and issued Code of Professional Ethics for Executives so that all related

parties could adhere to while carrying out their duties with honesty, integrity and fairness towards the Bank and stakeholders. In this regard, the Bank has regularly communicated with the employees and monitored their compliance with such principles together with seminars to ensure mutual knowledge and understanding between the executives and employees on business ethics, which are as follows:

Treatment and Responsibilities to Shareholders

Carry out their respective duties with honesty, integrity and fairness to shareholders; manage the business with caution and prudent without seeking benefits for self or related individuals by using any information of the Bank; and do not disclose of the Bank's confidentiality to external entities particularly competitors.

Treatment and Responsibilities to Customers

Present products/services that best suit the customers' requirement with complete and accurate disclosure of information; render customers an opportunity to file a complaint on services and ensure prompt responses from the Bank; as well as strictly maintain the customers' confidentiality; and refrain from setting unfair business conditions for customers.

Treatment and Responsibilities to Business Partners/Creditors

Refrain from asking for or receiving or paying any fraudulent benefits when dealing with business partners or creditors. Should such incident occur, it is required that business partner/creditor be informed of such information to jointly resolve such predicament with fairness and promptness; and carry out all obligations to the creditors appropriately and fairly.

Treatment and Responsibilities to the Public Sector

Comply with relevant policies, laws and regulations; promote the democracy under a constitutional monarchy regime; and conduct business with responsibility.

Treatment and Responsibilities to Employees

The Bank always provides a fair and equitable compensation system to its employees, as well as a safe workplace both for their lives and belongings. It also establishes proper human resource management procedures that include well-defined measures regarding appointment, transfer, rewarding, and

punishment. Its actions concerning employees are made with righteousness, on the basis of their knowledge, capability and suitability. The Bank pays attention to staff competency development, consistently offering fair opportunities to all employees, and ethically manages its business by avoiding unjust acts that might impact the work security of its staff or impose threats and severe stress to their employees.

Treatment and Responsibilities to Business Competitors

Operate within a good competition framework; do not seek out confidential information of business competitors by perfidious means; and do not jeopardize business competitor's reputation by means of defamation.

Treatment and Responsibilities to Society and Community

Refrain from any action that cause damage to natural resources and the environment; support social benevolent activities habitually; and continuously and seriously instill social responsibility in employees at all levels.

- **Conflict of Interest**

The Board of Directors has always proceeded with caution on matters of conflict of interest. Policy and approval process for related transactions have been written down stipulating that concerned directors shall refrain from casting a vote on any transaction with potential conflict of interest. The Bank has also complied with the regulations of the Stock Exchange of Thailand offering prices and conditions similar to external individuals. The details of transaction values and contract parties have already been disclosed in the Annual Report and Form 56-1.

Moreover, the Board of Directors has made it a policy that directors and executives have to report to their business stakeholders and related personnel and submit the report to the Company Secretary with copies to the Chairman of the Board and Chairman of the Audit Committee within 7 days of receiving such report. They are also required to report any changes to the Board of Directors meeting.

- **Internal Control and Internal Audit System**

The Bank places importance on efficient internal control and internal audit systems at both executives and operational levels. Authorities and

responsibilities of employees and executives have been clearly described in writing. Controlling measures are in place to govern utilization of assets whereas duties of operator, supervisor and grantor are clearly separated to ensure appropriate check and balance. Financial statements of the Bank disclosed to the public are made in accordance with accounting principles and standards imposed upon financial institutes and under the scrutinization of external auditor. The Auditing Committee met with the external auditor 4 times last year to acquire audit results, recommendations and comments for further monitoring and improvement. The internal control system has been verified and the report submitted to the respective executives.

The Bank has an Internal Audit body to ascertain that the main operations and crucial financial activities of the Bank adhered efficiently to the specified principles as well as to verify their compliances with laws and regulations related to the Bank. In an effort to ensure independency of the Internal Audit Unit to fully carry out their check and balance responsibility, the Board of Directors has stipulated that the unit report directly to the Audit Committee and the Board of Directors.

Additionally, the Board of Directors has assessed adequacy of the internal control system annually so that each director could revise the accuracy and conciseness of the Bank's internal control system according to the specified principles. The Internal Audit Unit is assigned to compile, summarize and present such revision in the annual report and disclose to the public.

The Board of Directors always realizes that internal controls are an important process for a successful and efficient operation of banking business. In 2011, the Board appointed additional sub-committees namely the Compliance Committee which is assigned to oversee legal and regulatory compliances of the Bank and its financial affiliates. The overseeing also includes compliances of laws, rules, regulations, standard practices; ethical and customary conducts in financial profession, corporate governance principles, and prescribed compliance policy. The Bank's compliance activities are monitored by the Compliance Department which sets forth efficient compliance and

corporate governance systems. In order for the Compliance Department to be adequately autonomous in carrying on its governance and supervision duties, and to assure that the Bank has a risk management system that is effective and in keeping with international standards, the Board commends that the Compliance Department directly reports its works to the Compliance Committee and the Board of Directors.

- **Risk Management Policy**

The Board of Directors closely regulates risk management via the Risk Management Committee. The Bank has an organizational-wide risk management policy for the Bank and its subsidiaries as well as continuous revision of system or assessment of risk management efficiency. Furthermore, the Board of Directors also places importance on advance warning and irregularities. The policy is carried out by the Risk Management unit under the Risk Management Committee who reports regularly to the Board of Directors.

- **Board of Directors Meetings**

Each year the Bank schedules regular meeting dates with the Board of Directors and regular meeting agendas for the Board of Directors in advance, and prior to the end of each year it informs the board members of those meeting dates and meeting agendas for the coming year. Additional board meetings may be held, if necessary. The Banks' Corporate Secretary is responsible for the meeting arrangement and for the sending of letters of meeting invitations together with the meeting agenda and information attachment to each board member at least 7 days prior to the date of such meeting, except for in urgent cases, in order that the directors shall have adequate time to review relevant information prior to the meeting. Each director can make inquiries for additional information from the Corporate Secretary, and is free to submit any meeting agenda. Each meeting agenda is well-defined whether it is for information, for approval, or for consideration, and regular follow-up on operating results.

The Chairman of the Board also allocates ample meeting the management to report and for the directors to discuss the matters in depth. Minutes of Meeting is made in writing and endorsed by the Board of Directors and made available for examination by the Board and relevant parties. In 2012, the Board of

Directors met 10 times wherein the Chairman of the Board encouraged the CEO to invite senior executives to the meetings to present additional information and get acquainted with the Directors. The Bank also granted opportunities for the Directors to request additional and necessary information from the President, Company Secretary or other senior executives within the specified policy framework including an opportunity for non-executive directors to hold their internal meeting to discuss management matters of interest.

In 2012, the Board of Directors allowed non-executive directors to arrange a meeting among themselves by 1 time.

- **Development of Directors and Executives**

The Board of Directors has identified and participated in the derivation of vision, missions, strategies, goals, business plans and budget of the Bank as well as regulated to ensure that the executives have operated according to the specific business goals and budget efficiently and effectively. The Bank has repeatedly held meetings to convey business plans to the executives and employees to create mutual understanding among them. There is also a monthly report on actual performance against the target of the employees together with sound internal control, business regulation and risk management systems.

All Directors have passed training courses from the Thai Institute of Directors (IOD). The Bank has explained the scope of authorities as well as fundamental details of the Bank to better the directors' understanding. The Board of Directors and Executive Committee both have a responsibility to be accountable to the shareholders. Their responsibilities have been clearly defined and separated as detailed in the "Organization Structure" section.

In 2012, there were three directors attended the director training courses organized by the Institution of Directors (IOD) who are Mr.Pichai Dachanapirom, Mr. Banyong Pongpanich, and Ms. Thitinan Wattanavekin (the Bank listed the details of its director training in the "Director Profiles" Section) and two other directors; Mr.Chet Pattrakornkul and Mr. Pravit Varutbangkul, attended professional development seminars organized by the Institution of Directors (IOD) which included topics such as :

- IOD Director Briefing “The Global Economy 2012”

- Moving Corporate Governance Forward: Challenge for Thai Directors

- Directors Forum 2/2012 on Risk Oversight VS Risk Management: Whose Role is it?

- **Directorship with Other Companies of Directors and Executives**

As a commercial bank under the supervision of the Bank of Thailand, the Bank has clear directives on directors holding directorship or senior executives positions with other companies as per the Announcement Sor Nor Sor. 60/2551 dated August 3, 2008, which stipulated that directors or senior executives of the Bank could be either chairman or managing director or authorized director or all of the aforementioned in other companies, yet not exceeding 3 business groups. Consideration of business group is based on the controlling power over the business. The Bank has disclosed the information on directorship of each director as well as the Executives Committee in this Annual Report under the section “Directorship of Directors and Executives in Subsidiaries, Associated and Related Companies”.

- **Orientation of New Director**

Upon changes in director, the Office of the Director is responsible to prepare a set of following document for a new director - annual report entailing vision, mission, core values and performance of the past year; articles and memorandum of association; director handbook and relevant announcement.

- **Terms of Directorship**

(1) The Bank stipulated in Clause 18 of the Bank that in each annual general shareholders meeting, at least 1 of 3 of the directors shall retire. Should the total number of directors cannot be divided exactly by 3, the number of directors closest to the 1/3 ratio shall apply. In short, an average term of director is 3 years.

(2) The term of directorship for committees, including of Audit Committee, Nomination and Remuneration Committee, and Compliance and Governance Committee, is limited to be equivalent to the term of directorship of director's. However, executives who are a member of Compliance and

Governance Committee may have the term of 3 years in the position.

There were three directors of the Bank's subcommittee whose term expired in 2012, they were:

1) Mr.Pichai Dachanapirom - a member of the Audit Committee,

2) Associate Professor Manop Bongsadadt - the Chairman of the Nomination and Remuneration Committee, and

3) Mr. Thanin Chirasunthorn - a member of the Compliance and Governance Committee.

All three directors were accordingly reappointed for another term.

- **Appointment of Company Secretary**

The Bank passed a resolution to appoint Ms.Pornthip Chuprakhun as an official Company Secretary on January 13, 2011 to act on behalf of the company or the Board of Directors on the following duties:

- Prepare and keep the following documents: the register of directors, invitations to the Board of Directors meeting, Minutes of Board meetings, invitations to shareholders meeting and minutes of shareholders meeting.

- Other duties, as specified in the announcement and stipulation of the Capital Market Supervisory Board.

- Provide fundamental advice to directors on laws, regulations and other directives of the Bank requiring their acknowledgement and follow up to ensure their compliance; report to director any legal changes with significance.

- Keep on file Stakeholders Reports submitted by directors or executives

- Execute other activities set forth by the Committee

- **Succession Plan**

The Bank's Board of Directors assigns the duties to the Selection and Remuneration Committee to be responsible for overseeing that the management has adequately prescribed a relevant policy for the required succession plan. The plan which needs to be submitted to the Bank's Board of Directors, shall involve the preparation for selection of corporate successors in levels from Assistant Managing Directors up to the Chief Executive Officer and President. The actions aim

to assure the continuity of the Bank's business operation and the practices which are in line with policy and standard applied among other major financial institutions.

In 2012, the Bank's Board of Directors and the Selection and Remuneration Committee reviewed and considered the 2013 management succession plan for the replacements of the Chief Executive Officer and President and top executives, and prescribed relevant procedures and means for a required succession plan and successor development. These actions aim to assure that the Bank has a suitable selection system, and sufficient means to safeguard qualified personnel, as well as adequate methods to develop and prepare capable executives for their future important duties and tasks. It also prescribes regular follow-up reviews and progress updates on the plan.

Good corporate governance reflects efficiency, transparency and accountability of management; creates sense of trust among related parties; and nurtures sustainable and efficient growth of the Bank. Furthermore, the Bank is determined to further develop its operations under the good corporate governance including some matters that have not been carried out, such as:

- **Compensation scheme in case of damages caused to stakeholders whose legal rights have been violated by the Bank.**

The Bank's stakeholders include customers, employees, creditors, community, society and the environment, etc. Due to the fact that throughout the years, the Bank has never been in dispute relating to violation of stakeholders' legal rights, hence no stipulation of compensation scheme. Nonetheless, should a violation occur, the Bank is obliged to compensate as per stipulated by laws.

- **Report on operational performance to the Board of Directors on a monthly basis in case where the Board meeting is not held monthly.**

The Bank does not hold monthly Board meetings, yet submitting performance report to the Board on a quarterly basis. Exception is made in case of occurrence of changes with significance to the operation of the Bank between months.

Although, the Bank doesn't hold its board meetings every month, in 2012 the Bank's Board of Directors requested for an arrangement of additional meetings and extra activities in addition to those prior scheduled for the year. The arrangement, which included the following actions, was intended for the Board to consistently oversee the management's performance.

(1) The Bank held 7 luncheon gatherings for its members of the Board of Directors and the Executive Board to regularly exchange their valuable views on the Bank's operations, to update themselves on the Bank's management performance, and to obtain business information and/or others operational data which would offer them a better understanding of the bank's business, so that they would be able to effectively perform their governance duties as directors. Moreover, such gatherings also become a forum where these directors can regularly discuss, become better acquainted, and offer opportunities for the Bank's management to freely ask for advice. At the same time members of both Boards can also ask additional questions which might not have been raised during relevant board meetings.

(2) The Bank holds one meeting to enable the executive directors to report to the Executive Board; their performed tasks, their three most important work goals and the respective achievement indicators thereof.

• Individual Performance Assessment of Directors

The assessment of the directors' performance as an individual assessment may induce some deviation, so that the evaluation would be collected from each committee as a whole.

Control of Internal Information

In order to prevent exploitation, the misuse or misappropriation of internal information and/or documents which have not been publicly disclosed, the Bank has instructed that the Board of Directors and administrators, their spouses and children who are minors and any other affiliated persons to report (Form

59-2), any changes in the status of their holdings of the Bank, within 3 working days to the SEC and the SET and also hand in a copy of the form to the company secretary, who will inform the meeting of the Board of directors. Furthermore, in accordance with the company regulations against corruption and professional ethics, directors and employees of the Bank may not

use their authority for personal gain or for any other purpose which may adversely affect the Bank. The Internal Audit division will audit internal documents and in the event that wrong doing has been discovered, this will be reported to the Audit Committee and the Board of Directors for consideration according to the Bank regulations.

Report of the Audit Committee

The Audit Committee of Kiatnakin Bank Public Company Limited consists of Mr.Pichai Dachanapirom as a chairman, associated with Mr.Chet Pattrakornkul, Mr.Pravit Varutbangkul and Dr. Anumongkol Sirivedhin¹ as members. In year 2012, the Audit Committee has had 14 meetings and carried out the followings, in summary:

- In each quarter, the Committee reviewed the financial reports through a meeting with executives the Finance and Budgeting, and external auditors to consider all comments made from the auditing and reviewing of the financial statements. Besides, the Committee and the external auditors also had some meetings arranged without the attendance of the executives.

- By working together with internal auditors, the Committee cross-examined the internal control system and the security of an information technology system to assess the efficiency and sufficiency of both systems. The Committee had reviewed internal control assessment report to assess and ensure whether sound control measures are in place to safeguard information security risk. Moreover, the Committee had reviewed with Internal Auditors the results of its management audits over the year.

- The Committee approved the Internal Audit Master Plan and Annual Audit Plans for year 2013.

- The Committee reviewed the Bank's enterprise risk management, especially ones which linked to the internal control system, through the reports of Risk Management Group and Internal Audit. The Bank's enterprise risk management comprises objective setting, risk identification, risk assessment, risk response, and risk monitoring constructed on a quarterly basis. There was a determination of key risk indicators regarded as a

precaution system, and risk appetite as well as risk tolerance. Additionally, risks were regularly reviewed to satisfy the current situation and risk management policy of the Bank, and in line with 5 major risk areas specified by the Bank of Thailand which include Strategic risk, Credit risk, Market risk, Liquidity risk, and Operational risk. In sum, the Committee is of the view that the Bank has an appropriate and effective risk management system.

- The related party transactions was reviewed and acknowledged under the principle of transparency and sufficient disclosure of information that was in accordance with the Bank's policy and good Corporate Governance.

- The Committee had arranged the meeting with internal auditors to review and assess whether appropriate surveillance and monitoring programme are in place to ensure compliance with relevant laws and regulations related to banking business, including those imposed by the Stock Exchange of Thailand, the Prevention of Money Laundering Act, and Suppression Act and Consumer Protection Act, etc.

- The Committee had reviewed the performance of the Bank's external auditors on their duties over the past year. Since the existing auditor has served as the Bank's external auditor for more than five years, the Committee had therefore reviewed and compared the qualifications of external auditors of the leading audit firms and proposed the name of selected external auditors, as well as the auditing remuneration for year 2013 to the Board of Directors for a further consideration.

¹ Appointed as member of the Audit Committee, by the Board of Directors at the meeting No. 8/2555 on September 12, 2012, to replace Assoc. Prof. Manop Bongsadatt.

In carrying out the duties of revising and considering the core operation of the Bank, by cooperating with respective executives, internal auditors and external auditors, the Audit Committee is of opinion that the financial statements of the Bank is reliable; it has been constructed with sufficient control system and in accordance with Thai Financial Reporting Standards. Such consideration has already taken into account of risk management and examination process.

The Committee has proposed Mr.Chavala Tienpasertkij, CPA License No. 4301, or Mr.Permsak Jirajakwattana, CPA License No. 3427 or Mr.Nithi Jeungnitnirand, CPA License No. 3809, from Deloitte and Touche Tohmatsu Chaigyod Audit Company Limited to be auditors for 2013. The Committee has also accepted the auditing remuneration for 2013, presented to the Board of Directors before proposing it in the Shareholders Meeting for a final approval.

As of February 18, 2013

On Behalf of the Audit Committee



(Mr.Pichai Dachanapirom)

Chairman of the Audit Committee

Report of the Nomination and Remuneration Committee

The Board of Directors in their meeting no.4/2006 dated October 26, 2006 unanimously agreed to appoint Assoc. Prof. Manop Bongsadadt as the Chairman of the Nomination and Remuneration Committee, associated with Mr.Chet Pattrakornkul and Mr.Suraphol Kulsiri as the board members. In that respect, the Committee now consists of 3 members of which 2 are independent directors and 1 non-executive director.

The Board of Directors in their meeting no. 8/2012 on September 12, 2012, agreed to change the members of the Nomination and Remuneration Committee as follows;

Old

| | |
|-----------------------------------|-----------|
| (1) Assoc. Prof. Manop Bongsadadt | Chairman |
| (2) Mr.Suraphol Kulsiri | Member |
| (3) Mr.Chet Pattrakornkul | Member |
| Ms.Nujaree Sithasrivong | Secretary |

New

| | |
|-----------------------------------|-----------|
| (1) Assoc. Prof. Manop Bongsadadt | Chairman |
| (2) Mr.Chet Pattrakornkul | Member |
| (3) Mr.Pongtep Polanun | Member |
| (4) Mr.Suvit Mapaisansin | Member |
| (5) Mr.Suraphol Kulsiri | Member |
| Ms.Nujaree Sithasrivong | Secretary |

The members of the Committee comprise Assoc.Prof. Manop Bongsadadt as the Chairman of the Nomination and Remuneration Committee, and other members including Mr.Chet Pattrakornkul, Mr.Suraphol Kulsiri, Mr.Pongthep Polanun, and Mr.Suvit Mapaisansin, totaling 5 members of which 3 are independent directors and 2 non-executive directors.

In 2012, the Committee held 7 meetings. Each of the members strictly conducted his duties within the boundaries of responsibilities. To illustrate, the duties were including the director nomination, the appropriation proportion, size and composition of the Board comprising qualified individuals in various academics and experiences, the recommendation on compensations and benefits for the directors and executives (Executive Vice President and upward levels), and the performance assessment guidelines for directors and executives (Executive Vice President and upward levels) in order to review the annual compensation by taken several factors into consideration include roles and responsibilities, and relevant risks. More importantly, the value of shareholder's equity in the long run is the other key factor to consider executive's remuneration and succession plan.

The Nomination and Remuneration Committee has disclosed the remuneration for directors and executives as well as the Committee's report in the Annual Report 2012.



(Assoc. Prof. Manop Bongsadadt)
Chairman of the Nomination
and Remuneration Committee

Report of the Compliance and Governance Committee

The Compliance and Governance Committee comprises four directors: Mr.Chet Pattrakornkul, an independent director and the Chairman of the Committee, Mr.Pravit Varutbangkul, an independent director, Mr.Tarnin Chirasooton, a non-executive director, and Ms.Patraporn Milindasuta, a director of the financial affiliate. The main responsibilities of the Committee are to oversee the governance and compliance of the Bank and its financial affiliates, through the Compliance Division, in compliance with laws and regulations, the principles of good governance, and to regular report the Committee's performance to the Board of Directors.

In 2012, the Compliance and Governance Committee held 12 meetings and performed important duties as follows:

- **Endorsement**

- The annual compliance plan for the year 2013 and the compliance report for the year 2012
- The newly set up compliance risk assessment methods in accordance with the Bank business strategy for the year 2012-2016
- The Compliance Coordinator (C-Co) efficiency development plan in order to become a major tool for compliance risk management for each business unit

- **Supervision**

- Supervising the operations of the Compliance Division to be in line with the Compliance plan and to perform effectively and efficiently
- Monitoring and recommending the operations improvement in accordance with the audit reports of several

authorities i.e. the Bank of Thailand, The Office of the Securities and Exchange Commission Thailand, the National Credit Bureau, through the Compliance Division

- Acknowledging the Compliance report of various divisions presented by the Compliance Division on a monthly basis and supervising on relevant practices and guidelines to improve the Bank's operations in compliance with the rules and regulations imposed by both internal and authorities

- **Good Governance**

- Endorsing the timing for minority shareholders to propose agenda items for the annual shareholders' general meeting and to nominate candidates for directorship three months in advance of the end of the accounting year

As the Committee emphasizes on compliance and good governance in accordance with the Bank's guidelines and the authorities' rules and regulations, and even though the Group's business has expanded strongly in 2012 from the merger between the Bank and Phatra Capital Plc., the compliance and good governance was still performed as planned. Consequently, the Bank was presented good governance rewards as follows;

- "Corporate Governance Asia Recognition Award 2012" by Corporate Governance Asia
- "Excellent" (Top 100 Scores) from Annual General Shareholder Meeting Assessment Program, for the six consecutive years, conducted by Thai Investor Association (TIA) and The Securities and Exchange Commission Thailand (SEC)

- “SET Award of Honor” (Corporate Governance Report), for the third consecutive years (2010-2012), from the SET Awards 2012 which conducted by The Stock Exchange of Thailand and the Money and Banking Magazine

- “Taxpayer Recognition Award” (Ratsadakorn-pipat Award) from The Revenue Department as diligent compliances with taxpayers’ duties and role models for other taxpayers.

The Bank believes that business operations adhering to good corporate governance will contribute to value added and create confidence among shareholders, stakeholders, and other related parties, as well as long-term business sustainability, and the Bank persistent commits to pursue its ethical business practices under good corporate governance principles.



(Mr.Chet Pattrakornkul)
Chairman of the Compliance and
Governance Committee

Major Shareholders

The top ten major shareholders of the Bank based on the shareholders register book closing date on September 24, 2012 to determine the list of shareholders entitled to receive dividend.

| No. | Name | Number of Share (Shares) | Percentage (%) |
|---------------------------------|--|--------------------------|----------------|
| 1. | CREDIT SUISSE AG, HONG KONG BRANCH | 71,618,397 | 8.6 |
| 2. | Thai NVDR Co., Ltd. | 54,993,648 | 6.6 |
| 3. | Ms Thitinan Wattanavekin | 34,782,761 | 4.2 |
| 4. | Eastern Sugar and Cane Co., Ltd.* | 34,750,804 | 4.2 |
| 5. | CHASE NOMINEES LIMITED 42 | 31,927,000 | 3.9 |
| 6. | Mrs Vansamorn Wannamethee | 31,785,003 | 3.8 |
| 7. | RAMKHAMHAENG HOSPITAL PUBLIC COMPANY LIMITED | 30,527,243 | 3.7 |
| 8. | CHASE NOMINEES LIMITED 30 | 22,466,422 | 2.7 |
| 9. | STATE STREET BANK EUROPE LIMITED | 21,355,031 | 2.6 |
| 10. | HSBC BANK PLC-CLIENTS GENERAL A/C | 21,330,374 | 2.6 |
| Total Top 10 major shareholders | | 355,536,683 | 42.9 |
| Others | | 473,247,276 | 57.1 |
| Total issued share capital | | 828,783,959 | 100.0 |
| By nationality | | | |
| Thai shareholders | | 507,728,593 | 61.3 |
| Foreign shareholders | | 321,055,366 | 38.7 |

* Khunying Nattika Wattanavekin and Mr.Sukkarn Wattanavekin who were primary shareholders of Eastern Sugar Company Limited, holding 12.5 and 25.6 percent of the total company shares respectively, held the common shares of the Bank by 0.3 and 1.9 percent respectively as of December 31, 2012.

As of December 31, 2012

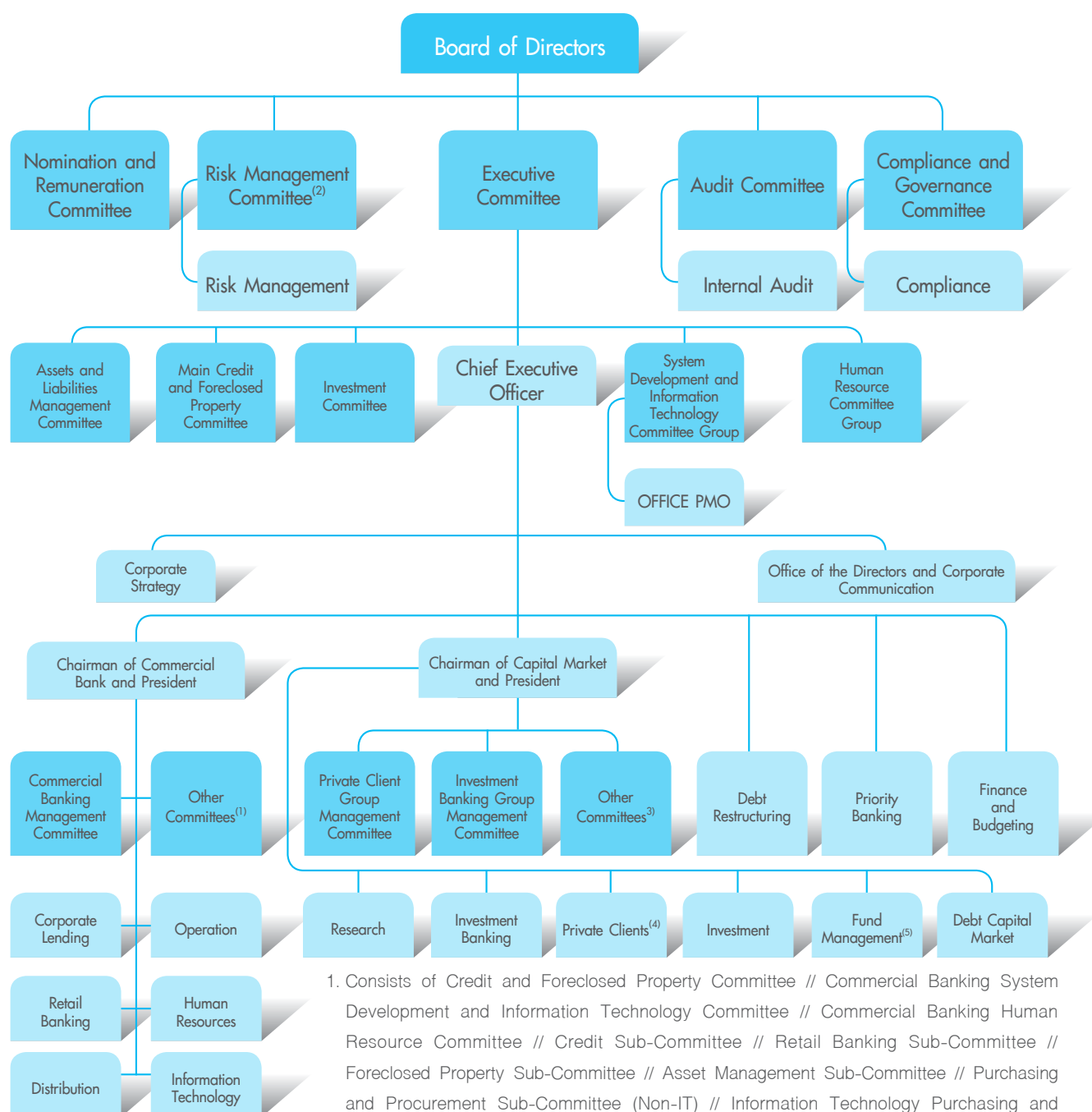
| | | |
|--|---------------|-----------------------------------|
| • Authorized share capital | 852,337,268 | Ordinary shares (of Baht 10 each) |
| Total | 8,523,372,680 | Baht |
| • Issued and fully paid-up share capital | 832,831,859 | Ordinary shares (of Baht 10 each) |
| Total | 8,328,318,590 | Baht |

Management Structure

Organization Structure

The Bank has separated the Board of Directors into 6 individual groups in order to manage its major functions,

consisting of Board of Directors, Audit Committee, Nomination and Remuneration Committee, Compliance and Governance Committee, Risk Management Committee, and Executive Committee. All details are stated below.



1. Consists of Credit and Foreclosed Property Committee // Commercial Banking System Development and Information Technology Committee // Commercial Banking Human Resource Committee // Credit Sub-Committee // Retail Banking Sub-Committee // Foreclosed Property Sub-Committee // Asset Management Sub-Committee // Purchasing and Procurement Sub-Committee (Non-IT) // Information Technology Purchasing and Procurement Sub-Committee (IT) // Asset Appraisal and Valuation Sub-Committee

2. Consists of Asset Quality Review Sub-Committee

3. Consists of Capital Market Risk Management Committee // Capital Market Human Resources Management Committee

4. Includes Kiatnakin Securities Co., Ltd. (KKS)

5. Includes Kiatnakin Fund Management Co., Ltd. (KK-Fund)

• Board of Directors

As the representative of the shareholders, Board of Directors has roles, duties and responsibilities to conduct the Bank's business to achieve stability, satisfaction and integrity; it also does refrain from any conflict of interest. The scope of authorities of the board is as follows:

(1) The Board shall determine business direction and establish overall strategic goal of the Bank. The Board shall review and approve the Bank's policies proposed by the Executive Committee, including those policies that are in compliance with laws and regulations. In order to protect the benefits of the Bank and its shareholders the Board shall oversee and monitor the implementation of these policies through the Executive Committee and ensure that they are carried out as planned, efficiently and effectively.

(2) The Board shall ensure that the principles of the Bank's Code of Conduct and Code of Ethics are in place. These principles are to be adopted as practice guidelines for management and employees in the organization.

(3) The Board shall oversee and monitor the Sub Committees to ensure that management establishes corporate governance guidelines that are in compliance with laws and regulations. The guidelines shall be appropriate to the Bank's activities. The Board shall approve the guidelines. In addition, the Board shall monitor and evaluate the effectiveness of the system, and provide feedback to management to help improve the system.

(4) The Board shall ensure that the Bank, through the Risk Management Committee, establishes policies related to risk management and control. These policies, at the minimum, shall include policies on credit risk, market risk, investment risk, liquidity risk, operational risk, reputational risk, legal risk, and strategic risk. These policies must be approved by the Board. Moreover, the Board shall regularly review and monitor the execution of these policies.

(5) The Board shall ensure that the Bank has effective internal control and audit in place.

(6) The Board shall oversee that the check and balance of power between management and major shareholders is suitable. This should be done with the

emphasis on creating a good proportion of independent directors among Board members.

(7) To support its oversight over the Bank's operation, the Board shall establish the following committees - Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, and Executive Committee. It is the Board's responsibility to determine the roles and responsibilities of each committee. Additionally, the Board is responsible for appointment of committee members.

(8) Management shall inform and update the Board on any important matters. To enable the Board to perform its duties effectively, it is necessary to have good information dissemination process from management to the Board in place.

(9) The Board is responsible for the approval of the Bank's annual financial reports audited by external auditors. Prior to the Board approval, the reports should be reviewed by the Executive Committee and Audit Committee. The shareholders shall approve the reports at the annual shareholders' meeting. In addition, the Board will receive recommendations, through a Management Letter provided by the external auditors and recommendations provided by the Executive Committee.

(10) The Board shall appoint and establish a scope and authority of executive officers, starting from the Executive Vice President level and higher.

(11) The Board shall ensure that the Bank has in place its policies related to loans and investment with related parties.

(12) The Board shall review and approve procedures that are related to authorization of investment lending, commitments, or any transactions with loan-like characteristics, purchases and spending. This is for the benefits of the Bank and in compliance with related laws and regulations.

(13) The directors are required to have at least 50% attendance of all the meetings held in a year.

Furthermore, the Board of Directors may seek further professional opinion from external consultants on the operation of the Bank with the expenses borne by the Bank. The Board holds a meeting at least once each quarter with the quorum consisting of at least two-thirds of the members of the Board; the meeting

resolution is accepted by the majority rule from the present committees in the meeting. The Chairman of the Board of Directors is not allowed to give an additional casting vote.

Board of Directors consists of 15 directors: 6 independent directors, 3 executives, 6 non-executives, and together with a company secretary. All names are listed as following;

(1) Mr.Supol Wattanavekin

Chairman/Non-Executive Director

(2) Mr.Tawatchai Sudtikitpisan

Vice Chairman/Non-Executive Director

(3) Mr.Pichai Dachanapirom

Independent Director

(4) Assoc. Prof. Manop Bongsadatt

Independent Director

(5) Mr.Chet Pattrakornkul

Independent Director

(6) Mr.Pravit Varutbangkul

Independent Director

(7) Mr.Pongtep Polanun

Independent Director

(8) Mr.Anumongkol Sirivedhin

Independent Director

(9) Mr.Tarnin Chirasoonton

Non-Executive Director

(10) Mr.Suraphol Kulsiri*

Non-Executive Director

(11) Mr.Veravat Chutichetpong

Non-Executive Director

(12) Mr.Suvit Mapaisansin*

Non-Executive Director

(13) Mr.Banyong Pongpanich*

Executive Director

(14) Mr.Aphinant Klewpatinond*

Executive Director

(15) Ms.Thitinan Wattanavekin*

Executive Director

Ms.Porntip Chuprakhun

Company Secretary

* Director with power of attorney

• Audit Committee

Audit Committee carries out the following duties as assigned by the Board of Directors:

(1) The Committee shall review the Bank's financial reporting process to ensure that it is accurate and adequate.

(2) The Committee shall review and evaluate the Bank's internal control system and internal audit system to ensure that they are suitable and efficient, to determine the internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of the internal audit unit or any other unit in charge of an internal audit unit.

(3) The Committee shall consider, select and nominate an independent person to be the Bank's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with the auditor at least once a year.

(4) The Committee shall consider the disclosure of the Bank's information, connected transactions, or the transactions that may lead to conflict of interests to comply with the laws and the Stock Exchange of Thailand's regulations, and to ensure that such transactions are reasonable and for the highest benefit to the Bank.

(5) The Committee shall set up and state in writing the duties of the audit committee including the changing in the composition and any change that significantly affect the audit committee's performance as approved by the Bank's Board of Directors, and inform the shareholders in its annual report.

(6) The Committee shall prepare a report on corporate governance activities by the audit committee and disclose it in the Bank's annual report, signed by the audit committee's chairman and consists of at least the following information:

(a) an opinion on the accuracy, completeness and credibility of the Bank's financial report,

(b) an opinion on the adequacy of the Bank's internal control system,

(c) an opinion on the compliance with the law on securities and exchange, the Stock Exchange of Thailand's regulations, or the laws relating to the Bank's business,

(d) an opinion on the suitability of the auditor,

(e) an opinion on the transactions that may lead to conflicts of interests,

(f) the number of the audit committee meetings, and the attendance of such meetings by each committee member,

(g) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and

(h) other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Bank's Board of Directors.

(7) The Committee shall report to Bank's Board of Directors in order that remedial action is taken within the time that the audit committee deems appropriate in case the audit committee finds or suspects any misconduct as follows:

(a) a transaction which causes a conflict of interest;

(b) any fraud, irregularity, or material defect in an internal control system; or

(c) any violation of the laws pertaining to financial institutions, the law on securities and exchange, the Stock of Exchange of Thailand's regulations, the Bank of Thailand's regulations or other laws and regulations related to banking business and securities and any other laws.

If the Bank's Board of directors or management fails to make rectify within the period specified by the audit committee, the committee shall disclose such transaction or act in the annual report and report to the Bank of Thailand, the office of the Securities and Exchange Commission or the Stock Exchange of Thailand accordingly.

(8) The audit committee has the authority to inspect or to question any relevant personnel regarding any related issues of the Bank. The audit committee is authorized to hire or bring in specialists to assist with the auditing process, as deemed appropriate.

(9) If necessary, the audit committee may invite the management team or any relevant person (s) to join the meeting to give additional information related to the matter being audited.

(10) The Committee shall coordinate with the risk management committee to ensure that management adheres to the Bank's risk management policy.

(11) The Committee shall perform any other act as assigned by the Bank's board of directors and accepted the audit committee.

The Audit Committee is required to meet at least once each quarter; the quorum consists of not less than half of the total number of members, and the meeting resolution is accepted by the majority rule of members present in the meeting. The Chairman and members of the committee, a total of 4, are all independent directors as follows:

(1) Mr.Pichai Dachanapirom

Chairman

(2) Mr.Chet Pattrakornkul

Member

(3) Mr.Pravit Varutbangkul

Member

(4) Mr.Anumongkol Sirivedhin

Member

Dr.Narong Predanan

Secretary

• Nomination and Remuneration Committee

The Committee carries out the duties assigned by the Board of Directors. The component, authorities and responsibilities of the Committee includes:

(1) The Committee shall establish criteria and process in nominating directors and executive officers from the vice president level and higher in order to propose to the Bank's Board of Director, as well as shall select and propose the appropriate-qualified-persons to be in the position of directors, members of the sub-committee, and the executive officers for the Board of Directors' consideration.

(2) The Committee shall consider the size and composition of the Board of Directors that are appropriate to the Bank. Generally, the Board shall consist of qualified individuals with knowledge and experience from diverse areas. If there is any changes in circumstances, it is the Committee's duty to review and refine the selection criteria, as appropriate.

(3) The Committee shall ensure that the criteria and process details of the nomination are appropriately disclosed in the Bank's annual report.

(4) It is the Committee's responsibility to oversee that directors and management receive

remuneration and benefits that commensurate to their duties and responsibilities. Any directors, who are assigned with more responsibilities, shall be compensated appropriately.

(5) The Committee shall consider the remuneration and other benefit of the directors, Chief Executive Officer and Chairman of the Group Business or equivalent and propose to the Board of Director. In addition, the Committee shall establish the payment policy of the remuneration and other benefit of the executive officers from the vice president level and higher in order to be the guideline for consideration of remuneration and other benefit by the Human Resources Committee Group.

(6) The Committee shall establish guidelines for performance evaluation of the directors, Chief Executive Officer and Head of Group Business or equivalent for the Board of Directors' consideration. The Committee shall also establish guidelines for performance evaluation of the executive officers from the Executive Vice President level and higher for the Human Resources Committee Group's consideration. These guidelines will assist the Committee in considering an annual adjustment taking into account the roles and responsibilities, related risks, and the increasing value of shareholders' proportion.

(7) The Committee shall ensure that the criteria related to remuneration and benefits are included in the Bank's annual report. Additionally, the annual report shall present guidelines for remuneration and benefits consideration and recommendations from the Committee.

(8) The Committee shall ensure that bank has a succession plan for executive officers from the Executive Vice President level and higher in place.

The Nomination and Remuneration Committee shall meet at least twice a year; the quorum consists of not less than half of the total members, and the meeting resolution is accepted by the majority rule of members present in the meeting.

The committee comprises 5 members that its Chairman and another two members are independent director; two remaining members are non-executive director.

- (1) Assoc. Prof. Manop Bongsadadt
Chairman*

- (2) Mr.Chet Pattrakornkul
Member*

- (3) Mr.Pongtep Polanun
Member*

- (4) Mr.Suvit Mapaisansin
Member

- (5) Mr.Suraphol Kulsiri
Member
Ms.Nujaree Sithasrivong
Secretary

Note * Independent Director

• Compliance and Governance Committee

The committee carries out the duties assigned by Board of Directors. The component, authorities and responsibilities of the committee includes:

(1) The Committee, through the Compliance Unit, shall oversee that the Bank and its subsidiaries in the financial service group conduct businesses in compliance with laws and regulations. Their practices should also comply with the Code of Ethics, Corporate Governance Guidelines and the Compliance Policy.

(2) The Committee shall ensure that the compliance system and corporate governance practice are in place. The systems should be functioned efficiently and independently.

(3) The Committee shall approve annual compliance plan proposed by the Compliance Unit. It shall also monitor performance of the Unit and ensure that the Unit completes its tasks and achieves targets according to plans.

(4) The Committee shall provide recommendations on the Annual Compliance Report. This report shall be reviewed and approved by the Board prior to its submission to a regulatory agency.

(5) The Committee shall develop guidelines on best practices and the Code of Conduct for the Board and each committee. The guidelines shall also be provided to executive officers and employees of the Bank and its subsidiaries in the financial service group.

(6) The Committee shall approve the appointment and rotation of the Compliance Unit Chief. It also is responsible for performance review of the Head of Compliance Unit.

The Compliance and Governance Committee shall meet at least once each quarter; the quorum consists of not less than half of the total number of members, and the meeting resolution is accepted by the majority rule of members present in the meeting. The committee consists of 4 members as follows:

1. Mr.Chet Pattrakornkul
Chairman*
2. Mr.Pravit Varutbangkul
Member*
3. Mr.Tarnin Chirasoonton
Member
4. Mrs.Patraporn Milindasuta
Member
Mr.Pongphan Sukhyanga
Secretary

Note * Independent Director

• Risk Management Committee

The committee's components, authorities and responsibilities are as follows:

(1) The Committee has a responsibility to set up overall policy on risk management for the Bank and its subsidiaries in the financial service group. This will include major policies on credit risk, market risk, liquidity risk, operational risk and any risk that could adversely affect the Bank's reputation.

(2) The Committee shall develop a risk management strategy that is in consistent with the Bank's policy. The strategy should enable the Committee to monitor and assess that risks are at acceptable levels. Additionally, it is the responsibility of the Committee to set up criteria in considering reserve for asset classification.

(3) The Committee shall review the adequacy and appropriateness of the Bank's policies and systems on risk management. This shall include the review of the implementation and effectiveness of the system.

(4) The Committee shall regularly update the Board on results of operation related to the risk management. This will allow the Board and the Committees to provide feedback that will help modify the operation to be in consistent with the Bank's risk management policy. Such information shall be reported to the Audit Committee and the Compliance

and Governance Committee for acknowledgement as well.

(5) The Committee shall approve criteria related to risk management, and/or lending, commitments, and any transactions with loan-like characteristics that are within the risk management framework set by a regulatory agency or the Bank. It is the Committee's responsibility to consider and establish credit policies and submit them to the Board of Directors for approval.

(6) The Committee shall oversee the risk management of the Bank and its subsidiaries in the financial service group and report results of operation to the Board of Directors.

The Risk Management Committee shall meet at least once each quarter; the quorum consists of not less than half of the total number of members, and the meeting resolution is accepted by the majority rule of members present in the meeting. The committee consists of 6 members as follows:

1. Mr.Supol Wattanavekin
Chairman
2. Mr.Banyong Pongpanich
Member
3. Mr.Aphinant Klewpatinond
Member
4. Mr.Chavalit Chindavanig
Member
5. Mr.Pracha Chumnarnkitkosol
Member
6. Dr.Anya Khanthavit
Member
Dr.Popanit Poommarapan
Secretary

• Executive Committee

The committee's components, authorities and responsibilities are as follows:

(1) The Committee shall propose corporate direction and strategic goal of the Bank and the subsidiaries in order to propose to the Board of Directors.

(2) The Committee shall consider and propose the policy and operating plan of the Bank and the subsidiaries, as proposed by CEO, for the Board of Directors. These policy and plan will

assist the Board of Directors in supervising CEO in terms of management following the approved policy with efficiency and effectiveness.

(3) The Committee shall ensure that the Code of Conduct and Code of Ethics for the directors, executive officers and staff are established and propose to the Board of Directors for approval. Such Codes will be the practicing guidelines for the Bank and the subsidiaries.

(4) The Committee shall approve the Bank's working and operating policy of the Bank and its subsidiaries.

(5) The Committee shall oversee the business operation of the Bank and its subsidiaries in order to ensure that the CEO manages the group's business in accordance with the stated laws and policies.

(6) The Committee shall establish the organization structure of the Bank and its subsidiaries as well as assign other operation matters of the Bank and its subsidiaries to CEO and the Sub-Committees in order to propose to the Board of Directors.

(7) The Committee shall supervise the performance and to establish the roles and responsibilities of the CEO, the Sub-Committees, and executive officers, who were assigned by the Executive Committee to be responsible for the specific job.

(8) The Committee is responsible for approving loan, restructuring loan, sales of main foreclosed, as well as establishing the assets price purchasing from the auction, exercising the right to protest in accordance with the financial amount, and approving the expenses and the lawsuit with the debtors .

Additionally, the committee may seek professional opinion from external consultants on the operation of the Bank whereas expenses shall be borne by the Bank.

The Committee shall meet at least once a month and the quorum of each meeting must be not less than half of the total number of members. The meeting resolution must be accepted by majority rule of director present in the meeting. If the resolution is not consentaneous, the member in the meeting has the right to propose such matter for the Board of Directors' consideration. In this regard, the resolution of the Executive Committee shall be recorded that the

meeting unanimously agreed to propose for the Board of Directors' consideration. The resolution by circulation is allowed by every member gives their consents on the resolution paper. The committee consists of the following 5 members with Mr.Supol Wattanavekin as advisor:

1. Mr.Banyong Pongpanich

Chairman

2. Mr.Aphinant Klewpatinond

Member

3. Ms.Thitinan Wattanavekin

Member

4. Mr.Pracha Chumnarnkitkosol

Member

5. Mr.Krittiya Veraburus

Member

Mr.Chavalit Chindavanig

Secretary

Ms.Patraporn Milindasuta

Assistant Secretary

• Other Committees and Sub-Committees

Board of Directors has reviewed and approved the establishment of other committees and sub-committees under Executive Committee's and Risk Management Committee's supervision. In year 2012, there are consist of:

1. Assets and Liabilities Management Committee

2. Main Credit and Foreclosed Property Committee

3. Investment Committee

4. System Development and Information Technology Committee Group

5. Human Resources Committee Group

6. Commercial Bank Human Resources Committee

7. Commercial Banking Management Committee

8. Credit and Foreclosed Property Committee

9. Commercial Bank System Development and Information Technology Committee

10. Retails Banking Sub-Committee

11. Credit Sub-Committee

12. Asset Appraisal and Valuation Sub-Committee

13. Foreclosed Property Sub-Committee

14. Purchasing and Procurement Sub-Committee (Non-IT)

15. Information Technology Purchasing and Procurement Sub-Committee

16. Asset Quality Review Sub-Committee¹

17. Asset Management Sub-Committee

Note-¹ The committee is under to the Risk Management Committee's supervision.

The committees under the supervision of Chairman of Capital Market and President are listed below:

1. Private Client Group Management Committee
2. Investment Banking Group Management Committee
3. Capital Market Risk Management Committee
4. Capital Market Human Resources Management Committee

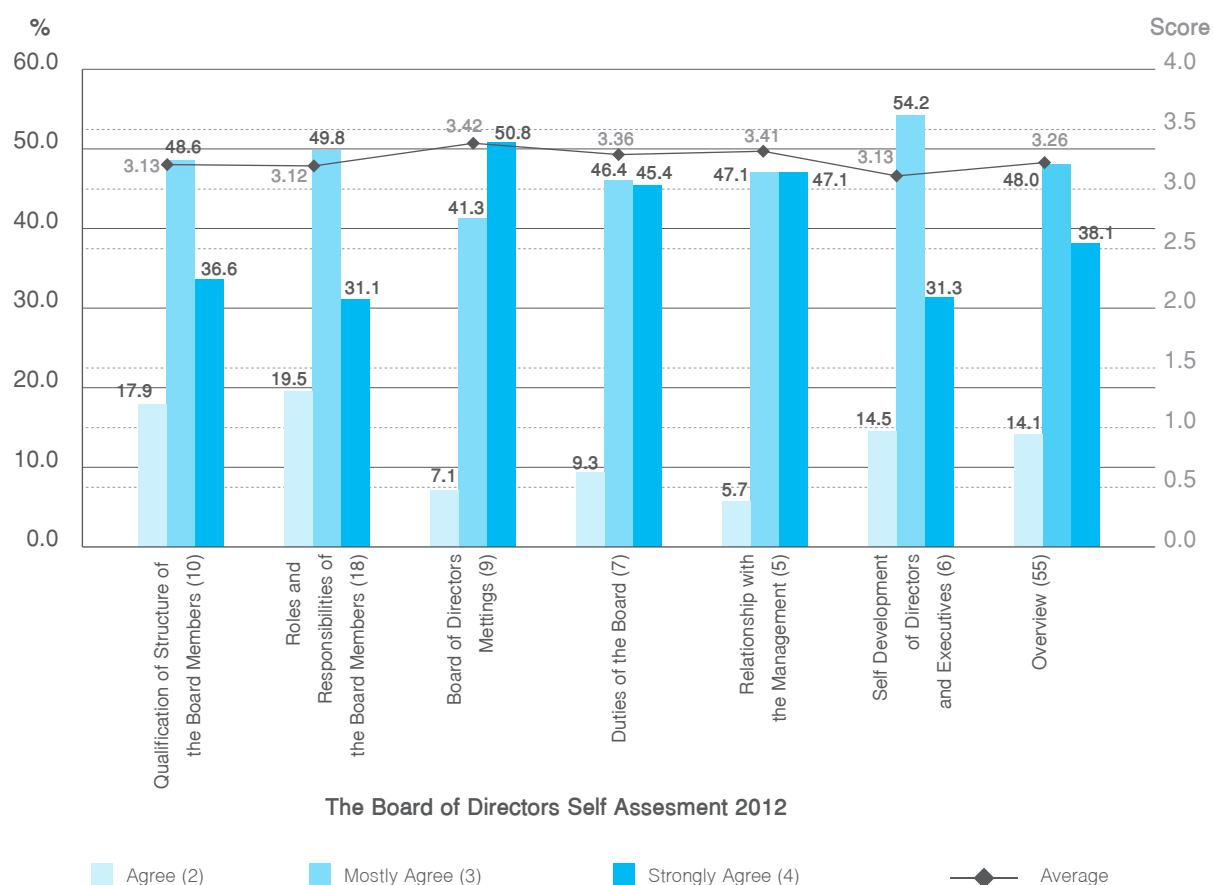
Meeting Participation of Individual Committees in Year 2012

| Directors | Meeting Attendance in Year 2012 | | | | | | Movement during the year |
|-------------------------------------|---|--------------------------------------|---|--|--|---|---|
| | Board of Directors Total 10 Meetings | Audit Committee Total 14 Meetings | Nomination and Remuneration Committee Total 7 Meetings | Compliance and Governance Committee Total 12 Meetings | Risk Management Committee Total 13 Meetings | Executive Committee Total 7 Meetings | |
| 1. Mr. Supol Wattanavekin | 10/10 | - | - | - | 12/13 | 7/7 | Attended the Executive Committee as the advisor |
| 2. Mr. Pichai Dachanapirom | 10/10 | 13/13/1 | - | - | - | - | |
| 3. Assoc. Prof. Manop Bongsadadt | 10/10 | 5/6/1 | 5/5/2 | - | - | - | Resigned from the Audit Committee on September 12, 2012. |
| 4. Mr. Chet Pattrakornkul | 10/10 | 14/14 | 7/7 | 12/12 | - | - | |
| 5. Mr. Pravut Varutbangkul | 10/10 | 14/14 | - | 12/12 | - | - | |
| 6. Dr. Anumongkol Sirivedhin | 7/7 | 5/5 | - | - | - | - | Appointed on April 26, 2012 |
| 7. Mr. Pongtep Polanun | 6/7 | - | 1/1 | - | - | - | Appointed on April 26, 2012 |
| 8. Mr. Tarnin Chirasoonton | 10/10 | - | - | 9/9/2 | - | - | |
| 9. Mr. Veravat Chutichetpong | 2/2 | - | - | - | - | - | Appointed on September 12, 2012 (Replacement of Mr.Pracha) |
| 10. Mr. Suraphol Kulsiri | 10/10 | - | 7/7 | - | - | - | |
| 11. Mr. Suvit Mapaisansin | 2/2 | - | 1/1 | - | - | - | Appointed on September 12, 2012 (Replacement of Mr.Krittiya) |
| 12. Mr. Banyong Pongpanich | 7/7 | - | - | - | 4/4 | 7/7 | Appointed on April 26, 2012 |
| 13. Mr. Tawatchai Sudtikitpisan | 10/10 | - | - | - | 11/13 | 6/7 | |
| 14. Mr. Aphinant Klewpatinond | 2/2 | - | - | - | 4/4 | 6/7 | Appointed on September 12, 2012 (Replacement of Ms.Patraporn) |
| 15. Ms. Thitinan Wattanavekin | 10/10 | - | - | - | 9/9 | 7/7 | |
| Resigned Directors During Year 2012 | | | | | | | |
| 1. Mr. Pracha Chumnarnkitkosol | 6/7 | - | - | - | 12/13 | 7/7 | |
| 2. Mr. Krittiya Veraburus | 3/4 | - | - | - | - | 6/7 | |
| 3. Ms. Patraporn Milindasuta | 3/4 | - | - | - | - | - | |

Note - ¹ Mr. Pichai Dachanapirom and Assoc. Prof. Manop Bongsadadt completed their terms in April 2012. They were re-appointed as the Chairman of the Audit Committee and the member of Audit Committee in May 2012, respectively.

² Assoc.Prof.Manop Bongsadadt and Mr.Tarnin Chirasoonton completed their terms in April 2012. They were re-appointed as the Chairman of the Nomination and Remuneration Committee and the member of the Compliance and Governance Committee in July 2012, respectively.

The Board of Directors Self Assessment 2012



• The Board of Directors Self Assessment

The Board of Directors has conducted their annual self-assessment, which includes the performance assessment of the Chief Executive Officer (CEO) and President. The purpose is to determine whether or not, over the past year, they have carried out their duties completely and appropriately according to the framework of authorities and responsibilities and Good Corporate Governance. The assessment result would be gathered and summarized by the company secretary.

In year 2012, the assessment consisted of 6 major aspects: 1) Qualifications of Structure of the Board Members 2) Roles and Responsibilities of the Board Members 3) Board of Directors Meetings 4) Duties of the Board 5) Relationship with the Management and 6) Self Development of Directors and Executives, which the entire aspects accounted for 55 individual subjects as a whole. As a result, out of a total score of 4, the overall score this year became in the range of 3 - 4 (Mostly Agree to Strongly Agree), with an average score of 3.26. All details are described in the graph above.

Selection of Directors and Executives

• Nomination of Directors

The Nomination and Remuneration Committee shall consider and review such individuals who have qualified to be appointed as the Bank's Directors, by taking into account the Good Corporate Governance and the necessity of the Bank. The committee shall take into consideration the suggestions of the minor shareholders who have right to nominate individuals qualified as candidates for a director or an independent director of the Bank. Once the individual is nominated to become independent director, such individual shall have qualification as required in the announcements of the Securities and Exchange Commission and the Stock Exchange of Thailand.

The selection process has begun with the qualified individual proposed by shareholders, directors and executives, with all detailed biography attached. Then, Nomination and Remuneration Committee has become responsible for the consideration of the nominees'

qualification and remuneration prior to proposing such person initially to the Board of Directors and finally seeking shareholders' approval. However, the Bank has limited the process of nomination by:

- Voting right of a shareholder is based on one share one vote.
- Each shareholder shall use up the total vote as per the above condition to select one or more directors. However, the voter is unable to determine how the vote would be divided up for any particular candidate.
- Candidates with the most votes, in descending order, shall be appointed as directors. In case of equal vote for the final available appointment, the chairman of the meeting shall cast the final vote.

• **Rights of minority shareholders to propose agenda items for the general meeting of shareholders and to nominate candidates for directorship**

The respect of the rights of minority shareholders to propose agenda items for the general meeting of shareholders and to nominate candidates for directorship in advance of such meeting is elementary good corporate governance dedicating the Bank's commitment towards equitable treatment of all shareholders and its clear guidelines for selection of agenda proposals which are justly established on the basis of banking relevance and beneficial interests of the organization. The Bank therefore prescribes procedures and criteria for which minority shareholders may propose their agenda items and nominate candidates for the director posts of the Bank's Board of Directors in advance of each annual general shareholders meeting. The shareholders who are qualified to propose their agenda items and nominate candidates for the Bank's director posts must

1) Hold no less than 200,000 (two hundred thousand) shares of the Bank, which may be a single shareholder or collective thereof,

2) Continue to hold the Bank's shares in the numbers as prescribed in 1) for no less than 1 year and still maintain them as of the date of the proposal of the agenda items for the general meeting of shareholders and the proposal to nominate candidates for directorship, and

3) Present the evidence of the share holdings thereof; namely the confirmation letter from security companies, or other evidence from the Stock Exchange of Thailand or the Thailand Securities Depository Co., Ltd.

Remuneration for Executives

• Monetary Remuneration

Remuneration of Directors

The policy and guidelines for remuneration for executives are based on the 3 main factors which are:

- Monthly compensation payable by the Bank during the time of being chairman and directors in the Board of Directors.
- Attendance fee paid to the chairman and director for attending each meeting.
- Gratuity or an annual compensation paid to the directors based on the annual incomes of the Bank and average annual bonus of employees. The director's length of service is also taken into account. The Bank has set forth a clear and transparent remuneration policy for director that is in line with the industry and at the rate sufficient to retain directors with designable qualification. The aforementioned remuneration rate shall, however, be approved at the shareholders' meeting.

In addition, each director who is assigned to be a member of any committees, including Audit Committee, Nomination and Remuneration Committee, Compliance and Governance Committee, Risk Management Committee, Executive Committee, and Main credit and Foreclosed Property Committee, would be receiving an additional remuneration as stated in the table.

The Bank clearly and transparently prescribes its policy on monetary remunerations for its directors. The Selection and Remuneration Committee is responsible for reviewing and assuring that the remuneration for its directors are in line with similar business entities in its peer group and at the rate which is attractive enough to retain qualified directors in their positions with the Bank; their remuneration must also suit their scope of responsibilities. Each year the Nomination and Remuneration Committee reviews and proposes suitable amounts of directors' remunerations to the Bank's Board of Directors for further submission to the shareholders' meeting for approval.

Remuneration of the Board of Directors in 2012

(Unit : Baht)

| No. | Board of Directors | Board of Directors | Audit Committee | Nomination and Remuneration Committee | Risk Management Committee | Main credit and Foreclosed Property Committee | Compliance and Governance Committee | Advisor to Executive Committee | Gratuity of 2012 (Paid in 2013) | Grand Total |
|-------------------------------------|---|--------------------|-----------------|---------------------------------------|---------------------------|---|-------------------------------------|--------------------------------|---------------------------------|-------------|
| 1 | Mr. Supol Wattanavekin | 864,000 | - | - | 2,160,000 | - | - | 600,000 | 909,050 | 4,533,050 |
| 2 | Mr. Pichai Dachanapirom | 432,000 | 336,000 | - | - | - | - | - | 454,550 | 1,222,550 |
| 3 | Assoc. Prof. Manop Bongsadadt | 432,000 | 85,000 | 140,000 | - | - | - | - | 454,550 | 1,111,550 |
| 4 | Mr. Chet Pattrakornkul | 432,000 | 221,000 | 119,000 | - | - | 336,000 | - | 454,550 | 1,562,550 |
| 5 | Mr. Pravit Varutbangkul | 432,000 | 221,000 | - | - | - | 204,000 | - | 454,550 | 1,311,550 |
| 6 | Dr. Anumongkol Sirivedhin ¹ | 288,000 | 85,000 | - | - | - | - | - | 454,550 | 827,550 |
| 7 | Mr. Pongtep Polanun ¹ | 288,000 | - | 17,000 | - | 181,667 | - | - | 454,550 | 941,217 |
| 8 | Mr. Tarnin Chirasooton | 432,000 | - | - | - | - | 153,000 | - | 454,550 | 1,039,550 |
| 9 | Mr. Veravat Chutichetpong ² | 130,800 | - | - | - | - | - | - | 454,550 | 585,350 |
| 10 | Mr. Suraphol Kulsiri | 432,000 | - | 119,000 | - | 600,000 | - | - | 454,550 | 1,605,550 |
| 11 | Mr. Suvit Mapaisansin ² | 130,800 | - | - | - | - | - | - | - | 130,800 |
| 12 | Mr. Banyong Pongpanich ¹ | 288,000 | - | - | - | - | - | - | - | 288,000 |
| 13 | Mr. Tawatchai Sudtikitpisan | 432,000 | - | - | - | - | - | - | - | 432,000 |
| 14 | Mr. Aphinant Klewpatinond ² | 130,800 | - | - | - | - | - | - | - | 130,800 |
| 15 | Ms. Thitinan Wattanavekin | 432,000 | - | - | - | - | - | - | - | 432,000 |
| Resigned Directors During Year 2012 | | | | | | | | | | |
| 1 | Mr. Pracha Chumnarnkitkosol ³ | 324,000 | - | - | - | - | - | - | - | 324,000 |
| 2 | Mr. Krittiya Veeraburus ^{1 and 3} | 180,000 | - | - | - | - | - | - | - | 180,000 |
| 3 | Mr. Pattraporn Milindasuta ^{1 and 3} | 180,000 | - | - | - | - | - | - | - | 180,000 |
| | Total | 6,260,400 | 948,000 | 395,000 | 2,160,000 | 781,667 | 693,000 | 600,000 | 5,000,000 | 16,838,067 |

¹ Appointed on April 26, 2012² Appointed on September 12, 2012³ Resigned on September 11, 2012

* Gratuity is paid to non-executive directors of the Bank and financial affiliates.

Remuneration of Executives

As for 2012, the Bank has remunerated 16 senior executives (including Senior Vice President of the Accounting Department), a total of Baht 103.5 million in forms of salaries, provident fund and bonus which varied by the Bank performance. Nevertheless, the Bank has not offered any asset trading title document to senior executives.

The Nomination and Remuneration Committee has regularly conducted an annual assessment of the

Chief Executive Officer (CEO) and Chairman of Business and President (MD); the assessment result is delivered to the CEO and MD by the chairman of the committee. The result of which is used as basis to consider a remuneration of that CEO and MD.

• Other Remuneration

The Bank has issued ESOP Warrant to its directors, executives, and employees, details are as follows;

Change in Kiatnakin Bank Shares and ESOP - W 2 Held by Directors in 2012

| No. | Director | Shareholding (Shares) | | Change Increase/ (Decrease) | ESOP-W2 Holding (Units) | | Change Increase/ (Decrease) |
|--|---|-----------------------|--------------|-----------------------------|-------------------------|--------------|-----------------------------|
| | | Dec 31, 2011 | Dec 31, 2012 | | Dec 31, 2011 | Dec 31, 2012 | |
| 1 | Mr. Supol Wattanavekin | 12,426,850 | 12,426,850 | - | 1,250,000 | 1,250,000 | - |
| 2 | Mr. Pichai Dachanapirom | 50,000 | 75,000 | 25,000 | 100,000 | 75,000 | (25,000) |
| 3 | Assoc. Prof. Manop Bongsadatt | - | 25,000 | 25,000 | 100,000 | 75,000 | (25,000) |
| 4 | Mr. Chet Pattrakornkul | 10,000 | - | (10,000) | 100,000 | 75,000 | (25,000) |
| 5 | Mr. Pravitt Varutbangkul | 280,000 | 230,000 | (50,000) | 100,000 | 75,000 | (25,000) |
| 6 | Dr. Anumongkol Sirivedhin ¹ | - | 18,270 | 18,270 | - | - | - |
| 7 | Mr. Pongtep Polanun ¹ | - | 38,488 | 38,488 | - | - | - |
| 8 | Mr. Tarnin Chirasooton | - | 25,000 | 25,000 | 100,000 | 75,000 | (25,000) |
| 9 | Mr. Veravat Chutichetpong ² | - | 2,329,739 | 2,329,739 | - | - | - |
| 10 | Mr. Suraphol Kulsiri | - | - | - | 194,000 | 194,000 | - |
| 11 | Mr. Suvit Mapaisansin ² | - | 4,029,406 | 4,029,406 | - | - | - |
| 12 | Mr. Banyong Pongpanich ¹ | - | 2,336,246 | 2,336,246 | - | - | - |
| 13 | Mr. Tawatchai Sudtikitpisan | 100,000 | 100,000 | - | 1,250,000 | 1,250,000 | - |
| 14 | Mr. Aphinant Klewpatinond ² | - | - | - | - | - | - |
| 15 | Ms. Thitinan Wattanavekin | 34,782,761 | 34,782,761 | - | 750,000 | 750,000 | - |
| Resigned Directors During Year 2012 | | | | | | | |
| 1 | Mr. Pracha Chumnannrkitkosol ³ | - | - | - | 750,000 | 375,000 | (375,000) |
| 2 | Mr. Krittiya Veeraburus ¹ and ³ | - | 172 | 172 | - | - | - |
| 3 | Mr. Pattaporn Milindasuta ¹ and ³ | - | - | - | - | - | - |

ESOP-W2 is the ESOP Warrant issued by the Bank

¹ Appointed on April 26, 2012

² Appointed on September 12, 2012

³ Resigned on September 11, 2012

Changes in Kiatnakin Bank Shares and ESOP-W2 Held by Executives in 2012

| No. | Executive | Shareholding (Shares) | | Change Increase/ (Decrease) | ESOP-W2 Holding (Units) | | Change Increase/ (Decrease) |
|-----|--------------------------------|-----------------------|--------------|-----------------------------|-------------------------|--------------|-----------------------------|
| | | Dec 31, 2011 | Dec 31, 2012 | | Dec 31, 2011 | Dec 31, 2012 | |
| 1 | Mr. Krittiya Veeraburus | - | 172 | 172 | - | - | - |
| 2 | Mr. Chavalit Chindavanig | - | 187,500 | 187,500 | 375,000 | 187,500 | (187,500) |
| 3 | Mr. Chaiwat Lertvanarin | - | - | - | - | - | - |
| 4 | Mr. Thawatchai Techawatanawana | - | - | - | - | - | - |
| 5 | Ms. Nujaree Sithasrivong | - | 42,600 | 42,600 | 303,000 | 227,250 | (75,750) |
| 6 | Mr. Patom Amorndechawat | - | 75,000 | 75,000 | 375,000 | 300,000 | (75,000) |
| 7 | Mr. Pracha Chumnarnkitkosol | - | - | - | 750,000 | 375,000 | (375,000) |
| 8 | Dr. Popanit Poommarapan | - | - | - | - | - | - |
| 9 | Mr. Manit Wannavanit | - | - | - | - | - | - |
| 10 | Mr. Sarawut Charuchinda | - | 97,500 | 97,500 | 750,000 | 525,000 | (225,000) |
| 11 | Mr. Siri Senajak | - | 78,400 | 78,400 | 224,000 | 112,000 | (112,000) |
| 12 | Mrs. Suree Harnpinijesak | 10,000 | - | (10,000) | 93,000 | 46,500 | (46,500) |

ESOP-W2 is the ESOP Warrant issued by the Bank

No. 1 was appointed on October 15, 2012.

No. 4 was appointed on September 28, 2012.

No. 8 was appointed on October 1, 2012.

No. 9 was appointed on September 4, 2012.

Employees

In 2012, the Bank restructured its organization to enhance the efficiency of each business unit and coordinate their business performance to be in line with the Kiatnakin Phatra Financial Group's policies and strategic directions, as well as subsequently elevating the service quality for its clients and other related parties. As of December 31, 2012, the Bank and its subsidiaries had a total of 3,860 employees (including outsource).

| Kiatnakin Phatra Financial Group | Number of Employee |
|------------------------------------|--------------------|
| Kiatnakin Bank Plc. | 3,120 |
| Erawan Law Office Co., Ltd. | 131 |
| Kiatnakin Securities Co., Ltd. | 276 |
| Kiatnakin Fund Management Co., Ltd | 54 |
| Phatra Capital Plc. | 21 |
| Phatra Securities Plc. | 257 |
| Total | 3,860 |

• Employee Remuneration

The Bank focuses on the ethical conducts in managing its human resources, particularly for matters concerning employee remuneration. Therefore, the Bank has adopted the basic principles on payment of remuneration according to their performances (i.e. Pay per Performance). Nevertheless, the Bank realizes that staff remuneration does not only include wages and salary management, but also includes the proper process of job assignments, relevant compensation, assessment of staff performances, as well as management of welfares and other benefits, all of which are parts of employee compensation packages. It also sets forth rules, practices, and procedures to ensure fair practices regarding staff payments, entitlements and remunerations.

• Provident Fund

The Bank set up its employee provident fund, in compliance with the Ministerial Regulation No. 162

(B.E. 2526), and with the intention of providing its employees with welfares and benefits that:

(1) to promote employee's savings

(2) to be a safety net for the employees and their family

The provident fund has been registered in compliance with the Provident Fund Act B.E. 2530 under the name "The Provident Fund Kiatnakin Already Registered" and "The Provident Fund SCBAM Master Fund Already Registered". The detail and contribution are stated below.

| Year of Service | Employer's Contribution (% of salary) |
|-------------------|--|
| Less than 5 years | 5 |
| 5 year and more | 10 |

To broaden choices of investment policy for employees' preference to suit their risk appetite, members of provident fund are able to switch their investment policy twice a year in the month of January and July.

• Business Support Unit

Due to the Bank's business expansion and the rapid increase in employee numbers in all the levels of operation, management and top executives, its human resource strategy thus become an important factor for its business success, both in term of its strategic achievement and realization of its targeted goals. The Bank placed emphasis on recruitment of qualified personnel, proficiency and knowledge development, service minded personnel, staff morale and motivation, and common and timely internal communication.

• Human Resources Policies

(1) Personnel Recruitment and Selection

The Bank has employed state-of-the-art technology and myriad of communication channels to reach target audience qualified for the required vacancies in the recruitment and selection process to ensure efficiency in the severe competition for quality workforce. The selectors and interviewers have been trained to enhance their skills. Furthermore, the Bank has placed importance on the development and

increment of recruitment equipment to assess qualification, skills and potential suitable for the position and organizational growth under the Competency-based Selection as well as attitude, ethics and creativity to promote sustainable growth of the business.

(2) Human Resource Management

The Bank has continuously developed human resource in terms of knowledge and skills to enhance their expertise and positive impression for the customers as well as quality of life for its employees from day one as follows:

Development of skills, knowledge and capacity according to the principles of Core Competency, Functional Competency and Leadership Competency for employees at all levels from director, senior executives, middle executives and operational staff as well as setting up the self-learning library: KK Link & Learn to further develop the employees' capacity and skills to carry out their duties efficiently and enhance the collateral growth for the employees and the Bank.

Knowledge Management program, whereby each business department will consistently gather and exchange knowledge and related experience, and continuously manage the organizational body of knowledge in the internal IT system in order to provide easy access and broadly extend to innovative idea within department. The Bank also arranged the contest of innovation and creative idea at the annual KM Day to become a sustainable knowledge base organization.

(3) People Assessment

The Bank annually evaluates its employee's performance, with emphasis on the assessment of their work competency, skill development, capability to achieve assigned goals and prescribed policies. The appraisal process is transparent, fair, and undiscriminating towards all levels of employees. The Bank applied various appraisal methods to assess their employee performance such as performance appraisal from line supervisors and 360 degree evaluation.

The Bank's key assessment targets is not limited only to performance appraisal, but also focuses on using appraisal techniques to assist in the improvement of the internal work process and

integrated human resource management. Annual appraisals are used as a vital methodical tool for safeguarding the Bank's standard of work and service quality, particularly for the services provided to customers and other related parties. At the same time, appraisal outcomes can be a good feedback to staff, particularly regarding on-going self-improvement, competency enhancement, future career path, and a good source of information for the Bank in selecting and retaining quality staff with high proficiency by applying proper implementation of proactive human resource measures.

(4) Employee Compensation and Benefits

The Bank equitably and fairly remunerates its employee according to their work performance. Remunerations are classified into three categories:

1) Monetary compensations based on individual work performance directly paid to staff in a manner such as money incrimination made as a proportion of increased workload, pay raise resulting from good performance, reward for work dedication and share in business achievement and reward for distinguished performance.

2) Indirect monetary compensation such as merit based on seniority and social responsibilities, and other welfare (provident fund, social security, group health, life and accident insurance schemes, annual medical checkups, nursing room, mother corner, scholarships for employee's children under the Kiatnakin Responsibility Scholarships Program.

3) Non-monetary compensation such as the challenging work assignments which offer opportunities for career advancement, training, and competency development supports.

(5) Succession Plan

The Bank followed its succession policies and continually set up a succession plan for its directors and top executives with additional criteria to select successors for critical positions to ensure that employees are capable and effective to continually operate the Bank's business. Moreover, the Bank also identify talent or high potentials of each business department, who are considered to be a valuable resource and can develop further to be core employees of the Bank in the future.

• Organization Development

(1) Training

The Bank intended to support skill and knowledge development of all its employee levels from operational staff to top executives, as well as to foster positive work attitudes that help enhance trustworthiness and awareness in work performance. All of these are vital core values of an organization. Thus, the overall emphasis of the Bank's training program is to develop work skills, knowledge, core competency, functional competency, and leadership competency.

In 2012, the Bank continuously organized various training programs for its employees which ranged from general training for all staff to specialized courses for top executives, both in-house and outside training, in various forms such as workshops, lectures, team building sessions, all of which were run by knowledgeable and experienced facilitators who are well regarded in their professions. Participation in external training classes and sessions were aimed to encourage the Bank's staff to expand their knowledge and be creative, which shall eventually create future benefits and added values to the Bank.

(2) Ethical Value and Corporate Culture Program

The Bank recognizes the importance of ethical value and corporate culture. It also promotes a good working environment and aims to support employee's engagement, commitment, devotion to their work, and their long term loyalty to the Bank. All of these are the elements that shall provide long term stability and competitiveness to the Bank.

In 2011, the Bank set up the "Voice to KK" program by inviting a well-recognized international consultant firm named "Gallup" to be its advisor. This program is a long-term and integrated program which requires cooperation from all corporate levels, from top executives to all employee levels, with the goal to increase the employees' engagement and enhance their bonding with the organization. At the same time the Bank also encourage ethical value and corporate culture via various internal communication modes and channels, and through the "Voice to You" program. The Bank is committed to have its employee of all levels share the similar corporate values which shall reflect good practice and organizational unity.

- **Internal Communication**

The Bank engages in continuous, regular and speedy communication with its employees via state-of-the-art media such as intranet called “KK World”, “KK SMS”, KK VDO Conference, and bulletin board and premiums on special occasions, and so forth. All of which are created to ensure that all employees are

up-to-date with both internal and external news and able to exchange opinions. The internal communication also acts as medium of communication for the executives and the staff to render collaboration and positive work atmosphere and reflects good corporate image to assist the Bank to achieve its intended business goals.

Dividend Policy

The Bank has a policy to pay dividend not exceeding 60 percent of net profit from an annual consolidated financial statement. Payout of dividend has to be approved at a General Meeting of Shareholder. An interim dividend can also be made if the Bank's profit is appropriate to do so and such payment shall be reported in the next general meeting.

In considering dividend payment, the Bank takes into account such these aspects: a long-term return to shareholders, the Bank's adequacy of capital to encompass any business plans and risks (both in normal

and crisis condition), as well as pre- and post-impacts from a given dividend payment.

Dividend payment is made in such a rate that would not lower capital adequacy ratio less than the Minimum Capital Requirement as specified in the Bank's risk appetite. Also, the payout does not obstruct the Bank to gradually increase its reserve level for non-performing loans in order to be on par with the average of other Thai commercial banks, according to the Bank's policy on Reserve.

Factors Affecting Investment Decision

Legal Disputes

As of December 31, 2012, the Bank and its subsidiaries have 64 pending legal disputes from regular business operations with a total value of Baht 9,276 million.

- There are 40 cases pending in the Civil Court with a value of Baht 275 million.
- There are 24 cases pending in the Supreme Court (Court of Appeals and the Supreme Court) with a value of Baht 9,001 million, of which all are related to mutual fund in which the Bank holds 99.9% of the total unit trusts of the mutual fund and is the litigant. Of these cases, 2 of them with a value of Baht 7,850 million, have already been dismissed by the Civil Court and the Court of Appeals but is under review by the Chancery.

However, the Board is of the opinion that in the event, that all the cases are filed and the value is as stated, it will not have any effect on the operations of the Bank.

In the dispute between the Bank and the Legal Execution Department (LED), for which the LED has stated the Bank to be at default for the difference between the first auctioned price and the auction price in which the Bank had won the bid, and is seeking compensation of Baht 583 million. As of December 31,

2010, the Bank had recorded the LED as a creditor in the financial statements, for the amount of Baht 583 million. The Bank has also recorded the shared amount to be received from the Collateral Property Fund as a loss of capital investment for the amount of Baht 278 million and set aside reserves in the financial statements for the year 2011.

As of December 31, 2012, the dispute is being processed by the receivership official and the representative as authorized by the meeting of the creditors. The Board is of the opinion that it will not have any effect on the operations of the Bank.

The legal dispute which occurred in 2011, involved Kiatnakin Securities Co., Ltd, as a subsidiary of the Bank, who is co-litigant with other defendants in a corruption case worth Baht 223 million. This case against Kiatnakin Securities, has already been dismissed by the Civil Court and is pending in the Court of Appeals. The Board is of the opinion that the value of the case at its present stage will not have any bearing on the operations of the Bank and its subsidiaries.

As of year ending 2012, there are no other disputes involving the subsidiaries.

Related Party Transactions

In 2011 and 2012, the Bank performed related party transactions, which were transacted to support its normal course of business operations. The Bank also maintains the prescribed procedures governing related party transactions that are in accordance with the guidelines set forth by the Securities and Exchange Commission of Thailand. These related party transactions do not lead to any conflicts of interest and are disclosed in the Notes to Financial Statements No. 7.34

Measures or procedures governing approval of related party transactions

The Bank pays attention towards protections against any circumstances that threaten to give rise to any conflicts of interest. When considering entering into any related party transactions with any party or person that may have any potential conflicts of interest, such transaction shall be considered by the Bank on a similar basis as, and no less favorable to any other transaction undertaken with any unrelated third-party. It also prescribes that its directors and executives who have special interest in any particular transaction shall not be entitled to cast their vote on the approval thereof.

Related Transaction with parties or persons that may have had any potential conflicts of interest

In 2011 and 2012, the Bank had the following related transactions with parties or persons as follows;

- **Credit, deposits, and contingencies**

Outstanding loans and credit, deposits, and contingencies between the Bank and its directors, key executives, related persons, or between the Bank and the entities in which its directors, key executives, related persons owning the aggregated equity shares in excess of 10% of the total paid-in capital.

- **Significant accounting transactions**

The Bank uses the market rate in its valuation methodology of related party transactions which is a condition generally applied in the normal course of business, or applies the following conditions relevantly prescribed in the contracts which govern additional transactions that the Bank undertook with its subsidiaries and associated companies.

| Name | Relationship | Transaction | Value (Baht million) | | Reasons and Necessities |
|--|---|---|---------------------------|------------------------------|--|
| | | | 2011 | 2012 | |
| Chotthanawat Company Limited | the entity in which the Bank's executives and related persons own shares/ have controlling power or can materially exercise its influence, or own up to 99.96% shares | The Bank rent spaces for warehousing the cars that it repossessed, sized or foreclosed. | 8.9 | 8.9 | The Bank has paid the rent and service fee for warehousing repossessed cars since 2004. The rent and service fees charged are comparable to market conditions. |
| Directors/ Key executives/ related persons | Directors/ Key executives/ related persons | - Interest expense - Deposits - Borrowings - Loans | 9.1 267.4 42.8 - | 8.1 422.9 28.1 94.3 | Service with the same interest rate as other regular customers |
| Directors/ Key executives | Directors/ Key executives | Brokerage Fee of securities trading | 1.2 | 1.9 | Kiatnakin Securities Company Limited provides brokerage service at the same commission rate as other regular customers |

Note : Details are stated in the Notes to Financial Statements No.7.32 for the year 2011 and No.7.34 for the year 2012

Policy and outlook for future related party transactions

It is not the Bank and its subsidiaries' policy to encourage the transacting of related party transactions with any party or persons that may have any potential conflicts of interest, unless such transactions are those which occur in their normal course of business operations. In that regard such related party transactions shall maintain their pricing or terms which are no different from those transacted between the Bank and any unrelated third-party. The Bank and its subsidiaries shall regularly review their related party transactions on a quarterly basis and duly report any irregularities to the Audit Committee.

Reasons behind the holding of the Bank and its subsidiaries' shares in excess of 10% by a person that may have potential conflicts, instead of direct holdings

It is not the Bank's policy to have a person that may have potential conflicts hold shares in its subsidiaries on behalf of the Bank.

Report of the Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is accountable for the consolidated financial statements and its subsidiaries as well as other financial information as presented in the annual report. The financial statements have been prepared in accordance with Thai Financial Reporting Standards. The Bank has chosen appropriate accounting policies applied on a conservative and consistent basis, using the best estimations where necessary and adequate disclosures have been made in the notes to the financial statements. All the disclosures and implementation of financial statements are in accordance with laws and regulations of the Bank of Thailand, the Securities and Exchange Commission Thailand, and the Stock Exchange of Thailand. In addition, these financial statements have been audited by independent auditors who have given their unqualified opinion. Therefore, the financial statements present fairly, in all material respects, the financial position and performances of the Bank and its subsidiaries in the past year, which has been correct, transparent, and useful to shareholders and all investors.

The Board of Directors has adopted and maintained an appropriate and effective system of risk management, internal control, internal audit, and compliance to ensure

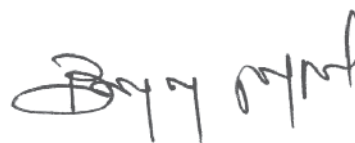
that all accounting records are accurate, complete, and sufficient. These systems facilitate the Bank in maintaining all of its assets as well as to prevent any damages from other significant irregularities in the operations of the Bank.

In this respect, the Board of Directors has appointed the Audit Committee consisting of independent directors to be responsible for these following duties: assuring the accuracy and sufficiency of the Bank's financial reports, overseeing and cross-examining the Bank's internal control system as well as its internal audit, and reviewing all disclosures of the Bank's related transactions or conflicts of interest for their most accuracy and completeness. The opinion of the Audit Committee related to these matters is merely stated in the Report of the Audit Committee section in the annual report and the annual registration report (Form 56-1).

The Board of Directors is of the opinion that the overall internal control system of the Bank is sufficient, well-managed, and in satisfactory that may provide a reasonable confidence in the reliability to the financial statements, the consolidated financial statements of the Bank and its subsidiaries for the accounting year ending December 31, 2012.



(Mr. Supol Wattanavekin)
Chairman of the Board of Directors



(Mr. Banyong Pongpanich)
Chief Executive Officer

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS KIATNAKIN BANK PUBLIC COMPANY LIMITED

We have audited the consolidated financial statements of Kiatnakin Bank Public Company Limited and subsidiaries and the Bank's financial statements of Kiatnakin Bank Public Company Limited, which comprise the consolidated and Bank's statements of financial position as at December 31, 2012, and the related consolidated and Bank's statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the aforementioned consolidated and Bank's financial statements present fairly, in all material respects, the financial position of Kiatnakin Bank Public Company Limited and subsidiaries and of Kiatnakin Bank Public Company Limited as at December 31, 2012, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, as discussed in Note 3 to the financial statements, the Bank and subsidiaries have early adopted Thai Accounting Standard No. 12 "Income Taxes" before the effective date. The corresponding figures thus have been restated as if the new accounting standard had always been in use.



Dr. Suphamit Techamontrikul

Certified Public Accountant (Thailand)

Registration No. 3356

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012 AND 2011, AND JANUARY 1, 2011

BAHT '000

| | | CONSOLIDATED FINANCIAL STATEMENTS | | | THE BANK'S FINANCIAL STATEMENTS | | |
|--|--------|--------------------------------------|---|---|------------------------------------|---|---|
| | | As at December 31, 2012 | As at December 31, 2011 "Restated" | As at January 1, 2011 "Restated" | As at December 31, 2012 | As at December 31, 2011 "Restated" | As at January 1, 2011 "Restated" |
| | | Notes | | | | | |
| ASSETS | | | | | | | |
| Cash | | 1,392,284 | 381,614 | 282,132 | 1,391,033 | 380,384 | 280,882 |
| Interbank and money market items, net | 7.2 | 7,525,276 | 16,081,082 | 7,912,146 | 6,204,511 | 15,566,224 | 7,496,219 |
| Derivatives assets | 7.3 | 84,536 | - | 278,853 | 78,898 | - | 278,853 |
| Investments in securities, net | 7.4 | 37,623,838 | 26,753,350 | 12,292,556 | 27,472,291 | 26,360,099 | 11,717,664 |
| Investments in subsidiaries, net | 7.5 | - | - | - | 14,737,870 | 8,734,040 | 9,159,909 |
| Investments in receivables, net | 7.6 | 4,726,345 | 5,291,730 | 6,699,802 | 1,642,641 | 1,741,608 | 2,528,576 |
| Investments in properties, net | | 77,746 | 77,518 | 78,070 | - | - | - |
| Loans and accrued interest receivables, net | 7.7 | | | | | | |
| Loans | | 190,260,441 | 151,922,307 | 119,185,135 | 191,110,441 | 151,922,307 | 119,185,135 |
| Securities business receivables | | 606,437 | 446,249 | 340,106 | - | - | - |
| Accrued interest receivables | | 1,010,596 | 798,198 | 586,330 | 1,008,073 | 795,848 | 584,928 |
| Total loans and accrued interest receivables | | 191,877,474 | 153,166,754 | 120,111,571 | 192,118,514 | 152,718,155 | 119,770,063 |
| Less Deferred revenue | | (21,872,843) | (16,619,783) | (12,212,380) | (21,872,843) | (16,619,783) | (12,212,380) |
| Less Allowance for doubtful accounts | 7.9 | (6,143,902) | (5,119,272) | (4,233,393) | (6,137,503) | (5,112,494) | (4,226,901) |
| Less Allowance for troubled debt restructuring | 7.11 | (27,789) | (733) | (1,651) | (27,789) | (733) | (1,651) |
| Net loans and accrued interest receivables | | 163,832,940 | 131,426,966 | 103,664,147 | 164,080,379 | 130,985,145 | 103,329,131 |
| Properties foreclosed, net | 7.12 | 4,979,625 | 6,543,304 | 7,736,299 | 5,203,186 | 6,092,369 | 6,986,973 |
| Land, premises and equipment, net | 7.13 | 1,369,832 | 938,478 | 901,147 | 885,803 | 880,905 | 864,314 |
| Other intangible assets, net | 7.14.1 | 325,486 | 292,432 | 230,082 | 279,862 | 268,556 | 220,419 |
| Goodwill | 7.14.2 | 3,085,290 | 56,071 | - | - | - | - |
| Deferred tax assets | 7.15 | 618,666 | 668,882 | 1,206,814 | 594,291 | 660,229 | 1,196,175 |
| Securities and derivative business receivables | | 4,818,085 | 279,192 | 413,556 | - | - | - |
| Accounts receivable from clearing house | | 756,716 | 33,168 | 140,780 | - | - | - |
| Other assets, net | 7.16 | 1,796,015 | 1,171,829 | 1,270,517 | 1,360,714 | 1,000,042 | 1,086,128 |
| Total assets | | 233,012,680 | 189,995,616 | 143,106,901 | 223,931,479 | 192,669,601 | 145,145,243 |

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

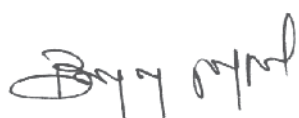
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2012 AND 2011, AND JANUARY 1, 2011

BAHT '000

| | | CONSOLIDATED FINANCIAL STATEMENTS | | | THE BANK'S FINANCIAL STATEMENTS | | |
|--|-------|--------------------------------------|----------------------|--------------------|------------------------------------|----------------------|--------------------|
| | | As at | As at | As at | As at | As at | As at |
| | | December 31, 2012 | December 31, 2011 | January 1, 2011 | December 31, 2012 | December 31, 2011 | January 1, 2011 |
| | Notes | | "Restated" | "Restated" | | "Restated" | "Restated" |
| LIABILITIES AND EQUITY | | | | | | | |
| Deposits | 7.17 | 153,027,238 | 69,039,581 | 75,931,269 | 153,531,709 | 69,530,884 | 75,932,389 |
| Interbank and money market items, net | 7.18 | 5,468,407 | 5,220,382 | 3,201,942 | 5,612,752 | 5,248,872 | 3,326,226 |
| Liabilities payable on demand | | 374,595 | 231,839 | 282,604 | 374,595 | 231,839 | 282,604 |
| Derivatives liabilities | 7.3 | 7,931 | 701 | 42 | - | 701 | 42 |
| Debt issued and borrowings | 7.19 | 29,123,336 | 86,012,821 | 35,307,852 | 27,458,975 | 89,612,821 | 37,867,852 |
| Provisions | 7.20 | 327,599 | 223,676 | 192,639 | 214,194 | 187,238 | 163,965 |
| Deferred tax liabilities | 7.21 | 163,329 | - | - | - | - | - |
| Accounts payable to clearing house | | 149,364 | 90,294 | 16,135 | - | - | - |
| Securities and derivative business payables | | 4,757,450 | 170,996 | 475,853 | - | - | - |
| Accrued interest expenses | | 834,779 | 872,048 | 453,762 | 855,507 | 892,917 | 460,908 |
| Other accounts payable | 7.22 | 1,962,853 | 1,537,726 | 1,094,058 | 1,738,562 | 1,398,477 | 1,029,388 |
| Legal Execution Department payable | 7.23 | 575,380 | 575,380 | 575,380 | 575,380 | 575,380 | 575,380 |
| Income tax payable and specific business tax payable | | 376,285 | 61,583 | 745,638 | 279,815 | 46,894 | 698,507 |
| Other liabilities | 7.24 | 2,666,576 | 1,694,365 | 2,711,829 | 2,238,304 | 1,726,227 | 2,729,529 |
| Total liabilities | | 199,815,122 | 165,731,392 | 120,989,003 | 192,879,793 | 169,452,250 | 123,066,790 |
| EQUITY | | | | | | | |
| Share capital | 7.25 | | | | | | |
| Authorized share capital | | | | | | | |
| 852,337,268 ordinary shares of Baht 10 each | | | | | | | |
| (December 31, 2011 : 660,328,864 shares of Baht 10 each) | | | | | | | |
| (January 1, 2011 : 696,099,987 shares of Baht 10 each) | | 8,523,373 | 6,603,289 | 6,961,000 | 8,523,373 | 6,603,289 | 6,961,000 |
| Issued and paid-up share capital | | | | | | | |
| 832,831,859 ordinary shares of Baht 10 each | | | | | | | |
| (December 31, 2011 : 634,328,864 shares of Baht 10 each) | | | | | | | |
| (January 1, 2011 : 565,825,828 shares of Baht 10 each) | | 8,328,319 | 6,343,289 | 5,658,258 | 8,328,319 | 6,343,289 | 5,658,258 |
| Premium on share capital | | 9,088,009 | 3,715,267 | 3,062,445 | 9,088,009 | 3,715,267 | 3,062,445 |
| Other reserves | 7.29 | 1,121,989 | 1,150,683 | 1,199,599 | 295,871 | 238,798 | 233,875 |
| Retained earnings | | | | | | | |
| Appropriated | | | | | | | |
| Legal reserve | 7.27 | 782,332 | 722,846 | 722,846 | 782,332 | 722,846 | 722,846 |
| Others | | 380 | 380 | 380 | 380 | 380 | 380 |
| Unappropriated | | 13,577,141 | 11,952,624 | 11,233,833 | 12,556,775 | 12,196,771 | 12,400,649 |
| Total equity of the Bank | | 32,898,170 | 23,885,089 | 21,877,361 | 31,051,686 | 23,217,351 | 22,078,453 |
| Non-controlling interest | | 299,388 | 379,135 | 240,537 | - | - | - |
| Total equity | | 33,197,558 | 24,264,224 | 22,117,898 | 31,051,686 | 23,217,351 | 22,078,453 |
| Total liabilities and equity | | 233,012,680 | 189,995,616 | 143,106,901 | 223,931,479 | 192,669,601 | 145,145,243 |

The notes to the financial statements form an integral part of these statements


(Mr. Banyong Pongpanich)
Chief Executive Officer

(Mr. Aphinant Kiewpatinond)
Chairman of Commercial Bank and President

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT '000

| | Notes | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|-------|--------------------------------------|--------------------|------------------------------------|--------------------|
| | | 2012 | 2011 "Restated" | 2012 | 2011 "Restated" |
| Interest income | 7.38 | 14,451,703 | 11,296,385 | 13,596,824 | 10,759,946 |
| Interest expenses | 7.39 | 7,338,953 | 4,820,659 | 7,412,225 | 4,925,997 |
| Interest income, net | | 7,112,750 | 6,475,726 | 6,184,599 | 5,833,949 |
| Fees and services income | | 2,572,765 | 1,573,428 | 1,551,126 | 1,140,416 |
| Fees and services expenses | | 292,147 | 154,092 | 150,271 | 98,625 |
| Fees and services income, net | 7.40 | 2,280,618 | 1,419,336 | 1,400,855 | 1,041,791 |
| Gain (loss) on trading and foreign exchange transactions, net | 7.41 | 225,865 | (11,640) | 15,223 | (30,326) |
| Gain on investments, net | 7.42 | 443,304 | 179,544 | 219,550 | 267,299 |
| Gain from sale of foreclosed assets | | 1,223,813 | 1,244,851 | 447,983 | 714,303 |
| Dividend income | | 22,567 | 54,943 | 632,351 | 50,539 |
| Other operating income | 7.43 | 208,714 | 166,901 | 184,967 | 147,410 |
| Total operating income | | 11,517,631 | 9,529,661 | 9,085,528 | 8,024,965 |
| Other operating expenses | | | | | |
| Employee's expenses | | 3,034,642 | 2,340,283 | 2,317,426 | 2,040,513 |
| Directors' remuneration | | 18,967 | 13,331 | 14,964 | 12,057 |
| Premises and equipment expenses | | 1,026,197 | 859,225 | 886,473 | 780,667 |
| Taxes and duties | | 288,136 | 270,843 | 284,758 | 269,090 |
| Loss from revaluation of foreclosed assets (reversal) | | 85,987 | (110,748) | 86,345 | (79,647) |
| Other expenses | 7.44 | 1,475,500 | 1,457,599 | 1,344,570 | 1,281,407 |
| Total other operating expenses | | 5,929,429 | 4,830,533 | 4,934,536 | 4,304,087 |
| Impairment loss of loans and debt securities | 7.45 | 1,554,971 | 1,277,642 | 1,566,616 | 1,287,357 |
| Profit from operating before income tax expenses | | 4,033,231 | 3,421,486 | 2,584,376 | 2,433,521 |
| Income tax expenses | 7.46 | 605,446 | 1,121,548 | 444,951 | 1,089,113 |
| Net profit | | 3,427,785 | 2,299,938 | 2,139,425 | 1,344,408 |

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

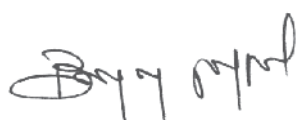
STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT '000

| | Notes | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|-------|--------------------------------------|--------------------|------------------------------------|--------------------|
| | | 2012 | 2011 "Restated" | 2012 | 2011 "Restated" |
| Other comprehensive income | | | | | |
| Loss on remeasuring investments in receivables | | (67,273) | (67,862) | (2,298) | (12,289) |
| Gain (loss) on remeasuring available-for-sale securities | | 81,446 | (16,954) | 73,644 | (23,321) |
| Actuarial gain (loss) on defined benefit plan | | 12,651 | (31,487) | - | (25,936) |
| Income tax relating to components of other comprehensive income | 7.47 | (40,733) | 40,532 | (14,273) | 40,533 |
| Total other comprehensive income | | (13,909) | (75,771) | 57,073 | (21,013) |
| Total comprehensive income | | 3,413,876 | 2,224,167 | 2,196,498 | 1,323,395 |
| Net profit attributable to: | | | | | |
| Equity holders of the Bank | | 3,391,287 | 2,272,627 | 2,139,425 | 1,344,408 |
| Non-controlling interest | | 36,498 | 27,311 | - | - |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Bank | | 3,375,257 | 2,192,225 | 2,196,498 | 1,323,395 |
| Non-controlling interest | | 38,619 | 31,942 | - | - |
| Earnings per share of Equity holders of the Bank | | | | | |
| Basic earnings per share (Baht) | 7.32 | 4.88 | 3.59 | 3.08 | 2.12 |
| Diluted earnings per share (Baht) | 7.32 | 4.85 | 3.57 | 3.06 | 2.11 |

The notes to the financial statements form an integral part of these statements


(Mr. Banyong Pongpanich)
Chief Executive Officer

(Mr. Aphinant Kiewpatinond)
Chairman of Commercial Bank and President

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT '000

CONSOLIDATED FINANCIAL STATEMENTS

| Equity attributable to the Bank's shareholders | | | | | | | | | | | | | |
|--|----------------------------------|--------------------------|---|--|---|--|---------------|--------------------------------|-------------|----------------------------------|--|---------------------------|-------------|
| Notes | Issued and paid-up share capital | Premium on share capital | Other reserves | | | | | Appropriated retained earnings | | Unappropriated retained earnings | Total equity attributable to the Bank's shareholders | Non-controlling interests | Total |
| | | | Fair value reserves on investments in receivables | Gain (loss) on available-for-sale securities | Deferred tax relating to components of other comprehensive income | Surplus on business combination under common control | Legal reserve | Others | | | | | |
| | | | | | | | | | | | | | |
| "Restated" Opening balance as at January 1, 2011 as previously reported Effects of changes in accounting policy Opening balance as at January 1, 2011 as restated Dividend paid Increase in ordinary shares Total comprehensive income Decrease in non-controlling interests Closing balances as at December 31, 2011 Opening balance as at January 1, 2012 as previously reported Effects of changes in accounting policy Opening balance as at January 1, 2012 as restated Dividend paid Legal reserve Increase in ordinary shares Total comprehensive income Surplus on business combination under common control Decrease in non-controlling interests Closing balances as at December 31, 2012 | | | | | | | | | | | | | |
| | 3 | 5,658,258 | 3,062,445 | 1,130,659 | 169,172 | - | - | 722,846 | 380 | 9,926,788 | 20,670,548 | 240,536 | 20,911,084 |
| | | - | - | - | - | (100,232) | - | - | - | 1,307,045 | 1,206,813 | 1 | 1,206,814 |
| | 7.28 | 5,658,258 | 3,062,445 | 1,130,659 | 169,172 | (100,232) | - | 722,846 | 380 | 11,233,833 | 21,877,361 | 240,537 | 22,117,898 |
| | 7.25 | - | - | - | - | - | - | - | - | (1,522,350) | (1,522,350) | - | (1,522,350) |
| | 7.25 | 685,031 | 652,822 | - | - | - | - | - | - | - | 1,337,853 | - | 1,337,853 |
| | 7.29 | - | - | (71,786) | (17,662) | 40,532 | - | - | - | 2,241,141 | 2,192,225 | 31,942 | 2,224,167 |
| | | - | - | - | - | - | - | - | - | - | - | 106,656 | 106,656 |
| | | 6,343,289 | 3,715,267 | 1,058,873 | 151,510 | (59,700) | - | 722,846 | 380 | 11,952,624 | 23,885,089 | 379,135 | 24,264,224 |
| | | | | | | | | | | | | | |
| 3 | 6,343,289 | 3,715,267 | 1,058,873 | 151,510 | - | - | 722,846 | 380 | 11,224,043 | 23,216,208 | 379,134 | 23,595,342 | |
| | - | - | - | - | (59,700) | - | - | - | 728,581 | 668,881 | 1 | 668,882 | |
| 7.28 | 6,343,289 | 3,715,267 | 1,058,873 | 151,510 | (59,700) | - | 722,846 | 380 | 11,952,624 | 23,885,089 | 379,135 | 24,264,224 | |
| 7.27 | - | - | - | - | - | - | - | - | (1,719,935) | (1,719,935) | - | (1,719,935) | |
| 7.25 | - | - | - | - | - | - | 59,486 | - | (59,486) | - | - | - | |
| 7.29 | 1,985,030 | 5,372,742 | - | - | - | - | - | - | - | 7,357,772 | - | 7,357,772 | |
| | - | - | (69,312) | 79,568 | (38,937) | - | - | - | 3,403,938 | 3,375,257 | 38,619 | 3,413,876 | |
| | - | - | - | - | - | (13) | - | - | - | (13) | - | (13) | |
| | - | - | - | - | - | - | - | - | - | - | (118,366) | (118,366) | |
| | 8,328,319 | 9,088,009 | 989,561 | 231,078 | (98,637) | (13) | 782,332 | 380 | 13,577,141 | 22,898,170 | 299,388 | 33,197,558 | |

The notes to the financial statements form an integral part of these statements

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT '000

THE BANK'S FINANCIAL STATEMENTS

| Notes | Issued and paid-up share capital | Premium on share capital | Fair value reserves on investments in receivables | Other reserves | | | | Appropriated retained earnings | | Unappropriated retained earnings | Total |
|---|----------------------------------|--------------------------|---|-------------------------------------|---|---------------|-----------|--------------------------------|-----|----------------------------------|-------------|
| | | | | Gain (loss) on available securities | Deferred tax relating to components of other comprehensive income | Legal reserve | Others | | | | |
| "Restated" Opening balance as at January 1, 2011 as previously reported Effects of changes in accounting policy Opening balance as at January 1, 2011 as restated Dividend paid Increase in ordinary shares Total comprehensive income Closing balances as at December 31, 2011 | 3 | 5,658,258 | 3,062,445 | 165,014 | 169,093 | - | (100,232) | 722,846 | 380 | 11,104,242 | 20,882,278 |
| | | - | - | - | - | - | - | - | - | 1,296,407 | 1,196,175 |
| | 7.28 | 5,658,258 | 3,062,445 | 165,014 | 169,093 | (100,232) | - | 722,846 | 380 | 12,400,649 | 22,078,453 |
| | 7.25 | 685,031 | 652,822 | - | - | - | - | - | - | (1,522,350) | (1,522,350) |
| | 7.29 | - | - | (12,289) | (23,321) | 40,533 | - | - | - | - | 1,337,853 |
| Opening balance as at January 1, 2012 as previously reported Effects of changes in accounting policy Opening balance as at January 1, 2012 as restated Dividend paid Legal reserve Increase in ordinary shares Total comprehensive income Closing balances as at December 31, 2012 | 3 | 6,343,289 | 3,715,267 | 152,725 | 145,772 | (59,699) | - | 722,846 | 380 | 12,196,771 | 23,217,351 |
| | | - | - | - | - | - | - | - | - | 719,928 | 660,229 |
| | 7.28 | 6,343,289 | 3,715,267 | 152,725 | 145,772 | (59,699) | - | 722,846 | 380 | 12,196,771 | 23,217,351 |
| | 7.27 | - | - | - | - | - | - | - | - | (1,719,935) | (1,719,935) |
| | 7.25 | 1,985,030 | 5,372,742 | - | - | - | - | 59,486 | - | (59,486) | - |
| Total comprehensive income Closing balances as at December 31, 2012 | 7.29 | - | - | (2,298) | 73,644 | (14,273) | - | - | - | - | 7,357,772 |
| | | 8,328,319 | 9,088,009 | 150,427 | 219,416 | (73,972) | - | 782,332 | 380 | 12,556,775 | 31,051,686 |

The notes to the financial statements form an integral part of these statements



(Mr. Banyong Pongpanich)
Chief Executive Officer

(Mr. Aphinant Kiewpatinond)
Chairman of Commercial Bank and President

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|--------------------|------------------------------------|--------------------|
| | 2012 | 2011 "Restated" | 2012 | 2011 "Restated" |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit from operating before income tax expenses | 4,033,231 | 3,421,486 | 2,584,376 | 2,433,521 |
| Adjustments to reconcile profit from operating before income tax expenses | | | | |
| to cash received (paid) from operating activities | | | | |
| Depreciation | 349,646 | 317,320 | 308,795 | 299,675 |
| Amortization | 110,628 | 102,179 | 97,423 | 95,285 |
| Amortization of (discount) premium on investments in securities | (391,998) | 62,903 | (393,695) | 62,201 |
| Bad debt and doubtful accounts | 1,754,727 | 1,549,677 | 1,755,566 | 1,549,391 |
| Loss on troubled debt restructuring | 1,724 | 2,106 | 1,724 | 2,106 |
| (Gain) loss on impairment of investments in receivables | (919) | 104,360 | 9,887 | 114,361 |
| Unrealized gain from transferring investments in receivables to loans | (6,284) | (154,359) | (6,284) | (154,359) |
| Unrealized loss on foreign exchange | 289,748 | 4,999 | 291,218 | 4,999 |
| Loss on diminution in value of securities (reversal) | (26,336) | (375) | (156,541) | (60,961) |
| Loss on diminution in value of properties foreclosed (reversal) | 85,988 | (110,748) | 86,345 | (79,647) |
| Loss on impairment of other assets | 3,108 | 39,364 | 3,336 | 38,812 |
| (Gain) loss on disposal of investment in securities | (323,867) | (26,454) | 69,001 | (32,120) |
| Loss on disposal of receivables on loan | 57,672 | - | 57,672 | - |
| Gain on disposal of equipment | (7,199) | (7,451) | (5,000) | (4,738) |
| Loss on write-off of equipment | 14,503 | 1,422 | 12,595 | 1,404 |
| Net interest income | (7,112,750) | (6,475,726) | (6,184,599) | (5,833,949) |
| Dividend income | (22,567) | (54,943) | (632,351) | (50,539) |
| Proceeds from interest income | 14,183,297 | 11,147,928 | 13,324,460 | 10,615,328 |
| Interest paid | (7,380,216) | (4,402,374) | (7,449,635) | (4,493,988) |
| Proceeds from dividend | 39,896 | 51,611 | 635,716 | 47,207 |
| Cash paid for corporate income tax | (256,011) | (1,229,077) | (183,932) | (1,165,835) |
| Increase (decrease) in provision expenses | 16,632 | (9,553) | 26,956 | (9,148) |
| Decrease in specific business tax payable | (1,685) | (119) | (1,467) | (531) |
| Increase in accrued expenses | 601,390 | 81,841 | 343,880 | 71,950 |
| Dividend received from subsidiaries | - | - | (616,428) | - |
| Profit from operations before changes in operating assets and liabilities | 6,012,358 | 4,416,017 | 3,979,018 | 3,450,425 |
| (Increase) decrease in operating assets | | | | |
| Interbank and money market items | 9,504,043 | (8,110,423) | 9,374,624 | (8,087,423) |
| Investments in trading and available-for-sale securities | (6,501,311) | (16,403,229) | (532,702) | (16,691,747) |
| Investments in receivables | 462,983 | 674,763 | 50,734 | 99,231 |
| Securities and derivative business receivables | (150,681) | 134,364 | - | - |
| Accounts receivable from clearing house | (446,779) | 107,612 | - | - |
| Loans and receivables | (36,085,413) | (30,186,212) | (36,639,606) | (29,751,055) |
| Properties foreclosed | 3,584,394 | 3,100,620 | 3,198,141 | 2,775,633 |
| Other assets | (340,149) | 16,597 | (295,089) | (15,975) |

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

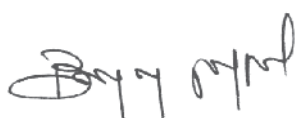
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|--------------------|------------------------------------|--------------------|
| | 2012 | 2011 "Restated" | 2012 | 2011 "Restated" |
| CASH FLOWS FROM OPERATING ACTIVITIES (Continued) | | | | |
| Increase (decrease) in operating liabilities | | | | |
| Deposits | 83,987,657 | (6,891,688) | 84,000,825 | (6,401,505) |
| Interbank and money market items | 248,025 | 2,018,440 | 363,880 | 1,922,646 |
| Liabilities payable on demand | 142,756 | (50,765) | 142,756 | (50,765) |
| Accounts payable to clearing house | (416,414) | 74,159 | - | - |
| Securities and derivative business payables | 857,891 | (304,857) | - | - |
| Short-term borrowings | (56,181,846) | 47,259,969 | (56,711,846) | 45,869,969 |
| Other payables | 406,407 | 436,119 | 372,420 | 366,669 |
| Other liabilities | 112,436 | (1,090,429) | 87,268 | (1,117,300) |
| Net cash from operating activities | 5,196,357 | (4,798,943) | 7,390,423 | (7,631,197) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash paid for purchases of long-term investments in securities | (602,940) | (371,514) | (484,155) | (371,514) |
| Proceeds from sales of long-term investments in securities | 515,251 | 2,637,667 | 155 | 2,635,734 |
| Cash paid for units subscription of subsidiaries | - | - | (8,900) | - |
| Cash paid for purchases subsidiaries | - | - | - | (234,000) |
| Proceeds from sales of subsidiaries | - | - | 156,638 | - |
| Cash received from capital reduction of subsidiaries | - | - | 823,126 | 451,628 |
| Cash received from business combination | 1,095,254 | (205,973) | - | - |
| Cash paid to minority shareholder for purchase of additional shares of subsidiary | (63,038) | - | (63,038) | - |
| Dividend received from subsidiaries | - | - | 616,428 | - |
| Purchases of premises and equipment | (406,954) | (338,077) | (348,889) | (316,174) |
| Proceeds from sales of equipment | 7,547 | 8,376 | 5,220 | 5,662 |
| Purchases of intangible assets | (113,899) | (134,662) | (105,360) | (131,140) |
| Net cash from investing activities | 431,221 | 1,595,817 | 591,225 | 2,040,196 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from increase in share capital | 190,936 | 1,337,853 | 190,936 | 1,337,853 |
| Proceeds from issuance of debentures | 18,225,688 | 8,772,000 | 21,594,700 | 16,142,000 |
| Cash paid for redemption of debentures | (20,296,700) | (5,327,000) | (27,036,700) | (10,267,000) |
| Dividend paid | (1,719,935) | (1,522,350) | (1,719,935) | (1,522,350) |
| Dividend paid to minority interest | (3,884) | - | - | - |
| Decrease in share capital of minority shareholders in subsidiaries | (84,107) | (11,963) | - | - |
| Net cash from financing activities | (3,688,002) | 3,248,540 | (6,970,999) | 5,690,503 |
| Net increase in cash and cash equivalents | 1,939,576 | 45,414 | 1,010,649 | 99,502 |
| Cash and cash equivalents as at January 1, | 898,473 | 853,059 | 380,384 | 280,882 |
| Cash and cash equivalents as at December 31, | 2,838,049 | 898,473 | 1,391,033 | 380,384 |

The notes to the financial statements form an integral part of these statements


(Mr. Banyong Pongpanich)
Chief Executive Officer

(Mr. Aphinant Kiewpatinond)
Chairman of Commercial Bank and President

KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. GENERAL

Kiatnakin Bank Public Company Limited ("the Bank") was incorporated in Thailand. Its head office is located at 500 Amarin Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok. The Bank provides banking business through its branches network in Thailand. As at December 31, 2012 and 2011, the Bank has 13 and 11 subsidiaries and funds ("subsidiaries"), respectively.

- 1.1 Phatra Capital Public Company Limited, incorporated in Thailand since April 1, 2010 and located at 9th floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok. The subsidiary's main business is holding company. The entity became the Bank's subsidiary on September 11, 2012 (see Note 7.5.1).
- 1.2 Phatra Securities Public Company Limited, which is 99.99% held by Phatra Capital Public Company Limited, the Bank's subsidiary, incorporated in Thailand since January 9, 1972 and located at 6th, 8th - 11th floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok. The subsidiary's main business is securities business. The entity became the Bank's subsidiary on September 11, 2012 (see Note 7.5.1).
- 1.3 Kiatnakin Securities Company Limited, incorporated in Thailand since October 27, 1998 and located at 7th floor, Amarin Tower, 500 Ploenchit Road, Lumpini, Pathumwan, Bangkok. The subsidiary's main business is securities business.
- 1.4 Kiatnakin Fund Management Company Limited, incorporated in Thailand since January 23, 2004 and located at 4th floor, Chan Issara Tower 1, 942/135 Rama 4 Road, Suriyawong, Bangrak, Bangkok. The subsidiary's main business is mutual fund and individual private fund management. From December 28, 2012 (see Note 7.5.2) Kiatnakin Fund Management Company Limited's shares are held by Phatra Capital Public Company Limited.
- 1.5 Erawan Law Office Company Limited, incorporated in Thailand since January 5, 2009 and located at 12th floor, K Tower B, 209/1 Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok. The subsidiary's main business is legal and consulting services.
- 1.6 The Asia Recovery 1 Fund, incorporated in Thailand since March 2, 1999 and located at Kasikorn Asset Management Company Limited, 6th floor, Kasikorn Bank, 400/22 Phaholyothin Rd., Samsen Nai, Phayathai, Bangkok. The subsidiary's main business is to invest in rights of claims which are business loans of financial institutions.
- 1.7 The Asia Recovery 2 Fund, incorporated in Thailand since April 27, 1999 and located at Kasikorn Asset Management Company Limited, 6th floor, Kasikorn Bank, 400/22 Phaholyothin Rd., Samsen Nai, Phayathai, Bangkok. The subsidiary's main business is to invest in rights of claims which are business loans of financial institutions.
- 1.8 The Asia Recovery 3 Fund, incorporated in Thailand since November 30, 1999 and located at Kasikorn Asset Management Company Limited, 6th floor, Kasikorn Bank, 400/22 Phaholyothin Rd., Samsen Nai, Phayathai, Bangkok. The subsidiary's main business is to invest in rights of claims which are business or other loans of financial institutions.
- 1.9 Thai Restructuring Fund, incorporated in Thailand since September 30, 1999 and located at One Assets Management Limited, 24th floor, Siam Tower, 989 Rama 1 Rd., Pathumwan, Bangkok. The subsidiary's main business is to invest in property or rights of claims.
- 1.10 Asia Recovery Property Fund 1, incorporated in Thailand since August 22, 2001 and located at One Assets Management Limited, 24th floor, Siam Tower, 989 Rama 1 Rd., Pathumwan, Bangkok. The subsidiary's main business is to invest in real estate property and/or rights of claims with property as collateral.
- 1.11 Asia Recovery Property Fund 3, incorporated in Thailand since August 1, 2001 and located at One Assets Management Limited,

24th floor, Siam Tower, 989 Rama 1 Rd., Pathumwan, Bangkok. The subsidiary's main business is to invest in real estate property and/or rights of claims with property as collateral.

- 1.12 Bangkok Capital Fund, incorporated in Thailand since April 30, 1999 and located at One Assets Management Limited, 24th floor, Siam Tower, 989 Rama 1 Rd., Pathumwan, Bangkok. The subsidiary's main business is to invest primarily in distressed commercial loans in Thailand.
- 1.13 Gamma Capital Fund, incorporated in Thailand since April 30, 1999 and located at One Assets Management Limited, 24th floor, Siam Tower, 989 Rama 1 Rd., Pathumwan, Bangkok. The subsidiary's main business is to invest primarily in distressed commercial loans in Thailand.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS

2.1 Basis for Preparation of the Financial Statements

The consolidated and the Bank's financial statements are prepared in accordance with the regulation of the Stock Exchange of Thailand dated January 22, 2001, regarding the Preparation and Filing of Financial Statements and Reports on Financial Status and Results of Operations of Listed Companies, B.E. 2544, where the form of financial statements is based on Thai Account Standard No. 1 (Revised 2009) "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 3, 2010.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The Bank maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language. The financial statements are prepared in accordance with Thai Financial Reporting Standards and the Bank of Thailand's guidelines.

2.2. New and revised Thai Financial Reporting Standards issued but not yet effective

The Federation of Accounting Professions has issued the Notifications regarding the Thai Financial Reporting Standards (TFRS), which are not yet effective for the current period which are related to the Bank and its subsidiaries are as follows:

- 2.2.1 TAS, TFRS and Guideline on accounting which are effective for the financial statements for the periods beginning on or after January 1, 2013:

Thai Accounting Standards (TAS)

TAS 12 Income Taxes

TAS 21 (Revised 2009) The Effects of Changes in Foreign Exchange Rates

Thai Financial Reporting Standard (TFRS)

TFRS 8 Operating Segments

Guideline on Accounting

Guideline on Accounting regarding Transferring and Accepting Transfer of Financial Assets

- 2.2.2 TFRI which are effective for the financial statements for the periods beginning on or after January 1, 2014:

Thai Financial Reporting Interpretations (TFRI)

TFRI 4 Determining Whether an Arrangement Contains a Lease

TFRI 13 Customer Loyalty Programs

The management of the Bank and its subsidiaries anticipate that the above financial reporting standards relevant to the Bank and its subsidiaries will be adopted in the Bank and its subsidiaries' financial statements when they become effective and the adoption of those standards will have no material impact on the financial statements of the Bank and its subsidiaries in the first period of application. However, the Bank and its subsidiaries has early adopted for TAS 12 "Income Taxes" before the effective date (see Note 3).

2.3 Basis for Preparation of the Consolidated Financial Statements

The consolidated financial statements include the accounts of the head office and all branches of the Bank and its subsidiaries where more than 50% of the shares are owned by the Bank. Significant related party transactions and balances have been eliminated. The subsidiaries which were incorporated in Thailand are as follows;

| | Type of Business | Ownership Interest (%) | |
|-------------------------------------|------------------|----------------------------|----------------------------|
| | | As at December 31, 2012 | As at December 31, 2011 |
| Phatra Capital PCL. | Holding Company | 99.93 | - |
| Phatra Securities PCL. | Securities | 99.67 ⁽¹⁾ | - |
| Kiatnakin Securities Co., Ltd. | Securities | 99.99 | 99.99 |
| Kiatnakin Fund Management Co., Ltd. | Fund Management | 99.92 ⁽²⁾ | 60.00 |
| Erawan Law Office Co., Ltd. | Law Office | 99.93 | 99.93 |
| Asia Recovery 1 Fund | Investments | 99.95 | 99.95 |
| Asia Recovery 2 Fund | Investments | 99.59 | 99.59 |
| Asia Recovery 3 Fund | Investments | 99.97 | 99.97 |
| Thai Restructuring Fund | Investments | 98.91 | 98.91 |
| Asia Recovery Property Fund 1 | Investments | 99.52 | 99.50 |
| Asia Recovery Property Fund 3 | Investments | 98.77 | 98.77 |
| Bangkok Capital Fund | Investments | 95.72 | 95.72 |
| Gamma Capital Fund | Investments | 94.03 | 94.03 |

(1) Indirectly holding via Phatra Capital PCL. of 99.74%

(2) Indirectly holding via Phatra Capital PCL. of 99.99%

3. CHANGE IN ACCOUNTING POLICY

Since January 1, 2012, the Bank and its subsidiaries have adopted an accounting policy regarding deferred tax by applying Thai Accounting Standard No. 12 "Income Taxes" before its effective date (see Note 4.21). As a result of the adoption, the corresponding figures thus have been restated as if the new accounting standard had always been in use (see Note 7.15). Effects of such adoption are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|------------|------------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Deferred tax assets | | | | |
| Balance as at 1 January before change in accounting policy | - | - | - | - |
| Increase of deferred tax assets | 668,882 | 1,206,814 | 660,229 | 1,196,175 |
| Balance as at 1 January after change in accounting policy | 668,882 | 1,206,814 | 660,229 | 1,196,175 |
| Deferred tax relating to components of other comprehensive income | | | | |
| Balance as at 1 January before change in accounting policy | - | - | - | - |
| Decrease of deferred tax assets | (59,700) | (100,232) | (59,699) | (100,232) |
| Balance as at 1 January after change in accounting policy | (59,700) | (100,232) | (59,699) | (100,232) |
| Retained earnings - Unappropriated | | | | |
| Balance as at 1 January before change in accounting policy | 11,224,043 | 9,926,788 | 11,476,843 | 11,104,242 |
| Increase of deferred tax assets | 728,581 | 1,307,045 | 719,928 | 1,296,407 |
| Balance as at 1 January after change in accounting policy | 11,952,624 | 11,233,833 | 12,196,771 | 12,400,649 |

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|-----------|-------------------------------------|-----------|
| | For the years ended December 31, | | For the years ended December 31, | |
| | 2012 | 2011 | 2012 | 2011 |
| Net Income | | | | |
| Net Income before change in accounting policy | 3,496,063 | 2,886,274 | 2,191,090 | 1,927,371 |
| Increase in income tax | 68,278 | 586,336 | 51,665 | 582,963 |
| Net Income after change in accounting policy | 3,427,785 | 2,299,938 | 2,139,425 | 1,344,408 |
| Decrease of Earnings Per Share | | | | |
| Basic earnings per share | | | | |
| Basic earnings per share before change in accounting policy | 4.98 | 4.52 | 3.15 | 3.04 |
| Decrease | (0.10) | (0.93) | (0.07) | (0.92) |
| Basic earnings per share after change in accounting policy | 4.88 | 3.59 | 3.08 | 2.12 |
| Diluted earnings per share | | | | |
| Diluted earnings per share before change in accounting policy | 4.95 | 4.50 | 3.13 | 3.03 |
| Decrease | (0.10) | (0.93) | (0.07) | (0.92) |
| Diluted earnings per share after change in accounting policy | 4.85 | 3.57 | 3.06 | 2.11 |

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents in the Bank's statements of cash flows include cash on hand and cash on collection according to the Bank of Thailand's Notification.

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand and cash on collection of the Bank and current accounts, savings accounts, time deposits maturing within 3 months and without commitments, call notes receivable and term notes receivable maturing within 3 months of subsidiaries.

4.2 Investments in securities

4.2.1 Basis of investment classification

The Bank and its subsidiaries classify investments other than investments in subsidiaries and interest in joint ventures into the following four categories: trading, held-to-maturity, available-for-sale and general investments. The classification depends on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale. Investments in non-marketable equity securities are classified as general investments.

4.2.2 Trading and available-for-sale investments

The Bank and its subsidiaries state trading and available-for-sale investments at fair value in the statements of financial position. The fair value of debt securities traded in the established market is based on the quoted prices or yields of the Thai Bond Market Association at the reporting date, or the latest trading date prior to the reporting date if there was no trading on that date of the Thai Bond Market Association. If the debt securities are not traded in the established market, the fair value is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. The fair value of equity securities is based on the last bid price quoted by the Stock Exchange of Thailand at the reporting date. The fair value of unit trusts is determined from the net assets value (NAV) published by mutual fund management companies as the fund managers.

Unrealized gain or loss resulting from changes in fair value of trading investments is recognized in the statements of comprehensive income.

Unrealized gain or loss resulting from changes in fair value of available-for-sale investments are reported as a component of equity through other comprehensive income until realized, after which gain or loss on disposal of the investments will be recognized as net gain (loss) on investments.

4.2.3 Held-to-maturity investments

The Bank and its subsidiaries state held-to-maturity investments at amortized cost using the effective yield method in the statements of financial position.

4.2.4 General investments

The Bank and its subsidiaries state general investments at cost less allowance for impairment in value in the statements of financial position.

4.2.5 Investments in subsidiaries

Investments in subsidiaries are stated at the cost method in the Bank's financial statements.

Subsidiaries are entities in which the Bank has an interest of more than one half of the voting rights or has power to exercise control over the financial and operating policies. Such subsidiaries are consolidated from the date on which control is transferred to the Bank until the date that control ceases. The purchase method of accounting is used by the Bank and its subsidiaries to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. All intercompany transactions, balances and unrealized gains or losses on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. The significant accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Separate disclosure is made for non-controlling interest in the consolidated statement of financial position and consolidated statement of comprehensive income.

A list of the subsidiaries is set out in Note 1 and Note 2.3.

4.2.6 Impairment of investments in securities

Investments in securities of the Bank and its subsidiaries are tested for impairment when there is a factor indicating that an investment in securities might be impaired. If the carrying amount of the investments in securities is higher than its recoverable amount, impairment loss is charged to the statements of comprehensive income.

4.2.7 Gain (loss) from disposal of investments in securities

The Bank and its subsidiaries recognize income of investments in securities when there is disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

When a particular investment is partly disposed of, the carrying amount of disposed part is determined by the weighted average method of the carrying amount of the total holding of such investment.

4.3 Valuation of investments in receivables

The investments in receivables are the investments in commercial and hire-purchase loans with or without collateral. These commercial and hire-purchase loans have no readily ascertainable market values available and, therefore, are reported at the estimated fair value. Fair value of investments in receivables is determined by the net present value of estimated future cash flows from sales of collateral.

Changes in fair value of investments in receivables is reported as a net amount in a separate component of equity, except where the investments are sold out, the realized gain or loss will be recognized in the statements of comprehensive income.

Investments in receivables of the Bank and its subsidiaries are tested for impairment when there is a factor indicating that an investment in receivables might be impaired. If the carrying value of the investments in receivables is higher than its recoverable amount, impairment loss is charged to the statement of comprehensive income.

For the Bank, where there is a change in terms or contracts, the investments in receivables will be transferred to loans account to comply with the Bank of Thailand's Notification No. Sor Nor Sor. 67/2551 Re: Accounting procedures for financial institution. The Bank will record the transfer at the fair value on the day the transfer occurred. The difference between book value and fair value will be recognized immediately in the statement of comprehensive income. In case where there is a gain, the Bank will take into consideration of the probability of future cash flow to be received.

4.4 Valuation of investments in property

The investments in property are the investments in real estate business of the subsidiaries, which are mutual funds. These investments generally have no readily ascertainable market values available and, therefore, are reported at the lower of cost or fair value. Fair value is calculated from the appraisal value, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guidelines and discounted by the risk premium according to the holding period.

4.5 Loans

Overdrafts are stated at the principal amounts including interest. Other loans are stated at the principal amount. Unearned discounts received in advance are presented as deduction from the loans.

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 prepaid 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 receivable comprise the receivable of credit balance accounts for which the securities purchased are used as collateral, and other receivables such as overdue amounts in cash accounts and securities 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 Securities and derivative business receivables.

4.6 Allowance for doubtful accounts

The Bank classifies its loan portfolios into categories and sets allowance for doubtful accounts for loans in accordance with the Bank of Thailand's Notification dated August 3, 2008 and with the management estimation over the allowance for doubtful accounts from the ending balance of loans. The period of time that a loan is past due and the ability to repay the debt are the principal criteria utilized in classifying a loan. The valuation of collateral depends on each type of collateral. The Bank categorizes their loan portfolios into six categories and determines allowance for doubtful accounts subject to different levels of provisioning. Allowance for doubtful accounts for loans classified as normal and special mention are calculated based on the minimum percentage in accordance with the BOT's guidelines by using the value of collateral for calculation of reserve. For loans classified as substandard, doubtful and doubtful of loss, the allowance rate is 100% of the difference between the outstanding loan value and present value of expected cash flow from proceeds from disposal of the collateralized assets which excludes collateral in the form of machinery. In addition, the Bank and its subsidiaries estimate an additional allowance for doubtful debts over the minimum percentage as specified in the BOT's guidelines.

The Bank's subsidiaries operating as securities companies have provided for an allowance for doubtful accounts on securities and derivatives business receivables based on management's review and assessment of the status of individual debtor as well as the requirements as stated in the Office of the Securities and Exchange Commission's Notifications No. Kor Thor. 33/2543 and Kor Thor. 5/2544 dated August 25, 2000 and February 15, 2001, respectively. Such assessment takes into consideration various factors including the risks involved and the value of collateral. Allowance is made for the estimated losses that might be incurred where the debts are not fully secured and/or there exists a possibility that principal and interest cannot be recovered in full.

The increase or decrease in allowance for doubtful accounts is recorded as an expense or decrease in expenses during the accounting period.

Bad debts are written off during the period in which they are identified. Bad debts recovery is recorded by reducing bad debts and doubtful accounts expenses in the statements of comprehensive income.

4.7 Troubled debt restructuring

The Bank accounts for troubled debt restructuring in accordance with guidelines approved by the Bank of Thailand. The Bank records the assets or equity securities transferred to the Bank for debt settlements at the lower of fair values of the assets or equity securities, less estimated selling expenses, or the amount of investments in receivables (including non-accrued interest income at the restructuring date).

In case that the debt restructuring involves modifications to terms of receivables as accepted by the Bank, the fair value of investments in receivables after restructuring is based on the net present value of expected future cash flows discounted using the Minimum Lending Rates (MLR) prevailing at the restructuring date.

The Bank recognizes losses arising from restructuring by the waiver of loan principal or recorded accrued interest receivables, less recorded allowance, in the statement of comprehensive income when incurred.

The Bank has recalculated the fair value of restructured debts based on the aforementioned discount interest rate as of the date of the monthly financial statements and adjusted the valuation on debt restructured for any change, in accordance with the BOT's criteria. The valuation adjustment on restructured debt shall not cause the book value of restructured debt to exceed the investment value on restructured debt.

Restructured debt with assets or equity securities transferred for debt repayment either in whole or in part are recorded at the fair value, net of estimated selling expenses, not to exceed the investment value on such debt and the right-to-claim interest income.

For investments in receivables subsequently restructured, the Bank has calculated the fair value of restructured debt as of the restructuring date and recognized the difference loss between book value and fair value in the statements of comprehensive income for the period and classified investments in receivables as loans in accordance with the BOT's criteria.

Legal fees and other direct costs incurred as a result of the debt restructuring are expensed when incurred.

4.8 Properties foreclosed

Properties foreclosed include land and/or construction, leasehold, condominium and repossessed vehicles.

Land and/or construction, leasehold and condominium are stated at the lower of the outstanding loan principal including accrued interest or fair value.

Repossessed vehicles are stated at the lower of cost or fair value at the transferred date. Fair value is calculated by using market value (Red book).

Gains (losses) on disposal of properties foreclosed are recorded as income or expenses in the statements of comprehensive income when the disposal is made. Impairment loss (if any) is recognized as expense in the statements of comprehensive income.

4.9 Land, premises and equipment

The Bank and its subsidiaries state land at historical cost, while buildings and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis to write off the cost of each asset, except for land, to its residual value over its estimated useful life as follows;

| | |
|-----------------------------------|--------------------|
| Premises and building improvement | 5, 20 and 30 years |
| Equipment | 3 - 5 years |
| Furniture and fixtures | 3 - 5 years |
| Vehicles | 5 years |

Gains or losses on disposal of fixed assets are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

4.10 Goodwill in a business combination

Goodwill in a business combination represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets acquired as at the date of acquisition. The Bank recognizes goodwill in a business combination as an asset recorded as of the acquisition date in the consolidated financial statements.

Goodwill is stated at cost less allowance for impairment (if any).

For excess of net fair value of the identifiable net assets over purchase cost as at the date of acquisition, the Bank recognizes that excess as revenue recorded in the consolidated statements of comprehensive income.

4.11 Intangible assets

4.11.1 Computer software

Acquired computer software licenses are capitalized when the Bank uses the specific software. These costs are amortized over their estimated useful lives of not exceeding 10 years.

4.11.2 TFEX membership license

The subsidiary, which is the securities business, recognized TFEX membership license as intangible asset without amortization. The subsidiary tests it for impairment annually and allowance for impairment, if any, will be set up and recorded as loss on impairment in the statement of comprehensive income.

4.11.3 Deferred license fee

The subsidiaries amortize deferred license fee on a systematic basis over the useful economic useful life of 5 years.

4.12 Provisions

Provisions are recognized as liabilities in the statement of financial position when it is probable that an obligation has been incurred as a result of a past event, it is possible that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reasonably estimated.

4.13 Foreign currency transactions

The Bank and its subsidiaries translate foreign currency transactions into Baht at the rates of exchange on the transaction dates. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into Baht using the reference rates of exchange of the Bank of Thailand ruling as of that date.

Gains or losses on exchange resulting from the settlements and the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

4.14 Accounting for lease

Leases of premises or equipment which substantially all the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance lease balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. Assets acquired from financial lease will be depreciated throughout the asset life time or the period of contracts, whichever is the lower.

Leases which a significant portion of the risks and rewards of ownership retained with the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which such termination takes place.

4.15 Interest income on loans and deposits

Interest income on loans and deposits are recognized as income on an accrual basis, except in the case of interest on loans which is over three months past due from the due date where interest is recognized on collection basis. The Bank reverses accrued interest income on loan when its principal or interest payment has become over three months past due to comply with the Bank of Thailand's Notification dated August 3, 2008. The Bank will recognize income only when cash is received and the Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

4.16 Hire-purchase and finance lease income

Interest income from hire-purchase contracts is recognized based on the effective interest method.

Interests income on hire-purchase is recognized on an accrual basis. The Bank reverses accrued interest income on hire-purchase when its principal or interest payment has become over three months past due to comply with the Bank of Thailand's Notification dated August 3, 2008. The Bank will recognize income only when cash is received and the Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

The Bank and its subsidiaries recognize income from finance lease contracts on the effective interest method over the period of contracts.

4.17 Interest and dividend income from investment in securities

Interest income on investment in securities is recognized as income on an accrual basis except in the case of interest on debt securities which is over three months past due where interest is recognized on collection basis. Dividend income is recognized when dividend is declared.

4.18 Income from investments in receivables

The Bank and its subsidiaries recognize interest income from investments in receivables on the collection basis based on the outstanding loans multiplied by the effective yield according to contract or new agreement.

4.19 Fees and services income

The Bank and its subsidiaries recognize fees and services income when services have been rendered.

4.20 Recognition of expenses

The Bank and its subsidiaries recognize expenses on an accrual basis.

4.21 Income tax expenses

Income tax expenses represent the sum of corporate income tax currently payable and deferred income tax.

4.21.1 Current tax

The Bank and its subsidiaries calculate corporate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4.21.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the reporting date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the asset to be recovered. The Bank and its subsidiaries do not recognize deferred tax assets and liabilities for the goodwill.

The Bank and its subsidiaries measure deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Bank and its subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

The Bank and its subsidiaries present income tax expenses or income related to profit or loss in the statement of comprehensive income. For current income taxes and deferred taxes related to items recognized directly in other comprehensive income in equity in the same or different period, they will be recognized directly in other comprehensive income.

4.22 Earnings per share

The Bank and its subsidiaries compute basic earnings per share by dividing the net profit for the period by the weighted-average number of paid-up ordinary shares and issue during the period. The diluted earnings per share are computed by dividing the net profit for the period adjusted by expense (after tax effect) saved from the conversion of dilutive potential ordinary shares, by the weighted-average number of ordinary shares (included potentially dilutive shares).

4.23 Employment benefit

Provident fund

The Bank and its subsidiaries operate a provident fund that is a defined contribution plan, the assets of which are held separately from the Bank and its subsidiaries and managed by an authorized fund manager. The provident fund is funded by payments from employees and by the Bank and its subsidiaries. Contributions to the provident fund are charged to be expenses in the statements of comprehensive income in the period to which they relate.

The Bank and its subsidiaries and every employee are required to make contributions at the same rates as follows;

| Service periods | Contribution rate (%) |
|-------------------|-----------------------|
| Less than 5 years | 5 |
| Over 5 years | 8 - 10 |

Post-employment benefit obligation

Legal severance payment plan

All employees will receive severance payment upon retirement in accordance with the Labor Protection Act.

The obligation of this plan is considered unfunded defined benefit obligation of TAS 19 "Employee benefits" and is separately measured by an actuary using the projected unit credit method to determine the present value of employee benefit cash flows to be paid in the future. Under this method, the obligation is based on an actuarial calculation including the employee's expected salary, employees' turnover rate, salary increase rate, mortality rate, discount rate, years of service and other factors.

Actuarial gains (losses) are recognized in other comprehensive income.

The Bank and its subsidiaries recognize the post-employment benefit obligation as a provision in the statement of financial position and personnel expenses in the statement of comprehensive income.

Benefit from carried forward leave

The Bank and its subsidiaries recognize the benefit from cumulative carried forward leave as a provision in the statement of financial position and personnel expenses in the statement of comprehensive income.

4.24 Derivatives

The Bank and its subsidiaries recognize derivative financial instruments as follows;

Forward foreign exchange contracts are marked to fair value using the market price at the reporting date. Gains or losses from the translation are included in the statement of comprehensive income.

For interest rate swap contracts, the Bank recognized the net amount of interest to be received from or paid to the counterparty under the interest rate swap contracts as income or expenses on an accrual basis in the statement of comprehensive income.

Derivatives financial instruments of a securities business subsidiary include futures contracts and options contracts with the Thailand Future Exchange Public Company Limited (TFEX), which are classified as trading derivatives. For futures contracts, cash pledged as collateral for the futures contracts are recorded as receivables from Thailand Clearing House. Gain or loss from changes in the fair value of futures contracts are recorded in the statements of comprehensive income against receivables from Thailand Clearing House. The fair value of futures contract is based on the daily settlement price quoted by TFEX. For options contracts, the subsidiary recorded the premium paid (long position) and the premium received (short position) under SET 50 index options contracts at trade date as other derivative assets and other derivative liabilities, respectively. Gains or losses from changes in the fair value of the options contracts are recorded in the statements of comprehensive income. The fair value of options contract is based on the daily settlement price quoted by TFEX.

Subsidiaries records derivative warrants as liabilities items and records changes in fair value in statements of comprehensive income. The fair value of derivative warrants is based on the latest offer price of the last working day of the year as quoted on the Stock Exchange of Thailand.

4.25 Recognition and amortization customers' deposits

Cash collateral received from customers for trading in securities of cash balance accounts or placed as margin for derivatives trading is recorded as assets and liabilities of the subsidiary for internal control purposes. As at the end of reporting period, the subsidiary excludes these amounts from both the assets and liabilities and presents only the assets which belong to the subsidiary.

4.26 Securities borrowing and lending

The subsidiary records its obligations to return borrowed securities which it has been sold as short selling or lent as "Securities and derivative business payables" in the statements of financial position. At the end of the year, the balance of securities borrowing payables are adjusted by the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustment are included in statements of comprehensive income. Securities lent to customers are recorded as "Securities and derivative business receivables" in the statements of financial position. Cash paid or received as collateral for securities borrowing and lending is recorded as "Collateral receivables" or "Collateral payables". Fees on securities borrowing and lending are recognized on an accrual basis.

4.27 Receivables from Clearing House

Receivables from Clearing House comprises the net receivable from Thailand Clearing House (TCH) for settlement of equity securities trading made through the Stock Exchange of Thailand, and the net receivable from TCH from derivatives trades of subsidiaries which included cash collateral pledged with TCH for derivatives trades.

4.28 Payables to Clearing House

Payables to Clearing House comprises the net payable to Thailand Clearing House (TCH) for settlement of equity securities trading made through the Stock Exchange of Thailand and the net payable to TCH which is margin required by TCH for derivatives business of subsidiaries.

4.29 Securities and derivatives business receivables

Securities and derivatives business receivables are cash account traders which are the receivables that were derived from cash settlements within 3 working days, after the securities purchasing date.

4.30 Securities and derivatives business payables

Securities and derivatives business payables are the obligation of the subsidiary in respect to securities and derivatives business with outside parties, such as the net payable of cash accounts, obligation to deliver securities as a result of short sales or securities borrowing and obligation to return assets held by the subsidiary as customers' collateral for securities lending, etc.

4.31 Structured notes

The subsidiary's structured notes are offered to customers or business associates of the subsidiary, who are institutional investors or high net worth investors, through private placements. The notes are issued under conditions approved by the Office of the Securities and Exchange Commission, and the underlying assets are securities listed on the Stock Exchange of Thailand.

The notes are recorded at amortized cost, adjusted by the discount on the notes. The discount is amortized by the effective rate method with the amortized amount presented as interest expense in statement of comprehensive income.

Embedded derivatives are recorded as derivative assets/liabilities at fair value and the changes in fair value are recorded in statement of comprehensive income. In determining the fair value of structured notes, the subsidiary uses a valuation technique and theoretical model. The input to the model is derived from observable market and conditions that include liquidity, dividend, interest rate, underlying price and volatility of underlying asset.

5. RISK MANAGEMENT

The risk management policy of the Bank and its subsidiaries is emphasized on managing overall risks as a Group wide in order to ensure the appropriateness and effectiveness of the enterprise wide risk management. While each related business and department unit is required to sufficiently understand and effectively manage its risks incurred under the centralized framework and risk management policy of the Bank and its subsidiaries, risk management department also plays important roles to control and review each business unit to ensure the sufficient risk management and control system.

Significant financial assets carried on the statement of financial position include cash, interbank and money market items, investments in securities, investments in receivables and loans. Significant financial liabilities carried on the statement of financial position include deposits, interbank and money market items, and borrowings.

Risks relating to significant financial instruments held by the Bank and its subsidiaries are summarized below:

5.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Bank and its subsidiaries. The Bank and its subsidiaries have adopted the policy of dealing with counterparties and obtaining sufficient collateral or other security where appropriate, as a mean of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statement of financial position, net of a portion of allowance for doubtful accounts (see Note 7.9), represents the maximum exposure to credit risk.

The Bank and its subsidiaries consider that there is no significant concentration of credit risk due to a large number of customers and counterparties in different industries.

Credit risk also arises from the possibility that the counterparty to off-statement of financial position financial instruments will not adhere to the terms of the contract when settlement becomes due.

The Bank and its subsidiaries are exposed to credit risk in case where the counter-party fails to comply with terms in accordance with off-statement of financial position financial instruments such as commitments to extend credit, standby letters of credit, and financial guarantees. Risk of aforementioned instruments equals the contractual notional amount of applicable instruments. The Bank and its subsidiaries use the same credit policy in making commitments and conditional obligations as they do for on-statement of financial position financial instruments. For interest rate swap and forward foreign exchange contracts, the contract or notional amount does not represent the Bank and its subsidiaries exposure to potential credit loss. The Bank and its subsidiaries controls credit risk on financial instruments through prudent credit approvals, limits, and strict monitoring procedures.

The Bank and its subsidiaries have policies in place to ensure that loans are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Bank and its subsidiaries have policies that limit the credit line of loan transaction to any client or financial institution.

Concentrations of credit risk relative to the loans and receivables summarized by type of industry are as follows:

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|-------------------------------|--------------------------------------|-------------|------------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Agriculture and mining | 24,378 | 22,056 | 24,378 | 22,056 |
| Manufacturing and commerce | 6,232,618 | 4,034,858 | 6,232,618 | 4,034,858 |
| Real estate and constructions | 28,155,049 | 23,263,128 | 28,155,049 | 23,263,128 |
| Public utilities and services | 827,182 | 1,081,574 | 827,182 | 1,081,574 |
| Housing loans | 523,392 | 1,538,483 | 523,392 | 1,538,483 |
| Hire-purchase loans | 127,665,135 | 100,810,164 | 127,665,135 | 100,810,164 |
| Leasing loans | 669,483 | 574,317 | 669,483 | 574,317 |
| Others | 4,896,798 | 4,424,193 | 5,140,361 | 3,977,944 |
| Total loans and receivables | 168,994,035 | 135,748,773 | 169,237,598 | 135,302,524 |

5.2 Interest rate risk and liquidity risk

The matching of the long-term source of funds and investment or long-term loans is the fundamental policy of the Bank's liquidity risk management policy. Meanwhile, the management over liabilities with the proper maturity and low funding cost is also the Bank's fundamental policy. It is unusual for the Bank to completely match these criterions since business transacted is often of uncertain term and of different types. The Bank has a committee to oversee interest rate risk and liquidity risk by having weekly meeting to balance the two risks to be at an acceptable cost.

5.2.1 Interest rate risk

Most of the Bank's assets and liabilities are subject to fluctuations in interest rates in the market. Interests on loans and receivables are both fixed rate and floating rate, linked to, for examples, Minimum Lending Rate (MLR) plus or Minimum Overdraft Rate (MOR) plus. Loans and receivables summarized under fixed and floating interest rate classifications are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|-----------------------------------|-------------|---------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Loans and receivables with fixed interest rate | 138,344,907 | 110,593,157 | 138,344,907 | 110,593,157 |
| Loans and receivables with floating interest rate | 30,649,128 | 25,155,616 | 30,892,691 | 24,709,367 |
| Total loans and receivables | 168,994,035 | 135,748,773 | 169,237,598 | 135,302,524 |

The Bank and its subsidiaries have summarized financial assets and liabilities classified on maturity of interest re-pricing period as at December 31, 2012 and 2011 as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | | |
|--|-----------------------------------|---------------|-------------|--------------|----------------------|----------------------|-------------|
| | 2012 | | | | | | |
| | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Non-performing loans | Non-interest bearing | Total |
| <i>Financial assets</i> | | | | | | | |
| Interbank and money market items, net | 2,744,532 | 992,154 | - | - | - | 3,788,590 | 7,525,276 |
| Derivatives assets | - | 7,568 | 71,330 | - | - | 5,638 | 84,536 |
| Investments in securities, net | 17,378,563 | 8,046,094 | 3,206,369 | 3,004,943 | - | 5,987,869 | 37,623,838 |
| Investments in receivables, net | 33,683 | 664,391 | 1,018,462 | 6,826 | 3,002,983 | - | 4,726,345 |
| Investments in properties, net | - | - | 77,746 | - | - | - | 77,746 |
| Securities and derivative business receivables | - | - | - | - | - | 4,818,085 | 4,818,085 |
| Receivables from clearing house | 780 | - | - | - | - | 755,936 | 756,716 |
| Loans | 40,143,635 | 27,469,664 | 89,875,823 | 5,877,368 | 646,908 | 4,980,637 | 168,994,035 |
| <i>Financial liabilities</i> | | | | | | | |
| Deposits | 74,576,609 | 49,861,305 | 28,020,460 | - | - | 568,864 | 153,027,238 |
| Interbank and money market items, net | 2,389,812 | 2,214,851 | 820,968 | - | - | 42,776 | 5,468,407 |
| Liabilities payables on demand | - | - | - | - | - | 374,595 | 374,595 |
| Payable to clearing house | - | - | - | - | - | 149,364 | 149,364 |
| Derivatives liabilities | - | - | - | - | - | 7,931 | 7,931 |
| Debt issued and borrowings | 5,158,933 | 12,295,868 | 9,643,535 | 2,025,000 | - | - | 29,123,336 |
| Securities and derivative business payables | 18,175 | - | - | - | - | 4,739,275 | 4,757,450 |

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | | |
|--|-----------------------------------|---------------|-------------|--------------|----------------------|----------------------|-------------|
| | 2011 | | | | | | |
| | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Non-performing loans | Non-interest bearing | Total |
| <i>Financial assets</i> | | | | | | | |
| Interbank and money market items, net | 14,323,268 | - | - | - | - | 1,757,814 | 16,081,082 |
| Investments in securities, net | 19,118,462 | 784,583 | 1,265,674 | 4,597,186 | - | 987,445 | 26,753,350 |
| Investments in receivables, net | 70,604 | 717,455 | 4,503,671 | - | - | - | 5,291,730 |
| Investments in properties, net | - | - | - | - | - | 77,518 | 77,518 |
| Securities and derivative business receivables | - | - | - | - | - | 279,192 | 279,192 |
| Receivables from clearing house | - | - | - | - | - | 33,168 | 33,168 |
| Loans | 30,862,422 | 22,053,575 | 73,729,251 | 4,361,252 | 4,742,273 | - | 135,748,773 |
| <i>Financial liabilities</i> | | | | | | | |
| Deposits | 32,122,763 | 25,802,273 | 10,584,735 | - | - | 529,810 | 69,039,581 |
| Interbank and money market items, net | 2,522,854 | 1,169,400 | 1,511,000 | - | - | 17,128 | 5,220,382 |
| Liabilities payables on demand | - | - | - | - | - | 231,839 | 231,839 |
| Derivatives liabilities | - | - | 701 | - | - | - | 701 |
| Debt issued and borrowings | 38,583,260 | 40,081,268 | 4,348,293 | 3,000,000 | - | - | 86,012,821 |
| Securities and derivative business payables | - | - | - | - | - | 170,996 | 170,996 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | | | | |
|---------------------------------------|--------------|---------------|-------------|--------------|----------------------|----------------------|-------------|
| 2012 | | | | | | | |
| | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Non-performing loans | Non-interest bearing | Total |
| <i>Financial assets</i> | | | | | | | |
| Interbank and money market items, net | 1,929,563 | 992,153 | - | - | - | 3,282,795 | 6,204,511 |
| Derivatives assets | - | 7,568 | 71,330 | - | - | - | 78,898 |
| Investments in securities, net | 13,073,857 | 8,046,094 | 3,206,369 | 3,004,943 | - | 141,028 | 27,472,291 |
| Investments in receivables, net | - | 657,056 | 985,585 | - | - | - | 1,642,641 |
| Loans | 40,393,499 | 27,469,664 | 89,875,823 | 5,877,368 | 640,607 | 4,980,637 | 169,237,598 |
| <i>Financial liabilities</i> | | | | | | | |
| Deposits | 75,081,080 | 49,861,305 | 28,020,460 | - | - | 568,864 | 153,531,709 |
| Interbank and money market items, net | 2,389,736 | 2,346,960 | 820,968 | - | - | 55,088 | 5,612,752 |
| Liabilities payables on demand | - | - | - | - | - | 374,595 | 374,595 |
| Debt issued and borrowings | 5,158,933 | 10,631,507 | 9,643,535 | 2,025,000 | - | - | 27,458,975 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | | | | |
|---------------------------------------|--------------|---------------|-------------|--------------|----------------------|----------------------|-------------|
| 2011 | | | | | | | |
| | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Non-performing loans | Non-interest bearing | Total |
| <i>Financial assets</i> | | | | | | | |
| Interbank and money market items, net | 13,808,410 | - | - | - | - | 1,757,814 | 15,566,224 |
| Investments in securities, net | 19,118,462 | 784,583 | 1,265,674 | 4,597,186 | - | 594,194 | 26,360,099 |
| Investments in receivables, net | 23 | 696,634 | 1,044,951 | - | - | - | 1,741,608 |
| Loans | 30,422,951 | 22,053,575 | 73,729,251 | 4,361,252 | 4,735,495 | - | 135,302,524 |
| <i>Financial liabilities</i> | | | | | | | |
| Deposits | 32,597,262 | 25,819,077 | 10,584,735 | - | - | 529,810 | 69,530,884 |
| Interbank and money market items, net | 2,551,344 | 1,169,400 | 1,511,000 | - | - | 17,128 | 5,248,872 |
| Liabilities payables on demand | - | - | - | - | - | 231,839 | 231,839 |
| Derivatives liabilities | - | - | 701 | - | - | - | 701 |
| Debt issued and borrowings | 42,183,260 | 40,081,268 | 4,348,293 | 3,000,000 | - | - | 89,612,821 |

The average balances of significant performing financial assets and financial liabilities, including the average interest and dividend income are summarized as follows;

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | |
|--|------------------------------|------------------------------|----------------|
| For year ended December 31, 2012 | | | |
| | Average outstanding balances | Interest and dividend income | Average Rate % |
| <i>Significant performing financial assets</i> | | | |
| Interbank and money market items, net | 18,692,882 | 644,993 | 3.45 |
| Investments in securities | 33,680,288 | 935,191 | 2.78 |
| Investments in receivables | 4,583,719 | 886,415 | 19.34 |
| Loans | 154,428,853 | 11,985,104 | 7.76 |
| | 211,385,742 | 14,451,703 | 6.84 |
| <i>Significant financial liabilities</i> | | | |
| Deposits and interbank and money market items, net | 119,808,283 | 4,048,878 | 3.38 |
| Debt issued and borrowings | 65,432,320 | 2,598,637 | 3.97 |
| | 185,240,603 | 6,647,515 | 3.59 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | |
|--|---------------------------------|---------------------------------|-------------------|
| For the year ended December 31, 2011 | | | |
| | Average outstanding balances | Interest and dividend income | Average Rate % |
| Significant performing financial assets | | | |
| Interbank and money market items, net | 16,970,900 | 716,762 | 4.22 |
| Investments in securities | 19,902,387 | 398,165 | 2.00 |
| Investments in receivables | 5,509,293 | 740,478 | 13.44 |
| Loans | 125,728,633 | 9,440,980 | 7.51 |
| | 168,111,213 | 11,296,385 | 6.72 |
| Significant financial liabilities | | | |
| Deposits and interbank and money market items, net | 75,136,971 | 2,251,066 | 3.00 |
| Debt issued and borrowings | 71,538,931 | 2,275,614 | 3.18 |
| | 146,675,902 | 4,526,680 | 3.09 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | |
|--|---------------------------------|---------------------------------|-------------------|
| For year ended December 31, 2012 | | | |
| | Average outstanding balances | Interest and dividend income | Average Rate % |
| Significant performing financial assets | | | |
| Interbank and money market items, net | 17,801,496 | 614,598 | 3.45 |
| Investments in securities | 30,665,751 | 888,027 | 2.90 |
| Investments in receivables | 2,060,798 | 133,252 | 6.47 |
| Loans | 153,806,582 | 11,960,947 | 7.78 |
| | 204,334,627 | 13,596,824 | 6.65 |
| Significant financial liabilities | | | |
| Deposits and interbank and money market items, net | 120,547,023 | 4,075,350 | 3.38 |
| Debt issued and borrowings | 66,800,595 | 2,645,438 | 3.96 |
| | 187,347,618 | 6,720,788 | 3.59 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | |
|--|---------------------------------|---------------------------------|-------------------|
| For the year ended December 31, 2011 | | | |
| | Average outstanding balances | Interest and dividend income | Average Rate % |
| Significant performing financial assets | | | |
| Interbank and money market items, net | 23,263,569 | 717,850 | 3.09 |
| Investments in securities | 12,939,136 | 397,179 | 3.07 |
| Investments in receivables | 2,827,820 | 227,777 | 8.05 |
| Loans | 122,682,073 | 9,417,140 | 7.68 |
| | 161,712,598 | 10,759,946 | 6.65 |
| Significant financial liabilities | | | |
| Deposits and interbank and money market items, net | 76,205,301 | 2,257,718 | 2.96 |
| Debt issued and borrowings | 71,429,919 | 2,374,301 | 3.32 |
| | 147,635,220 | 4,632,019 | 3.14 |

5.2.2 Liquidity risk

Liquidity risk means risk resulting from the Bank's failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund, or if it can, that the fund comes with an exceptionally high cost that may affect income and capital fund now and in the future.

The Bank maintains excess liquidity cushion at a level commensurated with the economic situation. The Bank seeks to ensure that there is adequate cash for its business and its subsidiaries' business operations. Liquidity management utilizes qualitative and quantitative approaches to ensure appropriate risk diversification. The structure and behavior of customers' deposits/withdrawals and market competitiveness are considered in order to ensure efficient alignment with the cash flow demand for each time period and at an appropriate cost level.

The Bank uses relevant tools to manage liquidity risk such as liquidity gap analysis which includes behavioural adjustment and liquidity ratio analysis. This task is done in addition to the requirement to maintain liquid assets according to the Bank of Thailand's requirements.

In addition, the Bank establishes liquidity cushion and adjusts the strategies to deal with the Deposit Protection Agency Act in order to buttress liquidity management tools and customer savings alternatives by the continuous issuance of bills of exchange and debentures within the limits approved by the Bank's Board of Directors.

Significant assets and liabilities of the Bank analyzed by relevant maturity groupings are as follows:

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|--|-----------------------------------|---------------|-------------|--------------|-------------|
| | 2012 | | | | |
| | On demand | Within 1 year | 1 - 5 years | Over 5 years | Total |
| <i>Financial assets</i> | | | | | |
| Cash | 1,392,284 | - | - | - | 1,392,284 |
| Interbank and money market items, net | 5,220,491 | 2,304,785 | - | - | 7,525,276 |
| Derivatives assets | - | 12,068 | 72,468 | - | 84,536 |
| Investments in securities, net | 148,115 | 29,318,423 | 3,505,371 | 4,651,929 | 37,623,838 |
| Investments in receivables, net | 53,818 | 21,425 | 4,644,276 | 6,826 | 4,726,345 |
| Investments in properties, net | - | - | 77,746 | - | 77,746 |
| Securities and derivative business receivables | - | 4,818,085 | - | - | 4,818,085 |
| Accounts receivable from clearing house | 780 | 755,936 | - | - | 756,716 |
| Hire-purchase receivables | 13,358 | 2,099,400 | 87,769,167 | 37,783,210 | 127,665,135 |
| Leasing receivables | 25,368 | 19,554 | 624,561 | - | 669,483 |
| Loans and receivables | 2,181,958 | 3,062,505 | 21,256,522 | 14,158,432 | 40,659,417 |
| Total financial assets | 9,036,172 | 42,412,181 | 117,950,111 | 56,600,397 | 225,998,861 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 25,747,189 | 99,322,555 | 27,957,494 | - | 153,027,238 |
| Interbank and money market items, net | 448,844 | 3,403,849 | 1,615,714 | - | 5,468,407 |
| Liabilities payable on demand | 374,595 | - | - | - | 374,595 |
| Derivatives liabilities | - | 7,931 | - | - | 7,931 |
| Debt issued and borrowings | 1,195 | 17,456,406 | 9,640,735 | 2,025,000 | 29,123,336 |
| Accounts payable to clearing house | - | 149,364 | - | - | 149,364 |
| Securities and derivative business payables | 18,175 | 4,739,275 | - | - | 4,757,450 |
| Total financial liabilities | 26,589,998 | 125,079,380 | 39,213,943 | 2,025,000 | 192,908,321 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|--|------------|---------------|-------------|--------------|-------------|
| 2011 | | | | | |
| | On demand | Within 1 year | 1 - 5 years | Over 5 years | Total |
| <i>Financial assets</i> | | | | | |
| Cash | 381,614 | - | - | - | 381,614 |
| Interbank and money market items, net | 164,376 | 15,916,706 | - | - | 16,081,082 |
| Investments in securities, net | - | 20,672,679 | 6,080,671 | - | 26,753,350 |
| Investments in receivables, net | - | 38,021 | 5,196,995 | 56,714 | 5,291,730 |
| Investments in properties, net | - | - | 77,518 | - | 77,518 |
| Securities and derivative business receivables | - | 279,192 | - | - | 279,192 |
| Accounts receivable from clearing house | - | 33,168 | - | - | 33,168 |
| Hire-purchase receivables | - | 27,954 | 38,018,099 | 62,764,111 | 100,810,164 |
| Leasing receivables | - | 60,968 | 513,349 | - | 574,317 |
| Loans and receivables | 1,821,813 | 2,626,538 | 17,222,275 | 12,693,666 | 34,364,292 |
| Total financial assets | 2,367,803 | 39,655,226 | 67,108,907 | 75,514,491 | 184,646,427 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 11,951,044 | 35,237,708 | 21,850,829 | - | 69,039,581 |
| Interbank and money market items, net | 2,011,507 | 1,368,975 | 1,839,900 | - | 5,220,382 |
| Liabilities payables on demand | 231,839 | - | - | - | 231,839 |
| Derivatives liabilities | - | - | 701 | - | 701 |
| Debt issued and borrowings | 21,430,950 | 54,525,531 | 10,056,340 | - | 86,012,821 |
| Accounts payable to clearing house | - | 90,294 | - | - | 90,294 |
| Securities and derivative business payables | - | 170,996 | - | - | 170,996 |
| Total financial liabilities | 35,625,340 | 91,393,504 | 33,747,770 | - | 160,766,614 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | | |
|---------------------------------------|------------|---------------|-------------|--------------|-------------|
| 2012 | | | | | |
| | On demand | Within 1 year | 1 - 5 years | Over 5 years | Total |
| <i>Financial assets</i> | | | | | |
| Cash | 1,391,033 | - | - | - | 1,391,033 |
| Interbank and money market items, net | 3,911,725 | 2,292,786 | - | - | 6,204,511 |
| Derivatives assets | - | 6,430 | 72,468 | - | 78,898 |
| Investments in securities, net | 139,838 | 20,894,555 | 3,432,955 | 3,004,943 | 27,472,291 |
| Investments in receivables, net | - | - | 1,642,641 | - | 1,642,641 |
| Hire-purchase receivables | 13,358 | 2,099,400 | 87,769,167 | 37,783,210 | 127,665,135 |
| Leasing receivables | 25,368 | 19,554 | 624,561 | - | 669,483 |
| Loans and receivables | 2,425,521 | 3,062,505 | 21,256,522 | 14,158,432 | 40,902,980 |
| Total financial assets | 7,906,843 | 28,375,230 | 114,798,314 | 54,946,585 | 206,026,972 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 26,251,660 | 99,322,555 | 27,957,494 | - | 153,531,709 |
| Interbank and money market items, net | 336,078 | 3,660,960 | 1,615,714 | - | 5,612,752 |
| Liabilities payables on demand | 374,595 | - | - | - | 374,595 |
| Debt issued and borrowings | 1,195 | 15,792,045 | 9,640,735 | 2,025,000 | 27,458,975 |
| Total financial liabilities | 26,963,528 | 118,775,560 | 39,213,943 | 2,025,000 | 186,978,031 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | |
|---------------------------------------|---------------------------------|---------------|-------------|--------------|-------------|
| | 2011 | | | | |
| | On demand | Within 1 year | 1 - 5 years | Over 5 years | Total |
| <i>Financial assets</i> | | | | | |
| Cash | 380,384 | - | - | - | 380,384 |
| Interbank and money market items, net | 638,875 | 14,927,349 | - | - | 15,566,224 |
| Investments in securities, net | - | 20,279,428 | 6,080,671 | - | 26,360,099 |
| Investments in receivables, net | - | - | 1,741,608 | - | 1,741,608 |
| Hire-purchase receivables | - | 27,954 | 38,018,099 | 62,764,111 | 100,810,164 |
| Leasing receivables | - | 60,968 | 513,349 | - | 574,317 |
| Loans and receivables | 1,821,813 | 2,187,067 | 17,215,497 | 12,693,666 | 33,918,043 |
| Total financial assets | 2,841,072 | 37,482,766 | 63,569,224 | 75,457,777 | 179,350,839 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 12,425,543 | 35,254,512 | 21,850,829 | - | 69,530,884 |
| Interbank and money market items, net | 2,011,507 | 1,397,465 | 1,839,900 | - | 5,248,872 |
| Liabilities payables on demand | 231,839 | - | - | - | 231,839 |
| Derivatives liabilities | - | - | 701 | - | 701 |
| Debt issued and borrowings | 21,430,950 | 58,125,531 | 10,056,340 | - | 89,612,821 |
| Total financial liabilities | 36,099,839 | 94,777,508 | 33,747,770 | - | 164,625,117 |

5.3 Foreign exchange rate risk

Foreign exchange risk refers to the loss affecting income and/or equity from exchange rate fluctuations that affect foreign currency transactions and foreign currency assets and liabilities.

The foreign exchange risk of the Bank is low since few related foreign exchange transactions are exposed causing direct impact of the transactions to be insignificant.

5.4 Equity price risk

Equity price risk refers to the loss affecting income and/or equity from a movement in equity price.

The Bank assess the potential of securities issuer companies and has a policy to buy/sell equity securities mainly for medium-term and long-term investments. In managing equity position risk which is held, according to initial intention, as long-term, the Bank monitors and reports the equity price risk and ensures that the level of capital fund is appropriate and sufficient to absorb losses arising from movement in equity prices.

5.5 Market risk

Subsidiaries' exposure to market risk is the risk that volatility on the Stock Exchange of Thailand and The Thailand Futures Exchange will substantially reduce the value of the subsidiary's investments. Subsidiaries manage the market risk by analyzing market risk inherent in subsidiaries' business transactions, developing measuring tools, setting market risk limits and assigning risk management department to continuously monitor market risk level and report to the management.

5.6 Fair value

The fair value of financial instruments has been estimated by the Bank using available market information and appropriate valuation methodologies for each type of financial instruments. A summary of carrying amounts and fair value of financial instruments as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | |
|--|-----------------------------------|-------------|-----------------|-------------|
| | 2012 | | 2011 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| <i>Financial assets</i> | | | | |
| Cash | 1,392,284 | 1,392,284 | 381,614 | 381,614 |
| Interbank and money market items, net | 7,525,276 | 7,525,276 | 16,081,082 | 16,081,082 |
| Derivatives assets | 84,536 | 84,536 | - | - |
| Investments in securities, net | 37,623,838 | 38,093,859 | 26,753,350 | 26,820,697 |
| Investments in receivables, net | 4,726,345 | 4,726,345 | 5,291,730 | 5,291,730 |
| Investments in properties, net | 77,746 | 77,746 | 77,518 | 77,518 |
| Loans and accrued interest receivables, net | 163,832,940 | 163,832,940 | 131,426,966 | 131,426,966 |
| Securities and derivative business receivables | 4,818,085 | 4,818,085 | 279,192 | 279,192 |
| Receivables from clearing house | 756,716 | 756,716 | 33,168 | 33,168 |
| Total | 220,837,766 | 221,307,787 | 180,324,620 | 180,391,967 |
| <i>Financial liabilities</i> | | | | |
| Deposits | 153,027,238 | 153,027,238 | 69,039,581 | 69,039,581 |
| Interbank and money market items, net | 5,468,407 | 5,468,407 | 5,220,382 | 5,220,382 |
| Liabilities payables on demand | 374,595 | 374,595 | 231,839 | 231,839 |
| Derivatives liabilities | 7,931 | 7,931 | 701 | 701 |
| Debt issued and borrowings | 29,123,336 | 30,815,503 | 86,012,821 | 86,065,361 |
| Payables to clearing house | 149,364 | 149,364 | 90,294 | 90,294 |
| Securities and derivative business payables | 4,757,450 | 4,757,450 | 170,996 | 170,996 |
| Accrued interest payables | 834,779 | 834,779 | 872,048 | 872,048 |
| Total | 193,743,100 | 195,435,267 | 161,638,662 | 161,691,202 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | |
|---|---------------------------------|-------------|-----------------|-------------|
| | 2012 | | 2011 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| <i>Financial assets</i> | | | | |
| Cash | 1,391,033 | 1,391,033 | 380,384 | 380,384 |
| Interbank and money market items, net | 6,204,511 | 6,204,511 | 15,566,224 | 15,566,224 |
| Derivatives assets | 78,898 | 78,898 | - | - |
| Investments in securities, net | 27,472,291 | 27,940,812 | 26,360,099 | 26,425,946 |
| Investments in receivables, net | 1,642,641 | 1,642,641 | 1,741,608 | 1,741,608 |
| Loans and accrued interest receivables, net | 164,080,379 | 164,080,379 | 130,985,145 | 130,985,145 |
| Total | 200,869,753 | 201,338,274 | 175,033,460 | 175,099,307 |
| <i>Financial liabilities</i> | | | | |
| Deposits | 153,531,709 | 153,531,709 | 69,530,884 | 69,530,884 |
| Interbank and money market items, net | 5,612,752 | 5,612,752 | 5,248,872 | 5,248,872 |
| Liabilities payables on demand | 374,595 | 374,595 | 231,839 | 231,839 |
| Derivatives liabilities | - | - | 701 | 701 |
| Debt issued and borrowings | 27,458,975 | 29,151,143 | 89,612,821 | 89,665,489 |
| Accrued interest payables | 855,507 | 855,507 | 892,917 | 892,917 |
| Total | 187,833,538 | 189,525,706 | 165,518,034 | 165,570,702 |

The following methods and assumptions are used in estimating fair value of financial instruments as disclosed herein:

Cash and interbank and money market items (assets):

The carrying amounts of cash and interbank and money market items (assets) presented in the statement of financial position approximate fair values.

Investments in securities, net:

The determination of fair value for investments, net, is as disclosed in note 4.2 to the financial statements except for non-listed equity securities which are presented at net book value and listed equity securities acquired from troubled debt restructurings and having an obligation to hold such securities according to debt restructuring agreements which are presented at cost.

Investments in receivables, net:

The carrying amount of investments in receivables presented in the statement of financial position approximates fair value.

Investment in properties, net:

Fair value for investments in property is calculated from the appraisal value, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guidelines and discounted by the risk premium according to the holding period.

Loans and accrued interest receivables, net:

Loans and accrued interest receivables, net include non-performing loans. Interest on the majority of loans are fixed rate. The fair value is the outstanding balance of loans and accrued interest receivables less allowance for doubtful accounts.

Securities and derivative business receivables:

The carrying amount of securities and derivative business receivables presented in the statement of financial position approximates fair value.

Receivables from clearing house:

The carrying amount of receivable from clearing house presented in the statement of financial position approximate fair value.

Deposits:

The carrying amount of deposits presented in the statement of financial position approximates fair value.

Interbank and money market items (liabilities):

The carrying amount of interbank and money market items (liabilities) presented in the statement of financial position approximates fair value.

Liabilities payable on demand:

The carrying amount of liabilities payable on demand presented in the statement of financial position approximates fair value.

Debt issued and borrowings:

The fair value of debts issued and borrowings is based on the market values or amortized cost.

Payables to clearing house:

The carrying amount of payable to clearing house presented in the statement of financial position approximates fair value.

Securities and derivative business payables:

The carrying amount of securities and derivative business payables presented in the statement of financial position approximates fair value.

Accrued interest payables:

The carrying amount of accrued interest payable presented in the statement of financial position approximates fair value.

5.7 Derivatives

The Bank has set up objectives and policies to manage the foreign exchange risk and interest rate risk from the volatility of foreign exchange rates and interest rates by using the derivatives for serving the client's need and the Bank's assets and liabilities management purpose.

The Bank controls the counterparty risks by setting-up the credit limit based on the normal lending procedures.

5.8 Capital fund

According to the Financial Institutions Business Act B.E. 2551 and the related Bank of Thailand's Notification, the Bank has to maintain capital funds in proportion to risk-weighted assets and contingent liabilities at not less than 8.5% on the condition that the Tier 1 capital funds shall not be less than 4.25% of such risk-weighted assets and contingent liabilities and the maximum amount of the Tier 2 capital funds must not exceed the Tier 1 capital funds.

Capital funds as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | |
|--|-------------|------------|
| | 2012 | 2011 |
| Tier 1 capital | | |
| Issued and paid-up capital | 8,328,319 | 6,343,289 |
| Share premium | 9,088,009 | 3,715,267 |
| Legal reserve | 782,332 | 722,846 |
| General reserve | 380 | 380 |
| Retained earnings after appropriation | 11,607,077 | 10,498,780 |
| <u>Less</u> Deferred tax assets | (668,264) | - |
| Goodwill (see Note 7.5.1) | (3,009,963) | - |
| Total tier 1 capital | 26,127,890 | 21,280,562 |
| Tier 2 capital | | |
| Allowance for normal classification loans | 1,228,069 | 978,903 |
| Surplus on revaluation (net) of available-for-sale equity securities | 34,584 | 25,138 |
| Total tier 2 capital | 1,262,653 | 1,004,041 |
| Total capital fund | 27,390,543 | 22,284,603 |

As at December 31, 2012 and 2011, capital adequacy ratios maintained by the Bank in accordance with the Notification of the BOT are as follows;

| THE BANK'S FINANCIAL STATEMENTS | | | | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2012 | | 2011 | |
| | Bank's capital fund ratio | Minimum required by BOT | Bank's capital fund ratio | Minimum required by BOT |
| Tier 1 capital to risk-weighted assets | 14.01% | 4.25% | 14.70% | 4.25% |
| Capital funds to risk-weighted assets | 14.69% | 8.50% | 15.40% | 8.50% |

Disclosure of Capital Maintenance information under the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance for Commercial Banks

Location of disclosure : www.kiatnakun.co.th

Date of disclosure : Within April 2013

Information as at : December 31, 2012

On November 8, 2012, the Bank of Thailand has issued the new Notification regarding supervisory guideline on capital fund for the commercial bank to comply with global regulatory framework (Basel III) of Basel Committee on Banking Supervision (BCBS) which is effective by phase starting on January 1, 2013 up to January 1, 2019. The maintenance of capital fund is the initial implementation with the objective to improve the quality of the bank's capital so as to be able to support the loss which may incur in the normal and crisis situation. The Bank has no material impact from the new guideline.

6. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements in conformity with the Thai Financial Reporting Standards requires management to make estimates and assumptions in certain circumstances, affecting reported amounts of revenue, expenses, assets and liabilities, the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows;

6.1 Allowance for doubtful accounts

6.1.1 Loans

The Bank classifies its loan portfolios into categories and sets allowance for doubtful accounts for loans in accordance with the Bank of Thailand's Notification dated August 3, 2008 and with the management's estimation over the allowance for doubtful accounts from the outstanding balance of loans at the period-end date. The period of time that a loan is past due and the ability to repay the debt are the principal criteria utilized in classifying a loan. The collateral value (appraised by an independent valuer or internal valuer every 3 years) used in calculating the required allowance for doubtful accounts is based on the type of collateral according to the Bank of Thailand's guideline. The Bank sets loans reserve for loans classified as substandard, doubtful and doubtful of loss, the allowance rate is 100% of the difference between the carrying amount and net present value of estimated future cash flow to be received from debtors or from sales of collateral. Discount rate and holding periods used are in compliance with the Bank of Thailand's guideline. For the normal and special mentioned debts, the Bank provided the allowance for doubtful accounts at the rates of 1% and 2% per annum, respectively.

6.1.2 Hire-purchase receivables

The Bank provides allowance for doubtful accounts on hire-purchase loans by using the Collective Approach method which considers historical loss suffered and is calculated using the probability of default and the percentage of loss given default. In addition, the Bank adjusted historical loss experienced with the significant factor related to the ability to repay loan in the future such as the increase of loss rate on sales of foreclosed assets.

In addition, the Bank considers the additional allowance for doubtful accounts for hire-purchase receivables by considering the difference between outstanding receivables and present value of estimated cash flow to be received from debtors or from sales of collateral under the Bank of Thailand's collateral guideline in order to comply with the Bank of Thailand's Notification dated August 3, 2008. The Bank provides the allowance for doubtful accounts for hire-purchase receivables for substandard, doubtful and doubtful loss debts at the rate of 100% of the difference between the carrying amount and net present value of estimated future cash flow to be received from debtors or from sales of collateral. Discount rate and holding periods used are in compliance with the Bank of Thailand's guideline. For the normal and special mentioned debts, the Bank provides the allowance for doubtful accounts at the rate of 1% and 2%, respectively.

6.1.3 Securities business receivables

The Bank's subsidiaries operating as securities companies have provided for an allowance for doubtful accounts on securities and derivatives business receivables based on management's review and assessment of the status of individual debtor as well as requirements stated in the Office of the Securities and Exchange Commission's Notifications No. Kor Thor. 33/2543 and Kor Thor. 5/2544 dated August 25, 2000 and February 15, 2001, respectively. Such assessment takes into consideration various factors including the risks involved and the value of collateral. Allowance is made for the estimated losses that might be incurred where the debts are not fully secured and/or there exists a possibility that principal and interest cannot be recovered in full. As such, debtors' classifications and provisions are as follows;

- a) Debts classified as loss are:
 - 1) Loan balances which the subsidiary has already made every effort to collect, but remains unpaid and which the subsidiary has already written off in accordance with the tax law.
 - 2) Loan balances which the subsidiary has forgiven the debt balances.
- b) Doubtful debt is defined as the uncollateralized portion of outstanding debt balance which meets the following criteria:
 - 1) General loans, troubled financial institution loans, and other loans for which the collateral value is less than outstanding loan balances.
 - 2) Installment loans with repayment frequency of less than 3 months and for which principal or interest is overdue for more than 3 months.
 - 3) Installment loans with repayments scheduled no less frequently than every 3 months unless there is clear evidence and a high degree of certainty that full repayment will be received.
- c) Substandard debt is defined as the collateralized portion of loans which meet the criteria in b).

Loans classified as bad debt will be written off when identified. Provision will be set aside for loans classified as doubtful at not less than 100% of the doubtful debt balance.

The increase or decrease in allowance for doubtful accounts is recorded as expense or reversal of expense during the accounting period.

6.1.4 Impairment of long-term deposit at financial institution

The subsidiaries will treat long-term deposit at financial institution as impaired when such financial institution is facing going concern problems and has default on payment. The subsidiaries' management uses judgment to estimate the loss reserve for deposit at financial institution, based on considering repayment ability and the financial institution plan to restructure its debts.

6.2 Valuation of investments in receivables

Fair value of investments in receivables is determined by the net present value of estimated future cash flows from selling of collateral, appraised by an external independent valuer or internal valuer of the Bank according to the Bank of Thailand's guideline, discounted by interest rate at 7% per annum with the expected selling period of 4 - 5 years but not exceeding the balance in the original contract. The fair values assigned to the investment portfolio are based upon available information and assumptions which do not necessarily represent amounts which might ultimately be realized because of the uncertainty of economic circumstance which is the significant factor to determine the fair value.

The subsidiaries which are mutual funds that invest in the investments in receivables measured the fair values of the investments in restructured commercial loans based upon net present value of estimated future cash flows (interest rate as identified in restructuring agreements). Fair value of the investments in non-restructured commercial loans is based upon the net present value of estimated future cash flows from sales of collateral, appraised by an external independent valuer or internal valuer of the Bank according to the Bank of Thailand's guideline, discounted by interest rate at of the Bank 7% per annum with the expected selling period of 4 - 5 years but not exceeding the balance in the original contract.

For Bangkok Capital Fund and Gamma Capital Fund, fair value of investments in receivables is calculated based upon the net present value of estimated future cash flows from sales of collateral, appraised by an external independent valuer or internal valuer of the Bank according to the Bank of Thailand's guideline, discounted by the expected rate of return with the expected selling period of 2.4 - 8.4 years but not exceeding the balance in the original contract.

6.3 Valuation of investments in properties

Fair value of investments in properties is calculated from the appraisal value, appraised by an external independent valuer or internal valuer of the Bank according to the Bank of Thailand guideline, which is discounted according to the holding period. The fair values assigned to the investments portfolio are based upon available information. Estimates and assumptions do not necessarily represent amounts which might ultimately be realized because of the uncertainty of economic circumstance which is the significant factor to determine the fair value.

6.4 Valuation of properties foreclosed

Fair value of properties foreclosed-immovable assets is calculated from the appraisal value, appraised by an external independent valuer or internal valuer of the Bank every year, less estimated selling expenses, and the appraisal value is discounted according to the holding period.

The Bank provided allowance for impairment of repossessed vehicles at 100% of their valuation.

For Bangkok Capital Fund and Gamma Capital Fund, fair value of properties foreclosed is calculated from appraisal value, appraised by an external independent valuer or internal valuer of the Bank every year less estimated selling expenses and discounted by the expected rate of return with the expected period to be sold within 2.4 years.

6.5 Goodwill

Goodwill is tested for impairment using a fair value method of present value of estimated future cash flows to be received on an annual basis.

7. ADDITIONAL INFORMATION

7.1 Supplementary disclosures of cash flow information

Non-cash transactions for the years ended December 31, 2012 and 2011 are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Transfer of assets for loan settlement | 2,106,702 | 1,796,876 | 1,970,622 | 1,467,862 |
| Transfer of investments in receivables to loans | 35,558 | 559,625 | 35,558 | 559,625 |
| Increase (decrease) in fair value reserves on investments in receivables | (69,312) | (71,786) | (2,297) | (12,289) |
| Decrease in fair value reserves on available-for-sale securities | 79,568 | (17,662) | 73,644 | (23,321) |
| Issuance of new ordinary shares for share swap with Phatra Capital (see Note 7.5.1) | - | - | 7,166,837 | - |

7.2 Interbank and money market items, net (assets)

Interbank and money market items, net (assets) as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | |
|---|-----------|-----------|-----------|-----------|------------|------------|
| | 2012 | | | 2011 | | |
| | On demand | Term | Total | On demand | Term | Total |
| <u>Domestic</u> | | | | | | |
| The Bank of Thailand and FIDF | 2,881,467 | - | 2,881,467 | 1,300,445 | 8,700,000 | 10,000,445 |
| Commercial Banks | 1,178,402 | 1,300,000 | 2,478,402 | 1,347,545 | 3,300,000 | 4,647,545 |
| Special purpose financial institutions | 531,425 | - | 531,425 | - | 1,000,000 | 1,000,000 |
| Other financial institutions | 625,000 | - | 625,000 | 450,000 | - | 450,000 |
| Total | 5,216,294 | 1,300,000 | 6,516,294 | 3,097,990 | 13,000,000 | 16,097,990 |
| <u>Add</u> Accrued interest receivables | - | 632 | 632 | - | 942 | 942 |
| <u>Less</u> Allowance for doubtful accounts | (6,250) | - | (6,250) | (7,850) | (10,000) | (17,850) |
| Total Domestic item | 5,210,044 | 1,300,632 | 6,510,676 | 3,090,140 | 12,990,942 | 16,081,082 |
| <u>Foreign</u> | | | | | | |
| US Dollar | 10,521 | - | 10,521 | - | - | - |
| Euro | 2,112 | - | 2,112 | - | - | - |
| Chinese Yuan | - | 990,532 | 990,532 | - | - | - |
| Other currency | 9,814 | - | 9,814 | - | - | - |
| Total | 22,447 | 990,532 | 1,012,979 | - | - | - |
| <u>Add</u> Accrued interest receivables | - | 1,621 | 1,621 | - | - | - |
| Total foreign item | 22,447 | 992,153 | 1,014,600 | - | - | - |
| Total | 5,232,491 | 2,292,785 | 7,525,276 | 3,090,140 | 12,990,942 | 16,081,082 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | | | |
|---|-----------|-----------|-----------|-----------|------------|------------|
| | 2012 | | | 2011 | | |
| | On demand | Term | Total | On demand | Term | Total |
| <u>Domestic</u> | | | | | | |
| The Bank of Thailand and FIDF | 2,881,467 | - | 2,881,467 | 1,300,445 | 8,700,000 | 10,000,445 |
| Commercial Banks | 411,509 | 1,300,000 | 1,711,509 | 697,687 | 3,300,000 | 3,997,687 |
| Special purpose financial institutions | - | - | - | - | 1,000,000 | 1,000,000 |
| Other financial institutions | 625,000 | - | 625,000 | 585,000 | - | 585,000 |
| Total | 3,917,976 | 1,300,000 | 5,217,976 | 2,583,132 | 13,000,000 | 15,583,132 |
| <u>Add</u> Accrued interest Receivables | - | 632 | 632 | - | 942 | 942 |
| <u>Less</u> Allowance for doubtful accounts | (6,250) | - | (6,250) | (7,850) | (10,000) | (17,850) |
| Total Domestic item | 3,911,726 | 1,300,632 | 5,212,358 | 2,575,282 | 12,990,942 | 15,566,224 |
| <u>Foreign</u> | | | | | | |
| Chinese Yuan | - | 990,532 | 990,532 | - | - | - |
| <u>Add</u> Accrued interest receivables | - | 1,621 | 1,621 | - | - | - |
| Total foreign item | - | 992,153 | 992,153 | - | - | - |
| Total | 3,911,726 | 2,292,785 | 6,204,511 | 2,575,282 | 12,990,942 | 15,566,224 |

7.3 Derivatives

7.3.1 Derivatives for trading

Derivatives for trading as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| Type Risk | CONSOLIDATED | | | | | |
|--------------|--------------|-------------|-----------------|------------|-------------|-----------------|
| | 2012 | | | 2011 | | |
| | Fair value | | Notional Amount | Fair value | | Notional Amount |
| | Assets | Liabilities | | Assets | Liabilities | |
| Equity price | 5,638 | 7,931 | 1,544,283 | - | - | - |
| Total | 5,638 | 7,931 | 1,544,283 | - | - | - |

Counterparties to derivatives above are third parties. The Bank does not have derivatives for trading.

7.3.2 Derivatives for hedging

Derivatives for hedging as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| Type Risk | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | | | |
|---------------|--|-------------|-----------------|------------|-------------|-----------------|
| | 2012 | | | 2011 | | |
| | Fair value | | Notional Amount | Fair value | | Notional Amount |
| | Assets | Liabilities | | Assets | Liabilities | |
| Exchange rate | 78,898 | - | 2,508,429 | - | 701 | 2,078,644 |
| Total | 78,898 | - | 2,508,429 | - | 701 | 2,078,644 |

7.4 Investments in securities, net

7.4.1 Classification of investments in securities

As at December 31, 2012 and 2011, the Bank and its subsidiaries classify their investments in securities as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|--------------------|------------------------------------|--------------------|
| | 2012 Fair value | 2011 Fair value | 2012 Fair value | 2011 Fair value |
| Trading securities | | | | |
| Domestic marketable equity securities | 4,118,191 | 302,505 | - | - |
| Foreign marketable equity securities | 971 | - | - | - |
| Total | 4,119,162 | 302,505 | - | - |
| Available-for-sale securities | | | | |
| Government and state enterprise securities | 29,912,667 | 23,744,224 | 25,607,992 | 23,670,929 |
| Private sector's debt securities | 217,374 | - | 217,374 | - |
| Foreign debt securities | 1,507,087 | 2,096,322 | 1,507,087 | 2,096,322 |
| Domestic marketable equity securities | 1,642,824 | 589,045 | 128,184 | 579,869 |
| Foreign marketable equity securities | 194,587 | - | - | - |
| Total | 33,474,539 | 26,429,591 | 27,460,637 | 26,347,120 |

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|--------------|------------------------------------|--------------|
| | 2012 Cost | 2011 Cost | 2012 Cost | 2011 Cost |
| General investment | | | | |
| Domestic non-marketable equity securities | 32,258 | 47,016 | 13,774 | 13,756 |
| Less Allowance for impairment | (2,121) | (25,762) | (2,120) | (777) |
| Total | 30,137 | 21,254 | 11,654 | 12,979 |
| Total investments in securities, net | 37,623,838 | 26,753,350 | 27,472,291 | 26,360,099 |

7.4.2 Investments in companies with holdings of 10% upwards

As at December 31, 2012 and 2011, investments in companies other than subsidiaries, of which the Bank hold 10% upwards of the paid-up capital in each company, classified by industry are as follows;

| CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|--|----------------------|-----------------------------------|----------------|
| | Principal activities | 2012 | |
| | | Investment amount At cost Baht | Holding (%) |
| <u>Other companies</u> | | | |
| BTMU Leasing Co., Ltd. | Leasing | 3,085,200 | 10.00 |
| CMIC Development Co., Ltd.* | Real estate | 1 | 80.58 |

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | |
|--|--|-----------------------------------|----------------|
| | Principal activities | 2554 | |
| | | Investment amount At cost Baht | Holding (%) |
| <u>Other companies</u> | | | |
| BTMU Leasing Co., Ltd. | Leasing | 3,085,200 | 10.00 |
| Attakorn Co., Ltd. | Hire-purchase | - | 10.00 |
| CMIC Development Co., Ltd.* | Real estate | 1 | 80.58 |
| <u>Fund (which is not a legal juristic entity)</u> | | | |
| Krungsri Tuntawee Fund 5** | Investing in debt and equity securities | 50,000,000 | 38.81 |
| KK FIXIN6M4/11** | Investing in debt securities | 45,000,000 | 32.37 |

* The consolidated financial statements for the years ended December 31, 2012 and 2011 do not include the financial statements of CMIC Development Co., Ltd. which the Bank holds 80.58% of common shares since the shares were received from conversion of debts to equity according to the debt restructuring agreement and the Bank has intended to hold these investments temporarily and has no control.

** The Bank has no control over operations therefore the Bank did not include the financial statements of this fund in the consolidated financial statements.

7.5 Investments in subsidiaries, net

As at December 31, 2012 and 2011, the Bank has investments in subsidiaries as follows;

| | Business type | Securities investment type | THE BANK'S FINANCIAL STATEMENTS | | | | | Holding (%) | Dividend received from subsidiaries**** |
|--------------------------------|-----------------|----------------------------|---|------------|---------------------------|-------------|-------|-------------|---|
| | | | 2012 | | | | | | |
| | | | Paid-up capital/ outstanding capital | Cost | Cost method Impairment | Net balance | | | |
| Phatra Capital PCL. | Holding Company | Ordinary shareholder | 1,051,551 | 7,166,837 | - | 7,166,837 | 99.93 | - | |
| Kiatnakin Securities Co., Ltd. | Securities | Ordinary shareholder | 650,000 | 650,000 | - | 650,000 | 99.99 | 265,200 | |
| Erawan Law Office Co., Ltd. | Law office | Ordinary shareholder | 1,000 | 999 | - | 999 | 99.93 | - | |
| Asia Recovery 1 Fund | Investments* | Unit trust | 262,382 | 270,895 | (15,429) | 255,466 | 99.95 | - | |
| Asia Recovery 2 Fund | Investments* | Unit trust | 968,015 | 1,014,311 | (102,021) | 912,290 | 99.59 | - | |
| Asia Recovery 3 Fund | Investments* | Unit trust | 807,816 | 852,715 | - | 852,715 | 99.97 | - | |
| Thai Restructuring Fund | Investments* | Unit trust | 686,249 | 679,167 | - | 679,167 | 98.91 | - | |
| Asia Recovery Property Fund 1 | Investments** | Unit trust | 53,400 | 54,832 | (6,021) | 48,811 | 99.52 | - | |
| Asia Recovery Property Fund 3 | Investments*** | Unit trust | 933,405 | 941,000 | - | 941,000 | 98.77 | 351,228 | |
| Bangkok Capital Fund | Investments* | Unit trust | 361,544 | 1,893,595 | - | 1,893,595 | 95.72 | - | |
| Gamma Capital Fund | Investments* | Unit trust | 296,140 | 1,336,990 | - | 1,336,990 | 94.03 | - | |
| | | | | 14,861,341 | (123,471) | 14,737,870 | | 616,428 | |

Unit : Baht '000

Unit : Baht '000

* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

** Investments in receivables, which have properties as collateral, or properties

*** Investments in receivables or properties

**** Dividend received for the year ended December 31, 2012

Unit : Baht '000

| Business type | | Securities investment type | THE BANK'S FINANCIAL STATEMENTS | | | | |
|-----------------|-------------------------------------|----------------------------|---|-------------|-----------|-------|-------------|
| | | | 2011 | | | | |
| | | | Paid-up capital/ outstanding capital | Cost method | | | Holding (%) |
| Cost | Impairment | Net balance | | | | | |
| Securities | Kiatnakin Securities Co., Ltd. | Ordinary shareholder | 650,000 | - | 650,000 | 99.99 | - |
| Fund Management | Kiatnakin Fund Management Co., Ltd. | Ordinary shareholder | 300,000 | - | 234,000 | 60.00 | - |
| Law office | Erawan Law Office Co., Ltd. | Ordinary shareholder | 1,000 | - | 999 | 99.93 | - |
| Investments* | Asia Recovery 1 Fund | Unit trust | 314,187 | (22,584) | 301,797 | 99.95 | - |
| Investments* | Asia Recovery 2 Fund | Unit trust | 1,522,198 | (255,035) | 1,339,963 | 99.59 | - |
| Investments* | Asia Recovery 3 Fund | Unit trust | 1,063,415 | - | 1,122,521 | 99.97 | - |
| Investments* | Thai Restructuring Fund | Unit trust | 705,703 | - | 698,421 | 98.91 | - |
| Investments** | Asia Recovery Property Fund 1 | Unit trust | 43,817 | (3,580) | 42,352 | 99.50 | - |
| Investments*** | Asia Recovery Property Fund 3 | Unit trust | 933,405 | - | 941,000 | 98.77 | - |
| Investments* | Bangkok Capital Fund | Unit trust | 369,685 | - | 1,936,238 | 95.72 | - |
| Investments* | Gamma Capital Fund | Unit trust | 324,882 | - | 1,466,749 | 94.03 | - |
| | | | 9,015,239 | (281,199) | 8,734,040 | | - |

* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

** Investments in receivables, which have properties as collateral, or properties

*** Investments in receivables or properties

**** Dividend received for the year ended December 31, 2011

7.5.1 Merger with Phatra Capital Public Company Limited

The Memorandum of Agreement (the "MOA") for the Merger with Phatra Capital Public Company Limited. ("Phatra Capital") was approved and announced by the Bank on December 9, 2011. The cooperation aimed to jointly establish the financial businesses, consisting of commercial banking, securities, and other supporting businesses together. This collaboration has been agreed in respect of both existing and new businesses focusing in; High Net-Worth Client Business, Finance and Debt Instruments for Medium and Large Enterprises, Derivatives Business, Investment Business, Fund Management Business, and Securities Business for Retail Investors.

The merger will occur through a share swap at the ratio of 1 Phatra Capital share to 0.9135 Kiatnakin Bank share. The Bank will make a delisting tender offer to purchase all securities of Phatra Capital from all of its shareholders. Accordingly, this will result in the delisting of Phatra Capital from the Stock Exchange of Thailand ('SET'). Nevertheless, in order for the offer to be successful at the end of the delisting tender offer period at least the shareholders of 75% of Phatra Capital issued and paid-up shares must accept the offer. If the offer is accepted by more than 90%, the Bank will transfer all shares in Kiatnakin Securities Company Limited ('KKS') and Kiatnakin Fund Management Company Limited ('KKF') held by the Bank to Phatra Capital.

Subsequently, on February 27, 2012, the Bank's Board of Directors approved the Bank to enter into an agreement among major shareholders of the Bank, the Bank, major shareholders of Phatra Capital, and Phatra Capital for the purchase of Phatra Capital shares held by Phatra Capital's major shareholders.

At the 2012 Annual General Meeting of Shareholder ('AGM') held on April 26, 2012, the merger plan with Phatra Capital was unanimously approved by the Bank's shareholders. As part of the merger plan, utilization of personnel capabilities and experience from both organizations are necessary in order to achieve synergy. Thus, the AGM approved the appointment of 5 additional directors to the Bank's Board of Directors resulting in the Bank's Board of Directors to consist of 15 directors. The Bank allocated 192,118,404 newly issued ordinary shares of the Bank, at par value of Baht 10 per share, and an offer price of Baht 32.20 per share through a PO placement to Phatra Capital's shareholders in consideration for their acceptance of the tender offer.

On August 6, 2012, the Bank submitted a tender offer to purchase all of Phatra Capital's securities to delist Phatra Capital's securities from the SET to the Securities and Exchange Commission ('SEC'), SET, Phatra Capital's Board of Directors and shareholders.

In accordance with the tender offer, the Bank will issue and offer its new ordinary shares as consideration to Phatra Capital's shareholders who accept the tender offer at a swap ratio of 1 Phatra Capital share to 0.9135 Kiatnakin Bank share. The tender offer period will last for 25 business days (from August 7, 2012 to September 11, 2012).

In all, shareholders of 99.93% of Phatra Capital's issued and paid-up shares of 210,310,240 shares accepted the Bank's tender offer. The Bank was able to acquire 210,158,842 shares in Phatra Capital at par value of Baht 5 per share. This resulted in an issuance of the Bank's 191,979,745 shares at par value of Baht 10, and share premium totaling 5,247,039,575 resulting in total issued and paid-up share capital of 828,783,959 shares. The Bank registered the capital increase with the Ministry of Commerce on September 13, 2012. Newly issued shares were first traded in the SET on September 25, 2012 which was the same day that Phatra Capital's securities were delisted from SET.

As shareholders of more than 90% of Phatra Capital's issued and paid-up shares accepted the Bank's tender offer, Phatra Capital became the Bank's subsidiary. In keeping with the MOA between the Bank and Phatra Capital, the Bank will transfer all of the Bank's shares in KKS (at book value) and KKF (at cost) to Phatra Capital later. (see Note 7.5.2 and Note 7.48.2)

As at September 11, 2012, the book value and the best estimated fair value of each item of identified assets and liabilities of Phatra Capital are as follows:

Unit: Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | |
|--|------------|
| Book value and Fair value | |
| Assets | |
| Cash | 21 |
| Deposits at financial institutions | 1,094,444 |
| Derivatives assets | 4,637 |
| Investments in securities, net | 3,836,018 |
| Land premises and equipment, net | 416,047 |
| Intangible asset, net | 26,043 |
| Deferred tax assets | 21,571 |
| Securities and derivative business receivables | 4,385,053 |
| Accounts receivable from clearing house | 276,570 |
| Others asset | 229,304 |
| Total | 10,289,708 |
| Liabilities | |
| Accounts payable to clearing house | 475,141 |
| Securities and derivative business payables | 3,725,879 |
| Derivatives liabilities | 8,399 |
| Debt issued and borrowings | 1,362,391 |
| Provisions | 87,227 |
| Deferred tax liabilities | 124,549 |
| Other liabilities | 340,584 |
| Total | 6,124,170 |
| Net assets | 4,165,538 |
| <u>Less</u> Non-controlling interest of subsidiary | (8,664) |
| Net assets attributed to the parent company | 4,156,874 |
| Goodwill | 3,009,963 |
| Ordinary shares issued for share purchase | 7,166,837 |

On the merger day, goodwill amounting to Baht 4,728 million arose in the consolidated financial statements. Goodwill was derived from the difference in value of consideration transferred, that was the number of shares issued multiplied by the Bank's share price of Baht 46.50 per share on the last day of the tender offer, compared to the fair value of identifiable assets and liabilities. Subsequently, the goodwill has been adjusted to Baht 3,010 million as described hereunder.

As at December 31, 2012, the Bank has adjusted fair value of the consideration transferred for the initial recognition of purchasing of investment in Phatra Capital based on the question and answer guideline regarding accounting issue of business combination by shares swap announced by FAP on February 12, 2013. As the market price of consideration transferred at the date of share swap was significantly higher than market price at the date of the share swap agreement, therefore, the Bank recorded high amount of investment in the separate financial statements and goodwill in the consolidated financial statements was significantly higher than the synergy resulted from the share swap between the acquirer and the acquiree after business combination. The excess amount in goodwill was not derived from the management control of operations which would lead to synergy as a result of the business combination, but was derived from capital market reaction to share swap news between the Bank and Phatra Capital and from significant growth of the stock market during such period which was out of control of the Bank's management. With reference to the Basis of Conclusion of International Financial Reporting Standard No. 3 "Business Combination", the acquirer, which in this case is the Bank, is required to make every effort to measure the fair value of consideration transferred accurately by eliminating or reducing the recording of excess value resulted from the discrepancy in measurement of the consideration transferred.

In addition, under capital maintenance concept specified in the Accounting Framework, it gives the importance in distinguishing between the reward from investment and the results from investment. Thai Accounting Standards Board has viewed that the goodwill which is higher than the expected synergy after business combination is not in the scope of the rewards of investment and the results from the investment. As a result, the Bank remeasured the fair value of the consideration transferred to reduce the recording of excess value resulted from the aforementioned discrepancy in the measurement. The Bank remeasured the fair value based on the fair value of the shareholder's equity of Phatra Capital plus the share swap synergy between the Bank and Phatra Capital after business combination and took into consideration the market price of the Bank's stock in the period of the shares swap agreement. The remeasurement of such fair value resulted in the Bank's adjustment to reduce the investment value and share premium in the separate financial statements and goodwill and share premium in the consolidated financial statement at the date of shares swap in the same amount of Baht 1,760.22 million.

In compliance with the accounting standard, impairment testing on goodwill arising from the merger will be performed at the same time annually. If impairment arises, it will be expensed into the statement of comprehensive income immediately. Corporate income tax in the consolidated financial statements will not be affected. As for the separated financial statements, the BOT have specified through their approval notification regarding the purchase of Phatra Capital that goodwill arising from investment in Phatra Capital shall be deducted from the Bank's Tier 1 Capital Fund.

In preparing consolidated financial statements for the year ended December 31, 2012, operating performance of Phatra Capital and Phatra Securities Public Company Limited ('Phatra Securities') from September 12, 2012 onwards have been consolidated. Between the merger date and December 31, 2012 Phatra Capital's income of Baht 1,027.28 million and net profit of Baht 403.13 million are considered as part of the Group's operating performance.

7.5.2 Acquisition of investment in Kiatnakin Fund Management Co., Ltd.

On June 15, 2011, the Bank entered into the Share Purchase Agreement in order to acquire shares of Siam City Asset Management Co., Ltd. ("SCI-Asset") at 60% of total issued and paid-up shares of SCI-Asset in the amount of Baht 234 million from the Government Pension Fund ("GPF"), as approved by the Board of Directors' Meeting No. 5/2554 on April 25, 2011.

On July 12, 2011, the Bank and GPF had successfully completed the transaction with cash settlement and share transfer. Therefore, the Bank and GPF hold 60% and 40% of total issued and paid-up shares of SCI-Asset respectively. Additionally, SCI-Asset has changed its name to Kiatnakin Fund Management Company Limited, registered with the Ministry of Commerce already.

As at July 12, 2011, book value and fair value of each item of identified assets and liabilities of subsidiary are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | |
|------------------------------------|-----------------------------------|---------|
| | Book value and Fair value | |
| Assets | | |
| Cash | | 6 |
| Deposits at financial institutions | | 16,810 |
| Investments in securities, net | | 139,340 |
| Equipment, net | | 6,930 |
| Intangible asset, net | | 9,334 |
| Others asset | | 10,669 |
| Total | | 183,089 |
| Liabilities | | 5,160 |
| Net assets | | 177,929 |
| Goodwill | | 56,071 |
| Cash payment for share purchase | | 234,000 |

On September 7, 2012, the Bank's Board of Directors Meeting No. 7/2555, passed a resolution to purchase additional shares in the ratio of 40% of total issued and paid-up shares of Kiatnakin Fund Management Co., Ltd. from GPF. On September, 28, 2012 the Bank and GPF had successfully completed the transaction with cash settlement and share transfer already.

As at September 28, 2012, the book value and fair value of each identified assets and liabilities of subsidiary were as follows;

Unit: Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | |
|------------------------------------|--------|
| Book value and Fair value | |
| Assets | |
| Cash | 4 |
| Deposits at financial institutions | 6,418 |
| Investments in securities, net | 28,875 |
| Equipment, net | 2,346 |
| Intangible asset, net | 4,451 |
| Others asset | 6,296 |
| Total | 48,390 |
| Liabilities | 4,608 |
| Net assets | 43,782 |
| Goodwill | 19,256 |
| Cash payment for share purchase | 63,038 |

The difference between book value and fair value was insignificant.

On December 28, 2012 the Bank completed selling the shares of Kiatnakin Fund Management Co., Ltd. ("KKF") to Phatra Capital Public Company Limited ("Phatra Capital") in accordance with the merger plan between the Bank and Phatra Capital which stated that if the tender offer was more than 90% of Phatra Capital's total shares were sold, the Bank would entirely transfer its shares of KKF at the book value to Phatra Capital. At the end of tender offer period, the Bank hold 99.93% of total shares of Phatra Capital; therefore, the Bank transferred 11,999,998 shares of KKF's ordinary shares with a par value of Baht 10 per share or equal to 99.99% of KKF's issued and paid-up shares at the selling price which equal the Bank's purchase price of KKF shares amounting to Baht 156,638,213.74. After the share's selling, KKF still remains as the Bank's subsidiary, in which the Bank holds its shares indirectly through Phatra Capital.

7.5.3 Reduction of the capital of the mutual funds

According to the Notification of the Capital Market Supervisory Board No. Thor Nor. 22/2552: Rules, Conditions and Procedures for Establishment and Management of Mutual Funds for Solving Financial Institutions Problems which was amended by the Notification of the Capital Market Supervisory Board No. Thor Nor. 10/2553, it specified that in case management company of the funds ("the asset management company") has already acquired, by way of debt repayment, property from foreclosure of the mortgage, or public auction in the category which a mutual fund cannot invest or possess prior to March 1, 2006, the asset management company shall dispose of such property when the first opportunity arises by taking into account the best interest of unitholders, but in any case no later than December 31, 2010 and that of the capital reduction of the mutual fund by pay-in-kind whether in whole or in part to be approved by the unanimous resolution of unitholders, the asset management company must reduce the number of units and transfer the non-cash assets and cash (if any) to the unitholders.

As the asset management company could not dispose of such assets within December 31, 2010, thus it proceeded with the capital reduction of the mutual fund, which obtained the unanimous resolutions from unitholders, by pay-in-kind assets to the Bank and pay in cash to other unitholders.

During the year 2011, from the capital reduction of 5 mutual funds which consisted of Asia Recovery 2 Fund, Asia Recovery 3 Fund, Thai Restructuring Fund, Bangkok Capital Fund and Gamma Capital Fund, the Bank had received the pay-in-kind properties foreclosed in the amount of Baht 333.52 million, which resulted in loss from capital reduction in the amount of Baht 4.05 million and deferred gain from capital reduction in the amount of Baht 58.11 million, which will be recognized when the properties foreclosed are sold.

For the year ended December 31, 2012, from the capital reduction of 5 mutual funds which consist of Asia Recovery 2 Fund, Asia Recovery 3 Fund, Thai Restructuring Fund, Bangkok Capital Fund and Gamma Capital Fund, the Bank has received the pay-in-kind properties foreclosed in the amount of Baht 424.68 million, which results in loss from capital reduction in the amount of Baht 24.94 million and deferred gain from capital reduction in the amount of Baht 80.93 million, which will be recognized when the properties foreclosed are sold.

7.6 Investments in receivables, net

As at December 31, 2012 and 2011, the details of investments in receivables auctioned from the Financial Restructuring Authority (FRA), the Legal Execution Department (LED) and other companies are as follows;

Unit: Baht '000

| Purchase date | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|--|--|---|-----------|------------|
| | 2012 | | | |
| | Number of debtors | Outstanding balance per original and renewed agreements | Cost | Fair value |
| <u>Kiatnakin Bank Public Company Limited</u> | | | | |
| Receivables auctioned from FRA | | | | |
| September 30, 1999 | 315 | 2,250,115 | 273,892 | 171,260 |
| December 15, 1999 | 161 | 444,797 | 12,213 | 13,647 |
| Receivables purchased | | | | |
| January 2009 - December 2012 | 8 | 490,473 | 411,046 | 438,433 |
| Receivables auctioned from LED | 1,298 | 12,262,631 | 1,304,539 | 1,019,301 |
| Total | 1,782 | 15,448,016 | 2,001,690 | 1,642,641 |
| <u>Subsidiaries (Fund)</u> | 3,069 | 54,252,637 | 2,288,601 | 3,083,704 |
| | 4,851 | 69,700,653 | 4,290,291 | 4,726,345 |

Unit: Baht '000

| Purchase date | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|---|--|---|-----------|------------|
| | 2011 | | | |
| | Number of customers | Outstanding balance per original and renewed agreements | Cost | Fair value |
| <u>Kiatnakin Bank Public Company Limited</u> | | | | |
| Receivables auctioned from FRA | | | | |
| September 30, 1999 | 324 | 2,293,344 | 287,393 | 176,223 |
| December 15, 1999 | 165 | 458,459 | 12,212 | 12,510 |
| Receivables purchased | | | | |
| January 2009 - December 2011 | 8 | 498,922 | 420,276 | 439,646 |
| Investments in hire-purchase from Nakornluang Surat Leasing Co., Ltd. | 3 | 24 | 24 | 23 |
| Receivables auctioned from LED | 1,333 | 12,392,344 | 1,393,187 | 1,113,206 |
| Total | 1,833 | 15,643,093 | 2,113,092 | 1,741,608 |
| <u>Subsidiaries (Fund)</u> | 3,257 | 58,663,054 | 2,700,850 | 3,550,122 |
| | 5,090 | 74,306,147 | 4,813,942 | 5,291,730 |

7.7 Loans and accrued interest receivables, net

7.7.1 Classified by product as at December 31, 2012 and 2011

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|--------------|------------------------------------|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| <u>Banking business loans</u> | | | | |
| Overdrafts | 813,867 | 596,113 | 813,867 | 596,113 |
| Loans | 39,198,622 | 33,246,365 | 40,048,622 | 33,246,365 |
| Bills | 41,765 | 78,920 | 41,765 | 78,920 |
| Hire-purchase receivables | 149,455,475 | 117,355,791 | 149,455,475 | 117,355,791 |
| Leasing receivables | 750,712 | 645,118 | 750,712 | 645,118 |
| Less: Deferred revenue | (21,872,843) | (16,619,783) | (21,872,843) | (16,619,783) |
| Total banking business loans net of deferred revenue | 168,387,598 | 135,302,524 | 169,237,598 | 135,302,524 |
| <u>Add: Accrued interest receivables</u> | 1,008,073 | 795,848 | 1,008,073 | 795,848 |
| Total banking business loans and accrued interest receivables net of deferred revenue | 169,395,671 | 136,098,372 | 170,245,671 | 136,098,372 |
| <u>Less: Allowance for doubtful accounts</u> | | | | |
| 1. Minimum allowance per BOT guideline | | | | |
| - Individual Approach | (1,003,194) | (1,007,756) | (1,011,694) | (1,007,756) |
| - Collective Approach | (3,362,284) | (2,098,668) | (3,362,284) | (2,098,668) |
| 2. Surplus reserve | (1,772,025) | (2,006,070) | (1,763,525) | (2,006,070) |
| <u>Less: Allowance for troubled debt restructuring</u> | (27,789) | (733) | (27,789) | (733) |
| Net banking business loans and accrued interest receivables | 163,230,379 | 130,985,145 | 164,080,379 | 130,985,145 |
| <u>Securities business receivables</u> | | | | |
| Margin accounts | 600,136 | 439,331 | - | - |
| Other receivables | 6,301 | 6,918 | - | - |
| Total securities business receivables | 606,437 | 446,249 | - | - |
| <u>Add: Accrued interest receivables</u> | 2,523 | 2,350 | - | - |
| <u>Less: Allowance for doubtful accounts</u> | (6,399) | (6,778) | - | - |
| Net securities business receivables and accrued interest receivables | 602,561 | 441,821 | - | - |
| Total loans and accrued interest receivables, net | 163,832,940 | 131,426,966 | 164,080,379 | 130,985,145 |

Deferred interest revenue of hire-purchase and finance lease contracts are stated net of commissions and direct expenses incurred at the initiation of the contracts.

7.7.2 Classified by currency and residence of customers as at December 31, 2012 and 2011

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|-----------------|--------------------------------------|-------------|------------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Baht - Domestic | 168,994,035 | 135,748,773 | 169,237,598 | 135,302,524 |
| Total loans | 168,994,035 | 135,748,773 | 169,237,598 | 135,302,524 |

7.7.3 Classified by business type and loans classification as at December 31, 2012 and 2011

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|---------------------------------------|-----------------------------------|-------------------|-------------|----------|---------------|-------------|
| | 2012 | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | Total |
| Agriculture and mining | 23,618 | 760 | - | - | - | 24,378 |
| Manufacturing and commerce | 5,977,149 | 76,552 | 10,565 | 40,889 | 127,463 | 6,232,618 |
| Property development and construction | 24,152,661 | 990,253 | 530,142 | 145,280 | 2,336,713 | 28,155,049 |
| Public utilities and services | 775,977 | 13,481 | 430 | 13,997 | 23,297 | 827,182 |
| Housing loans | 215,110 | 67,497 | 23,816 | 40,410 | 176,559 | 523,392 |
| Hire-purchase loans | 112,721,911 | 12,967,509 | 1,119,510 | 618,296 | 237,909 | 127,665,135 |
| Leasing loans | 651,543 | 9,329 | - | - | 8,611 | 669,483 |
| Others | 4,431,519 | 291,621 | 35,376 | 37,155 | 101,127 | 4,896,798 |
| Total loans | 148,949,488 | 14,417,002 | 1,719,839 | 896,027 | 3,011,679 | 168,994,035 |
| Accrued interest receivables | 779,955 | 230,543 | - | - | 98 | 1,010,596 |
| Total | 149,729,443 | 14,647,545 | 1,719,839 | 896,027 | 3,011,777 | 170,004,631 |

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|---------------------------------------|-----------------------------------|-------------------|-------------|----------|---------------|-------------|
| | 2011 | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | Total |
| Agriculture and mining | 19,516 | 2,540 | - | - | - | 22,056 |
| Manufacturing and commerce | 3,773,684 | 40,249 | 10,679 | 25,176 | 185,070 | 4,034,858 |
| Property development and construction | 19,728,435 | 653,606 | 648,042 | 151,196 | 2,081,849 | 23,263,128 |
| Public utilities and services | 881,453 | 16,662 | 5,734 | 51,849 | 125,876 | 1,081,574 |
| Housing loans | 1,176,505 | 96,955 | 57,521 | 84,892 | 122,610 | 1,538,483 |
| Hire-purchase loans | 90,675,749 | 9,125,005 | 478,745 | 377,331 | 153,334 | 100,810,164 |
| Leasing loans | 564,164 | 1,542 | - | - | 8,611 | 574,317 |
| Others | 4,003,033 | 247,402 | 54,191 | 62,826 | 56,741 | 4,424,193 |
| Total loans | 120,822,539 | 10,183,961 | 1,254,912 | 753,270 | 2,734,091 | 135,748,773 |
| Accrued interest receivables | 646,290 | 151,810 | - | - | 98 | 798,198 |
| Total | 121,468,829 | 10,335,771 | 1,254,912 | 753,270 | 2,734,189 | 136,546,971 |

Unit : Baht '000n

| | THE BANK'S FINANCIAL STATEMENTS | | | | | |
|---------------------------------------|---------------------------------|-------------------|-------------|----------|---------------|-------------|
| | 2012 | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | Total |
| Agriculture and mining | 23,618 | 760 | - | - | - | 24,378 |
| Manufacturing and commerce | 5,977,149 | 76,552 | 10,565 | 40,889 | 127,463 | 6,232,618 |
| Property development and construction | 24,152,661 | 990,253 | 530,142 | 145,280 | 2,336,713 | 28,155,049 |
| Public utilities and services | 775,977 | 13,481 | 430 | 13,997 | 23,297 | 827,182 |
| Housing loans | 215,110 | 67,497 | 23,816 | 40,410 | 176,559 | 523,392 |
| Hire-purchase loans | 112,721,911 | 12,967,509 | 1,119,510 | 618,296 | 237,909 | 127,665,135 |
| Leasing loans | 651,543 | 9,329 | - | - | 8,611 | 669,483 |
| Others | 4,681,383 | 291,621 | 35,376 | 37,155 | 94,826 | 5,140,361 |
| Total loans | 149,199,352 | 14,417,002 | 1,719,839 | 896,027 | 3,005,378 | 169,237,598 |
| Accrued interest receivables | 777,530 | 230,543 | - | - | - | 1,008,073 |
| Total | 149,976,882 | 14,647,545 | 1,719,839 | 896,027 | 3,005,378 | 170,245,671 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | | |
|---------------------------------------|---------------------------------|-------------------|-------------|----------|---------------|-------------|
| | 2011 | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | Total |
| Agriculture and mining | 19,516 | 2,540 | - | - | - | 22,056 |
| Manufacturing and commerce | 3,773,684 | 40,249 | 10,679 | 25,176 | 185,070 | 4,034,858 |
| Property development and construction | 19,728,435 | 653,606 | 648,042 | 151,196 | 2,081,849 | 23,263,128 |
| Public utilities and services | 881,453 | 16,662 | 5,734 | 51,849 | 125,876 | 1,081,574 |
| Housing loans | 1,176,505 | 96,955 | 57,521 | 84,892 | 122,610 | 1,538,483 |
| Hire-purchase loans | 90,675,749 | 9,125,005 | 478,745 | 377,331 | 153,334 | 100,810,164 |
| Leasing loans | 564,164 | 1,542 | - | - | 8,611 | 574,317 |
| Others | 3,563,562 | 247,402 | 54,191 | 62,826 | 49,963 | 3,977,944 |
| Total loans | 120,383,068 | 10,183,961 | 1,254,912 | 753,270 | 2,727,313 | 135,302,524 |
| Accrued interest receivables | 644,038 | 151,810 | - | - | - | 795,848 |
| Total | 121,027,106 | 10,335,771 | 1,254,912 | 753,270 | 2,727,313 | 136,098,372 |

On September 25, 2012, the Bank has entered into the purchase and sale of loans agreement with Secondary Mortgage Corporation ("SMC") to sell a part of housing loans of the Bank in the limit of not over Baht 1,000 million. The housing loans of the Bank under the agreement must have collateral as land with construction and the status of receivables as at the sales date must be classified as normal or special mentioned in accordance with BOT's guideline and have never been restructured. In addition, the sale price of normal housing loans is 102.35% and the sale price of the special mentioned housing loans is 100.36% of the outstanding principals plus 100% of interest receivable which the Bank has the right to charge from receivables as at the sales date.

At the agreement date mentioned above, the Bank has sold housing loans with the carrying amounts of normal loans of Baht 850.29 million and special mentioned loans of Baht 36.54 million, totaling Baht 886.83 million with gain on sales of Baht 20.01 million.

7.7.4 Classification of loans and allowance as at December 31, 2012 and 2011

Unit : Baht '000

| Loans classification | CONSOLIDATED FINANCIAL STATEMENTS | | | | | | |
|---|--|---|---------------|------------------------|-----------------------------------|---|-------------------------------------|
| | 2012 | | | | | | |
| | Loans outstanding and interest receivables | Loans net of collateral/ Present value of cash flow | Allowance (%) | Allowance per the Bank | Allowance per BOT's guideline (%) | Increase (Decrease) allowance per BOT * | Total allowance per BOT's guideline |
| Normal | | | | | | | |
| Loans | 36,462,446 | 8,609,993 | 1.00 | 85,016 | 1.00 | - | 85,016 |
| Hire-purchase receivables | | | | | | | |
| - New car | 65,617,730 | 65,395,640 | 1.00 | 653,956 | 1.00 | - | 653,956 |
| - Used car | 47,649,267 | 47,326,271 | 1.00 | 473,263 | 1.00 | - | 473,263 |
| Special mentioned | | | | | | | |
| Loans | 1,478,049 | 270,953 | 2.00 | 5,411 | 2.00 | - | 5,411 |
| Hire-purchase receivables | | | | | | | |
| - New car | 4,078,671 | 4,036,548 | 3.97 | 160,251 | 2.00 | (79,520) | 80,731 |
| - Used car | 9,090,825 | 8,930,962 | 6.37 | 568,902 | 2.00 | (390,283) | 178,619 |
| Substandard | | | | | | | |
| Loans | 600,329 | 42,829 | 100.00 | 42,829 | 100.00 | - | 42,829 |
| Hire-purchase receivables | | | | | | | |
| - New car | 249,776 | 249,776 | 23.59 | 58,922 | 100.00 | 190,854 | 249,776 |
| - Used car | 869,734 | 869,734 | 22.85 | 198,734 | 100.00 | 671,000 | 869,734 |
| Doubtful | | | | | | | |
| Loans | 277,731 | 89,855 | 100.00 | 89,855 | 100.00 | - | 89,855 |
| Hire-purchase receivables | | | | | | | |
| - New car | 122,644 | 122,644 | 23.59 | 28,932 | 100.00 | 93,712 | 122,644 |
| - Used car | 495,652 | 495,652 | 22.85 | 113,256 | 100.00 | 382,396 | 495,652 |
| Doubtful loss | 3,011,777 | 1,025,611 | 100.00 | 1,024,391 | 100.00 | - | 1,024,391 |
| Total loans and accrued interest receivables | 170,004,631 | 137,466,468 | | 3,503,718 | | 868,159 | 4,371,877 |
| Additional allowance for some doubtful accounts | | | | 1,348,925 | | - | 1,348,925 |
| General reserve | | | | 423,100 | | - | 423,100 |
| Allowance for troubled debt restructuring | | | | 27,789 | | - | 27,789 |
| Total | | | | 5,303,532 | | 868,159 | 6,171,691 |

Unit: Baht '000

| Loans classification | CONSOLIDATED FINANCIAL STATEMENTS | | | | | | |
|---|--|---|---------------|------------------------|-----------------------------------|---|-------------------------------------|
| | 2011 | | | | | | |
| | Loans outstanding and interest receivables | Loans net of collateral/ Present value of cash flow | Allowance (%) | Allowance per the Bank | Allowance per BOT's guideline (%) | Increase (Decrease) allowance per BOT * | Total allowance per BOT's guideline |
| Normal | | | | | | | |
| Loans | 30,348,006 | 5,429,583 | 1.00 | 54,265 | 1.00 | - | 54,265 |
| Hire-purchase receivables | | | | | | | |
| - New car | 50,912,853 | 50,737,149 | 1.00 | 507,371 | 1.00 | - | 507,371 |
| - Used car | 40,207,970 | 39,938,599 | 1.00 | 399,386 | 1.00 | - | 399,386 |
| Special mentioned | | | | | | | |
| Loans | 1,070,043 | 204,949 | 2.00 | 4,099 | 2.00 | - | 4,099 |
| Hire-purchase receivables | | | | | | | |
| - New car | 3,278,758 | 3,244,890 | 4.19 | 135,961 | 2.00 | (71,064) | 64,897 |
| - Used car | 5,986,970 | 5,880,115 | 6.09 | 358,099 | 2.00 | (240,497) | 117,602 |
| Substandard | | | | | | | |
| Loans | 776,167 | 106,961 | 100.00 | 106,961 | 100.00 | - | 106,961 |
| Hire-purchase receivables | | | | | | | |
| - New car | 132,862 | 132,862 | 22.17 | 29,456 | 100.00 | 103,406 | 132,862 |
| - Used car | 345,883 | 345,883 | 21.40 | 74,019 | 100.00 | 271,864 | 345,883 |
| Doubtful | | | | | | | |
| Loans | 375,939 | 139,653 | 100.00 | 138,433 | 100.00 | - | 138,433 |
| Hire-purchase receivables | | | | | | | |
| - New car | 99,589 | 99,589 | 22.17 | 22,079 | 100.00 | 77,510 | 99,589 |
| - Used car | 277,742 | 277,742 | 21.40 | 59,437 | 100.00 | 218,305 | 277,742 |
| Doubtful loss | 2,734,189 | 864,209 | 100.00 | 864,112 | 100.00 | - | 864,112 |
| Total loans and accrued interest receivables | 136,546,971 | 107,402,184 | | 2,753,678 | | 359,524 | 3,113,202 |
| Additional allowance for some doubtful accounts | | | | 1,582,970 | | - | 1,582,970 |
| General reserve | | | | 423,100 | | - | 423,100 |
| Allowance for troubled debt restructuring | | | | 733 | | - | 733 |
| Total | | | | 4,760,481 | | 359,524 | 5,120,005 |

Unit: Baht '000

| Loans classification | THE BANK'S FINANCIAL STATEMENTS | | | | | | |
|---|--|---|---------------|------------------------|-----------------------------------|---|-------------------------------------|
| | 2012 | | | | | | |
| | Loans outstanding and interest receivables | Loans net of collateral/ Present value of cash flow | Allowance (%) | Allowance per the Bank | Allowance per BOT's guideline (%) | Increase (Decrease) allowance per BOT * | Total allowance per BOT's guideline |
| Normal | | | | | | | |
| Loans | 36,709,885 | 9,459,993 | 1.00 | 93,516 | 1.00 | - | 93,516 |
| Hire-purchase receivables | | | | | | | |
| - New car | 65,617,730 | 65,395,640 | 1.00 | 653,956 | 1.00 | - | 653,956 |
| - Used car | 47,649,267 | 47,326,271 | 1.00 | 473,263 | 1.00 | - | 473,263 |
| Special mentioned | | | | | | | |
| Loans | 1,478,049 | 270,953 | 2.00 | 5,411 | 2.00 | - | 5,411 |
| Hire-purchase receivables | | | | | | | |
| - New car | 4,078,671 | 4,036,548 | 3.97 | 160,251 | 2.00 | (79,520) | 80,731 |
| - Used car | 9,090,825 | 8,930,962 | 6.37 | 568,902 | 2.00 | (390,283) | 178,619 |
| Substandard | | | | | | | |
| Loans | 600,329 | 42,829 | 100.00 | 42,829 | 100.00 | - | 42,829 |
| Hire-purchase receivables | | | | | | | |
| - New car | 249,776 | 249,776 | 23.59 | 58,922 | 100.00 | 190,854 | 249,776 |
| - Used car | 869,734 | 869,734 | 22.85 | 198,734 | 100.00 | 671,000 | 869,734 |
| Doubtful | | | | | | | |
| Loans | 277,731 | 89,855 | 100.00 | 89,855 | 100.00 | - | 89,855 |
| Hire-purchase receivables | | | | | | | |
| - New car | 122,644 | 122,644 | 23.59 | 28,932 | 100.00 | 93,712 | 122,644 |
| - Used car | 495,652 | 495,652 | 22.85 | 113,256 | 100.00 | 382,396 | 495,652 |
| Doubtful loss | 3,005,378 | 1,019,212 | 100.00 | 1,017,992 | 100.00 | - | 1,017,992 |
| Total loans and accrued interest receivables | 170,245,671 | 138,310,069 | | 3,505,819 | | 868,159 | 4,373,978 |
| Additional allowance for some doubtful accounts | | | | 1,340,425 | | - | 1,340,425 |
| General reserve | | | | 423,100 | | - | 423,100 |
| Allowance for troubled debt restructuring | | | | 27,789 | | - | 27,789 |
| Total | | | | 5,297,133 | | 868,159 | 6,165,292 |

Unit : Baht '000

| Loans classification | THE BANK'S FINANCIAL STATEMENTS | | | | | | |
|---|--|---|---------------|------------------------|-----------------------------------|---|-------------------------------------|
| | 2011 | | | | | | |
| | Loans outstanding and interest receivables | Loans net of collateral/ Present value of cash flow | Allowance (%) | Allowance per the Bank | Allowance per BOT's guideline (%) | Increase (Decrease) allowance per BOT * | Total allowance per BOT's guideline |
| Normal | | | | | | | |
| Loans | 29,906,283 | 5,429,583 | 1.00 | 54,265 | 1.00 | - | 54,265 |
| Hire-purchase receivables | | | | | | | |
| - New car | 50,912,853 | 50,737,149 | 1.00 | 507,371 | 1.00 | - | 507,371 |
| - Used car | 40,207,970 | 39,938,599 | 1.00 | 399,386 | 1.00 | - | 399,386 |
| Special mentioned | | | | | | | |
| Loans | 1,070,043 | 204,949 | 2.00 | 4,099 | 2.00 | - | 4,099 |
| Hire-purchase receivables | | | | | | | |
| - New car | 3,278,758 | 3,244,890 | 4.19 | 135,961 | 2.00 | (71,064) | 64,897 |
| - Used car | 5,986,970 | 5,880,115 | 6.09 | 358,099 | 2.00 | (240,497) | 117,602 |
| Substandard | | | | | | | |
| Loans | 776,167 | 106,961 | 100.00 | 106,961 | 100.00 | - | 106,961 |
| Hire-purchase receivables | | | | | | | |
| - New car | 132,862 | 132,862 | 22.17 | 29,456 | 100.00 | 103,406 | 132,862 |
| - Used car | 345,883 | 345,883 | 21.40 | 74,019 | 100.00 | 271,864 | 345,883 |
| Doubtful | | | | | | | |
| Loans | 375,939 | 139,653 | 100.00 | 138,433 | 100.00 | - | 138,433 |
| Hire-purchase receivables | | | | | | | |
| - New car | 99,589 | 99,589 | 22.17 | 22,079 | 100.00 | 77,510 | 99,589 |
| - Used car | 277,742 | 277,742 | 21.40 | 59,437 | 100.00 | 218,305 | 277,742 |
| Doubtful loss | 2,727,313 | 857,334 | 100.00 | 857,334 | 100.00 | - | 857,334 |
| Total loans and accrued interest receivables | 136,098,372 | 107,395,309 | | 2,746,900 | | 359,524 | 3,106,424 |
| Additional allowance for some doubtful accounts | | | | 1,582,970 | | - | 1,582,970 |
| General reserve | | | | 423,100 | | - | 423,100 |
| Allowance for troubled debt restructuring | | | | 733 | | - | 733 |
| Total | | | | 4,753,703 | | 359,524 | 5,113,227 |

* The Bank considered the additional allowance for doubtful accounts for hire-purchase receivables in order to comply with the Bank of Thailand's Notification dated August 3, 2008 by considering the valuation of collateral regarding the Bank of Thailand's guideline. The Bank provided the allowance for doubtful accounts for substandard, doubtful and doubtful loss hire-purchase receivables at the rate of 100% for the differences between the carrying amount and net present value of estimated future cash flow from selling of collaterals and discounted at the rates and for the holding period per the Bank of Thailand's guideline. For normal and special mentioned loans, the Bank provided the allowance for doubtful accounts at the rates of 1% and 2%, respectively.

7.7.5 Non-performing loans

As at December 31, 2012 and 2011, the Bank has the following non-performing loans, defined according to the BOT's Notification as loan classified as substandard, doubtful, doubtful loss, including interbank and money market items, but excluding accrued interest receivables, as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|-----------------------------------|-----------|---------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Non-performing loans (excluding accrued interest receivables) | 5,627,545 | 4,742,273 | 5,621,244 | 4,735,495 |
| % of Non-performing loans to total loans (including loans to financial institutions) | 3.29 | 3.37 | 3.28 | 3.37 |
| Non-performing loans net of allowance for doubtful accounts (excluding accrued interest receivables) | 2,460,220 | 2,599,952 | 2,460,219 | 2,599,952 |
| % of Non-performing loans net of allowance for doubtful accounts to total loans net of allowance for doubtful accounts (including loans to financial institutions) | 1.47 | 1.87 | 1.46 | 1.88 |
| % of Non-performing loans to the total of each type of loans | | | | |
| - Loans | 8.95 | 10.80 | 8.77 | 10.80 |
| - Hire-purchase receivables | 1.55 | 1.00 | 1.55 | 1.00 |
| - Securities and derivative business receivables | 1.04 | 1.52 | - | - |

Loans and accrued interest receivables from which recognition of income based on accrual basis has been discontinued are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | |
|--|-----------------------------------|----------------------|-----------|----------------------|
| | 2012 | | 2011 | |
| | Principal | Interest receivables | Principal | Interest receivables |
| Loans and bills receivables | 3,645,529 | - | 3,726,085 | - |
| Securities business receivables | 6,301 | 98 | 6,301 | 98 |
| Hire-purchase receivables | 1,975,715 | - | 1,009,410 | - |
| Total loans from which recognition of income has been discontinued | 5,627,545 | 98 | 4,741,796 | 98 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | |
|--|---------------------------------|----------------------|-----------|----------------------|
| | 2012 | | 2011 | |
| | Principal | Interest receivables | Principal | Interest receivables |
| Loans and bills receivables | 3,645,529 | - | 3,726,085 | - |
| Hire-purchase receivables | 1,975,715 | - | 1,009,410 | - |
| Total loans from which recognition of income has been discontinued | 5,621,244 | - | 4,735,495 | - |

7.8 Hire-purchase and finance lease receivables

As at December 31, 2012, receivables of the Bank and its subsidiaries under hire-purchase and finance lease agreements are Baht 128,335 million (December 31, 2011: Baht 101,384 million) and mostly comprise hire-purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements, interest is charged at a fixed rate as specified in agreements.

Unit : Baht '000

| CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | | |
|--|---------------------|-------------|--------------|--------------|
| 2012 | | | | |
| Amount due under lease agreements | | | | |
| | Less than 1 year | 1 - 5 years | Over 5 years | Total |
| Gross investment in the agreements | 42,340,185 | 101,999,277 | 5,866,725 | 150,206,187 |
| <u>Less</u> Unearned income* | | | | (21,871,569) |
| Present value of minimum lease payment per agreement | | | | 128,334,618 |
| <u>Less</u> Allowance for doubtful accounts | | | | (3,542,796) |
| Hire-purchase and finance lease receivables, net | | | | 124,791,822 |

* Net of commission and direct expenses incurred at the initiation of hire purchase.

Unit : Baht '000

| CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | | |
|--|---------------------|-------------|--------------|--------------|
| 2011 | | | | |
| Amount due under lease agreements | | | | |
| | Less than 1 year | 1 - 5 years | Over 5 years | Total |
| Gross investment in the agreements | 34,050,736 | 79,901,205 | 4,048,968 | 118,000,909 |
| <u>Less</u> Unearned income* | | | | (16,616,428) |
| Present value of minimum lease payment per agreement | | | | 101,384,481 |
| <u>Less</u> Allowance for doubtful accounts | | | | (2,386,921) |
| Hire-purchase and finance lease receivables, net | | | | 98,997,560 |

* Net of commission and direct expenses incurred at the initiation of hire purchase.

7.9 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | |
|---|-----------|----------------------|-------------|----------|---------------|--------------------|-----------|
| 2012 | | | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | General reserve | Total |
| At beginning of year | 1,719,938 | 833,913 | 616,353 | 534,981 | 990,987 | 423,100 | 5,119,272 |
| <u>Add</u> Doubtful accounts (reversal) | 255,745 | (256,219) | 637,058 | 192,677 | 906,794 | - | 1,736,055 |
| <u>Less</u> Bad debt written-off | - | - | - | - | (711,425) | - | (711,425) |
| At end of year | 1,975,683 | 577,694 | 1,253,411 | 727,658 | 1,186,356 | 423,100 | 6,143,902 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | |
|---|-----------|----------------------|-------------|----------|---------------|--------------------|-----------|
| 2011 | | | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | General reserve | Total |
| At beginning of year | 854,106 | 159,484 | 623,642 | 505,354 | 966,807 | 1,124,000 | 4,233,393 |
| <u>Add</u> Doubtful accounts (reversal) | 865,832 | 674,429 | (7,289) | 29,627 | 673,416 | (700,900) | 1,535,115 |
| <u>Less</u> Bad debt written-off | - | - | - | - | (649,236) | - | (649,236) |
| At end of year | 1,719,938 | 833,913 | 616,353 | 534,981 | 990,987 | 423,100 | 5,119,272 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | | | |
|----------------------------------|---------------------------------|-------------------|-------------|----------|---------------|-----------------|-----------|
| | 2012 | | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | General reserve | Total |
| At beginning of year | 1,719,938 | 833,913 | 616,353 | 534,981 | 984,209 | 423,100 | 5,112,494 |
| Add Doubtful accounts (reversal) | 255,745 | (256,219) | 637,058 | 192,677 | 907,173 | - | 1,736,434 |
| Less Bad debt written-off | - | - | - | - | (711,425) | - | (711,425) |
| At end of year | 1,975,683 | 577,694 | 1,253,411 | 727,658 | 1,179,957 | 423,100 | 6,137,503 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | | | |
|----------------------------------|---------------------------------|-------------------|-------------|----------|---------------|-----------------|-----------|
| | 2011 | | | | | | |
| | Normal | Special mentioned | Substandard | Doubtful | Doubtful loss | General reserve | Total |
| At beginning of year | 854,106 | 159,484 | 623,642 | 505,354 | 960,315 | 1,124,000 | 4,226,901 |
| Add Doubtful accounts (reversal) | 865,832 | 674,429 | (7,289) | 29,627 | 673,130 | (700,900) | 1,534,829 |
| Less Bad debt written-off | - | - | - | - | (649,236) | - | (649,236) |
| At end of year | 1,719,938 | 833,913 | 616,353 | 534,981 | 984,209 | 423,100 | 5,112,494 |

7.10 Troubled debt restructuring

As at December 31, 2012 and 2011, the Bank has troubled debt restructuring classified by default period as follows;

Unit : Million Baht

| Default period | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|--------------------------------|--|-------------------|-------------------------|---------------------------------|
| | 2012 | | | |
| | Number of debtors | Principal balance | Loans net of collateral | Allowance for doubtful accounts |
| 0 - 1 month | 63 | 1,552 | 113 | 344 |
| More than 1 month - 3 months | 21 | 321 | 9 | 44 |
| More than 3 months - 6 months | 17 | 538 | 9 | 100 |
| More than 6 months - 12 months | 32 | 141 | 41 | 58 |
| More than 12 months | 108 | 1,471 | 610 | 673 |
| Total | 241 | 4,023 | 782 | 1,219 |

Unit : Million Baht

| Default period | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|--------------------------------|--|-------------------|-------------------------|---------------------------------|
| | 2011 | | | |
| | Number of debtors | Principal balance | Loans net of collateral | Allowance for doubtful accounts |
| 0 - 1 month | 93 | 2,349 | 139 | 405 |
| More than 1 month - 3 months | 15 | 161 | - | 59 |
| More than 3 months - 6 months | 27 | 558 | 57 | 63 |
| More than 6 months - 12 months | 41 | 232 | 84 | 102 |
| More than 12 months | 98 | 1,472 | 572 | 625 |
| Total | 274 | 4,772 | 852 | 1,254 |

As at December 31, 2012, the Bank has loss on debt restructuring with 2 debtors (December 31, 2011: 3 debtors) with outstanding balance before restructuring amounting to Baht 8.01 million (December 31, 2011: Baht 14 million). For the year ended December 31, 2012, the Bank recognized loss on restructuring of Baht 1.72 million (for the year ended December 31, 2011: Baht 2.11 million) in the statement of comprehensive income under loss on troubled debt restructuring.

Unit : Million Baht

| Restructuring type | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | | |
|--------------------------------|--|---|--|----------------------------|----------------------|
| | 2012 | | | | |
| | Number of debtors | Outstanding balance before TDR ⁽¹⁾ | Outstanding balance after TDR ⁽¹⁾ | Type of assets transferred | Fair value of assets |
| Modifications of payment terms | 2 | 8.01 | - | - | - |
| Total | 2 | 8.01 | - | | |

(1) Presented at book value (principal and accrued interest receivables)

Unit : Million Baht

| Restructuring type | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | | |
|--------------------------------|--|---|--|----------------------------|----------------------|
| | 2011 | | | | |
| | Number of debtors | Outstanding balance before TDR ⁽¹⁾ | Outstanding balance after TDR ⁽¹⁾ | Type of assets transferred | Fair value of assets |
| Transfer of properties | 2 | 0.51 | - | Condominium | 0.40 |
| Modifications of payment terms | 1 | 13.49 | - | - | - |
| Total | 3 | 14.00 | - | | |

(1) Presented at book value (principal and accrued interest receivables)

7.11 Allowance for troubled debt restructuring

Allowance for troubled debts restructuring as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | |
|---------------------------------|--|-------|
| | 2012 | 2011 |
| At beginning of year | 733 | 1,651 |
| Increase (decrease) during year | 27,056 | (918) |
| At end of year | 27,789 | 733 |

7.12 Properties foreclosed, net

Properties foreclosed, net as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|-----------------------------------|-------------|---------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Properties foreclosed | 6,564,187 | 8,041,878 | 6,737,813 | 7,540,651 |
| <u>Less</u> Provision for diminution in value | (1,584,562) | (1,498,574) | (1,534,627) | (1,448,282) |
| Properties foreclosed, net | 4,979,625 | 6,543,304 | 5,203,186 | 6,092,369 |

The Bank and its subsidiaries acquired properties foreclosed by transferring asset, auction and repossession for the debt settlement.

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | |
|---|------------------|----------------|-------------|
| 2012 | | | |
| | Immovable assets | Movable assets | Total |
| At beginning of year | 7,986,768 | 55,110 | 8,041,878 |
| Additions | 375,813 | 1,728,717 | 2,104,530 |
| Disposals | (1,999,706) | (1,582,515) | (3,582,221) |
| At end of year | 6,362,875 | 201,312 | 6,564,187 |
| <u>Less</u> Provision for diminution in value | (1,383,261) | (201,301) | (1,584,562) |
| Properties foreclosed, net | 4,979,614 | 11 | 4,979,625 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | |
|---|------------------|----------------|-------------|
| 2011 | | | |
| | Immovable assets | Movable assets | Total |
| At beginning of year | 9,299,494 | 46,127 | 9,345,621 |
| Additions | 885,502 | 911,374 | 1,796,876 |
| Disposals | (2,198,228) | (902,391) | (3,100,619) |
| At end of year | 7,986,768 | 55,110 | 8,041,878 |
| <u>Less</u> Provision for diminution in value | (1,443,489) | (55,085) | (1,498,574) |
| Properties foreclosed, net | 6,543,279 | 25 | 6,543,304 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | |
|---|------------------|----------------|-------------|
| 2012 | | | |
| | Immovable assets | Movable assets | Total |
| At beginning of year | 7,485,756 | 54,894 | 7,540,650 |
| Additions | 666,587 | 1,728,717 | 2,395,304 |
| Disposals | (1,615,626) | (1,582,515) | (3,198,141) |
| At end of year | 6,536,717 | 201,096 | 6,737,813 |
| <u>Less</u> Provision for diminution in value | (1,333,531) | (201,096) | (1,534,627) |
| Properties foreclosed, net | 5,203,186 | - | 5,203,186 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | |
|---|------------------|----------------|-------------|
| 2011 | | | |
| | Immovable assets | Movable assets | Total |
| At beginning of year | 8,468,991 | 45,911 | 8,514,902 |
| Additions | 890,008 | 911,374 | 1,801,382 |
| Disposals | (1,873,242) | (902,391) | (2,775,633) |
| At end of year | 7,485,757 | 54,894 | 7,540,651 |
| <u>Less</u> Provision for diminution in value | (1,393,388) | (54,894) | (1,448,282) |
| Properties foreclosed, net | 6,092,369 | - | 6,092,369 |

The details of assets at fair value where the Bank granted an option to debtors for repurchasing classified by outstanding term of contract as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | |
|--|---|-----------|
| | 2012 | 2011 |
| Less than 2 months | 5,966 | - |
| 2 - 12 months | 147,474 | 380,234 |
| Over 12 months but less than 24 months | 302,986 | 361,864 |
| Over 24 months but less than 36 months | - | 342,838 |
| Total | 456,426 | 1,084,936 |

The Bank received assets as loan settlement from a debtor having troubled debt restructuring on June 27, 2011, and the debtor transferred the right and ownership of the mortgaged assets on June 29, 2011. However, such debtor was filed for a bankruptcy on May 12, 2011. The Bank has already considered the risk and impact from the above issue.

Immovable properties foreclosed classified by external and internal appraisers as at December 31, 2012 and 2011 are as follows;

Unit : Million Baht

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|----------------------------------|--------------------------------------|-------|------------------------------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Immovable properties foreclosed | | | | |
| Appraised by external appraisers | 4,868 | 5,116 | 5,142 | 4,941 |
| Appraised by internal appraisers | 1,495 | 2,871 | 1,395 | 2,545 |
| Total | 6,363 | 7,987 | 6,537 | 7,486 |

7.13 Land, premises and equipment, net

Land, premises and equipment, net as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

Unit : Baht 000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | | | | |
|-----------------------------------|--|-----------|----------------------|----------------|-------------------|--|-----------|----------------------|----------------|-------------|------------|----------------------------------|
| | 2012 | | | | | | | | | | | |
| | Cost | | | | | Accumulated depreciation | | | | | Impairment | Land premises and equipment, net |
| Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | | | |
| Land | 94,968 | 52,013 | - | - | 146,981 | - | - | - | - | - | - | 146,981 |
| Premises and building improvement | 76,552 | 466,627 | 19,943 | (6,712) | 556,410 | (37,630) | (173,540) | (12,976) | - | (224,146) | 15,944 | 348,208 |
| Equipment | 1,017,605 | 167,379 | 166,234 | (31,273) | 1,319,945 | (705,698) | (120,639) | (152,787) | 29,770 | (949,354) | - | 370,591 |
| Furniture and fixtures | 706,359 | 50,254 | 108,186 | (8,250) | 856,549 | (367,811) | (41,692) | (128,213) | 4,610 | (533,106) | - | 323,443 |
| Vehicles | 282,531 | 17,194 | 83,051 | (15,482) | 367,294 | (128,398) | (17,193) | (56,385) | 15,291 | (186,685) | - | 180,609 |
| Total | 2,178,015 | 753,467 | 377,414 | (61,717) | 3,247,179 | (1,239,537) | (353,064) | (350,361) | 49,671 | (1,893,291) | 15,944 | 1,369,832 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | | | | |
|-----------------------------------|-------------------|--|-----------|----------------------|----------------|--------------------------|--|-----------|----------------------|----------------|----------------------------------|
| 2011 | | | | | | | | | | | |
| | Cost | | | | | Accumulated depreciation | | | | | Land premises and equipment, net |
| | Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | |
| Land | 94,968 | - | - | - | 94,968 | - | - | - | - | - | 94,968 |
| Premises | 76,552 | - | - | - | 76,552 | (33,805) | - | (3,825) | - | (37,630) | 38,922 |
| Equipment | 900,266 | 17,743 | 158,229 | (58,633) | 1,017,605 | (598,498) | (11,460) | (153,797) | 58,057 | (705,698) | 311,907 |
| Furniture and fixtures | 646,662 | 11,681 | 111,007 | (62,991) | 706,359 | (308,406) | (6,415) | (114,816) | 61,826 | (367,811) | 338,548 |
| Vehicles | 222,723 | 1,916 | 76,212 | (18,320) | 282,531 | (99,315) | (1,916) | (44,882) | 17,715 | (128,398) | 154,133 |
| Total | 1,941,171 | 31,340 | 345,448 | (139,944) | 2,178,015 | (1,040,024) | (19,791) | (317,320) | 137,598 | (1,239,537) | 938,478 |

Depreciation for the years ended - December 31, 2012 : Baht 350,361 Thousand

- December 31, 2011 : Baht 317,320 Thousand

As at December 31, 2012 and 2011, the Bank and its subsidiaries had premise and equipment, fully depreciated but still in use, at the original costs amounting to Baht 984.29 million and Baht 516.21 million, respectively.

Unit : Baht '000

Unit : Euro '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | | | | | |
|------------------------|---------------------------------|-----------|----------------------|----------------|--------------------------|-----------|----------------------|----------------|-----------------------------------|
| | 2012 | | | | | | | | |
| | Cost | | | | Accumulated depreciation | | | | Land, premises and equipment, net |
| | Beginning balance | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Additions | Disposals/ Transfers | Ending balance | |
| Land | 94,968 | - | - | 94,968 | - | - | - | - | 94,968 |
| Premises | 76,552 | - | - | 76,552 | (37,630) | (3,777) | - | (41,407) | 35,145 |
| Equipment | 789,310 | 144,025 | (16,845) | 916,490 | (504,887) | (132,097) | 15,728 | (621,256) | 295,234 |
| Furniture and fixtures | 638,546 | 96,987 | (4,274) | 731,259 | (320,822) | (119,471) | 2,722 | (437,571) | 293,688 |
| Vehicles | 263,971 | 75,542 | (8,933) | 330,580 | (119,103) | (53,450) | 8,741 | (163,812) | 166,768 |
| Total | 1,863,347 | 316,554 | (30,052) | 2,149,849 | (982,442) | (308,795) | 27,191 | (1,264,046) | 885,803 |

Unit : Baht '000

| | | THE BANK'S FINANCIAL STATEMENTS | | | | | | | | |
|------------------------|-----------|---------------------------------|-----------|----------------------|----------------|--------------------------|-----------|----------------------|----------------|-----------------------------------|
| | | 2011 | | | | | | | | |
| | | Cost | | | | Accumulated depreciation | | | | Land, premises and equipment, net |
| | | Beginning balance | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Additions | Disposals/ Transfers | Ending balance | |
| Land | 94,968 | - | - | 94,968 | - | - | - | - | 94,968 | |
| Premises | 76,552 | - | - | 76,552 | (33,805) | (3,825) | - | (37,630) | 38,922 | |
| Equipment | 699,643 | 145,447 | (55,780) | 789,310 | (417,485) | (142,624) | 55,222 | (504,887) | 284,423 | |
| Furniture and fixtures | 598,182 | 103,355 | (62,991) | 638,546 | (272,363) | (110,285) | 61,826 | (320,822) | 317,724 | |
| Vehicles | 205,547 | 69,792 | (11,368) | 263,971 | (86,925) | (42,941) | 10,763 | (119,103) | 144,868 | |
| Total | 1,674,892 | 318,594 | (130,139) | 1,863,347 | (810,578) | (299,675) | 127,811 | (982,442) | 880,905 | |

Depreciation for the years ended - December 31, 2012 : Baht 308,795 Thousand

- December 31, 2011 : Baht 299,675 Thousand

As at December 31, 2012 and 2011, the Bank had premise and equipment, fully depreciated but still in use, at the original costs amounting to Baht 569.29 million and Baht 301.89 million, respectively.

7.14 Other intangible assets, net and Goodwill

7.14.1 Other intangible assets, net

Other intangible assets, net as at December 31, 2012 and 2011 are as follows:

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | | | | |
|-----------------------------------|--|-----------|----------------------|----------------|--------------------------|--|-----------|----------------------|----------------|------------------------------|---------|
| 2012 | | | | | | | | | | | |
| Cost | | | | | Accumulated amortization | | | | | Other intangible assets, net | |
| Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | | |
| Software | 544,510 | 171,816 | 113,899 | (17,424) | 812,801 | (257,534) | (145,891) | (95,251) | 5,784 | (492,892) | 319,909 |
| TFEX Membership | 6,918 | 5,791 | - | - | 12,709 | (1,462) | (5,655) | (15) | - | (7,132) | 5,577 |
| Total | 551,428 | 177,607 | 113,899 | (17,424) | 825,510 | (258,996) | (151,546) | (95,266) | 5,784 | (500,024) | 325,486 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | | | | |
|-----------------------------------|--|-----------|----------------------|----------------|--------------------------|--|-----------|----------------------|----------------|------------------------------|---------|
| 2011 | | | | | | | | | | | |
| Cost | | | | | Accumulated amortization | | | | | Other intangible assets, net | |
| Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Balance of subsidiary as at acquisition date | Additions | Disposals/ Transfers | Ending balance | | |
| Software | 388,058 | 27,087 | 134,661 | (5,296) | 544,510 | (163,432) | (11,529) | (87,868) | 5,295 | (257,534) | 286,976 |
| TFEX Membership | 6,918 | - | - | - | 6,918 | (1,462) | - | - | - | (1,462) | 5,456 |
| Total | 394,976 | 27,087 | 134,661 | (5,296) | 551,428 | (164,894) | (11,529) | (87,868) | 5,295 | (258,996) | 292,432 |

Depreciation for the years ended - December 31, 2012 : Baht 95,266 Thousand

- December 31, 2011 : Baht 87,868 Thousand

As at December 31, 2012 and 2011, the Bank and its subsidiaries had software, fully amortized but still in use, at the original costs amounting to Baht 248.01 million and Baht 48.36 million, respectively.

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | | | | | | | |
|---------------------------------|-----------|----------------------|----------------|--------------------------|-----------|----------------------|----------------|------------------------------|---------|--|
| 2012 | | | | | | | | | | |
| Cost | | | | Accumulated amortization | | | | Other intangible assets, net | | |
| Beginning balance | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Additions | Disposals/ Transfers | Ending balance | | | |
| Software | 480,338 | 105,360 | (10,513) | 575,185 | (211,782) | (84,099) | 558 | (295,323) | 279,862 | |
| Total | 480,338 | 105,360 | (10,513) | 575,185 | (211,782) | (84,099) | 558 | (295,323) | 279,862 | |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | | | | | | | |
|---------------------------------|-----------|----------------------|----------------|--------------------------|-----------|----------------------|----------------|------------------------------|---------|--|
| 2011 | | | | | | | | | | |
| Cost | | | | Accumulated amortization | | | | Other intangible assets, net | | |
| Beginning balance | Additions | Disposals/ Transfers | Ending balance | Beginning balance | Additions | Disposals/ Transfers | Ending balance | | | |
| Software | 354,494 | 131,140 | (5,296) | 480,338 | (134,075) | (83,002) | 5,295 | (211,782) | 268,556 | |
| Total | 354,494 | 131,140 | (5,296) | 480,338 | (134,075) | (83,002) | 5,295 | (211,782) | 268,556 | |

Depreciation for the years ended - December 31, 2012 : Baht 84,099 Thousand

- December 31, 2011 : Baht 83,002 Thousand

As at December 31, 2012 and December 31, 2011, the Bank had software, fully amortized but still in use, at the original costs amounting to Baht 88.67 million and Baht 20.72 million, respectively.

7.14.2 Goodwill

Goodwill as at December 31, 2012 and 2011 are as follows;

Unit: Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|-----------------------------------|-------------------|-----------|----------------------|----------------|
| 2012 | | | | |
| Cost | | | | |
| | Beginning balance | Additions | Disposals/ Transfers | Ending balance |
| Goodwill | 56,071 | 3,029,219 | - | 3,085,290 |
| Total | 56,071 | 3,029,219 | - | 3,085,290 |

Unit: Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|-----------------------------------|-------------------|-----------|----------------------|----------------|
| 2011 | | | | |
| Cost | | | | |
| | Beginning balance | Additions | Disposals/ Transfers | Ending balance |
| Goodwill | - | 56,071 | - | 56,071 |
| Total | - | 56,071 | - | 56,071 |

7.15 Deferred tax assets

Deferred tax assets as at December 31, 2012 and 2011 and January 1, 2011 are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | THE BANK'S FINANCIAL STATEMENTS | | |
|---------------------|-----------------------------------|-------------------|-----------------|---------------------------------|-------------------|-----------------|
| | December 31, 2012 | December 31, 2011 | January 1, 2011 | December 31, 2012 | December 31, 2011 | January 1, 2011 |
| Deferred tax assets | 618,666 | 668,882 | 1,206,814 | 594,291 | 660,229 | 1,196,175 |
| Total | 618,666 | 668,882 | 1,206,814 | 594,291 | 660,229 | 1,196,175 |

Movements in deferred tax assets during the year were as follows;

Unit: Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|---|-------------------------------|--|---|---|---------------------------------|
| | Balance as at January 1, 2012 | Balance as at September 12, 2012 from Phatra Capital | Items as recognized into profit or loss | Items as recognized into other comprehensive income | Balance as at December 31, 2012 |
| Temporary differences | | | | | |
| Allowance for doubtful accounts | 95,619 | - | (381) | - | 95,238 |
| Allowance for impairment of investments | 161,506 | 1,466 | (34,255) | - | 128,717 |
| Allowance for impairment of properties foreclosed | 289,656 | 5,786 | 13,950 | - | 309,392 |
| Provisions | 171,746 | 16,544 | (4,600) | (2,527) | 181,163 |
| Income received in advance | 181,474 | - | 35,317 | - | 216,791 |
| Non-accrued interest income | 39,111 | - | 3,507 | - | 42,618 |
| Prepaid hire-purchase commission | (219,546) | - | (78,902) | - | (298,448) |
| Depreciation of assets | (422) | 4,260 | (824) | - | 3,014 |
| Revaluation surplus on investments | (59,700) | (766) | - | (14,384) | (74,850) |
| Other | 9,438 | (5,702) | 11,295 | - | 15,031 |
| Total | 668,882 | 21,588 | (54,893) | (16,911) | 618,666 |

Unit : Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|-------------------------------------|--|---|---------------------------------------|
| | Balance as at January 1, 2011 | Items as recognized into profit or loss | Items as recognized into other comprehensive income | Balance as at December 31, 2011 |
| Temporary differences | | | | |
| Allowance for doubtful accounts | 344,522 | (248,903) | - | 95,619 |
| Allowance for impairment of investments | 245,840 | (84,334) | - | 161,506 |
| Allowance for impairment of properties foreclosed | 458,379 | (168,723) | - | 289,656 |
| Provision | 230,232 | (66,358) | 7,872 | 171,746 |
| Income received in advance | 201,175 | (19,701) | - | 181,474 |
| Non-accrued interest income | 44,774 | (5,663) | - | 39,111 |
| Prepaid hire-purchase commission | (228,709) | 9,163 | - | (219,546) |
| Depreciation of assets | (413) | (9) | - | (422) |
| Revaluation surplus on investments | (100,232) | - | 40,532 | (59,700) |
| Other | 11,246 | (1,808) | - | 9,438 |
| Total | 1,206,814 | (586,336) | 48,404 | 668,882 |

Unit : Baht '000

| THE BANK'S FINANCIAL STATEMENTS | | | | |
|---|-------------------------------------|--|---|---------------------------------------|
| | Balance as at January 1, 2012 | Items as recognized into profit or loss | Items as recognized into other comprehensive income | Balance as at December 31, 2012 |
| Temporary differences | | | | |
| Allowance for doubtful accounts | 93,870 | (381) | - | 93,489 |
| Allowance for impairment of investments | 161,506 | (34,255) | - | 127,251 |
| Allowance for impairment of properties foreclosed | 289,656 | 17,269 | - | 306,925 |
| Provision | 164,419 | (4,867) | - | 159,552 |
| Income received in advance | 181,474 | 35,317 | - | 216,791 |
| Non-accrued interest income | 39,111 | 3,506 | - | 42,617 |
| Prepaid hire-purchase commission | (219,546) | (78,902) | - | (298,448) |
| Revaluation surplus on investments | (59,699) | - | (14,273) | (73,972) |
| Other | 9,438 | 10,648 | - | 20,086 |
| Total | 660,229 | (51,665) | (14,273) | 594,291 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | |
|---|-------------------------------------|--|---|---------------------------------------|
| | Balance as at January 1, 2011 | Items as recognized into profit or loss | Items as recognized into other comprehensive income | Balance as at December 31, 2011 |
| Temporary differences | | | | |
| Allowance for doubtful accounts | 341,899 | (248,029) | - | 93,870 |
| Allowance for impairment of investments | 245,840 | (84,334) | - | 161,506 |
| Allowance for impairment of properties foreclosed | 458,379 | (168,723) | - | 289,656 |
| Provision | 221,804 | (63,869) | 6,484 | 164,419 |
| Income received in advance | 201,175 | (19,701) | - | 181,474 |
| Non-accrued interest income | 44,774 | (5,663) | - | 39,111 |
| Prepaid hire-purchase commission | (228,709) | 9,163 | - | (219,546) |
| Revaluation surplus on investments | (100,232) | - | 40,533 | (59,699) |
| Other | 11,245 | (1,807) | - | 9,438 |
| Total | 1,196,175 | (582,963) | 47,017 | 660,229 |

According to the Royal Decree No. 530 B.E. 2554 issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 22, 2011, the corporate income tax rates were reduced from 30% to 23% of net profit for an accounting period beginning on or after January 1, 2012 and 20% of net profit for two consecutive accounting period beginning on or after January 1, 2013.

The Bank and its subsidiaries used a tax rate of 23% and 20% for calculation of deferred income tax for the year December 31, 2012 and 2011, respectively.

The deferred tax assets of subsidiaries which have not been recognized in the statements of financial position as at December 31, 2012 and 2011 and January 1, 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | |
|---|-----------------------------------|----------------------|--------------------|
| | December 31, 2012 | December 31, 2011 | January 1, 2011 |
| Unused tax losses | 6,232 | 886 | - |
| Provisions | 538 | 421 | - |
| Revaluation deficit on available-for-sale investments | 48 | 163 | - |
| Total | 6,818 | 1,470 | - |

7.16 Other assets, net

Other assets, net as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|-----------------------------------|-----------|---------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Interest and dividend income receivables | 169,780 | 111,644 | 165,256 | 108,048 |
| Other income receivables* | 25,174 | 12,544 | 4,899 | 5,870 |
| Prepaid expenses and deferred expenses | 81,088 | 68,624 | 59,727 | 56,521 |
| Prepaid output tax for hire-purchase receivables * | 87,520 | 77,411 | 87,520 | 77,411 |
| Other receivables, net* | 340,481 | 298,838 | 248,810 | 272,009 |
| Refundable deposit | 319,776 | 117,295 | 142,884 | 106,982 |
| Withholding income tax | 37,901 | 41,520 | 30,752 | 33,796 |
| Input VAT - pending tax invoice | 413,624 | 221,162 | 413,624 | 219,917 |
| Prepayment for leasehold right | 69,134 | 76,441 | 61,829 | 67,098 |
| Others* | 251,537 | 146,350 | 145,413 | 52,390 |
| Total other assets | 1,796,015 | 1,171,829 | 1,360,714 | 1,000,042 |

* As at December 31, 2012 these transactions are shown net of total doubtful accounts of Baht 53.09 million and Baht 44.34 million in the consolidated and the Bank's financial statements, respectively. (December 31, 2011: Baht 54.99 million and Baht 46.25 million in the consolidated and the Bank's financial statements, respectively).

7.17 Deposits

7.17.1 Classified by type of deposit as at December 31, 2012 and 2011

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|------------------|-----------------------------------|------------|---------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Current accounts | 206,153 | 164,375 | 654,697 | 638,875 |
| Savings accounts | 25,541,035 | 11,769,864 | 25,596,962 | 11,786,668 |
| Term deposits | 127,280,050 | 57,105,342 | 127,280,050 | 57,105,341 |
| Total | 153,027,238 | 69,039,581 | 153,531,709 | 69,530,884 |

7.17.2 Classified by currency and residence of depositors as at December 31, 2012 and 2011

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|-----------|-----------------------------------|---------|-------------|------------|---------|------------|
| | 2012 | | | 2011 | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| Thai Baht | 152,563,958 | 463,280 | 153,027,238 | 68,739,206 | 300,375 | 69,039,581 |
| Total | 152,563,958 | 463,280 | 153,027,238 | 68,739,206 | 300,375 | 69,039,581 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | | |
|-----------|---------------------------------|---------|-------------|------------|---------|------------|
| | 2012 | | | 2011 | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| Thai Baht | 153,068,429 | 463,280 | 153,531,709 | 69,230,509 | 300,375 | 69,530,884 |
| Total | 153,068,429 | 463,280 | 153,531,709 | 69,230,509 | 300,375 | 69,530,884 |

7.18 Interbank and money market items, net (liabilities)

Interbank and money market items, net (liabilities) as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|------------------------------|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | | | 2011 | | |
| | On demand | Term | Total | On demand | Term | Total |
| Bank of Thailand | 116,283 | 794,745 | 911,028 | - | - | - |
| Commercial banks | 22,057 | 2,061,500 | 2,083,557 | 112,788 | - | 112,788 |
| Other financial institutions | 53,394 | 2,420,428 | 2,473,822 | 1,890,035 | 3,217,559 | 5,107,594 |
| Total | 191,734 | 5,276,673 | 5,468,407 | 2,002,823 | 3,217,559 | 5,220,382 |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | | | | |
|------------------------------|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | | | 2011 | | |
| | On demand | Term | Total | On demand | Term | Total |
| Bank of Thailand | 116,283 | 794,745 | 911,028 | - | - | - |
| Commercial banks | 21,980 | 2,061,500 | 2,083,480 | 112,651 | - | 112,651 |
| Other financial institutions | 197,815 | 2,420,429 | 2,618,244 | 1,898,856 | 3,237,365 | 5,136,221 |
| Total | 336,078 | 5,276,674 | 5,612,752 | 2,011,507 | 3,237,365 | 5,248,872 |

7.19 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | Currency | Interest Rate (%) | Maturity | CONSOLIDATED FINANCIAL STATEMENTS | |
|-------------------|----------|-------------------|----------|-----------------------------------|------------|
| | | | | 2012 | 2011 |
| | | | | | |
| Debentures | THB | 2.75 - 5.10 | 2561 | 16,999,361 | 17,707,000 |
| Bills of exchange | THB | 1.60 - 5.10 | 2559 | 12,123,975 | 67,651,871 |
| Other borrowing | THB | 2.95 - 3.15 | 2555 | - | 653,950 |
| Total | | | | 29,123,336 | 86,012,821 |

Unit : Baht '000

| | Currency | Interest Rate (%) | Maturity | THE BANK'S FINANCIAL STATEMENTS | |
|-------------------|----------|-------------------|----------|---------------------------------|------------|
| | | | | 2012 | 2011 |
| | | | | | |
| Debentures | THB | 2.83 - 5.10 | 2561 | 15,335,000 | 20,777,000 |
| Bills of exchange | THB | 1.60 - 5.10 | 2559 | 12,123,975 | 68,181,871 |
| Other borrowing | THB | 2.95 - 3.15 | 2555 | - | 653,950 |
| Total | | | | 27,458,975 | 89,612,821 |

7.20 Provisions

Provisions as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|-------------------------------------|-----------------------------------|---------|---------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Post-employment benefits obligation | 267,905 | 171,914 | 154,937 | 136,181 |
| Others | 59,694 | 51,762 | 59,257 | 51,057 |
| Total | 327,599 | 223,676 | 214,194 | 187,238 |

Post-employment benefits obligation

The Bank and its subsidiaries have post-employment benefits plan under the Thai Labor Protection Act, which is considered as unfunded defined benefit plans.

Amounts recognized in the statements of comprehensive income in respect of the defined benefit plans for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|----------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Current service cost | 30,886 | 19,609 | 24,733 | 17,098 |
| Interest on obligation | 6,786 | 5,386 | 4,994 | 4,347 |
| Actuarial (gain) loss on defined benefit plan | (15,814) | 39,359 | - | 32,420 |
| Benefits paid | (13,157) | (33,159) | (10,998) | (28,490) |
| Total | 8,701 | 31,195 | 18,729 | 25,375 |

Movements in the present value of the defined benefit obligation for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|----------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Beginning defined benefit obligation | 171,914 | 139,480 | 136,181 | 110,806 |
| Balance of subsidiary as at acquisition date | 87,290 | - | - | - |
| Current service cost | 30,886 | 19,609 | 24,733 | 17,098 |
| Interest cost | 6,786 | 5,386 | 4,994 | 4,347 |
| Defined benefit obligation transferred from subsidiary company | - | 1,239 | 27 | - |
| Actuarial (gain) loss on defined benefit plan | (15,814) | 39,359 | - | 32,420 |
| Benefits paid | (13,157) | (33,159) | (10,998) | (28,490) |
| Ending defined benefit obligation | 267,905 | 171,914 | 154,937 | 136,181 |

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2012 and 2011 are as follows;

| | December 31, 2012 | December 31, 2011 |
|----------------------------------|-----------------------|-----------------------|
| Financial assumptions | | |
| Discount rate | 3.6 - 4.0% | 3.7 - 4.0% |
| Expected rate of salary increase | 3.0 - 18.0% | 6.0 - 7.0% |
| Turnover rate | 0.0 - 15.0% | 8.0 - 15.0% |
| Retirement age | 55 years and 60 years | 55 years and 60 years |

7.21 Deferred Tax Liabilities

Deferred tax liabilities as at December 31, 2012 and 2011 and January 1, 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | THE BANK'S FINANCIAL STATEMENTS | | |
|--------------------------|--------------------------------------|----------------------|--------------------|------------------------------------|----------------------|--------------------|
| | December 31, 2012 | December 31, 2011 | January 1, 2011 | December 31, 2012 | December 31, 2011 | January 1, 2011 |
| Deferred tax liabilities | 163,329 | - | - | - | - | - |
| Total | 163,329 | - | - | - | - | - |

Movements in deferred tax liabilities during the period/year were as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|-----------------------------------|---|--|---|--|
| | Balance as at January 1, 2011 | Balance as at September 12, 2012 from Phatra Capital | Items as recognized into Profit or Loss | Items as recognized into Other Comprehensive Income | Items as recognized into retained earning |
| Temporary differences Premise appraisal surplus | - | (42,189) | - | - | - |
| Revaluation surplus on investments in available-for-sale | - | (98,156) | - | (24,572) | - |
| Provisions | - | 1,052 | 251 | - | (763) |
| Others | - | 14,684 | (13,636) | - | - |
| Total | - | (124,609) | (13,385) | (24,572) | (763) |

7.22 Other accounts payable

Other accounts payable as at December 31, 2012 and 2011 are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|------------------------------------|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Insurance premium payables | 588,709 | 433,744 | 588,709 | 433,744 |
| Dealer payables | 558,888 | 462,700 | 558,888 | 462,700 |
| Other refund payables to customers | 7,500 | 47,477 | 7,500 | 47,477 |
| Others | 807,756 | 593,805 | 583,465 | 454,556 |
| Total | 1,962,853 | 1,537,726 | 1,738,562 | 1,398,477 |

7.23 Legal Execution Department payable

As at December 31, 2012 and 2011, the Bank had the Legal Execution Department payable amounting to Baht 575.38 million with the loss amounting to Baht 582.75 million, which incurred from the breach of bidding contract from the foreclosed assets between the first and the final bidding. Meanwhile, the Bank recorded the portion to be received from the collateral pool of such foreclosed assets by reversing impairment of investments in receivables amounting to Baht 278.44 million.

Based upon the the report of the Official Receiver on the first meeting of the Creditors dated January 30, 2013 the Creditors approved for the Official Receiver to pursue legal action against Kiatnakin Bank Public Company Limited. The main creditor was entrusted with the obligation to pay court fees and expenses relating to the legal action to the Official Receiver within 1 month from January 30, 2013 (due on March 1, 2013). If the main creditor does not pay within the stipulated period, it is deemed that the Creditors do not require the Official Receiver to pursue legal action against the Bank.

7.24 Other liabilities

Other liabilities as at December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Accrued bonus | 874,495 | 399,263 | 407,846 | 354,299 |
| Accrued fee and other expenses | 739,137 | 368,286 | 618,871 | 328,539 |
| Front-end fees | 375,282 | 297,631 | 375,282 | 297,631 |
| Other income received in advance | 258,055 | 302,352 | 455,246 | 438,064 |
| Deposits | 194,207 | 171,949 | 194,155 | 171,900 |
| Suspense accounts cash received from customers | 93,017 | 65,327 | 91,033 | 65,300 |
| Stock subscription payables | 24,774 | 9,349 | 24,774 | 9,349 |
| Others | 107,609 | 80,208 | 71,097 | 61,145 |
| Total other liabilities | 2,666,576 | 1,694,365 | 2,238,304 | 1,726,227 |

7.25 Share capital

The annual Shareholders' Meeting for the year 2011 on April 21, 2011, passed a resolution to reduce the Bank's authorized share capital from the original amount of Baht 6,960,999,870 to Baht 6,603,288,640 by reducing 35,771,123 unissued ordinary shares. The Bank registered the reduction in share capital with the Ministry of Commerce on May 9, 2011.

The annual Shareholders' Meeting for the year 2012 on April 26, 2012, passed resolutions to reduce the Bank's authorized share capital from the original amount of Baht 6,603,288,640 to Baht 6,602,188,640 by reducing 110,000 unissued ordinary shares and to increase the authorized share capital from Baht 6,602,188,640 to Baht 8,523,372,680 by issuing additional 192,118,404 ordinary shares with a par value of Baht 10 per share. The Bank registered the reduction and the increase in share capital with the Ministry of Commerce on May 11, 2012 and May 14, 2012, respectively.

The Bank had issued and offered its new ordinary shares of 191,979,745 shares as payment of consideration to the Phatra Capital's shareholders who accepted the tender offer at a swap ratio of 1 share of Phatra Capital for 0.9135 share of the Bank which resulted in an increase of ordinary share capital amounting to Baht 1,919,797,450 and premium on share capital of Baht 5,247,039,575. The Bank registered the increase in issued and paid-up share capital with the Ministry of Commerce on September 13, 2012, making the issued and paid-up share capital of Baht 8,287,839,590 as of that date.

Details of warrant holders exercising their rights in 2012 and 2011 are as follows:

The 68,503,036 unit of warrants were converted into 68,503,036 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on January 7, 2011.

The 319,400 unit of warrants were converted into 319,400 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on January 6, 2012.

The 1,921,050 unit of warrants were converted into 1,921,050 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on April 4, 2012.

The 234,900 unit of warrants were converted into 234,900 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on July 5, 2012.

The 4,047,900 unit of warrants were converted into 4,047,900 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on October 5, 2012.

Thus, during 2011, the Bank issued ordinary shares from conversion of warrants of 68,503,036 ordinary shares or total increase in share capital and premium of Baht 1,337,852,563 which resulted in the increase in issued and paid up capital as at December 31, 2011 to Baht 6,343,288,640 and during 2012, the Bank issued ordinary shares as payment of consideration to Phatra Capital's shareholders and from conversion of warrants totally 198,502,995 ordinary shares or total increase in share capital and premium of Baht 7,357,772,553 which resulted in the increase in issued and paid up capital as at December 31, 2012 to Baht 8,328,318,590.

7.26 Warrants

Warrants as at December 31, 2012 and 2011 are as follows;

| | As at December 31, 2011 | | | Decrease during the year | | | | | | | As at December 31, 2012 | | |
|---------|-------------------------|----------------|--------------------|--------------------------|-----------------|--------------------|--|--|----------------|--------------------|-------------------------|----------------|--------------------|
| | Unit | Price per unit | Amount (Baht '000) | Cancel (Unit) | Exercise (Unit) | Amount (Baht '000) | Exercise rate to purchase ordinary share per 1 unit of warrant | Share capital issued during year (Share) | Exercise price | Amount (Baht '000) | Unit | Price per unit | Amount (Baht '000) |
| ESOP-W2 | 25,890,000 | - | - | - | 6,523,250 | - | 1.00 | 6,523,250 | 29.27 | 190,936 | 19,366,750 | - | - |
| | 25,890,000 | | - | - | 6,523,250 | - | | 6,523,250 | | 190,936 | 19,366,750 | | - |

| | As at December 31, 2010 | | | Decrease during the year | | | | | As at December 31, 2011 | | | | |
|----------------------------|-------------------------|----------------|--------------------|--------------------------|-----------------|--------------------|--|--|-------------------------|--------------------|------------|----------------|--------------------|
| | Unit | Price per unit | Amount (Baht '000) | Cancel (Unit) | Exercise (Unit) | Amount (Baht '000) | Exercise rate to purchase ordinary share per 1 unit of warrant | Share capital issued during year (Share) | Exercise price | Amount (Baht '000) | Unit | Price per unit | Amount (Baht '000) |
| KK#4 ESOP-W1 ESOP-W2 | 68,658,847 | - | - | 158,811 | 68,500,036 | - | 1.00 | 68,500,036 | 19.53 | 1,337,806 | - | - | - |
| | 3,000 | - | - | - | 3,000 | - | 1.00 | 3,000 | 15.62 | 47 | - | - | - |
| | 25,890,000 | - | - | - | - | - | 1.00 | - | 29.27 | - | 25,890,000 | - | - |
| | 94,551,847 | | - | 158,811 | 68,503,036 | - | | 68,503,036 | | 1,337,853 | 25,890,000 | | - |

K#4 warrant could be exercised on the 30th of every quarter ended starting from March 30, 2001 to December 30, 2010.

ESOP-W1 warrants which were offered to the management and directors of the Bank could be exercised on the 30th of every quarter ended starting from December 31, 2002 to March 30, 2011.

ESOP-W2 warrants which are offered to the management and directors of the Bank can be exercised on the 30th of every quarter ended starting from September 30, 2011 to December 31, 2015.

7.27 Legal reserve

Under the Public Companies Act, the Bank which is the public company is required to set aside as legal reserve at least 5% of its net profit, net of accumulated deficit brought forward (if any), until the reserve is not less than 10% of the registered capital.

7.28 Dividend paid

On April 21, 2011, the meeting of the ordinary shareholders for the year 2011 approved the resolution regarding the payment of dividend for the year 2010 at the rate of Baht 2.40 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 1.00 per share on August 20, 2010, amounting to Baht 554,273,668 and the remaining amount was paid on May 20, 2011 at the rate of Baht 1.40 per share, amounting to Baht 888,042,070.

On August 26, 2011, the meeting of the Board of Directors of the Bank No. 9/2554 approved the resolution regarding the payment of interim dividend from the half-year operating performance at the rate of Baht 1.00 per ordinary share. The dividend was paid on September 23, 2011, amounting to Baht 634,307,664.

On April 26, 2012, the meeting of the ordinary shareholders for the year 2012 approved the resolution regarding the payment of dividend for the year 2011 at the rate of Baht 2.40 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 1.00 per share on September 23, 2011, amounting to Baht 634,307,664 and the remaining amount was paid on May 25, 2012 at the rate of Baht 1.40 per share, amounting to Baht 891,169,320.

On September 7, 2012, the meeting of the Board of Directors of the Bank No. 7/2555 approved the resolution regarding the payment of interim dividend from six-month period operating performance at the rate of Baht 1 per ordinary share. The dividend was paid on October 5, 2012 amounting to Baht 828,765,659.

7.29 Other reserves

Other reserves for the years ended December 31, 2012 and 2011 are as follows;

Unit: Baht '000

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|---|--|---|--|
| Equity attributable to the Bank's shareholders | | | | |
| Other reserves | | | | |
| | Fair value reserves on investments in receivables | Gain (loss) on available-for-sale securities | Deferred tax relating to components of other comprehensive income | Surplus on business combination under common control |
| Opening balances as at January 1, 2011 as previously reported | 1,130,659 | 169,172 | - | - |
| Effects of changes in accounting policy | - | - | (100,232) | - |
| Total comprehensive income | (71,786) | (17,662) | 40,532 | - |
| Closing balances as at December 31, 2011 | 1,058,873 | 151,510 | (59,700) | - |
| Opening balance as at January 1, 2012 as previously reported | 1,058,873 | 151,510 | - | - |
| Effects of changes in accounting policy | - | - | (59,700) | - |
| Surplus on business combination under common control | - | - | - | (13) |
| Total comprehensive income | (69,312) | 79,568 | (38,937) | - |
| Closing balances as at December 31, 2012 | 989,561 | 231,078 | (98,637) | (13) |

Unit : Baht '000

| | THE BANK'S FINANCIAL STATEMENTS | | |
|---|---|--|---|
| | Other reserves | | |
| | Fair value reserves on investments in receivables | Gain (loss) on available-for-sale securities | Deferred tax relating to components of other comprehensive income |
| Opening balances as at January 1, 2011 as previously reported | 165,014 | 169,093 | - |
| Effects of changes in accounting policy | - | - | (100,232) |
| Total comprehensive income | (12,289) | (23,321) | 40,533 |
| Closing balances as at December 31, 2011 | 152,725 | 145,772 | (59,699) |
| Opening balance as at January 1, 2012 as previously reported | 152,725 | 145,772 | - |
| Effects of changes in accounting policy | - | - | (59,699) |
| Total comprehensive income (loss) | (2,298) | 73,644 | (14,273) |
| Closing balances as at December 31, 2012 | 150,427 | 219,416 | (73,972) |

7.30 Assets with obligations and restrictions

As at December 31, 2012 and 2011, assets with obligations and restrictions of the Bank are as stated in Note 7.12 and government and state enterprise securities with book value of Baht 3.3 million and Baht 1.6 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

7.31 Contingencies

As at December 31, 2012 and 2011, contingencies of the Bank and its subsidiaries are as follows;

Unit : Baht '000

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | |
|--------------------------------------|--|-----------|
| | 2012 | 2011 |
| Aval to bills of exchange | 1,303,121 | 106,240 |
| Letters of credit | 46,464 | - |
| Other contingencies | | |
| - Other guarantee | 1,824,851 | 1,350,459 |
| - Unused overdraft credit facilities | 290,814 | 156,825 |
| Total | 3,465,250 | 1,613,524 |

7.32 Earnings per share

Earnings per share in the consolidated and the Bank's financial statements for the years ended December 31, 2012 and 2011 are calculated as follows;

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|--|-----------------------------------|-----------------------------------|--|------------------------------------|--------------------|------------------------------|
| | Profit for the year | | Weighted average number of ordinary shares | | Earnings per share | |
| | 2012 (Baht '000) | 2011 (Baht '000) "Restated" | 2012 (Share '000) | 2011 (Share '000) "Restated" | 2012 (Baht) | 2011 (Baht) "Restated" |
| Basic earnings per share | | | | | | |
| Net profit available to ordinary shareholders | 3,391,287 | 2,272,627 | 694,859 | 633,203 | 4.88 | 3.59 |
| Effect of dilutive securities | | | | | | |
| Warrants | - | - | 4,839 | 2,828 | | |
| Diluted earnings per share | | | | | | |
| Net profit available to ordinary shareholders plus assumed conversions | 3,391,287 | 2,272,627 | 699,698 | 636,031 | 4.85 | 3.57 |

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | | |
|--|-----------------------------------|-----------------------------------|--|------------------------------------|--------------------|------------------------------|
| | Profit for the year | | Weighted average number of ordinary shares | | Earnings per share | |
| | 2012 (Baht '000) | 2011 (Baht '000) "Restated" | 2012 (Share '000) | 2011 (Share '000) "Restated" | 2012 (Baht) | 2011 (Baht) "Restated" |
| Basic earnings per share | | | | | | |
| Net profit available to ordinary shareholders | 2,139,426 | 1,344,408 | 694,859 | 633,203 | 3.08 | 2.12 |
| Effect of dilutive securities | | | | | | |
| Warrants | - | - | 4,839 | 2,828 | | |
| Diluted earnings per share | | | | | | |
| Net profit available to ordinary shareholders plus assumed conversions | 2,139,426 | 1,344,408 | 699,698 | 636,031 | 3.06 | 2.11 |

7.33 Information on quality of assets

The quality of assets classified in accordance with the guidelines of the Securities Exchange Commission as at December 31, 2012 and 2011 are as follows;

7.33.1 Investments in securities

The Bank has investments in debt instruments in companies which were ordered to discontinue their operations and defaulted their debts as at December 31, 2012 and 2011 as follows;

Unit : Million Baht

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | | |
|---|--|---------|------|--------------|-----------|
| | Type of investment | Numbers | Cost | Market Value | Provision |
| Company which has defaulted on interest payment | Senior debenture | 1 | | | |
| | | | 0.04 | - | 0.04 |
| | | | 0.04 | - | 0.04 |

The Bank had recognized impairment loss on such debt instruments in the statement of comprehensive income in the period when incurred.

7.33.2 Loans and accrued interest receivables

The Bank had given loans and accrued interest receivables to companies which faced the financial operational difficulties and provided related allowance for doubtful accounts in the consolidated and the Bank's financial statements as follows;

Unit : Million Baht

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|---|--|-------------|------------|---------------------------------|
| | 2012 | | | |
| | Numbers | Total debts | Collateral | Allowance for doubtful accounts |
| Companies which are under default problem | 57 | 2,932 | 4,946 | 881 |
| | 57 | 2,932 | 4,946 | 881 |

Unit : Million Baht

| | CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS | | | |
|--|--|-------------|------------|---------------------------------|
| | 2011 | | | |
| | Numbers | Total debts | Collateral | Allowance for doubtful accounts |
| Listed company which is under restructuring plan | 1 | 71 | 31 | 52 |
| Companies which are under default problem | 66 | 3,005 | 5,188 | 819 |
| | 67 | 3,076 | 5,219 | 871 |

7.34 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and entities associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship rather than the legal form.

According to the Bank of Thailand's Notification Sor Nor Sor. 6/2553 regarding the Guideline on Consolidated Supervision dated June 18, 2010, the Bank is required to disclose the Inter-Group Transactions in the Financial Business Group Policy and the Risk Management for Inter-Group Transactions in the Financial Business Group Policy as follows;

1. The Inter-Group Transactions in the Financial Business Group Policy

The inter-group transactions shall be the same conditions or criteria, including interest rate or service fee charged, as applied when the Bank conducts the transactions with general customers with the same risk level and the Bank does not allow the companies in the financial business group borrow from or lend to each other.

2. The Risk Management for Inter-Group Transactions in the Financial Business Group Policy

To manage the operation and consolidated supervision, the Board of Directors assigned the Risk Management Committee to take the policy into action, control and monitor business and supporting unit to conform with the Financial Business Group Policy. Moreover, the Board of Directors shall be informed of the significant risk of the Financial Business Group on a regularly basis.

Furthermore, the Risk Management Committee of each company in the Financial Business Group is responsible to perform the risk assessment according to its policy, and report the results to the Bank's Risk Management Committee on a regularly basis. In case there is any significant change or any circumstance that will impact the current business operation, the Risk Management Committee shall report such matters immediately.

The following material transactions were carried out with related parties for the years ended December 31, 2012 and 2011.

7.34.1 Income

Unit : Million Baht

| | THE BANK'S FINANCIAL STATEMENTS | |
|---|------------------------------------|---------|
| | 2012 | 2011 |
| Interest and dividend income | | |
| Phatra Capital PCL. | 3.31 | - |
| Kiatnakin Securities Co., Ltd. | 269.09 | 9.52 |
| Asia Recovery Property Fund 3 | 351.23 | - |
| | 623.63 | 9.52 |
| Fees and services income | | |
| Phatra Capital PCL. | 0.69 | - |
| Kiatnakin Securities Co., Ltd. | 10.09 | 5.11 |
| Kiatnakin Fund Management Co., Ltd. | 3.62 | 3.44 |
| Erawan Law Office Co., Ltd. | 5.09 | 2.33 |
| Asia Recovery 1 Fund | 0.24 | 0.26 |
| Asia Recovery 2 Fund | 0.24 | 0.26 |
| Asia Recovery 3 Fund | 0.25 | 0.36 |
| Thai Restructuring Fund | 0.67 | 0.76 |
| Bangkok Capital Fund | 1.51 | 1.92 |
| Gamma Capital Fund | 2.40 | 2.64 |
| | 24.80 | 17.08 |
| Gain (loss) on resales of unit trust | | |
| Kiatnakin Fund Management Co., Ltd. | (38.56) | - |
| Asia Recovery 1 Fund | (2.51) | (3.53) |
| Asia Recovery 2 Fund | (63.92) | (16.02) |
| Asia Recovery 3 Fund | 36.96 | 26.99 |
| Thai Restructuring Fund | 8.71 | 14.16 |
| Bangkok Capital Fund | 6.18 | 3.87 |
| Gamma Capital Fund | 3.43 | 3.20 |
| | (49.71) | (28.67) |
| Other income | | |
| Kiatnakin Securities Co., Ltd. | 4.53 | 4.46 |
| Erawan Law Office Co., Ltd. | 0.30 | 0.89 |
| | 4.83 | 5.35 |

The consolidated financial statements for the year ended December 31, 2012 included the brokerage income received from Kiatnakin Bank Public Company Limited and the directors and management at the position of department head and above amounting to Baht 0.15 million and Baht 1.86 million, respectively (2011: Baht 0.52 million and Baht 1.15 million, respectively).

During the year ended December 31, 2011, the Bank sold assets which had the net book value of Baht 1 to the director at Baht 1.5 million, which its fair value.

7.34.2 Expenses

Unit : Million Baht

| | THE BANK'S FINANCIAL STATEMENTS | |
|---|------------------------------------|--------|
| | 2012 | 2011 |
| Interest and discounts on borrowings | | |
| Kiatnakin Securities Co., Ltd. | 33.84 | 18.94 |
| Kiatnakin Fund Management Co., Ltd. | 1.01 | 0.30 |
| Erawan Law Office Co., Ltd. | 0.16 | - |
| Asia Recovery 1 Fund | 0.76 | 1.30 |
| Asia Recovery 2 Fund | 6.40 | 7.63 |
| Asia Recovery 3 Fund | 4.93 | 10.33 |
| Thai Restructuring Fund | 17.72 | 19.71 |
| Asia Recovery Property Fund 3 | 22.98 | 35.51 |
| Bangkok Capital Fund | 15.47 | 10.01 |
| Gamma Capital Fund | 13.80 | 13.90 |
| Directors and management at the position of department head including their related persons who have control or significant influences | 8.13 | 9.13 |
| | 125.20 | 126.76 |
| Rental and services expenses | | |
| CMIC Development Co., Ltd. ⁽¹⁾ | 62.32 | 54.19 |
| Chotitanawat Co., Ltd. ⁽²⁾ | 8.89 | 8.89 |
| Ruam Wattana Co., Ltd. ⁽²⁾ | 0.53 | 0.48 |
| | 71.74 | 63.56 |
| Other services | | |
| Erawan Law Office Co., Ltd. | 81.45 | 65.25 |
| | 81.45 | 65.25 |
| Relationship details: | | |
| ⁽¹⁾ Shares received from troubled debts restructuring | | |
| ⁽²⁾ Major shareholder is an authorized director | | |

7.34.3 Outstanding balances as at December 31, 2012 and 2011 are as follows;

Unit : Million Baht

| | THE BANK'S FINANCIAL STATEMENTS | |
|--|------------------------------------|----------|
| | 2012 | 2011 |
| Loans to financial institutions / Loans | | |
| Phatra Capital PCL. | 850.00 | - |
| Kiatnakin Securities Co., Ltd. | 125.00 | 135.00 |
| CMIC Development Co., Ltd. | 367.33 | 491.33 |
| Directors and management at the position of department head including their related persons who have control or significant influences | 94.32 | - |
| | 1,436.65 | 626.33 |
| Accounts receivable / Other assets | | |
| Kiatnakin Securities Co., Ltd. | 0.40 | 0.96 |
| CMIC Development Co., Ltd. | 15.50 | 13.31 |
| | 15.90 | 14.27 |
| Deposits | | |
| Kiatnakin Securities Co., Ltd. | 144.42 | 28.63 |
| Erawan Law Office Co., Ltd. | 55.93 | 16.80 |
| Bangkok Capital Fund | 342.04 | 348.64 |
| Gamma Capital Fund | 106.50 | 125.86 |
| Directors and management at the position of department head including their related person who have control or significant influences | 422.88 | 267.36 |
| | 1,071.77 | 787.29 |
| Borrowings | | |
| Kiatnakin Fund Management Co., Ltd. | - | 30.00 |
| Asia Recovery 1 Fund | - | 35.00 |
| Asia Recovery 2 Fund | - | 275.00 |
| Asia Recovery 3 Fund | - | 190.00 |
| Thai Restructuring Fund | - | 745.00 |
| Asia Recovery Property Fund 3 | - | 1,235.00 |
| Bangkok Capital Fund | - | 540.00 |
| Gamma Capital Fund | - | 550.00 |
| Directors and management at the position of department head including their related persons who have control or significant influences | 28.07 | 42.79 |
| | 28.07 | 3,642.79 |
| Other liabilities / Accrued interest expenses | | |
| Kiatnakin Securities Co., Ltd. | 20.73 | 16.03 |
| Kiatnakin Fund Management Co., Ltd. | - | 0.30 |
| Asia Recovery 1 Fund | - | 0.01 |
| Asia Recovery 2 Fund | - | 0.10 |
| Asia Recovery 3 Fund | - | 0.06 |
| Thai Restructuring Fund | - | 1.06 |
| Asia Recovery Property Fund 3 | - | 1.76 |
| Bangkok Capital Fund | - | 0.77 |
| Gamma Capital Fund | - | 0.78 |
| | 20.73 | 20.87 |

7.34.4 Pricing policies

Transactions between the Bank and related parties have been priced as follows;

- Fees and services income, which the funds paid to the Bank is calculated at the rate specified in the service agreement.
- Income under commitment agreement under securities business receivables is calculated based on outstanding balances which the Bank could not claim from securities business receivables.
- Other income is based on actual cost incurred.
- Interest income is based on market price.
- Dividend income is received at the rate declared by the fund.
- Gain on resale of unit trust is calculated from net asset value of unit trust at the repurchase date deducted by the carrying value.
- Brokerage commission is charged at the same rate given to third parties.
- Interest and discounts on borrowing are based on market price.
- Rental and service income are based on rates identified in rental and services contracts.

7.35 Benefits paid to directors and executives

The Bank has no special benefits given to the directors and executives beyond the general benefits made as usual such as directors' remuneration, executives' salary and bonus (if any) included ESOP warrants as disclosed in Note 7.26.

For the years ended December 31, 2012 and 2011, compensations paid to key management personnel under TAS 24 (Revised 2009) "Related Party Disclosures" are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|------------------------------|-----------------------------------|---------|---------------------------------|--------|
| | 2012 | 2011 | 2012 | 211 |
| Short-term employee benefits | 288,733 | 133,846 | 105,331 | 94,026 |
| Post-employment benefits | 7,740 | 4,819 | 4,741 | 3,918 |
| Total | 296,473 | 138,665 | 110,072 | 97,944 |

7.36 Operating lease commitments

As at December 31, 2012 and 2011, the Bank has operating lease commitments in respect of vehicle, office space, computer software and maintenance, and office equipment expenses from the statements of financial position dates as follows;

Unit : Million Baht

| | CONSOLIDATED FINANCIAL STATEMENTS | | | |
|------------------------|-----------------------------------|-----------------------|---|-------|
| | 2012 | | | |
| | Vehicle rental expenses | Office space expenses | Computer software and office equipment expenses | Total |
| Within the first year | 1 | 162 | 44 | 207 |
| Within the second year | - | 100 | 44 | 144 |
| Over three years | 1 | 113 | 4 | 118 |
| Total | 2 | 375 | 92 | 469 |

Unit : Million Baht

| | CONSOLIDATED FINANCIAL STATEMENTS | | | |
|------------------------|-----------------------------------|-----------------------|----------------------------|-------|
| | 2011 | | | |
| | Vehicle rental expenses | Office space expenses | Computer software expenses | Total |
| Within the first year | 1 | 145 | 44 | 190 |
| Within the second year | - | 113 | 44 | 157 |
| Over three years | - | 140 | 47 | 187 |
| Total | 1 | 398 | 135 | 534 |

Unit : Million Baht

| THE BANK'S FINANCIAL STATEMENTS | | | |
|---------------------------------|-----------------------|----------------------------|-------|
| 2012 | | | |
| | Office space expenses | Computer software expenses | Total |
| Within the first year | 139 | 44 | 183 |
| Within the second year | 87 | 44 | 131 |
| Over three years | 103 | 3 | 106 |
| Total | 329 | 91 | 420 |

Unit : Million Baht

| THE BANK'S FINANCIAL STATEMENTS | | | |
|---------------------------------|-----------------------|----------------------------|-------|
| 2011 | | | |
| | Office space expenses | Computer software expenses | Total |
| Within the first year | 125 | 44 | 169 |
| Within the second year | 97 | 44 | 141 |
| Over three years | 126 | 47 | 173 |
| Total | 348 | 135 | 483 |

7.37 Segment information

7.37.1 As at December 31, 2012 and 2011, the financial position classified by banking business and holding company, securities business and fund management are as follows;

Unit : Million Baht

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|------------------|---|-------------|---------|
| 2012 | | | | |
| | Banking business | Holding Company/ Securities business/ Fund Management | Elimination | Total |
| Interbank and money market items, net | 6,910 | 884 | (269) | 7,525 |
| Investments in securities, net | 31,769 | 5,855 | - | 37,624 |
| Investments in receivables, net | 4,726 | - | - | 4,726 |
| Investments in properties, net | 78 | - | - | 78 |
| Loans and accrued interest receivables, net | 164,080 | 603 | (850) | 163,833 |
| Other assets | 12,933 | 6,315 | (21) | 19,227 |
| Total assets | 220,496 | 13,657 | (1,140) | 233,013 |
| Deposits | 153,027 | - | - | 153,027 |
| Interbank and money market items, net | 5,613 | 975 | (1,119) | 5,469 |
| Debt issued and borrowings | 27,459 | 1,664 | - | 29,123 |
| Other liabilities | 6,306 | 5,911 | (21) | 12,196 |
| Total liabilities | 192,405 | 8,550 | (1,140) | 199,815 |

Unit : Million Baht

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|------------------|---|-------------|---------|
| 2011 "Restated" | | | | |
| | Banking business | Securities business/ Fund Management | Elimination | Total |
| Interbank and money market items, net | 15,934 | 341 | (194) | 16,081 |
| Investments in securities, net | 26,360 | 393 | - | 26,753 |
| Investments in receivables, net | 5,292 | - | - | 5,292 |
| Investments in properties, net | 78 | - | - | 78 |
| Loans and accrued interest receivables, net | 130,985 | 442 | - | 131,427 |
| Other assets | 9,895 | 487 | (17) | 10,365 |
| Total assets | 188,544 | 1,663 | (211) | 189,996 |
| Deposits | 69,040 | - | - | 69,040 |
| Interbank and money market items, net | 5,279 | 135 | (194) | 5,220 |
| Debt issued and borrowings | 86,013 | - | - | 86,013 |
| Other liabilities | 5,094 | 381 | (17) | 5,458 |
| Total liabilities | 165,426 | 516 | (211) | 165,731 |

7.37.2 The results of operations classified by banking business and holding company, securities business and fund management for the years ended December 31, 2012 and 2011 are as follows;

Unit : Million Baht

| CONSOLIDATED FINANCIAL STATEMENTS | | | | |
|---|------------------|---|-------------|--------|
| 2012 | | | | |
| | Banking business | Holding Compan / Securities Business/ Fund Management | Elimination | Total |
| Interest incomes | 14,399 | 95 | (43) | 14,451 |
| Interest expenses | 7,330 | 52 | (43) | 7,339 |
| Net interest income | 7,069 | 43 | - | 7,112 |
| Net fees and services income | 1,391 | 901 | (11) | 2,281 |
| Other operating income | 1,561 | 563 | - | 2,124 |
| Total operating income | 10,021 | 1,507 | (11) | 11,517 |
| Other operating expenses | 5,077 | 863 | (11) | 5,929 |
| Impairment loss of loans and debt securities (reversal) | 1,556 | (1) | - | 1,555 |
| Profit from operating before income tax expenses | | | | |
| income tax expenses | 3,388 | 645 | - | 4,033 |
| Income tax expenses | 451 | 154 | - | 605 |
| Net profit | 2,937 | 491 | - | 3,428 |
| Other comprehensive income | (12) | 3 | - | (9) |
| Total comprehensive income | 2,925 | 494 | - | 3,419 |

Unit : Million Baht

| | CONSOLIDATED FINANCIAL STATEMENTS | | | |
|---|-----------------------------------|---|-------------|--------|
| | 2011 "Restated" | | | |
| | Banking business | Securities Business/ Fund Management | Elimination | Total |
| Interest income | 11,279 | 47 | (29) | 11,297 |
| Interest expenses | 4,828 | 22 | (29) | 4,821 |
| Net interest income | 6,451 | 25 | - | 6,476 |
| Net fees and services income | 1,034 | 391 | (6) | 1,419 |
| Other operating income | 1,607 | 28 | - | 1,635 |
| Total operating income | 9,092 | 444 | (6) | 9,530 |
| Other operating expenses | 4,465 | 372 | (6) | 4,831 |
| Impairment loss of loans and debt securities (reversal) | 1,277 | 1 | - | 1,278 |
| Profit from operating before income tax expenses | 3,350 | 71 | - | 3,421 |
| Income tax expenses | 1,094 | 27 | - | 1,121 |
| Net profit | 2,256 | 44 | - | 2,300 |
| Other comprehensive income | (72) | (4) | - | (76) |
| Total comprehensive income | 2,184 | 40 | - | 2,224 |

The Bank operates only in Thailand thus no segment information by geographical area is presented.

7.38 Interest income

Interest income for the years ended December 31, 2012 and 2011 are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|------------------------------------|--------------------------------------|------------|------------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Interbank and money market items | 644,993 | 716,762 | 614,597 | 717,850 |
| Investment in debt securities | 935,191 | 398,165 | 888,027 | 397,179 |
| Investment in receivables | 886,415 | 740,478 | 133,252 | 227,777 |
| Loans | 3,619,969 | 2,875,617 | 3,595,813 | 2,851,777 |
| Hire-purchase and financial leases | 8,365,135 | 6,565,363 | 8,365,135 | 6,565,363 |
| Total interest income | 14,451,703 | 11,296,385 | 13,596,824 | 10,759,946 |

7.39 Interest expenses

Interest expenses for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Deposits | 3,849,903 | 2,083,789 | 3,841,506 | 2,071,501 |
| Interbank and money market items | 198,976 | 167,277 | 233,844 | 186,216 |
| Contributions to Financial Institution Development Fund and Deposit Protection Agency | 682,710 | 286,517 | 682,710 | 286,517 |
| Debt issued | | | | |
| - Subordinated debenture | 862,901 | 557,145 | 893,873 | 606,771 |
| - Others | 1,735,736 | 1,718,469 | 1,751,565 | 1,767,530 |
| Fees and charges on borrowings | 8,727 | 7,462 | 8,727 | 7,462 |
| Total interest expenses | 7,338,953 | 4,820,659 | 7,412,225 | 4,925,997 |

7.40 Fees and services income, net

Fees and services income, net for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|------------------------------------|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Fees and services income | | | | |
| - Brokerage fees | 849,618 | 420,158 | - | - |
| - Bancassurance fees | 928,220 | 666,378 | 928,220 | 666,378 |
| - Acceptance, avals and guarantees | 34,242 | 22,562 | 34,242 | 22,562 |
| - Others | 760,685 | 464,330 | 588,664 | 451,476 |
| Total fees and services income | 2,572,765 | 1,573,428 | 1,551,126 | 1,140,416 |
| Fees and services expenses | 292,147 | 154,092 | 150,271 | 98,625 |
| Fees and services income, net | 2,280,618 | 1,419,336 | 1,400,855 | 1,041,791 |

7.41 Gain (loss) on trading and foreign exchange transactions, net

Gain (loss) on trading and foreign exchange transactions, net for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|----------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Gain (loss) on trading and foreign exchange transactions | | | | |
| - Foreign exchange | 8,143 | (33,543) | 8,370 | (33,544) |
| - Debt securities | 6,909 | 3,218 | 6,853 | 3,218 |
| - Equity securities | 181,229 | (10,872) | - | - |
| - Derivatives | 29,584 | 29,557 | - | - |
| Total | 225,865 | (11,640) | 15,223 | (30,326) |

7.42 Gain (loss) on investments, net

Gain (loss) on investments, net for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|---------|------------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Gain (loss) on investments | | | | |
| - Securities available-for-sale | 444,283 | 179,695 | 112,560 | 177,667 |
| - General investments | 208 | (1) | 155 | (1) |
| - Investments in subsidiaries | - | - | (49,706) | 28,671 |
| Total | 444,491 | 179,694 | 63,009 | 206,337 |
| Loss on impairment of investments (reversal) | | | | |
| - Securities available-for-sale | 156 | (153) | 156 | (153) |
| - General investments | (1,343) | 3 | (1,343) | 3 |
| - Investments in subsidiaries | - | - | 157,728 | 61,112 |
| Total | (1,187) | (150) | 156,541 | 60,962 |
| Total gain on investments, net | 443,304 | 179,544 | 219,550 | 267,299 |

7.43 Other operating income

Other operating income for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|-----------------------------------|--------------------------------------|---------|------------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Penalty income | 164,554 | 124,424 | 164,384 | 124,175 |
| Profit from sales of fixed assets | 10,204 | 7,451 | 8,006 | 4,738 |
| Other income | 33,956 | 35,026 | 12,577 | 18,497 |
| Total other operating income | 208,714 | 166,901 | 184,967 | 147,410 |

7.44 Other expenses

Other expenses for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--------------------------------------|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Repossessed cars expenses | 82,775 | 67,275 | 82,775 | 67,275 |
| Properties foreclosed expenses | 87,482 | 88,371 | 87,482 | 88,371 |
| Transportation expenses | 142,810 | 123,428 | 128,710 | 115,421 |
| Advertising and promotion expenses | 505,890 | 541,825 | 488,872 | 535,312 |
| Management fee of funds | 26,053 | 96,974 | - | - |
| Goodwill and other intangible assets | 105,979 | 87,868 | 94,813 | 83,002 |
| Other expenses | 524,511 | 451,858 | 461,918 | 392,026 |
| Total other expenses | 1,475,500 | 1,457,599 | 1,344,570 | 1,281,407 |

7.45 Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended December 31, 2012 and 2011, are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|--|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Interbank and money market items and loans | 1,754,727 | 1,549,677 | 1,755,566 | 1,549,391 |
| Loss on trouble debt restructuring | 1,724 | 2,106 | 1,724 | 2,106 |
| Loss on revaluation and impairment of investments in receivables | (919) | 104,360 | 9,887 | 114,361 |
| Gain from transferring investments in receivables to loans | (6,284) | (154,359) | (6,284) | (154,359) |
| | 1,749,248 | 1,501,784 | 1,760,893 | 1,511,499 |
| <u>Less</u> Bad debts recovered | (194,277) | (224,142) | (194,277) | (224,142) |
| Total | 1,554,971 | 1,277,642 | 1,566,616 | 1,287,357 |

7.46 Income tax expenses

Income tax expenses for the years ended December 31, 2012 and 2011 are as follows;

Unit : Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|-----------|------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Income tax for the current year | 540,121 | 555,799 | 396,601 | 526,646 |
| Adjustment income tax expenses of the previous year | (2,953) | (20,587) | (3,315) | (20,496) |
| Deferred tax | 68,278 | 586,336 | 51,665 | 582,963 |
| Total income tax expenses | 605,446 | 1,121,548 | 444,951 | 1,089,113 |

Reconciliation of effective tax rate for the years ended December 31, 2012 and 2011

| | CONSOLIDATED FINANCIAL STATEMENTS | | | | THE BANK'S FINANCIAL STATEMENTS | | | |
|---|--------------------------------------|---------|-----------|---------|------------------------------------|---------|-----------|---------|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| | Baht '000 | Rate | Baht '000 | Rate | Baht '000 | Rate | Baht '000 | Rate |
| Profit before tax | 4,033,231 | | 3,421,486 | | 2,584,376 | | 2,433,521 | |
| Income tax at the domestic tax rate | 927,643 | 23.00% | 1,026,446 | 30.00% | 594,406 | 23.00% | 730,056 | 30.00% |
| Adjustment income tax expenses of the previous year | (2,953) | (0.07%) | (20,587) | (0.60%) | (3,315) | (0.13%) | (20,496) | (0.84%) |
| Tax effect of income and expense that are not exempt for tax purposes | (319,244) | (7.92%) | (244,666) | (7.15%) | (146,140) | (5.65%) | 22,831 | 0.94% |
| Tax effect on deferred tax from tax rate reduction | - | - | 360,355 | 10.53% | - | - | 356,722 | 14.66% |
| Income tax as statements of comprehensive income | 605,446 | 15.01% | 1,121,548 | 32.78% | 444,951 | 17.22% | 1,089,113 | 44.76% |

According to the Royal Decree No. 530 B.E. 2554 issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 22, 2011, the corporate income tax rates were reduced from 30% to 23% for an accounting period beginning on or after January 1, 2012 and 20% for two consecutive accounting period beginning on or after January 1, 2013.

Therefore, the Bank and its subsidiaries used tax rates of 30% for the corporate income tax calculation for the year ended December 31, 2011 and used tax rate of 23% for the corporate income tax calculation for the year ended December 31, 2012.

7.47 Income tax relating to components of other comprehensive income

Income tax relating to components of other comprehensive income for the years ended December 31, 2012 and 2011 are as follows;

Unit: Baht '000

| | CONSOLIDATED FINANCIAL STATEMENTS | | THE BANK'S FINANCIAL STATEMENTS | |
|---|--------------------------------------|--------------------------|------------------------------------|--------------------------|
| | 2012 | 2011 | 2012 | 2011 |
| | Tax income (expenses) | Tax income (expenses) | Tax income (expenses) | Tax income (expenses) |
| Gain (loss) on fair value reserves on investments in receivables | 460 | 21,574 | 460 | 21,574 |
| Gain (loss) on fair value reserves on available-for-sale securities | (41,193) | 18,958 | (14,733) | 18,959 |
| Other comprehensive income | (40,733) | 40,532 | (14,273) | 40,533 |

7.48 Event after the reporting period

7.48.1 The number of 846,400 units of warrants have been converted into 846,400 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on January 7, 2013 resulting in the increase in issued and paid-up share capital of Baht 8,464,000 to Baht 8,336,782,590.

7.48.2 On January 2, 2013 the Bank completed selling the shares of Kiatnakin Securities Co., Ltd ("KKS") to Phatra Capital Public Company Limited ("Phatra Capital") in accordance with the merger plan between the Bank and Phatra Capital which stated that if the tender offer is accepted by more than 90% of Phatra Capital's shareholders are sold, the Bank will entirely transfer its shares of KKS at book value to Phatra Capital. At the end of tender offer period, the Bank hold 99.93% of total shares of Phatra Capital. Therefore, the Bank transferred 64,999,993 shares of KKS's ordinary shares with a par value of Baht 10 per share or 99.99% of KKS's issued and paid-up shares at the selling price which equal to the book value of KKS's financial statements as at December 31, 2012, amounting to Baht 715,531,574.84. After the transaction, KKS still remains as the Bank's subsidiary, in which the Bank holds its shares indirectly through Phatra Capital.

7.49 Approval of financial statements

These financial statements have been approved for issuing by the Bank's authorized director on February 18, 2013.

Board of Directors and Management

As of February 1, 2013

Mr. Supol Wattanavekin Age 57 Years

- Chairman of the Board of Directors
- Chairman of the Risk Management Committee

Education

- Master of Business Administration (Executive), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Law, Ramkhamhaeng University

Director Training Programs

- Financial Institutions Governance Program (FGP2/2011), Thai Institute of Directors Association (IOD)
- The 5th SEACEN / ABAC / ABA / PECC Public Private Dialogue for the Asia Pacific Region (2009), The South East Asia Central Bank Research and Training Center, Malaysia
- Leadership Strategic, Growth and Change (2006), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Organizing and Managing Strategic Alliances for Success and Profit (2006), Sasin Graduate Institute of Business of Chulalongkorn University
- Director Certification Program (DCP 76/2006), Thai Institute of Directors Association (IOD)
- Director Accreditation Program (DAP 56/2006), Thai Institute of Directors Association (IOD)
- Orchestrating Winning Performance (2005), IMD International, Switzerland
- Board & CEO Assessment (2003), Thai Institute of Directors Association (IOD)
- The Role of the Chairman Program (RCP1/2000), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- Ms. Thitinan Wattanavekin's brother

KK shareholding 12,426,850

Experience in the Past 5 Years

- 2011 - present Chairman of the Board of Directors and Chairman of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2004 - present Director, The Erawan Group Public Company Limited
- 1990 - present Chairman of the Board of Directors, BTMU Leasing (Thailand) Company Limited
- 1999 - 2011 Director, Kiatnakin Securities Company Limited
- 2007 - 2010 Director, Chairman of the Executive Board, and Chairman of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2005 - 2007 Chairman of the Board of Directors, Kiatnakin Bank Public Company Limited

Mr. Pichai Dachanapirom Age 66 Years

- Independent Director
- Chairman of the Audit Committee

Education

- B.A. (Accounting), Thammasat University
- Certified Public Accountant, registration No.2421

Director Training Programs

- Anti-Corruption for Executive Program (ACEP 4/2012), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM1/2009), Thai Institute of Directors Association (IOD)
- Monitoring the Internal Audit Function (MIA 4/2008), Thai Institute of Directors Association (IOD)
- Monitoring the System of Internal Control and Risk Management (MIR 1/2007), Thai Institute of Directors Association (IOD)

- Audit Committee Program (ACP 9/2005), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 32/2003), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 75,000

Experience in the Past 5 Years

- 2007 - present Independent Director and Chairman of the Audit Committee, Kiatnakin Bank Public Company Limited
- 2005 - 2007 Independent Director and Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- 2001 - 2012 Director, Dharmniti Press Co., Ltd.
- 1998 - 2012 Director, Dharmniti Seminar and Training Co., Ltd.
- 1998 - 2012 Director, Dharmniti Office of Management Development Company Limited
- 1990 - present Director, Grand Success Company Limited
- 1989 - present Director, Dharmniti Public Company Limited
- 1986 - present Managing Director, Dharmniti Auditing Company Limited

Assoc. Prof. Manop Bongsadadt Age 71 Years

- Independent Director
- Chairman of the Nomination and Remuneration Committee

Education

- Master of Regional Planning, Institute of Social Studies, The Netherlands
- Master of Architecture, Kansas State University, U.S.A.
- Bachelor of Architecture, Chulalongkorn University

Director Training Programs

- Role of the Nomination and Governance Committee (RNG 1/2011), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 150/2011), Thai Institute of Directors Association (IOD)

- Role of The Compensation Committee (RCC 8/2009), Thai Institute of Directors Association (IOD)
- Role of the Chairman Program (RCP 17/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 10/2005), Thai Institute of Directors Association (IOD)
- Director Accreditation Program (DAP 8/2004), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 25,000

Experience in the Past 5 Years

- 2006 - present Independent Director, Chairman of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- 2005 - 2012 Independent Director and Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- 2006 - present Director, Krungthep Thanakom Company Limited
- 2004 - present Member of the Audit Committee, The Erawan Group Public Company Limited
- 2003 - present Chairman of the Board of Director, Rasa Property Development Public Company Limited
- 2002 - present Associate Professor Faculty of Architecture, Chulalongkorn University
- 1992 - present Director, Tubkaew-Hori Kindergarten School and Nursery Co., Ltd

Mr. Chet Pattrakornkul

Age 64 Years

- Independent Director
- Chairman of the Compliance and Governance Committee
- Member of the Audit Committee.
- Member of the Nomination and Remuneration Committee

Education

- Master in Marketing (Certificate program), Thammasart University
- Bachelor's Degree in Public Administration, Ramkhamhaeng University

Director Training Programs

- Role of the Nomination and Governance Committee (RNG 1/2011), Thai Institute of Directors Association (IOD)
- Financial Institutes Reform in Thailand from Present to the Future (2010), Thai Institute of Directors Association (IOD)
- Economy After the Crisis (2010), Thai Institute of Directors Association (IOD)
- The Board's Role on Fraud Prevention and Detection (2010), Thai Institute of Directors Association (IOD)
- Monitoring the System of Internal Control and Risk Management (MIR 5/2009), Thai Institute of Directors Association (IOD)
- Monitoring of the Quality of Financial Reporting (MFR 7/2009), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM 1/2009), Thai Institute of Directors Association (IOD)
- Board and Director Performance Evaluation (R-WS workshop 2/2008), Thai Institute of Directors Association (IOD)
- Corporate Governance Report of Thai Listed Companies (2007), Thai Listed Companies Association
- Monitoring the Internal Audit Function (MIA 1/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 17/2007), Thai Institute of Directors Association (IOD)
- Role of the Compensation Committee (RCC 1/2006), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (3/2006), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 9/2001), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- 2011 - present Independent Director, Chairman of the Compliance and Governance Committee, Kiatnakin Bank Public Company Limited
- 2007 - present Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- 2006 - present Member of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- 2005 - present Independent Director, Kiatnakin Bank Public Company Limited

Mr. Pravit Varutbangkul

Age 65 Years

- Independent Director
- Member of the Audit Committee
- Member of the Compliance and Governance Committee

Education

- Master of Business Administration - Operations Research & General, University of Santa Clara, Santa Clara, California, U.S.A.
- Bachelor of Science - Operations Research & Finance, Brigham Young University, Provo, Utah, U.S.A.

Director Training Programs

- Effective Business Performance Leadership (5/2008), Thai Institute of Directors Association (IOD)
- Monitoring Strategy Implementation and Execution (2008), Thai Institute of Directors Association (IOD)
- Improving The Quality of Financial Reporting (QFR 5/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 16/2007), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (3/2006), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 5/2001), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 200,000

Experience in the Past 5 Years

- 2011 - present Member of the Audit Committee
Member of the Compliance and Governance Committee, Kiatnakin Bank Public Company Limited
- 2010 - present Independent Director, Kiatnakin Bank Public Company Limited
- 2009 - 2011 Member of the Audit Committee, Kiatnakin Securities Company Limited
- 2007 - 2011 Director, Kiatnakin Securities Company Limited
- 2006 - 2010 Director, Kiatnakin Bank Public Company Limited

Dr. Anumongkol Sirivedhin Age 68 Years

- Independent Director
- Member of the Audit Committee

Education

- PhD in Computer Science, University of Wisconsin at Madison, U.S.A
- MSc in Computer Science, University of Wisconsin at Madison, U.S.A.
- MSc in Mathematics, University of Auckland, New Zealand
- BSc in Mathematics, University of Auckland, New Zealand

Director Training Programs

- Finance for Non-Finance Director (FND 34/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 13/2006), Thai Institute of Directors Association (IOD)
- The Role of the Chairman Program (RCP 12/2005), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 26/2003), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 18,270

Experience in the Past 5 Years

- 2012 - Present Independent Director and Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- 2010 - 2012 Independent Director and Chairman of the Audit Committee, Phatra Capital Public Company Limited
- 2006 - Present Chairman of the Board of Directors, System Little House Company Limited
- 2005 - 2012 Independent Director, Chairman of the Audit Committee, Phatra Securities Public Company Limited
- 2003 - 2012 Member of Public State Enterprises Evaluation Committee, Ministry of Finance
- 2007 - 2010 President, Dhurakij Pundit University
- 2002 - 2007 Chairman of the Board of Directors and Chairman of the Executive Board, Krungthai Computer Services Company Limited

Mr. Pongtep Polanun Age 58 Years

- Independent Director
- Member of the Nomination and Remuneration Committee

Education

- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- MA in Economics, National Institute of Development Administration
- BE in Economics, Thammasat University

Director Training Programs

- Director Accreditation Program (DAP 36/2005), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 488

Experience in the Past 5 Years

- Jan 2013 - present Advisor to Managing Director, Muang Thai Insurance Public Company Limited
- 2012 - present Independent Director, Member of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- 2010 - 2012 Independent Director and Member of Audit Committee, Kiatnakin Capital Public Company Limited
- 2010 - 2012 Chairman, Krung Thai IBJ Leasing Company Limited
- 2010 - 2011 Advisor to Managing Director, Muang Thai Insurance Public Company Limited
- 2007 - 2012 Member of the Audit Committee, Phatra Securities Public Company Limited
- 2010 - 2011 Executive Director, Krung Thai Bank Public Company Limited
- 2009 - 2010 Independent Director, Phatra Leasing Public Company Limited
- 2007 - Present Director, KSP Square Co., Ltd.
- 2003 - 2012 Independent Director, Phatra Securities Public Company Limited
- 2002 - present Deputy Chairman, Independent Director and Member of the Audit Committee, Advanced Information Technology Public Company Limited
- 2000 - present Advisor to Director, The Royal Ceramic Industry Public Company Limited

Mr. Tarnin Chirasoonton

Age 60 Years

- Director
- Member of the Compliance and Governance Committee

Education

- Bachelor of Law, Ramkhamhaeng University

Director Training Programs

- Role of the Nomination and Governance Committee (RNG 1/2011), Thai Institute of Directors Association (IOD)

- DCP Refresher Course (5/2007), Thai Institute of Directors Association (IOD)
- Director Certificate Program (DCP10/2001), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 25,000

Experience in the Past 5 Years

- 2011 - Present Director, Member of the Compliance and Governance Committee, Kiatnakin Bank Public Company Limited
- 2011 - Present Chairman of the Board of Directors, Erawan Law Office Company Limited
- 2009 - present Director, Kiatnakin Bank Public Company Limited
- 2009 - 2011 Managing Director, Erawan Law Office Company Limited
- 2006 - 2009 Independent Director, Kiatnakin Bank Public Company Limited

Mr. Veravat Chutichetpong

Age 52 Years

- Director

Education

- Master of Management, New York University, U.S.A.
- Bachelor in Civil Engineering, Chulalongkorn University

Director Training Programs

- Director Accreditation Program (DAP 40/2005), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 2,329,739

Experience in the Past 5 Years

- 2012 - Present Director, Kiatnakin Bank Public Company Limited
- 2010 - Present Director, Alpha Absolute Company Limited

- 2010 - Present Director, Phatra Capital Public Company Limited
- 2003 - Present Executive Committee, Phatra Securities Public Company Limited

Mr. Suraphol Kulsiri

Age 60 Years

- Director
- Member of the Nomination and Remuneration Committee

Education

- Bachelor of Business Administration (Marketing), Bangkok University

Director Training Programs

- Role of the Chairman Program (RCP 23/2010), Thai Institute of Directors Association (IOD)
- Successful Formulation and Execution of Strategy (SFE 7/2010), Thai Institute of Directors Association (IOD)
- Role of the Compensation Committee (RCC 3/2007), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 13/2001), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- 2011 - Present Director, Member of the Main Credit and Foreclosed Property Committee, Kiatnakin Bank Public Company Limited
- 2004 - Present Director and Member of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- 2005 - 2009 Chairperson of Information Technology Club, Association of Securities Company Limited
- 2005 - 2007 Director, The Stock Exchange of Thailand
- 2005 - 2007 Director, Settrade Company Limited

- 2003 - 2011 Director and Chairman of the Executive Committee, Kiatnakin Securities Company Limited

Mr. Suvit Mapaisansin

Age 53 Years

- Director
- Member of the Nomination and Remuneration Committee

Education

- Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor in Economics, Chulalongkorn University

Director Training Programs

- Directors Certification Program (DCP 12/2001), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 37/2011), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 4,029,406

Experience in the Past 5 Years

- 2012 - present Director, Member of Nomination and Remuneration Committee, Kiatnakin Public Company Limited
- 2012 - present Chairman of the Board of Directors, Kiatnakin Securities Company Limited
- 2012 - present Chairman of the Board of Directors, Kiatnakin Fund Management Company Limited
- 2012 - present Director, Phatra Capital Public Company Limited
- 2012 - present Director, Phatra Securities Company Limited
- 2011 - present Independent Director, Sutagun Company Limited
- 2010 - 2012 Executive Committee, Phatra Capital Public Company Limited
- 2009 - 2012 Executive Committee, Kiatnakin Securities Company Limited

- 2011 - 2012 Chairman of the Audit Committee, Krung Thai Card Public Company Limited
- 2009 - 2012 Independent Director, Krung Thai Card Public Company Limited
- 2003 - 2009 Chief Executive Officer, Phatra Securities Public Company Limited

Mr. Banyong Pongpanich

Age 58 Years

- Director
- Chairman of the Executive Committee
- Member of the Risk Committee
- Chief Executive Officer
- Acting Chairman of Capital Market and President

Education

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- BA in Economics, Chulalongkorn University

Director Training Programs

- Anti-Corruption for Executive Program (ACEP 2/2012), Thai Institute of Directors Association (IOD)
- Director Accreditation Program (DAP 36/2005), Thai Institute of Directors Association (IOD)
- The Role of the Chairman Program (RCP 5/2001), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 2,336,246

Experience in the Past 5 Years

- 2012 - present Chief Executive Officer, Director, Chairman of the Executive Committee, Member of the Risk Committee, Kiatnakin Bank Public Company Limited
- 2012 - present Director and Executive Director, Thailand Development Research Institute
- 2011 - present Director and Executive Directors, Buddhadasa Indapanno Archives

- 2010 - present Chairman of the Board of Directors, Phatra Capital Public Company Limited
- 2008 - present Capital Market Development Committee, Sub-Committee to formulate Capital Market Development Masterplan, Ministry of Finance
- 2007 - present Director, Don Muang Tollway Public Company Limited
- 2004 - present Independent Director, The Erawan Group Public Company Limited
- 2003 - present Chairman of the Board of Directors, Phatra Securities Company Limited
- 2003 - present Independent Director, and Member of the Audit Committee, Muang Thai Insurance Public Company Limited
- 2002 - Present Director and Executive Director Mae Fah Luang Foundation
- 2002 - Present Member of Advisory Council, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- 2009 - 2011 Director, Thai Airways International Public Company Limited
- 2003 - 2008 President of Economic Association, Chulalongkorn University

Mr. Tawatchai Sudtikitpisan

Age 52 Years

- Vice Chairman of the Board of Directors

Education

- Master of Business Administration, University of Texas at Austin, U.S.A.
- Master of Science in Electrical Engineering, University of Texas at Austin, U.S.A.
- Bachelor of Science in Electrical Engineering, University of Texas at Austin, U.S.A.

Director Training Programs

- Financial Institutions Governance Program (FGP 3/2011), Thai Institute of Directors Association (IOD)
- The Job of the Chief Executive (2007), Singapore Institute of Management (SIM)

- Senior Executive Program (2005), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Director Certification Program (DCP 31/2003), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 100,000

Experience in the Past 5 Years

- Feb 2013 - present Vice Chairman of the Board of Director, Kiatnakin Bank Public Company Limited
- 2012 - Feb 2013 Chairman of Commercial Bank and President, Director, Member of Executive Committee, and Member of Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2012 - Feb 2013 Director, Phatra Capital Public Company Limited
- 2012 - Feb 2013 Director, Phatra Securities Company Limited
- 2011 - 2012 Director, Chief Executive Officer and President, Chairman of the Main Credit and Foreclosed Property Committee, Chairman of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2011 - 2012 Chairman of the Board of Directors, Kiatnakin Securities Company Limited
- 2011 - 2012 Director, Kiatnakin Fund Management Company Limited
- 2006 - 2011 Director, Kiatnakin Securities Company Limited
- 2005 - 2010 Director, President, Member of the Executive Committee, and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited

Mr.Aphinant Klewpatinond

Age 43 Years

- Director
- Member of the Executive Committee
- Member of the Risk Management Committee
- Chairman of Commercial Bank and President
- Acting Head of Debt Capital Market Group

Education

- Master of Business Administration (Finance), University of Maryland at College Park, U.S.A.
- Bachelor in Cost Accounting, Chulalongkorn University

Director Training Programs

- Directors Accreditation Program (DAP 82/2010), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- Feb 2013 - present Chairman of Commercial Bank and President, Director, Member of the Executive Committee, Member of the Risk Management Committee, Acting Head of Debt Capital Market Group, Kiatnakin Bank Public Company Limited
- 2012 - Feb 2013 Chairman of Capital Market and President, Director, Member of the Executive Committee, Member of the Risk Management Committee, and Acting Head of Debt Capital Market Group, Kiatnakin Bank Public Company Limited
- 2012 - present Director, Kiatnakin Securities Public Company Limited
- 2012 - present Director, Kiatnakin Fund Management Company Limited
- 2011 - present Member of Audit Committee and Independent Director, Sriracha Construction Public Company Limited
- 2010 - present Director and Chief Executive Officer, Phatra Capital Public Company Limited

- 2010 - present Director, Phatra Securities Public Company Limited
- 2009 - present Chief Executive Officer, Phatra Securities Public Company Limited
- 2007 - 2009 Managing Director (Investment Banking), Phatra Securities Public Company Limited

Miss Thitinan Wattanavekin

Age 55 Years

- Director
- Member of the Executive Committee
- Head of Priority Banking Group
- Head of Officer of the Directors and Corporate Communication

Education

- Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Public Affairs, University of Southern California, U.S.A.

Director Training Programs

- Financial Institutions (Governance Program (FGP 5/2012), Thai Institute of Directors Association (IOD)
- Financial Planning for Executive (2012), Thai Professional Finance Academy
- Corporate Governance and Social Responsibility (CSR 1/2007), Thai Institute of Directors Association (IOD)
- Capital Market for Executives (CMA 2/2006), Capital Market Academy
- Board Performance Evaluation (2006), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (1/2005), Thai Institute of Directors Association (IOD)
- Directors Certification Program (DCP 1/2000), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- Mr. Supol Wattanavekin's sister

KK shareholding 34,782,761

Experience in the Past 5 Years

- 2012 - present Director, Head of Priority Banking Group and Head of Office of the Directors and Corporate Communication, Kiatnakin Bank Public Company Limited
- 2012 - present Director, Phatra Capital Public Company Limited
- 2012 - present Director, Phatra Securities Public Company Limited
- 2011 - 2012 Director, Member of the Executive Committee, Member of the Risk Management Committee and Head of Wealth Management, Kiatnakin Bank Public Company Limited
- 1999 - present Director, Kiatnakin Securities Company Limited
- 2006 - 2011 Director, Chai Talay Hotel Company Limited
- 2005 - 2010 Member of the Executive Committee, Member of the Risk Management Committee and Head of Deposit and Marketing, Kiatnakin Bank Public Company Limited

Mr. Krittiya Veeraburus

Age 43 Years

- Head of Corporate Strategy Group
- Member of the Executive Committee

Education

- Master of Business Administration, Golden Gate University, U.S.A.
- BBA in Management, Chulalongkorn University

Director Training Programs

- Director Accreditation Program (DAP 1/2008), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 172

Experience in the Past 5 Years

- 2012 - Present Member of the Executive Committee, Head of Corporate Strategy Group, Kiatnakin Bank Public Company Limited
- Apr - Sep 2012 Director, Kiatnakin Bank Public Company Limited
- Sep 2012 - present Managing Director (Head of Investment and Trading Group), Phatra Capital Public Company Limited, Phatra Securities Public Company Limited
- 2011 - Sep 2012 Managing Director (Head of Direct Investment Department), Phatra Capital Public Company Limited
- 2006 - present Director, The Palm Cha Am Company Limited
- 2009 - 2010 Managing Director (Head of Direct Investment Department), Phatra Securities Public Company Limited
- 2008 - 2010 Director, CS Loxinfo Public Company Limited
- 2008 - 2009 Executive Vice President (Head of Direct Investment Department), Phatra Securities Public Company Limited
- 2006 - 2008 Executive Vice President (Direct Investment Department), Phatra Securities Public Company Limited

Mr.Chavalit Chindavanig

Age 50 Years

- Head of Finance and Budgeting Group
- Member of the Risk Management Committee

Education

- Master of Business Administration, Eastern Michigan University, U.S.A.
- Bachelor of Mechanical Engineering, Chulalongkorn University

Director Training Programs

- Monitoring the System of Internal Control and Risk Management (MIR 12/2012), Thai Institute of Directors Association (IOD)

- Monitoring the Quality of Financial Reporting (MFR 14/2012), Thai Institute of Directors Association (IOD)
- Monitoring the Internal Audit Function (MIA 11/2011), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM 6/2011), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 37/2011), Thai Institute of Directors Association (IOD)
- TLCA Executive Development Program (EDP 2/2008), Thai Listed Companies Association
- Directors Certification Program (DCP 76/2006), Thai Institute of Directors Association (IOD)
- Directors Accreditation Program (DAP 21/2004), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 187,500

Experience in the Past 5 Years

- 2012 - present Head of Finance and Budgeting Group, and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2007 - 2012 Head of Finance and Budgeting, Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2012 - Present Director, Phatra Capital Public Company Limited
- 2012 - Present Director, Kiatnakin Securities Company Limited
- 2011 - Present Director and Member of the Audit Committee, Kiatnakin Fund Management Company Limited
- 2011 - 2012 Head of Strategy and Organization Development, Kiatnakin Bank Public Company Limited
- 2010 - present Member of the Audit Committee, Kiatnakin Securities Company Limited
- 2009 - present Director, Kiatnakin Securities Company Limited
- 2009 - present Director, Erawan Law Office Limited

Mr.Chaiwat Lertvanarin**Age 53 Years**

- Head of Information Technology Group

Education

- Master of Business Administration, Ramkhamhaeng University
- Bachelor of Science, Kasetsart University

Family Relationship with the Executive

- -

KK shareholding -**Experience in the Past 5 Years**

- 2012 - Present Head of Information Technology Group, Kiatnakin Bank Public Company Limited
- 2007 - 2011 Vice President, Information Technology, United Overseas Bank (Thai) Public Company Limited
- 2006 - 2011 Associate Judge, Central Intellectual Property and International Trade Court

Mr.Thawatchai Techawatanaawana Age 47 Years

- Head of Special Project, Office of the Directors and Corporate Communication

Education

- Master of Business Administration (MBA Finance), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Engineering (Electrical), King Mongkut's Institute of Technology Ladkrabang
- Bachelor of Law, Ramkhamhaeng University

Director Training Programs

- Director Certification Program (DCP 98/2008), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding -**Experience in the Past 5 Years**

- 2012 - Present Head of Special Project, Office of the Directors and Corporate Communication, Kiatnakin Bank Public Company Limited
- 2009 - 2010 Executive Vice President, Head of Human Resource, TMB Bank Public Company Limited
- 2008 - 2009 Senior Vice President, Head of Corporate Banking, TMB Bank Public Company Limited
- 2006 - 2007 Senior Vice President, Head of Corporate Credit, TMB Bank Public Company Limited
- 2001 - 2005 First Vice President, Corporate Credit Department, TMB Bank Public Company Limited

Miss Nujaree Sithasrivong**Age 49 Years**

- Head of Human Resources Group

Education

- Bachelor of Political Science (Honors), Chulalongkorn University

Director Training Programs

- Director Certification Program (DCP 151/2011), Thai Institute of Directors Association (IOD)
- Role of the Compensation Committee (RCC 2/2007), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding -**Experience in the Past 5 Years**

- 2012 - Present Head of Human Resources Group, Kiatnakin Bank Public Company Limited
- 2011 - 2012 Member of the Executive Committee, Kiatnakin Bank Public Company Limited
- 2005 - 2012 Executive Vice President, Human Resources, Kiatnakin Bank Public Company Limited

Mr.Patom Amorndechawat**Age 55 Years**

- Head of Operations Group

Education

- Master of Accountancy, Thammasat University
- Bachelor of Law, Thammasat University
- Bachelor of Accountancy, Chulalongkorn University

Director Training Programs

- Financial Statements of Director (FSD 15/2012), Thai Institute of Directors Association (IOD)
- Monitoring of the Quality of Financial Reporting (MFR 13/2011), Thai Institute of Directors Association (IOD)
- Monitoring the system of Internal Control and Risk Management (MIR 11/2011), Thai Institute of Directors Association (IOD)
- Monitoring the internal Audit Function (MIA 10/2011), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM 5/2011), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 34/2011), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 121/2009), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 75,000**Experience in the Past 5 Years**

- 2007 - Present Head of Operations Group, Kiatnakin Bank Public Company Limited
- 2010 - 2012 Member of the Audit Committee, Kiatnakin Securities Company Limited
- 2009 - 2012 Director, Kiatnakin Securities Company Limited
- 2007 - 2012 Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2000 - 2007 Executive Vice President of Operation and Retail, Bank Thai Public Company Limited

Mr.Pracha Chumnarnkitkosol**Age 51 Years**

- Head of Debt Restructuring Group
- Member of the Executive Committee
- Member of the Risk Management Committee

Education

- Master of Business Administration (Finance), University of Texas Arlington U.S.A.
- Bachelor of Engineering, Chulalongkorn University

Director Training Programs

- TLCA Executive Development Program (EDP 8/2011), Thai Institute of Directors Association (IOD)
- Senior Executive Program (SEP-22) (2008), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Overview of Current Macro Economic Condition Prudential Regulation-Impact to Thai Corporation (2007), The Thai Banker's Association
- Blue Ocean Strategy (STRATEGIC) (2007), Business Development Center
- EVA : Managing for Value Creation (2006), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Director Certification Program (DCP 75/2006), Thai Institute of Directors Association (IOD)
- Risk Management (2005), The Thai Institute of Banking and Finance Association

Family Relationship with the Executive

- -

KK shareholding -**Experience in the Past 5 Years**

- 2012 - Present Head of Debt Restructuring Group, Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- 2012 - Present Director, Phatra Capital Public Company Limited
- 2012 - Present Director, Phatra Securities Public Company Limited

- 2011 - 2012 Director, Member of the Executive Committee, Member of the Risk Management Committee and Member of the Main Credit and Foreclosed Property Committee, Kiatnakin Bank Public Company Limited
- 2006 - 2011 Director, Member of the Risk Management Committee and Head of Risk Management, Kiatnakin Bank Public Company Limited

Dr.Popanit Poommarapan

Age 50 Years

- Head of Risk Management Group

Education

- Ph.D. in Engineering Management / Missouri University of Science and Technology, U.S.A. (University of Missouri-Rolla)
- Operations Research, Wichita State University, KS, U.S.A.
- Master of Science (Engineering Management)/ University of Louisiana, U.S.A.
- Bachelor of Engineering (Electrical Engineering)/ Chulalongkorn University

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- 2012 - Present Head of Risk Management Group, Kiatnakin Bank Public Company Limited
- 2008 - 2012 Assistant Managing Director, Phatra Securities Public Company Limited
- 2005 - 2008 Senior Vice President (Risk Support Department), TMB Bank Public Company Limited

Mr.Manit Wannavanit

Age 45 Years

- Head of Distribution Group

Education

- Master of Public Administration, National Institute of Development Administration
- Bachelor of Economics, Ramkhamhaeng University

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- 2012 - Present Head of Distribution Group, Kiatnakin Bank Public Company Limited
- Apr - Aug 2012 Executive Vice President, Provincial Branch Business Division, Distribution Group, Bank of Ayudhya Public Company Limited
- 2010 - Apr 2012 Senior Vice President, Bank of Ayudhya Public Company Limited
- 2008 - 2010 Regional Manager, Bank of Ayudhya Public Company Limited
- 2007 - 2008 Deputy Regional Manager, Bank of Ayudhya Public Company Limited

Mr.Sarawut Charuchinda

Age 53 Years

- Head of Corporate Lending Group

Education

- Master of Business Administration (Finance), University of Mississippi, U.S.A.
- Bachelor of Accountancy (2nd Class Honors), Chulalongkorn University

Director Training Programs

- Director Certification Program (DCP 31/2003), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding 60,000

Experience in the Past 5 Years

- 2012 - Present Head of Corporate Lending Group, Kiatnakin Bank Public Company Limited
- 2011 - Present Managing Director, Erawan Law Office Company Limited
- 2005 - 2012 Head of Debt Restructuring, Member of the Executive Committee, Member of the Risk Management Committee and Member of the Main Credit and Foreclosed Property Committee, Kiatnakin Bank Public Company Limited

Mr.Siri Senajak

Age 47 Years

- Head of Retail Banking Group

Education

- Master of Economics, The University of Michigan, Ann Arbor, U.S.A.
- Bachelor of Economics, Chulalongkorn University

Director Training Programs

- Leading at the Speed of Trust (2012), FrankinCovey
- Leadership : Great Leaders, Great Teams, Great Results program (2012), FrankinCovey
- Director Certification Program (DCP 146/2011), Thai Institute of Directors Association (IOD)
- Financial Statements of Director (FSD 12/2011), Thai Institute of Directors Association (IOD)

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- 2012 - Present Head of Retail Banking Group, Kiatnakin Bank Public Company Limited
- 2011 - 2012 Member of the Executive Committee, Kiatnakin Bank Public Company Limited
- 2007 - 2011 Executive Vice President, Retail Lending, Kiatnakin Bank Public Company Limited
- 2005 - 2007 Senior Vice President, Retail Lending, Kiatnakin Bank Public Company Limited

Mrs.Suree Harnpinijsak

Age 53 Years

- Senior Vice President, Accounting Department

Education

- Master Program in Accountancy, Chulalongkorn University
- Master of Political Science, Thammasat University
- Bachelor of Accountancy (1st Class Honors), University of the Thai Chamber of Commerce
- Diploma in Accounting, Thammasat University
- Certified Public Accountant, registration No. 3432

Family Relationship with the Executive

- -

KK shareholding -

Experience in the Past 5 Years

- 2005 - Present Senior Vice President, Kiatnakin Bank Public Company Limited

Directorship of Directors and Executives in Kiatnakin Bank Subsidiaries, Associated, and Related Companies

As of January 30, 2013

| Company | | Directors and Executives | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|--|--------------------------|-------------------------|-------------------------------|------------------------|------------------------|---------------------------|---------------------|----------------------|-------------------------|----------------------|-----------------------|------------------------|--------------------------|---------------------------|----------------------------|------------------------|--------------------------|-------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|----------------------|-------------------------|------------------|------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| | | Mr. Supol Wattanavekin | Mr. Pichai Dachanapirom | Assoc. Prof. Manop Bongsadadt | Mr. Chet Pattrakornkul | Mr. Pravit Varubangkul | Dr. Anumongkol Sirivedhin | Mr. Pongtep Polanun | Mr. Tanin Chirasoont | Mr. Veravat Chutchepong | Mr. Suraphol Kulsiri | Mr. Suvit Mapaisansin | Mr. Banyong Pongpanich | Mr. Tawatchai Sudikitsan | Mr. Aphinart Kiewpatinond | Miss Thitinan Wattanavekin | Mr. Kritiya Veeraburus | Mr. Chavalit Chirdevanig | Mr. Chaiwat Lertvanarin | Mr. Thawatchai Techawatanawana | Miss Nujaree Sithasrongs | Mr. Patom Amorndechawat | Mr. Pracha Chumnankitsol | Dr. Papanit Poommarapan | Mr. Manit Wannavanit | Mr. Sarawut Charuchinda | Mr. Siri Senajak | Mrs. Suree Hamphijisak |
| Kiatnakin Bank Public Company Limited | | X | / | / | / | / | / | / | / | / | (/) | (/) | * | / | 0 | (/) | (/) | // | // | // | // | // | // | // | // | // | // | // |
| Subsidiaries & Associated Companies | 1 Phatra Capital Public Company Limited | | | | | | | | | / | (/) | (/) | X | (/) | / | | | (/) | | | | | / | | | | | |
| | 2 Erawan Law Office Limited | | | | | | | (X) | | | | | | | | | | (/) | | | | | | | (/) | | | |
| | 3 Kiatnakin Securities Company Limited | | | | | | | | | | (X) | | | (/) | (/) | | | (/) | | | | | | | | | | |
| | 4 Phatra Securities Public Company Limited | | | | | | | | / | (/) | (/) | X | (/) | / | (/) | | | | | | | / | | | | | | |
| | 5 Kiatnakin Fund Management Company Limited | | | | | | | | | | (X) | | | (/) | | | (/) | | | | | | | | | | | |
| Related Companies | 6 The Krungthep Thanakom Company Limited | | / | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 7 Grand Success Company Limited | | (/) | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 8 K S P Square Company Limited | | | | | | (X) | | | | | | | | | | | | | | | | | | | | | |
| | 9 System's Little House LTD. | | | | | (X) | | | | | | | | | | | | | | | | | | | | | | |
| | 10 Cellennium (Thailand) Company Limited | | | | | | | | | | | (/) | | | | | | | | | | | | | | | | |
| | 11 The Erawan Group Public Company Limited | / | / | | | | | | | | | / | | | | | | | | | | | | | | | | |
| | 12 The Palm Chaam Company Limited | | | | | | | | | | | | | | | (/) | | | | | | | | | | | | |
| | 13 Don Muang Tollway Public Company Limited | | | | | | | | | | | / | | | | | | | | | | | | | | | | |
| | 14 The Dharmniti Public Company Limited | | (/) | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 15 BTMU Leasing (Thailand) Company Limited | X | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 16 Muang Thai Insurance Public Company Limited | | | | | | | | | | | / | | | | | | | | | | | | | | | | |
| | 17 Rasa Property Development Public Company Limited | | | X | | | | | | | | | | | | | | | | | | | | | | | | |
| | 18 Tubkaew-Hori and Nursery Kindergarden Company Limited | | | (/) | | | | | | | | | | | | | | | | | | | | | | | | |
| | 19 Sriracha Construction Public Company Limited | | | | | | | | | | | | | / | | | | | | | | | | | | | | |
| | 20 Squirrel (Thailand) Company Limited | | | | | | | | | | | (/) | | | | | | | | | | | | | | | | |
| | 21 Dharmniti Auditing Company Limited | | (/) | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 22 Golden Lime Company Limited | | | | | | | | | | / | | | | | | | | | | | | | | | | | |
| | 23 Alpha Absolute Company Limited | | | | | | | | (/) | | | | | | | | | | | | | | | | | | | |
| | 24 Advance Information Technology Public Company Limited | | | | | | / | | | | | | | | | | | | | | | | | | | | | |
| Total | | 3 | 4 | 5 | 1 | 1 | 2 | 3 | 2 | 4 | 1 | 6 | 8 | 1 | 6 | 4 | 2 | 6 | 1 | 1 | 1 | 1 | 3 | 1 | 1 | 2 | 1 | 1 |

Remark : 1 : X = Chairman * = Chief Executive Officer O = President / = Director // = Executive
2 : () = Authorized Director

General Information

| | |
|---|--|
| Name of Company | Kiatnakin Bank Public Company Limited |
| • Stock Quote | “KK” |
| Type of Business | Commercial banking business, Securities business, and Other Related Business under the Financial Institution Business Act, Securities and Exchange Act and other related regulations |
| Number of shares | 852,337,268 common shares and none of preferred share, with par value of 10 Baht per share (As of December 31, 2012) |
| Authorized share capital | 8,523,372,680 Baht |
| Issued and fully paid-up share capital | 8,328,318,590 Baht (As of December 31, 2012) |
| Address | 500 Amarin Tower, 12 th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok, Thailand 10330 |
| Company Registration Number | 0107536000986 |
| Telephone | 0-2680-3333 |
| Fax | 0-2256-9933 |
| Website | www.kiatnakin.co.th |

Names, Offices, Telephone and Fax Numbers of Referenced Entities

| | |
|---------------------------|--|
| Registrar | : Thailand Securities Depository Company Limited 62, Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok, Thailand 10110 Tel: 0-2229-2800 Fax: 0-2359-1259 |
| Authorized Auditor | : Mr. Supamitr Techamontrikul Deloitte Touche Tohmatsu Jaiyos Auditing Company Limited 25 th Floor, Rajanakarn Building, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok, Thailand 10120 Tel: 0-2676-5700 Fax: 0-2676-5757 |
| Legal Adviser | : Erawan Law Office Company Limited 12th Floor, K Tower B, 209/1 Sukhumwit 21 Road, KlongToey-Nua, Wattana, Bangkok, Thailand 10110 Tel: 0-2664-0424 Fax: 0-2664-0980 |

Kiatnakin Bank holds over 10% of shares in the following juristic persons

(As of December 31, 2012)

| Juristic Person Name / Address | Type of Business | Number of Fully Paid-up Shares (Shares) | Percentage of ownership (%) |
|--|------------------|---|-----------------------------|
| 1. Phatra Capital Public Company Limited 9 th Floor, 252/6 Muang Thai-Phatra Office Tower 1, Ratchadapisek Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10310 Tel 0-2305-9000 Fax. 0-2693-2535 | Holding company | 210,310,240.00 | 99.93 |
| 2. Phatra Securities Public Company Limited 6, 8-11/F Muang Thai-Phatra Office Tower 1 252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel 0-2275-0888, 0-2693-2000 Fax. 0-2275-3666 | Securities | 213,500,000.00 | 99.67* |
| 3. Kiatnakin Securities Company Limited 7 th Floor, Amarin Tower, 500 Ploenchit Road, Lumpini, Pathumwan, Bangkok, Thailand 10330 Tel 0-2680-2222 Fax. 0-2680-2233 | Securities | 65,000,000.00 | 99.99 |
| 4. Kiatnakin Fund Management Company Limited 4 th Floor, Charn Issara Tower 1, 942/135 Rama 4 Road, Suriyawong, Bang Rak, Bangkok, Thailand 10500 Tel 0-2624-8555 Fax. 0-2624-8599 | Asset Management | 12,000,000.00 | 99.92** |
| 5. Erawan Law Office Company Limited 12 th Floor, K Tower B, 209/1 Sukhumvit 21 Road, KhlongToey-Nua, Wattana, Bangkok, Thailand 10110 Tel 0-2664-0424 Fax. 0-2664-0980 | Law Office | 10,000.00 | 99.93 |
| 6. CMIC Development Company Limited 10 th Floor, K Tower, 209 Sukhumvit 21 Road, KhlongToey-Nua, Wattana, Bangkok, Thailand 10110 Tel 0-2664-1396-7 Fax. 0-2664-2163 | Real Estate | 230,000,000.00 | 80.58 |
| 7. BTMU Leasing (Thailand) Company Limited 4 th Floor, Harinthorn Tower, 54 Sathorn Nua Road, Silom, Bangrak, Bangkok, Thailand 10500 Tel 0-2266-3060 Fax. 0-2266-3067 | Leasing | 600,000.00 | 10.00 |
| 8. Asia Recovery 1 Fund Kasikorn Asset Management Company Limited 6 th Floor, Kasikorn Bank Building, 400/22 Phaholyothin Road, Samsen Nai, Phayathai, Bangkok, Thailand 10400 Tel 0-2673-3999 Fax. 0-2673-3900 | Investment | 26,238,165.19 | 99.95 |

* Indirectly holding via Phatra Capital Plc. of 99.74%

** Indirectly holding via Phatra Capital Plc. of 99.99%

| Juristic Person Name / Address | Type of Business | Number of Fully Paid-up Shares (Shares) | Percentage of ownership (%) |
|---|------------------|---|-----------------------------|
| 9. Asia Recovery 2 Fund Kasikorn Asset Management Company Limited 6 th Floor, Kasikorn Bank Building, 400/22 Phaholyothin Road, Samsen Nai, Phayathai, Bangkok, Thailand 10400 Tel 0-2673-3999 Fax. 0-2673-3900 | Investment | 96,801,545.83 | 99.59 |
| 10. Asia Recovery 3 Fund Kasikorn Asset Management Company Limited 6 th Floor, Kasikorn Bank Building, 400/22 Phaholyothin Road, Samsen Nai, Phayathai, Bangkok, Thailand 10400 Tel 0-2673-3999 Fax. 0-2673-3900 | Investment | 80,781,615.73 | 99.97 |
| 11. Thai Restructuring Fund One Asset Management Limited 24 th Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel 0-2659-8888 Fax. 0-2659-8860-1 | Investment | 68,624,886.93 | 98.91 |
| 12. Asia Recovery Property Fund 1 One Asset Management Limited 24 th Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel 0-2659-8888 Fax. 0-2659-8860-1 | Investment | 5,340,031.21 | 99.50 |
| 13. Asia Recovery Property Fund 3 One Asset Management Limited 24 th Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel 0-2659-8888 Fax 0-2659-8860-1 | Investment | 93,340,500.29 | 98.77 |
| 14. Bangkok Capital Fund One Asset Management Limited 24 th Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel 0-2659-8888 Fax. 0-2659-8860-1 | Investment | 36,154,364.90 | 95.72 |
| 15. Gamma Capital Fund One Asset Management Limited 24 th Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel 0-2659-8888 Fax. 0-2659-8860-1 | Investment | 29,614,005.53 | 94.03 |

Capital Structure

Securities Information

1) Common Shares and Preferred Shares

1.1 The Bank is a listed company on The Stock Exchange of Thailand (SET) under the stock symbol "KK". As of December 31, 2012, the total paid-up share capital is 832,831,859 ordinary shares (of Baht 10 each), and

- Total authorized share capital 8,523,372,680

Baht

- Total issued and fully paid-up share capital 8,328,318,590 Baht

Reference is made to the Bank's ESOP Warrant No.2 (ESOP-W2) issued and offered to Directors and/or employees of the Bank and/or its subsidiaries in 2010, there were total 4 exercise dates in 2012 which were on 30th of March, June, September, and December respectively resulting to the exercise of warrants to purchase totaling 7,050,250 ordinary shares (846,000 shares started trading on January 11, 2013). Consequently, the number of ordinary shares increased to 833,678,259 shares, equivalent to total paid-up capitals of Baht 8,336,782,590 (as of January 7, 2013).

1.2 As of December 31, 2012, none of preferred share was issued from the Bank.

2) Debentures

As of December 31, 2012, the debentures' outstanding of both long-term and short-term totals Baht 15,335 million, details are as follows:

2.1 Short-term Debentures (maximum of 270 Days): Unsecured and unsubordinated valued Baht 1,335 million

| No. | Symbol | Face Value (Million Baht) | Issue Date | Tenor (Yr) | Maturity Date | Outstanding | Coupon Rate (% p.a.) |
|-----|----------|------------------------------|------------|---------------|---------------|-------------|-------------------------|
| 1 | KK13117A | 750 | 05/07/2012 | 0.5 | 17/01/2013 | 750 | 3.50 |
| 2 | KK13110A | 125 | 12/07/2012 | 0.5 | 10/01/2013 | 1,250 | 3.50 |
| 3 | KK13109A | 310 | 12/07/2012 | 0.5 | 09/01/2013 | 310 | 3.50 |
| 4 | KK13123A | 150 | 25/07/2012 | 0.5 | 23/01/2013 | 150 | 3.50 |
| | Total | 1,335 | | | | 1,335 | |

2.2 Long-term Debentures: Unsecured and unsubordinated valued Baht 14,000 million

| No. | Symbol | Face Value (Million Baht) | Issue Date | Tenor (Yr) | Maturity Date | Outstanding | Coupon Rate (% p.a.) |
|-----|--------|------------------------------|------------|---------------|---------------|-------------|-------------------------|
| 1 | KK135A | 1,000 | 17/03/2010 | 3.17 | 17/05/2013 | 1,000 | 3.35 |
| 2 | KK132A | 2,000 | 17/02/2011 | 2 | 17/02/2013 | 2,000 | 3.45 |
| 3 | KK186A | 650 | 01/06/2011 | 7 | 01/06/2018 | 650 | 4.62 |
| 4 | KK187A | 240 | 22/07/2011 | 7 | 22/07/2018 | 240 | 5.00 |
| 5 | KK188A | 500 | 23/08/2011 | 7 | 23/08/2018 | 500 | 4.80 |
| 6 | KK18DA | 625 | 02/12/2011 | 7 | 02/12/2018 | 625 | 5.10 |
| 7 | KK16DA | 975 | 07/12/2011 | 5 | 07/12/2016 | 975 | 5.10 |
| 8 | KK18DB | 10 | 07/12/2011 | 7 | 07/12/2018 | 10 | 5.05 |
| 9 | KK142A | 2,905 | 24/02/2012 | 2 | 24/02/2014 | 2,905 | 3.95 |
| 10 | KK143A | 610 | 16/03/2012 | 2 | 16/03/2014 | 610 | 4.03 |
| 11 | KK144A | 2,485 | 19/04/2012 | 2 | 19/04/2014 | 2,485 | 4.17 |
| 12 | KK14OA | 2,000 | 18/10/2012 | 2 | 18/10/2014 | 2,000 | 4.00 |
| | Total | 14,000 | | | | 14,000 | |

3) Warrants

In 2012, the Bank has only ESOP Warrant No.2 (ESOP-W2) remaining for a future exercise. According to the Annual General Meeting of Shareholders for 2010 on April 22, 2012 approval regarding the issuance of the warrants (ESOP-W2) to purchase new ordinary shares offered to Directors and/or employees of the Bank and/or its subsidiaries, the number of warrant issuance was not more than 26,000,000 units, offering price of Baht 0 per unit, together with the issuance of 26,000,000 ordinary shares to reserve for the exercise of ESOP-W2.

The exercise date was set on every 30th in the month of March, June, September, and December; the first exercise date was on September 30, 2011 and the final exercise will be on June 30, 2015. The swap ratio becomes 1 ESOP-W2: 1 KK ordinary share with the exercise price at 29.27 Baht each.

On August 30, 2010, the Bank submitted the ESOP-W2 allotment report to the Stock Exchange of Thailand that there was a cancellation of total 110,000 units of ESOP warrants resulting to total 25,890,000 units of ESOP warrants were allotted. The details of exercise of ESOP-W2 in 2012 are as follows;

| Detail | Exercise of ESOP-W2 | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 st Exercise | 2 nd Exercise | 3 rd Exercise | 4 th Exercise |
| Exercise date | March 30, 2012 | June 30, 2012 | September 30, 2012 | December 30, 2012 |
| Exercising holder (Persons) | 143 | 30 | 239 | 70 |
| Exercised warrant (Units) | 1,921,050 | 234,900 | 4,047,900 | 846,400 |
| Swapped ordinary share (Shares) | 1,921,050 | 234,900 | 4,047,900 | 846,400 |
| Remaining warrant (Units) | 23,649,550 | 23,414,650 | 19,366,750 | 18,520,350 |
| Remaining reserved share (Shares) | 23,649,550 | 23,414,650 | 19,366,750 | 18,520,350 |
| Amount receiving from the exercise (Baht) | 56,229,133.50 | 6,875,523 | 118,482,033 | 24,774,128 |

As a result of the ESOP-W2 exercises, the changes in the Bank's ordinary shares and paid-up capital have become:

| Detail | Exercise of ESOP-W2 | | | |
|----------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| | 1 st Exercise | 2 nd Exercise | 3 rd Exercise | 4 th Exercise |
| Previous ordinary share (Shares) | 634,648,264 | 636,569,314 | 828,783,959 ^{/1} | 832,831,859 ^{/2} |
| New ordinary shares (Shares) | 636,569,314 | 636,804,214 | 832,831,859 | 833,678,259 |
| Fully paid-up capital (Baht) | 6,365,693,140 | 6,368,042,140 | 8,328,318,590 | 8,336,782,590 |

Note ^{/1} The Bank increased the registered ordinary shares totaling 191,979,745 shares from the merger with Phatra Capital Plc on September 13, 2012.

^{/2} The increasing amount of ordinary shares resulting from the exercise of ESOP-W2, was trading on January 2012. Then the Bank's fully paid-up capital also expanded.

4) Agreement between major shareholders affects the issuance and offering of securities as well as obligation to issues new shares in the future.

- No -

Branches

KK Contact Center : Tel. 0-2680-3333

| No. | Branch | Address | Fax |
|--|------------------------------------|--|-------------|
| Bangkok and Perimeter 34 Branches | | | |
| 1 | Kaset-Vibhavadi Branch | 47/11 Ngamwongwan Road, Lad Yao, Jatujak 10900 | 0-2562-0017 |
| 2 | Crystal Design Center (CDC) Branch | 1448/4 Crystal Design Center (CDC) (Building J2 Room 108-109), Soi Lat Phrao, Klongjun, Bang Kapi, Bangkok 10240 | 0-2102-2312 |
| 3 | Charoen Krung Branch | 273/8 Charoen Krung Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100 | 0-2221-3148 |
| 4 | The Mall Thaphra Branch | Room no. 2A-C4A, The Mall Thaphra, 2nd Floor, 99 Ratchadaphisek Road, Bukkaloo, Thonburi, Bangkok 10600 | 0-2477-7162 |
| 5 | The Mall Bangkok Branch | 3522 The Mall Bangkok Department Store, 2nd Floor, Lat Phrao Road, Khlong Chan, Bangkok, Bangkok 10240 | 0-2704-9110 |
| 6 | Thong Lor Branch | 125/19, Soi Sukhumvit 55, Khlong Tan Nua, Vadhana, Bangkok 10110 | 0-2392-6662 |
| 7 | Pin Klao Branch | 77/7-9 Borommaratchachonnani Road, Arun Amarin, Bangkok Noi, Bangkok 10700 | 0-2433-8635 |
| 8 | Rama III Branch | 493/4-6 Linchi Road, Chong Nonsi, Yannawa, Bangkok 10120 | 0-2287-3230 |
| 9 | Rama IV Branch | 1032/7-8, Rama IV Road, Thungmahamek, Sathorn, Bangkok 10120 | 0-2287-3579 |
| 10 | Phaholyothin Place Branch | 408/4 Phaholyothin Place Building, 1st Floor, Phaholyothin Road, Samsen Nai, Phaya Thai, Bangkok 10400 | 0-2619-0136 |
| 11 | Petkasem-Kanjanapisek Branch | 919/42-43 Petkasem Road, Bang kae, Bangkok 10160 | 0-2454-8657 |
| 12 | Yaowarat Branch | 289 Yaowarat Road, Samphanthawong, Bangkok 10100 | 0-2223-1372 |
| 13 | Ramintra Branch | 43, 45, 47, 49 Ramintra Road, Minburi, Minburi, Bangkok 10510 | 0-2540-4552 |
| 14 | Srinakarin Branch | 903, 905 Srinakarin Road, Suan Luang, Bangkok 10250 | 0-2320-0623 |
| 15 | Siphaya Branch | 78 Trok Captain Bush (Charoen Krung 30), Bangrak, Bangkok 10500 | 0-2237-7884 |
| 16 | Silom Branch | 323 United Center Building, 2nd Floor, Silom Road, Silom, Bang Rak, Bangkok 10500 | 0-2237-1952 |
| 17 | Suksawas Branch | 178, 180, 182 Suksawas Road, Bangpakok, Ratburana, Bangkok 10140 | 0-2428-8798 |
| 18 | Asoke Branch | 209 K Tower, Sukhumvit 21 (Asoke) Road, Khlong Toey Nua, Wattana, Bangkok 10110 | 0-2664-1454 |
| 19 | Amarin Office (Head Office) | 500 Amarin Tower, 11th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 | 0-2257-0849 |
| 20 | Nakhon Pathom Branch | 992/2-3 Petkasem Road, Tambon Huay Jaraka, Amphoe Muang, Nakhon Pathom 73000 | 034-271-584 |
| 21 | Nonthaburi Branch | 68/30-32 Moo 8, Tambon Bangkrasor, Amphoe Muang, Nonthaburi 11000 | 0-2525-3056 |
| 22 | Bang Yai Branch | 80/155 Moo 6, Tambon Sao Thong Hin, Amphoe Bang Yai, Nonthaburi 11140 | 0-2903-3600 |
| 23 | Phatum Thani Branch | 433, 435, 437 Rangsit-Nakhon Nayok Road, Tambon Prachathipat, Amphoe Thanyaburi, Pathum Thani 12130 | 0-2533-0343 |
| 24 | Samut Prakan Branch | 89/8-10 Moo 5, Tambon Bang Muang, Amphoe Muang, Samut Prakarn 10270 | 0-2703-2650 |
| 25 | Suvarnabhumi Branch | 9/3 Moo 7, King Kaew Road, Tambon Racha Thewa, Amphoe Bangplee, Samut Prakan 10540 | 0-2738-4773 |
| 26 | Samut Sakhon Branch | 1400/98-101, Ekkachai Road, Tambon Mahachai, Amphoe Muang, Samut Sakhon 74000 | 034-837-212 |
| 27 | Seacon Bangkae Branch | Seacon Bangkae Department Store, 3rd Floor, 607 Petchakasem Road, Bangwha, Phasicharoen, Bangkok 10160 | 0-2458-2826 |
| 28 | Siam Paragon Branch | Siam Paragon Department Store, 3rd Floor, 991 Siam Paragon Shopping Center, Rama I Road, Pathumwan, Bangkok 10330 | 0-2610-9669 |
| 29 | Wongwian 22 Karakada Branch | 132 Mit Phan Road, Pom Prap Sattru Phai, District Pom Prap, Bangkok 10100 | 0-2221-7327 |
| 30 | Fashion Island Branch | 587, 589, 589/7-9 Fasion Island Department Store, 1st Floor, Ramintra Road, Khwaeng Kannayao, Khet Kannayao, Bangkok 10230 | 0-2947-5077 |
| 31 | Mahanak Branch | 1-3 Floor, Boe Bae Mini Office Tower, 1082/5 Krung Kasem Road, Mahanak, Pom Prap Sattru Phai, Bangkok 10100 | 0-2628-0025 |

| No. | Branch | Address | Fax |
|-----|----------------------|---|-------------|
| 32 | Megabangna Branch | Megabangna, 1st Floor, 39 Moo 6 Bangna-Trad Road (K.M. 8) Tambon Bangkaew, Amphoe Bangplee, Samutprakarn, Samutprakan 10540 | 0-2105-1448 |
| 33 | Paradise Park Branch | Paradise Park, 2nd Floor, 61 Srinakarin Road, Khwaeng Nongbon, Khet Pravet, Bangkok 10250 | 0-2325-9150 |
| 34 | Bang Bon Branch | 265 Ekachai Road, Bangbon, Bangkok 10150 | 0-2417-2499 |

Central 10 Branches

| | | | |
|----|----------------------------|---|-------------|
| 1 | Ayuthaya Branch | 100 Moo 1, Tambon Pailang, Amphoe Phranakorn, Sri Ayuthaya 10300 | 035-235-642 |
| 2 | Chai Nat Branch | 78/2-5 Phahon Yothin Road, Tambon Ban Klui, Amphoe Muang, Chai Nat 17000 | 056-420-723 |
| 3 | Hua Hin Branch | 60/27-28 Moo Ban Bor Fai, Tambon Hua Hin, amphoe Hua Hin, Prachuab Kirikun 77110 | 032-547-660 |
| 4 | Kanchanaburi Branch | 275/1-2 Saeng Chootoh Road, Tambon Baan Nua, Amphoe Muang, Kanchanaburi 71000 | 034-620-646 |
| 5 | Lop Buri Branch | 205 Moo 2, Tambon Tha Sala, Amphoe Muang, Lop Buri 15000 | 036-626-059 |
| 6 | Phetchaburi Branch | 132/8-10 Moo 1, Tambon Tonmamuang, Amphoe Muang, Phetchaburi 76000 | 032-454-722 |
| 7 | Prachuap Khiri Khan Branch | 222/2 Salacheep Road, Tambon Prachuap Khiri Khan, Amphoe Muang, Prachuap Khiri Khan 77000 | 032-551-085 |
| 8 | Ratchaburi Branch | 286/25-28 Srisuriyawong Road, Tambon Nai Muang, Amphoe Muang, Ratchaburi 70000 | 032-310-391 |
| 9 | Saraburi Branch | 568/7-9, Paholyothin Road, Tambon Pak Piao, Amphoe Muang, Saraburi 18000 | 036-318-446 |
| 10 | Suphan Buri Branch | 290/3-6 Moo 4 Tambon Sanamchai, Amphoe Muang, Suphan Buri 72000 | 035-546-277 |

East 7 Branches

| | | | |
|---|---------------------|---|-------------|
| 1 | Chantaburi Branch | 29/1-4 Moo 7, Tambon Chantanimitr, Amphoe Muang, Chantaburi 20000 | 039-343-615 |
| 2 | Chachengsao Branch | 508, 510 Chachengsao-Bang Pakong Road, Tambon Na Muang, Amphoe Muang, Chachengsao 24000 | 038-516-106 |
| 3 | Chonburi Branch | 7/41 Moo 4, Sukhumvit Road, Tambon Huaykapi, Amphoe Muang, Chonburi 20130 | 038-384-950 |
| 4 | Pattaya Branch | 120/17-18 Moo 6, Tambon Na Klua, Amphoe Bang Lamung, Chonburi 20150 | 038-489-162 |
| 5 | Prachin Buri Branch | 41/18-20 Prachin Takarm Road, Tambon Nai Muang, Amphoe Muang, Prachin Buri 25000 | 037-217-582 |
| 6 | Rayong Branch | 375/4-7 Sukhumvit Road, Tambon Noenphra, Amphoe Muang, Rayong 21000 | 038-808-095 |
| 7 | Sa Kaeo Branch | 330 Suwansorn Road, Tambon Sa Kaeo, Amphoe Muang, Sa Kaeo 27000 | 037-241-993 |

North East 16 Branches

| | | | |
|----|--------------------------|---|-----------------------------|
| 1 | Buriram Branch | 30/23-25 Thani Road, Tambon Nai Muang, Amphoe Muang, Buriram 77000 | 044-620-510 |
| 2 | Chaiyaphum Branch | 31/12-14, Haruthai Road, Tambon Nai Muang, Amphoe Muang, Chaiyaphum 36000 | 044-835-677 |
| 3 | Kalasin Branch | 4/1-2-3 Thinanon Road, Tambon Kalasin, Amphoe Muang, Kalasin 46000 | 043-821-652 |
| 4 | Khon Kaen Branch | 9/2 Prachasomosorn Road, Tambon Nai Muang, Amphoe Muang, Khon Kaen 40000 | 043-337-734 |
| 5 | Loei Branch | 22/9 Chumsai Road, Tambon Kut Pong, Amphoe Muang, Loei 42000 | 042-830-855 |
| 6 | Mukdahan Branch | 50 Pitakphanomket Road, Amphoe Muang, Mukdahan 49000 | 042-631-171 |
| 7 | Nakhon Ratchasima Branch | 192/1-4 Jomsurongyart Road, Tambon Nai Muang, Amphoe Muang, Nakhon Ratchasima 30000 | 044-260-409, 044-256-746 |
| 8 | Nong Khai Branch | 527-528 Moo 7, Tambon Nai Mueang, Amphoe Muang, Nong Khai 43000 | 042-460-151 |
| 9 | Pak Chong Branch | 560 Mittraphap Road, Tambon Pak Chong, Amphoe Pak Chong, Nakhon Ratchasima 30130 | 044-279-293 |
| 10 | Roi Et Branch | 49, 49/1-3 Tawapiban Road, Tambon Nai Muang, Amphoe Muang, Roi Et 45000 | 043-518-163 |
| 11 | Sakhon Nakhon Branch | 1773/63 Ratpattana Road, Tambon Thatchoengchum, Amphoe Muang, Sakhon Nakhon 47000 | 042-733-005 |
| 12 | Si Sa Ket Branch | 151 Thepa Road, Tambon Muang Nua, Amphoe Muang, Si Sa ket 33000 | 045-623-112 |
| 13 | Surin Branch | 6/7 Lak Muang Road, Tambon Nai Muang, Amphoe Muang, Surin 32000 | 044-535-031 |
| 14 | Ubon Rachathani Branch | 466 Suriyat Road, Tambon Nai Muang, Amphoe Muang, Ubon Rachathani 34000 | 045-209-258 |
| 15 | Udon Thani Branch | 215/25, 215/27 Udon Dusadee Road, Tambon Mak Keng, Amphoe Muang, Udon Thani 41000 | 042-223-242 |
| 16 | Yasothon Branch | 258/3-5 Chaeng Sanit Road, Tambon Nai Muang, Amphoe Muang, Yasothon 35000 | 045-720-677 |

| No. | Branch | Address | Fax |
|---|----------------------------|---|-------------|
| South 8 Branches | | | |
| 1 | Chumphon Branch | 67/4, 67/5 Krom Luang Chumphon Road, Tambon Tha Taphao, Amphoe Muang, Chumporn 86000 | 077-570-509 |
| 2 | Hat Yai Branch | 20/1 Ratiyindee Road, Tambon Hat Yai, Amphoe Hat Yai, Song Khla 90110 | 074-343-309 |
| 3 | Krabi Branch | 254, 254/1, 254/2 Moo 11, Tambon Krabi Noi, Amphoe Muang, Krabi 81000 | 075-663-923 |
| 4 | Nakhon Si Thammarat Branch | 111, 111/1-4 Pattanakarn kookwang Road, Tambon Klung, Amphoe Muang, Nakhon Si Thammarat 80000 | 075-317-171 |
| 5 | Phuket Branch | 63/714-716 Moo 4 Tambon Vichit, Amphoe Muang, Phuket 83000 | 076-522-310 |
| 6 | Surathani Branch | 22/144-146, 22/163 Raj-Uthit Road, Tambon Talad, Amphoe Muang, Surathani 84000 | 077-217-408 |
| 7 | Trang Branch | 59/12-14 Huay Yod Road, Tambon Thap Thieng, Amphoe Muang, Trang 92000 | 075-223-293 |
| 8 | Tung Song Branch | 80/4 Moo 8, Tung Song Road, Cha Mai District, Amphoe Tung Song, Nakhon Si Thammarat 80110 | 074-343-309 |
| North 12 Branches | | | |
| 1 | Chiang Mai Branch | 33 Chiang Mai-Lampang Road, Tambon Chang Phueak, Amphoe Muang, Chiang Mai 50300 | 053-409-625 |
| 2 | Chiang Rai Branch | 102, 102/1-3 Moo 13, Tambon Rob Wieng, Amphoe Muang, Chiang Rai 57000 | 053-719-434 |
| 3 | Kamphangphet Branch | 546 Charoensuk Road, Tambon Nai Muang, Amphoe Muang, Kamphangphet 62000 | 055-722-871 |
| 4 | Lampang Branch | 142-144 Highway lampang-Ngua, Tambon Phra Bat, Amphoe Muang, Lampang 52000 | 054-317-699 |
| 5 | Lamphun Branch | 99 Charoen Rat Road, Tambon Nai Muang, Amphoe Lamphun, Lamphun 51000 | 053-532-659 |
| 6 | Nakhon Sawan Branch | 131/18-21 Moo 10, Tambon Nakornsawan Tok, Amphoe Muang, Nakhon Sawan 60000 | 056-313-655 |
| 7 | Petchaboon Branch | 3/48 Samakkeechai Road, Tambon Nai Muang, Amphoe Muang, Petchabun 67000 | 056-712-273 |
| 8 | Phayao Branch | 68/1 Don Sanam Road, Tambon Wiang, Amphoe Muang, Phayao 56000 | 054-412-762 |
| 9 | Phichit Branch | 31/79-81 Sa Luang Road, Tambon Nai Mueng, Amphoe Muang, Phichit 66000 | 056-651-071 |
| 10 | Phitsanulok Branch | 286/10 Pichaisongkram Road, Tambon Nai Muang, Amphoe Muang, Phitsanulok 65000 | 055-211-687 |
| 11 | Phrae Branch | 162 Yantrakitkosol Road, Tambon Naiwiang, Amphoe Muang, Phrae 54000 | 054-522-178 |
| 12 | Sukhothai Branch | 186/2-3 Moo 7, Thani, Muang District, Sukhothai 64000 | 055-610-230 |
| Kiatnakin Car Auction Center 2 Centers | | | |
| 1 | Bang Na-Trad Road. K.M. 8 | 43/4 Moo 4, Bang Na-Trad Road (K.M. 8,) Tambon Bang Kaew, Amphoe Bangplee, Samutprakan 10540 | 0-2316-2730 |
| 2 | UdonThani | 225 Moo 4, Udon-Nong Bua Lam Phu Road, Tambon Ban Luam, Amphoe Muang, Udon Thani 41000 | 042-304-046 |

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