



Ref. KTB.FIR. 452 /2015

Date FEBRUARY 27 , 2015

Singapore Exchange Securities Trading Limited
2 Shenton Way
#19-00 SGX Centre 1
Singapore 068804
Attn: Market Control Department

Dear Sir,

Re : Submission of the Financial Statements

Krung Thai Bank Public Company Limited ("The Bank") hereby submits the audited financial statements of the Bank and its subsidiaries for the year ended December 31, 2014 together with the operating performance as follows:

The Bank and its subsidiaries' operating results for the year ended December 31, 2014 show the net interest income of Bt.69,302m, an increase of Bt.4,820m or 7.47% over the Bt.64,482m of the corresponding period of 2013. Net profit before income tax and allowance for doubtful accounts of Bt.53,577m, shows a decrease of Bt.1,170m or 2.14% over the Bt.54,747m of the corresponding period of 2013. After deducting income tax and allowance for doubtful accounts of Bt.20,386m, net profit is Bt.33,191m, shows a decrease of Bt.1,322m or 3.83% over the Bt.34,513m of the corresponding period of 2013.

The Bank and its subsidiaries' gross non-performing loans (NPLs) as at December 31, 2014 are Bt.56,147m, show a decrease of Bt.311m or 0.55% from Bt.56,458m as at December 31, 2013. The ratio of NPLs to loans decreased to 2.41% compared with 2.65% as at December 31, 2013. Net non-performing loans (NPLs) are Bt.30,784m or 1.34%. For the year ended December 31, 2014, the Bank and its subsidiaries have set aside allowance for doubtful accounts and loss on impairment of Bt.13,654m, show an increase of Bt.1,343m or 10.91% over the corresponding period of 2013. In this respect, the Bank has determined to increase its monthly provision for doubtful accounts from Bt.500m to Bt.700m since April 2014 in order to provide an appropriate allowance for doubtful accounts given the increase in the Bank's loan portfolio. As a result, total normalized provision for the year 2014 equaled Bt.7,800m. The Bank also set aside additional provision for bad debts, doubtful accounts and loss on impairment in order to strengthen the Bank's provisioning level with regarding to the prudent banking practice to prepare for any economic uncertainty in the future.

Please be advised accordingly.

Sincerely yours,

Vorapak Tanyawong
President

Financial Institutions & Investor Relations Department Tel. +66 2 208 3668-9



(TRANSLATION)

AUDITOR'S REPORT

To : The Shareholders of Krung Thai Bank Public Company Limited

The Office of the Auditor General of Thailand has audited the accompanying consolidated financial statements of Krung Thai Bank Public Company Limited and its subsidiaries, and the Bank's financial statements of Krung Thai Bank Public Company Limited, which comprise the consolidated and the Bank's statements of financial position as at December 31, 2014, and the consolidated and the Bank's statements of comprehensive income, consolidated and the Bank's statements of changes in equity and consolidated and the Bank's statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and the Bank's Financial Statements

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

Auditor's Responsibility

The Office of the Auditor General of Thailand's responsibility is to express an opinion on these consolidated and the Bank's financial statements based on the audit. The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. Those standards require that the Office of the Auditor General of Thailand comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and the Bank's financial statements are free from material misstatement.

An audit...

Office of the Auditor General of Thailand



(TRANSLATION)

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and the Bank's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and the Bank's 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 consolidated and the Bank's 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 consolidated and the Bank's financial statements.

The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's audit opinion.

Opinion

In the Office of the Auditor General of Thailand's opinion, the above mentioned consolidated and the Bank's financial statements present fairly, in all material respects, the consolidated financial position of Krung Thai Bank Public Company Limited and its subsidiaries, and the Bank's financial position of Krung Thai Bank Public Company Limited, respectively, as at December 31, 2014, and their consolidated and the Bank's financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

(Signed) *Yupin Chalanonniwat*
(Yupin Chalanonniwat)
Inspector General 1

(Signed) *Ratchanee Chohnakijkul*
(Ratchanee Chohnakijkul)
Director of Financial Audit Office No. 2

Office of the Auditor General of Thailand

February 24, 2015

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2014

(Thousand Baht)

	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		DECEMBER 31, 2014	DECEMBER 31, 2013	DECEMBER 31, 2014	DECEMBER 31, 2013
			(RESTATED)		(RESTATED)
ASSETS					
CASH		74,587,619	50,689,508	74,585,231	50,687,465
INTERBANK AND MONEY MARKET ITEMS, NET	6.2	456,541,446	448,572,228	456,436,877	448,445,334
CLAIMS ON SECURITIES		13,215,000	-	13,215,000	-
DERIVATIVES ASSETS	3.4 6.3	16,042,974	21,310,251	16,108,055	21,335,305
INVESTMENTS, NET	3.6 6.4	245,348,301	230,573,088	245,108,718	230,398,733
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	3.6 6.5	16,769,466	11,209,982	11,463,358	5,369,563
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET	3.7 6.6				
LOANS TO CUSTOMERS		1,905,734,077	1,718,734,183	1,900,767,273	1,715,679,231
ACCRUED INTEREST RECEIVABLES		5,190,813	4,647,126	5,202,824	4,775,672
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES		1,910,924,890	1,723,381,309	1,905,970,097	1,720,454,903
LESS DEFERRED REVENUE		(7,744,820)	(7,643,919)	(120,492)	(175,334)
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	3.8 6.7	(71,023,915)	(61,676,632)	(68,369,680)	(60,847,080)
LESS REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING	3.9 6.8	(113,222)	(130,221)	(113,222)	(130,221)
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET		1,832,042,933	1,653,930,537	1,837,366,703	1,659,302,268
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES		1,909,763	3,121,789	1,909,763	3,121,789
PROPERTIES FOR SALE, NET	3.10 6.9	30,733,269	30,661,019	30,486,612	30,386,602
PREMISES AND EQUIPMENT, NET	3.11 6.10	27,745,113	26,798,824	21,559,347	21,350,942
OTHER INTANGIBLE ASSETS, NET	3.12 6.11	4,187,727	3,848,182	905,412	637,399
DEFERRED TAX ASSETS	3.19 6.12	4,142,405	3,876,024	3,892,134	3,719,681
ACCRUED INCOME		4,637,956	4,374,111	4,429,265	4,092,263
OTHER ASSETS, NET	6.13	11,462,185	17,867,155	9,683,916	15,445,545
TOTAL ASSETS		2,739,366,157	2,506,832,698	2,727,150,391	2,494,292,889
LIABILITIES AND EQUITY					
DEPOSITS	3.18 6.14	2,151,641,280	1,883,781,168	2,152,553,446	1,884,261,913
INTERBANK AND MONEY MARKET ITEMS, NET	6.15	162,014,934	200,989,265	160,774,651	199,372,480
LIABILITIES PAYABLE ON DEMAND		5,107,990	5,695,007	5,107,990	5,695,007
LIABILITIES TO DELIVER SECURITIES		13,215,000	-	13,215,000	-
DERIVATIVES LIABILITIES	3.4 6.3	16,245,258	24,544,712	16,245,513	24,544,712
DEBT ISSUED AND BORROWINGS	6.16	104,582,439	133,000,654	103,611,501	128,911,083
BANK'S LIABILITIES UNDER ACCEPTANCES		1,909,763	3,121,789	1,909,763	3,121,789
PROVISIONS	3.17 3.21 6.17	14,099,007	14,345,933	13,443,285	13,732,153
DEFERRED TAX LIABILITIES	3.19 6.12	-	182,682	-	-
OTHER LIABILITIES	6.18	38,408,223	35,081,199	36,436,572	32,478,952
TOTAL LIABILITIES		2,507,223,894	2,300,742,409	2,503,297,721	2,292,118,089

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER, 2014

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		DECEMBER 31, 2014	DECEMBER 31, 2013	DECEMBER 31, 2014	DECEMBER 31, 2013
			(RESTATED)		(RESTATED)
LIABILITIES AND EQUITY (CONTINUED)					
EQUITY					
SHARE CAPITAL	6.19				
AUTHORIZED SHARE CAPITAL					
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	28,325	28,325
13,976,061,250 ORDINARY SHARES OF BAHT 5.15 EACH		71,976,715	71,976,715	71,976,715	71,976,715
ISSUED AND PAID-UP SHARE CAPITAL					
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	28,325	28,325
13,976,061,250 ORDINARY SHARES OF BAHT 5.15 EACH		71,976,715	71,976,715	71,976,715	71,976,715
PREMIUM ON SHARE CAPITAL					
PREMIUM ON ORDINARY SHARE		20,833,734	20,833,734	20,833,734	20,833,734
OTHER COMPONENTS OF EQUITY		12,443,158	6,738,638	9,206,832	6,522,303
RETAINED EARNINGS					
APPROPRIATED					
LEGAL RESERVE	6.20	7,200,504	7,200,504	7,200,504	7,200,504
UNAPPROPRIATED		119,659,819	99,312,372	114,606,560	95,613,219
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		232,142,255	206,090,288	223,852,670	202,174,800
NON-CONTROLLING INTEREST		8	1		
TOTAL EQUITY		232,142,263	206,090,289	223,852,670	202,174,800
TOTAL LIABILITIES AND EQUITY		2,739,366,157	2,506,832,698	2,727,150,391	2,494,292,889

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Areepong Bhoocha-oom
(MR. AREEPONG BHOOTHA-OOM)
CHAIRMAN

(Signed) Vorapak Tanyawong
(MR. VORAPAK TANYAWONG)
PRESIDENT

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2014	2013 (RESTATED)	2014	2013 (RESTATED)
INTEREST INCOME	3.2 6.27	118,624,658	111,402,861	116,675,690	109,959,344
INTEREST EXPENSES	3.3 6.28	49,322,774	46,921,365	49,043,987	46,773,347
INTEREST INCOME, NET		69,301,884	64,481,496	67,631,703	63,185,997
FEES AND SERVICE INCOME		18,094,242	17,368,570	17,253,395	16,534,548
FEES AND SERVICE EXPENSES		1,771,044	1,656,851	1,842,514	1,786,719
FEES AND SERVICE INCOME, NET	6.29	16,323,198	15,711,719	15,410,881	14,747,829
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	6.30	4,826,517	4,580,838	4,898,674	4,612,725
GAINS ON INVESTMENTS, NET	6.31	235,265	2,559,978	270,156	2,559,488
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD		3,799,780	3,238,498	-	-
DIVIDEND INCOME		424,548	2,028,467	2,149,926	2,377,727
OTHER OPERATING INCOME		2,303,866	1,729,957	1,196,438	1,256,818
TOTAL OPERATING INCOME		97,215,058	94,330,953	91,557,778	88,740,584
OTHER OPERATING EXPENSES					
EMPLOYEES' EXPENSES		24,197,150	22,782,924	20,919,316	19,590,790
DIRECTORS' REMUNERATION		102,403	97,944	79,158	76,753
PREMISES AND EQUIPMENT EXPENSES		8,182,815	7,444,003	5,085,668	4,900,249
TAXES AND DUTIES		4,094,459	3,774,118	4,055,991	3,732,256
OTHERS		7,060,724	5,485,018	11,324,138	9,455,145
TOTAL OTHER OPERATING EXPENSES		43,637,551	39,584,007	41,464,271	37,755,193
BAD DEBTS, DOUBTFUL ACCOUNTS AND LOSS ON IMPAIRMENT	6.32	13,654,295	12,310,527	11,399,849	11,599,849
OPERATING PROFIT BEFORE INCOME TAX EXPENSES		39,923,212	42,436,419	38,693,658	39,385,542
INCOME TAX EXPENSES	3.19 6.33	6,732,171	7,923,564	6,838,349	7,845,624
NET PROFIT		33,191,041	34,512,855	31,855,309	31,539,918

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2014	2013	2014	2013
			(RESTATED)		(RESTATED)
OTHER COMPREHENSIVE INCOME					
CHANGES IN REVALUATION SURPLUS ON ASSETS		-	(1,876)	-	(1,876)
GAINS (LOSSES) ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS		3,380,583	(3,677,140)	3,380,583	(3,677,140)
GAINS (LOSSES) ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS		(19,937)	59,142	(19,937)	59,142
ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS		(673,705)	(729,483)	(696,680)	(728,122)
SHARE OF OTHER COMPREHENSIVE INCOME FROM ASSOCIATES		3,019,991	(1,648,628)	-	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME		(541,375)	880,502	(536,781)	880,229
OTHER COMPREHENSIVE INCOME, NET	6.34	5,165,557	(5,117,483)	2,127,185	(3,467,767)
TOTAL COMPREHENSIVE INCOME		38,356,598	29,395,372	33,982,494	28,072,151
NET PROFIT ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		33,191,034	34,512,855	31,855,309	31,539,918
NON-CONTROLLING INTEREST		7	-		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		38,356,591	29,395,372	33,982,494	28,072,151
NON-CONTROLLING INTEREST		7	-		
EARNINGS PER SHARE OF PARENT COMPANY					
BASIC EARNINGS PER SHARE (BAHT)	3.20	2.37	2.47	2.28	2.26
DILUTED EARNINGS PER SHARE (BAHT)	3.20	2.37	2.47	2.28	2.26

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Areepong Bhoocha-oom
(MR. AREEPONG BHOOTHA-OM)
CHAIRMAN

(Signed) Vorapak Tanyawong
(MR. VORAPAK TANYAWONG)
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

(Thousand Baht)

CONSOLIDATED FINANCIAL STATEMENTS										(Thousands of Baht)
		ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK						NON-	TOTAL	
	NOTE	ISSUED AND	PREMIUM	OTHER COMPONENTS OF EQUITY			RETAINED	TOTAL EQUITY	CONTROLLING	
		PAID-UP	ON	APPRAISAL	REVALUATION	GAIN (LOSS) FROM	EARNINGS	ATTRIBUTABLE	INTEREST	
		SHARE	SHARE	SURPLUS	SURPLUS	TRANSLATING		TO EQUITY		
		CAPITAL	CAPITAL	(DEFICIT)	(DEFICIT)	THE FINANCIAL		HOLDERS OF		
				ON ASSETS	ON INVESTMENTS	STATEMENTS		THE BANK		
BEGINNING BALANCE AS AT JANUARY 1, 2013 (BEFORE RESTATED)		72,005,040	20,833,734	7,936,424	5,693,999	(5,994)	73,799,887	180,263,090	511	180,263,601
EFFECT OF CHANGE IN ACCOUNTING POLICY										
REGARDING DEFERRED TAX		-	-	(1,587,285)	(765,807)	1,198	4,936,033	2,584,139	-	2,584,139
BALANCE AFTER ADJUSTMENT AS AT JANUARY 1, 2013		72,005,040	20,833,734	6,349,139	4,928,192	(4,796)	78,735,920	182,847,229	511	182,847,740
DIVIDEND PAID	6.21	-	-	-	-	-	(6,152,312)	(6,152,312)	-	(6,152,312)
OTHERS		-	-	-	-	-	-	-	(510)	(510)
TOTAL COMPREHENSIVE INCOME	6.34	-	-	(1,500)	(4,590,340)	57,943	33,929,268	29,395,371	-	29,395,371
ENDING BALANCE AS AT DECEMBER 31, 2013		72,005,040	20,833,734	6,347,639	337,852	53,147	106,512,876	206,090,288	1	206,090,289
BEGINNING BALANCE AS AT JANUARY 1, 2014		72,005,040	20,833,734	6,347,639	337,852	53,147	106,512,876	206,090,288	1	206,090,289
DIVIDEND PAID	6.21	-	-	-	-	-	(12,304,624)	(12,304,624)	-	(12,304,624)
TOTAL COMPREHENSIVE INCOME	6.34	-	-	-	5,724,457	(19,937)	32,652,071	38,356,591	7	38,356,598
ENDING BALANCE AS AT DECEMBER 31, 2014		72,005,040	20,833,734	6,347,639	6,062,309	33,210	126,860,323	232,142,255	8	232,142,263

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

(Thousand Baht)

THE BANK'S FINANCIAL STATEMENTS							
NOTE	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON SHARE CAPITAL	OTHER COMPONENTS OF EQUITY			RETAINED EARNINGS	TOTAL
			APPRAISAL SURPLUS (DEFICIT) ON ASSETS	REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS	GAIN (LOSS) FROM TRANSLATING THE FINANCIAL STATEMENTS		
BEGINNING BALANCE AS AT JANUARY 1, 2013 (BEFORE RESTATED)	72,005,040	20,833,734	7,936,424	3,829,036	(5,994)	73,040,443	177,638,683
EFFECT OF CHANGE IN ACCOUNTING POLICY							
REGARDING DEFERRED TAX	-	-	(1,587,285)	(765,807)	1,198	4,968,172	2,616,278
BALANCE AFTER ADJUSTMENT AS AT JANUARY 1, 2013	72,005,040	20,833,734	6,349,139	3,063,229	(4,796)	78,008,615	180,254,961
DIVIDEND PAID	6.21	-	-	-	-	(6,152,312)	(6,152,312)
TOTAL COMPREHENSIVE INCOME	6.34	-	(1,500)	(2,941,712)	57,943	30,957,420	28,072,151
ENDING BALANCE AS AT DECEMBER 31, 2013	72,005,040	20,833,734	6,347,639	121,517	53,147	102,813,723	202,174,800
BEGINNING BALANCE AS AT JANUARY 1, 2014	72,005,040	20,833,734	6,347,639	121,517	53,147	102,813,723	202,174,800
DIVIDEND PAID	6.21	-	-	-	-	(12,304,624)	(12,304,624)
TOTAL COMPREHENSIVE INCOME	6.34	-	-	2,704,466	(19,937)	31,297,965	33,982,494
ENDING BALANCE AS AT DECEMBER 31, 2014	72,005,040	20,833,734	6,347,639	2,825,983	33,210	121,807,064	223,852,670

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Areepong Bhoocha-oom
(MR. AREEPONG BHOOCHA-OOM)
CHAIRMAN

(Signed) Vorapak Tanyawong
(MR. VORAPAK TANYAWONG)
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

(Thousand Baht)

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2014	2013	2014	2013
		(RESTATED)		(RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES				
OPERATING PROFIT BEFORE INCOME TAX EXPENSES	39,923,212	42,436,419	38,693,658	39,385,542
ADJUSTMENTS TO RECONCILE OPERATING PROFIT BEFORE INCOME TAX EXPENSES				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION AND AMORTIZATION EXPENSES	3,266,678	3,018,518	1,316,549	1,361,445
BAD DEBTS, DOUBTFUL ACCOUNTS AND LOSS ON IMPAIRMENT	13,654,295	12,310,527	11,399,849	11,599,849
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	(3,799,780)	(3,238,498)	-	-
DIVIDEND RECEIVED FROM ASSOCIATES	1,260,287	983,685	-	-
LOSS (GAIN) ON DISPOSAL OF ASSETS	20,119	(18,802)	(11,795)	(903)
GAIN ON DISPOSAL OF INVESTMENTS	(183,784)	(3,587,888)	(183,784)	(3,587,888)
LOSS ON RECLASSIFICATION OF INVESTMENTS	-	500	-	500
LOSS ON REVALUATION OF INVESTMENTS	6,779	10,367	6,779	10,367
LOSS (REVERSAL) ON IMPAIRMENT OF PROPERTIES FOR SALE	249,668	(320,698)	92,661	(343,545)
LOSS (REVERSAL) ON IMPAIRMENT OF INVESTMENTS	(51,482)	1,027,910	(86,372)	1,028,400
LOSS ON IMPAIRMENT OF PREMISES AND EQUIPMENT	3,058	-	3,058	-
REVERSAL OF IMPAIRMENT OF OTHER ASSETS	(7,025)	(5,394)	(7,025)	(5,394)
LOSS ON IMPAIRMENT OF OTHER ASSETS	196,369	94,987	196,369	94,987
AMORTIZATION OF DISCOUNT ON INVESTMENTS	(1,117,930)	(713,353)	(1,114,304)	(710,752)
GAIN ON FOREIGN CURRENCY TRANSLATION	(1,279,962)	(1,090,932)	(1,279,943)	(1,090,227)
INCREASE (DECREASE) IN PROVISIONS	(920,633)	328,994	(985,549)	267,239
DECREASE (INCREASE) IN OTHER ACCRUED INCOME	412,358	(464,352)	339,202	(488,348)
INCREASE IN OTHER ACCRUED EXPENSES	1,946,612	1,599,407	1,489,706	1,070,395
	53,578,839	52,371,397	49,869,059	48,591,667
INTEREST INCOME, NET	(69,301,884)	(64,481,496)	(67,631,703)	(63,185,997)
DIVIDEND INCOME	(424,548)	(2,028,467)	(2,149,926)	(2,377,727)
PROCEEDS FROM INTEREST INCOME	118,031,783	111,226,823	116,199,350	109,672,056
CASH PAID ON INTEREST EXPENSES	(46,325,294)	(44,304,119)	(48,380,780)	(46,622,041)
PROCEEDS FROM DIVIDEND INCOME	424,548	2,028,947	2,149,926	2,378,206
CASH PAID ON INCOME TAX EXPENSES	(8,949,691)	(7,384,913)	(8,681,773)	(7,145,174)
OPERATING INCOME BEFORE CHANGES IN				
OPERATING ASSETS AND LIABILITIES	47,033,753	47,428,172	41,374,153	41,310,990
(INCREASE) DECREASE IN OPERATING ASSETS				
INTERBANK AND MONEY MARKET ITEMS	(8,596,233)	(115,792,529)	(8,618,558)	(115,702,278)
INVESTMENTS IN TRADING SECURITIES	(28,127,724)	15,885,387	(28,127,724)	15,885,387
LOANS TO CUSTOMERS	(195,157,326)	(189,856,710)	(192,971,455)	(185,454,619)
PROPERTIES FOR SALE	4,060,389	10,767,765	4,172,935	10,979,856
OTHER ASSETS	14,029,735	(15,330,443)	13,346,669	(14,108,311)
INCREASE (DECREASE) IN OPERATING LIABILITIES				
DEPOSITS	267,860,112	216,820,588	268,291,532	216,888,183
INTERBANK AND MONEY MARKET ITEMS	(38,974,331)	8,977,746	(38,597,830)	8,281,163
LIABILITIES PAYABLE ON DEMAND	(587,016)	(382,899)	(587,016)	(382,899)
DEBT ISSUED AND SHORT-TERM BORROWINGS	219,367	5,739,917	3,338,000	1,370,346
OTHER LIABILITIES	(9,827,191)	9,136,355	(5,749,455)	11,702,797
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	51,933,535	(6,606,651)	55,871,251	(9,229,385)

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

(Thousand Baht)

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2014	2013	2014	2013
		(RESTATED)		(RESTATED)
CASH FLOWS FROM INVESTING ACTIVITIES				
PURCHASES OF AVAILABLE FOR SALE SECURITIES	(92,013,409)	(77,461,766)	(92,013,409)	(77,461,766)
PROCEEDS FROM DISPOSAL OF AVAILABLE FOR SALE SECURITIES	91,534,570	100,160,485	91,534,570	100,160,485
PURCHASES OF HELD TO MATURITY DEBT SECURITIES	(23,816,284)	(43,920,402)	(23,249,681)	(43,283,637)
PROCEEDS FROM DISPOSAL OF HELD TO MATURITY DEBT SECURITIES	41,272,571	65,678,239	40,767,571	65,148,239
PURCHASES OF GENERAL INVESTMENTS	(225,034)	(687,225)	(225,034)	(687,175)
PROCEEDS FROM DISPOSAL OF GENERAL INVESTMENTS	293,021	654,213	293,021	654,213
PURCHASES OF INVESTMENTS IN ASSOCIATED COMPANIES	-	(150,000)	(6,058,905)	(150,510)
PURCHASES OF INTANGIBLE ASSETS	(987,390)	(549,852)	(355,909)	(101,178)
PURCHASES OF PREMISES AND EQUIPMENT	(2,824,009)	(2,993,546)	(1,263,528)	(835,685)
PROCEEDS FROM DISPOSAL OF PREMISES AND EQUIPMENT	147,570	291,750	14,849	1,287
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,381,606	41,021,896	9,443,545	43,444,273
CASH FLOWS FROM FINANCING ACTIVITIES				
PROCEEDS FROM DEBT ISSUED AND LONG-TERM BORROWINGS	23,469,000	14,870,673	23,469,000	15,070,673
REPAYMENTS OF DEBT ISSUED AND LONG-TERM BORROWINGS	(52,561,469)	(36,208,499)	(52,561,469)	(36,208,499)
DIVIDEND PAID-ORDINARY SHARE	(12,298,934)	(6,149,467)	(12,298,934)	(6,149,467)
DIVIDEND PAID-PREFERRED SHARE	(5,690)	(2,845)	(5,690)	(2,845)
NET CASH USED IN FINANCING ACTIVITIES	(41,397,093)	(27,490,138)	(41,397,093)	(27,290,138)
GAIN (LOSS) ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	(19,937)	59,142	(19,937)	59,142
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,898,111	6,984,249	23,897,766	6,983,892
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS	50,689,508	43,705,259	50,687,465	43,703,573
ENDING BALANCE OF CASH AND CASH EQUIVALENTS	74,587,619	50,689,508	74,585,231	50,687,465

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Areepong Bhoocha-oom
(MR. AREEPONG BHOOCHA-OOM)

CHAIRMAN

(Signed) Vorapak Tanyawong
(MR. VORAPAK TANYAWONG)

PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2014**

1. GENERAL INFORMATION

Krung Thai Bank Public Company Limited (the Bank) is a public company limited registered in the Kingdom of Thailand with its head office located at 35 Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok, Thailand. The Bank engages in commercial banking business and conducts its business through a nationwide branch network and in certain major centers of the world.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**2.1 Basis of Preparation of the Consolidated and the Bank's Financial Statements**

The consolidated financial statements and the Bank's financial statements are presented in accordance with the Notification of the Bank of Thailand (BoT) No. SOR NOR SOR.11/2553 dated December 3, 2010, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups, including any other supplementary BoT's notifications; and with the regulations of the Stock Exchange of Thailand (SET) dated January 22, 2001, regarding the Preparation and Submission of Financial Statements and Report on Financial Position and Results of Business Operations of Listed Companies, B.E. 2544 (2001). Moreover, these financial statements are prepared in conformity with generally accepted accounting principles, under Accounting Act B.E. 2543 (2000).

The Consolidated Financial Statements

The consolidated financial statements comprise the accounts of the Bank and its subsidiaries in which the Bank is a controlling interest or holds over 50 percent of paid-up shares capital after eliminating material intercompany transactions and balances. The 7 consolidated subsidiaries are KTB Law Co., Ltd., KTB General Services Co., Ltd., Krung Thai Asset Management Pcl., KTB Computer Services Co., Ltd., KTB Leasing Co., Ltd., KTB Advisory Co., Ltd., and KTB Capital Holding Co., Ltd. (registered as the business dissolution with the Ministry of Commerce on December 18, 2014, in the process of liquidation).

Percentages of shareholdings and investments in the Bank's subsidiaries and associates are shown in Note 6.5.

Investments in associates are accounted in the consolidated financial statements using the equity method.

The Bank's Financial Statements

Investments in subsidiaries and associates are accounted in the Bank's financial statements using the cost method.

The Bank's financial statements for the years ended December 31, 2014 and 2013 included the accounts of domestic and foreign branches, after eliminating the effects of all interbranch transactions.

The English Translation of Financial Statement

This English translation of financial statement has been prepared from the statutory financial statements that were issued in Thai language. In case of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2.2 Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) Effective in Current Period

The Bank has adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), TSIC Interpretations and TFRIC Interpretations that announced and revised in accordance with The Federation of Accounting Professions, those are effective for the financial statements of the periods beginning on or after January 1, 2014, including Conceptual Framework for Financial Reporting (revised 2014) effective since October 15, 2014. The Bank's managements have already considered that they have no significant impacts on the Bank's accounting policies, and the Bank's and its subsidiaries' financial statements.

2.3 The New and Revised Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS)

Announced but not yet Effective

The Federation of Accounting Professions has announced Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), TSIC Interpretations and TFRIC Interpretations, those are effective for the financial statements periods beginning on or after January 1, 2015 as follows:

TAS 1 (revised 2014)	Presentation of Financial Statements
TAS 2 (revised 2014)	Inventories
TAS 7 (revised 2014)	Statement of Cash Flows
TAS 8 (revised 2014)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2014)	Events after the Reporting Period
TAS 11 (revised 2014)	Construction Contracts
TAS 12 (revised 2014)	Income Taxes
TAS 16 (revised 2014)	Property, Plant and Equipment
TAS 17 (revised 2014)	Leases
TAS 18 (revised 2014)	Revenue
TAS 19 (revised 2014)	Employee Benefits
TAS 20 (revised 2014)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2014)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2014)	Borrowing Costs
TAS 24 (revised 2014)	Related Party Disclosures
TAS 26 (revised 2014)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2014)	Separate Financial Statements
TAS 28 (revised 2014)	Investments in Associates and Joint Ventures
TAS 29 (revised 2014)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2014)	Earnings per Share
TAS 34 (revised 2014)	Interim Financial Reporting
TAS 36 (revised 2014)	Impairment of Assets
TAS 37 (revised 2014)	Provisions, Contingent Liabilities and Contingent Assets

TAS 38 (revised 2014)	Intangible Assets
TAS 40 (revised 2014)	Investment Property
TFRS 2 (revised 2014)	Share-based Payment
TFRS 3 (revised 2014)	Business Combinations
TFRS 5 (revised 2014)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2014)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2014)	Operating Segments
TFRS 10	Consolidated Financial Statements
TFRS 11	Joint Arrangements
TFRS 12	Disclosure of Interests in Other Entities
TFRS 13	Fair Value Measurement
TSIC 10 (revised 2014)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2014)	Operating Leases-Incentives
TSIC 25 (revised 2014)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2014)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2014)	Service Concession Arrangements : Disclosures
TSIC 31 (revised 2014)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2014)	Intangible Assets-Web Site Costs
TFRIC 1 (revised 2014)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2014)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2014)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2014)	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2014)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2014)	Service Concession Arrangements
TFRIC 13 (revised 2014)	Customer Loyalty Programmes
TFRIC 14	TAS 19 (revised 2014) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2014)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2014)	Distribution of Non-cash Assets to Revenues

TFRIC 18 (revised 2014)

Transfers of Assets from Customers

TFRIC 20

Stripping Costs in the Production Phase of a Surface Mine

Also, TFRS 4 Insurance Contracts is effective for the financial statements for periods beginning on or after January 1, 2016 onward.

The Bank has been preparing for adopting related TAS, TFRS, TSIC Interpretations and TFRIC Interpretations mentioned above. It is in the process of evaluating the impacts to the financial statements when they are adopted.

2.4 Changes in Accounting Policy of Employee Benefits

The Bank has changed in accounting policy of Employee Benefits from formerly recognized the actuarial gains and losses in operating income or expenses to directly recognized in other comprehensive income which are immediately recognized in retained earnings.

The Bank applies retrospective approach for these changes which the results that used to be presented in the consolidated financial statements and the Bank's financial statements for the year ended December 31, 2013 were as follows:

	(Million Baht)	
	Consolidated	The Bank's
	<u>Financial Statements</u>	<u>Financial Statements</u>
	<u>December 31, 2013</u>	<u>December 31, 2013</u>
Statements of Comprehensive Income		
Decreased in employees' expenses	(729.48)	(728.12)
Increased in income tax expenses	145.90	145.62
Other Comprehensive Income		
Increased in other comprehensive income	729.48	728.12
Decreased in income tax relating to components of other comprehensive income	(145.90)	(145.62)

2.5 Reclassification

The financial statements for the year ended December 31, 2013 are reclassified to conform with presentation of the financial statements for the year ended December 31, 2014 as follows:

	(Million Baht)
	<u>Consolidated Financial Statements</u>
	<u>for the Year Ended</u>
	<u>December 31, 2013</u>
Statement of Comprehensive Income	
Decreased in losses on remeasuring available-for-sale investments	(1,648.63)
Increased in share of other comprehensive income from associates	1,648.63

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and Cash Equivalents

Cash and cash equivalents represent cash in hand and cash on collection.

3.2 Recognition of Interest Income

Interest income is recognized on an accrual basis, except for interest on loans classified as delinquent over 3 months and interest on loans under troubled debt restructuring contract. In accordance with the BoT's regulations, interest income on delinquent loans over 3 months from the due date already recognized as an income since January 1, 2000 would have been reversed and recognized as only income when the actual payments are received.

The lease income of the Bank and its subsidiaries is recognized as follows:

- Interest income from hire-purchase and financial lease are recognized by using effective interest rate throughout the term of the lease. Interest on defaulted lease over 4 months of hire-purchase and financial lease and over 3 months of consumer financial lease are ceased to recognize and reversed from the statements of comprehensive income, and will be recognized when the actual payment are received.

- Income from operating lease contract is recognized in profit or loss on a straight-line basis over the term of lease.

3.3 Recognition of Expenses

Interest expenses, fees and service expenses and other operating expenses, are recognized on an accrual basis.

3.4 Derivatives

Accounting for financial derivative transactions depends on their purposes as follows:

1) Trading Derivatives

The Bank records trading derivatives at fair value and recognizes gains or losses arising from changes in fair value in gains (losses) on tradings and foreign exchange transactions, net in the statements of comprehensive income along with assets or liabilities on the statements of financial position.

2) Hedging Derivatives

The Bank measures derivatives with the same manner of the hedged items.

3.5 Embedded Derivatives

Accounting for embedded derivatives namely Credit Derivative and Structured Note in line with the IAS 39 Financial Instruments: Recognition and Measurement is treated as follows:

- 1) For the embedded derivatives (not closely related) those could be separated from their host contract; if the Bank is able to measure them separately and reliably, their gains (losses) will be recognized at fair value through gains (losses) on tradings and foreign exchange transactions, net in the statements of comprehensive income. Conversely, the Bank is unable to measure the embedded derivatives separately, the Bank will revalue the entire combined contract and designate as trading booked at fair value through profit or loss, which also be recognized in the statements of comprehensive income.

- 2) For the embedded derivatives (closely related), the Bank will not separate them from their host contracts and will recognize the entire combined contract in accordance with related accounting standards.

3.6 Investments

3.6.1 Basis of Classification of Investments

Marketable debt and/or equity securities are classified as trading securities, and/or as available-for-sale securities, and held-to-maturity debt securities. Non-marketable equity securities are classified as general investments. Securities held for 1 year or less are presented as current investments, while those held for more than 1 year are presented as long-term investments. Trading securities are classified as current investments.

3.6.2 Basis of Valuation of Investments

Investments in marketable debt or equity securities classified as trading securities are stated at fair value. Unrealized gains or losses arising from the revaluation are recorded through gains (losses) on tradings and foreign exchange transactions, net in the statements of comprehensive income.

Investments in marketable debt or equity securities classified as available-for-sale securities are stated at fair value. Unrealized gains or losses arising from the revaluation are separately shown in equity and realized gains or losses after the disposal.

Investments in debt securities classified as held-to-maturity are stated at the amortized cost. Premiums or discounts on held-to-maturity debt securities are adjusted to interest income at the end of each month by using the straight-line method which is immaterially different from using the effective interest rate method.

Investments in non-marketable equity securities classified as general investments are stated at cost, net of allowance for impairment. Losses on impairment are recorded through gains (losses) on investments, net in the statements of comprehensive income.

Investments in marketable unit trust classified as trading and available-for-sale securities are stated at fair value whereas investments in non-marketable unit trust are stated at net asset value.

Investments in foreign asset-backed debt securities classified as trading securities-current investments are stated at fair value.

Investments in subsidiaries and associates, shown in the Bank's financial statements, are accounted for by the cost method, net of allowance for impairment.

Investments in subsidiaries and associates, shown in the consolidated financial statements of the Bank and its subsidiaries, are accounted for by the equity method (the Bank uses financial information from unaudited/unreviewed financial statements of the associates).

The cost of disposed investments is calculated by the weighted-average method. Gains or losses on disposal of investments are presented under gains (losses) on investments, net in the statements of comprehensive income.

Dividend income from investments is recognized when declared (except dividend income from associates in the consolidated financial statements is recognized by the equity method).

3.7 Loans

Loans represent the outstanding principal amounts, except for overdrafts including accrued interest receivables. Deferred revenue is presented as deduction from the loans.

Hire purchase receivables represent the outstanding amounts, less deferred interest receivables, and deferred commission, plus amortized direct expenses.

3.8 Allowance for Doubtful Accounts

Allowance for doubtful accounts are set aside compliance with the BoT's Notification No. SOR NOR SOR.31/2551 dated August 3, 2008, regarding Regulations on Assets Classification and Provision of Financial Institutions and with the BoT's Regulations on Valuation and Appraisal of Collateral and Immovable Properties for Sale acquired through Debt Repayment dated December 9, 2009. The notifications and policy regulations are as follows:

1) The Bank has set aside provision for impaired-debtors at 100 percent of the difference between the book value of loans and the present value of expected cash flows from the disposals of collateral as to the practice stipulated by the BoT.

2) Collateral using for calculating the present value of expected cash flows from disposals are immovable properties and leasehold rights (e.g. the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the litigation process equal to 62.03 percent of the appraisal value and the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the public auction process equal to 66.38 percent of the appraisal value). Other types of collateral are calculated by using the valuation rate specified by the BoT.

3) Collateral valuation has been conducted according to the BoT's regulations relating to types of collateral, valuation methodology, valuation frequency, and values of collateral that could be deductible before provisioning as follows:

- As for normal and special mention categories, the underlying collateral is required to reappraise or revalue on a 3-year basis, except for the credit line of housing loans and other loans apart from housing loans with credit lines or outstanding balances not exceeding Baht 20 million, which their collateral will be reappraised or revalued when change to sub-standard and the last reappraisal or revaluation date exceeding 3 years.

- As for sub-standard, doubtful and doubtful of loss categories are required to reappraise or revalue collaterals by using the methods specified by the BoT. All types of collaterals which are immovable properties are required to reappraise or revalue on a 3-year basis as minimum. In case of near cash collateral such as marketable securities, is required to reappraise or revalue at the end of the accounting period.

Besides, the Bank has gradually set aside the allowance for doubtful accounts on a monthly basis of Baht 500 million since the accounting period of 2008 and increased them to Baht 700 million since April 2014. Apart from this, the additional allowance for doubtful account has been appropriately considered. In 2014, the Bank has set aside an additional allowance for doubtful accounts at Baht 3,600 million (Note 6.7).

Bad debts written off and bad debts recovered are either deducted from or added to the allowance for doubtful accounts, whichever the case may be.

Any debtors classified as doubtful of loss and considered to be irrecoverable are written off at the underlying value of provisioning as prescribed by the Bank's write-off policy and in line with the BoT's regulations.

3.9 Determination of Losses on Troubled Debt Restructuring (TDR)

Losses arising from debt restructuring are determined as follows:

3.9.1 In case of relaxation of the debt repayment conditions without reducing of principal and accrued interest receivables prior to troubled debt, the present value of expected cash flow received is discounted by using the interest rate under the conditions specified in the TDR contract. Where such interest rate is lower than financial cost rate, the financial cost rate will be used instead. If the present value computed is lower than the book value (the principal amount plus accrued interest receivables included in the outstanding balance of restructured debt), an allowance for losses on troubled debt restructuring will be fully recognized in the statements of comprehensive income for the relevant period.

The component of financial costs features the weighted average cost of deposits and borrowings, contributions to the BoT and the Deposit Protection Agency (DPA), and expenses incurred to maintain liquidity.

3.9.2 In case of debt repayment through assets and financial instruments transfers or debt-equity conversion of accounts receivables, the Bank has entirely written off. Losses on debt restructuring are charged to the statements of comprehensive income instantly upon the transfer of assets considering together with the original allowance for doubtful accounts. Thus, the value of transferred assets shall be recorded not higher than the book value of the debt plus accrued interest receivables entitled by the Bank.

In case of partial settlement of debt through the transfer of assets, financial instruments or debtors' equity, the Bank's will follow Note 3.9.2 in the first place. For the remaining amount of debt, if there is the relaxation of the repayment condition, the Bank will follow Note 3.9.1.

3.10 Properties for Sale

Properties for sale are immovable and movable properties which are stated at lower of cost or market value less allowance for impairment. Losses on impairment or reversal of losses on impairment are recognized as other operating expenses or income in the statements of comprehensive income. Gains or losses on disposals of those properties after deducting selling expenses are recognized as other operating income or expenses in the statements of comprehensive income.

The Bank has followed the BoT's Notification No. SOR NOR SOR.21/2555 dated December 17, 2012, regarding Regulations on Accounting of Financial Institutions Section 1, Accounting for the Sales of Foreclosed Assets, SOR NOR SOR.31/2551 dated August 3, 2008, regarding Regulations on Assets Classification and Provision of Financial Institutions, SOR NOR SOR.22/2552 dated December 11, 2009, regarding Immovable Properties for Sale, and SOR NOR SOR.23/2552 dated December 11, 2009, regarding the Rules of the Purchase and Holding of Immovable Properties Used as Premises for the Business or as Facilities for its Officers and Employees of Financial Institutions.

According to the BoT's Policy No. THOR POR THOR. PHOR NOR SOR.(21) WOR.2470/2552 dated December 9, 2009, regarding Delivery Policy of Appraisal Guarantee and Properties for Sale Received from Financial Institutions, the properties for sale in the amount exceeding Baht 50 million are appraised by the external appraisers, and the amount of not exceeding Baht 50 million are considered to appraise by internal or external appraisers depending on the Bank.

3.11 Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and allowance for asset impairment. Land is revalued on a 3-5 year basis. In case that revaluation result decreased or decreased more than surplus on land revaluation which had been recognized in equity, the Bank will recognize deficit in the statements of comprehensive income. In case that revaluation result increased, the Bank will recognize surplus through appraisal surplus on assets in equity. Except for the case that the Bank revalued decreased on land and already recognized loss in the statements of comprehensive income, the Bank will recognize only surplus amounts that excess of the deficit amounts used to recognized of such land.

Depreciation of premises is calculated on the straight-line basis over their useful lives. Since April 1, 2012, depreciation of premises is calculated on the straight-line basis over their residual useful lives not over 50 years which appraised by independent expert appraisers.

Before April 1, 2012, depreciation of premises is calculated on the straight-line basis over their useful lives of 20 years.

Depreciation of equipment is calculated on the straight-line basis over their useful lives of 5 years. Equipment with an acquisition cost not exceeding Baht 3,000 is charged directly to expense in the period of acquisition. The amounts of those transactions have no significant affect to the Bank's financial statements.

Depreciation method, useful lives, and residual value are annually reviewed.

Depreciation of premises and equipment in foreign countries is at the legal rates applicable in each locality.

3.12 Intangible Assets

Intangible assets comprising software licenses, other licenses, and computer system development costs are stated at cost net accumulated amortization and allowance for impairment. Amortization is calculated by the straight-line basis at the rate of 10 percent per annum and recognized as expense in the statements of comprehensive income. Amortization of intangible assets in foreign countries is at the legal rates applicable in each locality.

3.13 Leaseholds

Leaseholds are stated at cost less accumulated amortization. Amortization charge is calculated by the straight-line basis over the lease period between 3 – 30 years and recognized as expense in the statements of comprehensive income.

3.14 Impairment of Assets

For outstanding balances of assets as at the end of period, the Bank reviews the impairment of assets by items when there is an indication that the book value of those assets is higher than the expected recoverable amounts. As such, losses on impairment will be realized as other operating expenses. The reversal of losses on impairment will be recorded only when there is an indication that such impairment no longer exists or shown at a declining balance, if any, and reversed to other operating income in the statements of comprehensive income.

3.15 Foreign Currency Translation

Assets and Liabilities in Foreign Currencies:

1. Presentation currency in Baht
2. Foreign currency translation

2.1 Items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Balances of monetary assets and liabilities are translated by using the reference exchange rates of BoT as at the reporting date. Balances of non-monetary assets and liabilities are translated by using the exchange rates prevailing at the transaction dates or exchange rates at the date when the fair value was measured.

2.2 Gains or losses on foreign currency exchange and foreign currency translation are presented in the statements of comprehensive income as gains (losses) on tradings and foreign exchange transactions, net.

3. Foreign currency translation of foreign branches' financial statements

Items on the foreign branches' statements of financial position are translated into Baht by using the reference exchange rates of BoT as at the reporting date. The statements of comprehensive income are translated into Baht by using the exchange rate prevailing at the transaction dates or average exchange rates of that accounting period.

Gains or losses on translation of foreign branches' financial statements are presented in equity through other comprehensive income.

3.16 Employees Provident Fund and Retirement Pay

The Bank established a Provident Fund under the Provident Fund Act B.E. 2530 (1987) and entered to the registered fund approved by the Ministry of Finance in June 25, 1992. The Provident Fund is managed by an external fund manager.

Permanent employees of the Bank are entitled to apply for membership according to the registered KTB Provident Fund regulations. Employees could opt to contribute to the Fund at the rate of either 3, 6 or 10 percent of their basic salaries while the Bank's supplemental contribution is at 10 percent of each employees' basic salary.

3.17 Defined Benefit Plan

The Bank and its subsidiaries have defined benefit plan to pay their employees under the employment agreements. The estimate of employee benefits obligations are calculated by using the actuarial techniques called the Projected Unit Credit Method. This method uses statistical data as a factor to estimate the present value of expected future payments and discounts by using market yields on high quality corporate bonds with the approximate maturity of those obligations. The estimate amount is shown in a part of the provisions. The actuarial gains (losses) are recognized in other comprehensive income and transferred immediately to the retained earnings.

3.18 Unclaimed Balances

Unclaimed balances remaining dormancy for over 10 years are taken to other operating income at the end of fiscal year.

3.19 Income Taxes

Income taxes comprise of current tax and deferred tax.

1) Current Tax

Current tax is the amount expected to be paid to the tax authorities by calculating from taxable profit for the period under Revenue Code.

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 taxes basis used in the computation of taxable profit (tax base). The Bank recognized deferred tax assets arising from such temporary differences to the extent that it is probable that taxable profit will be available against those temporary differences could be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and shall be reduced to the extent that the tax benefit will be realized.

Deferred tax is recognized in the statements of comprehensive income, excepting the extent that relates to items recognized in equity, are recognized directly in equity.

The Bank and its subsidiaries calculate amounts of deferred tax assets and liabilities by using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if the Bank has a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.20 Earnings per Share

Basic earnings per share are calculated by dividing the net income by the number of weighted-average ordinary shares.

Diluted earnings per share are calculated by dividing the net income after deducting non-cumulative preferred dividend declared during the period by the number of weighted-average ordinary shares.

3.21 Provisions

The BoT's Notification No. SOR NOR SOR.31/2551 dated August 3, 2008, regarding Regulations on Assets Classification and Provision of Financial Institutions prescribed regulations to set provisions for off-the statements of financial position obligations in conformity with TAS 37 (revised 2009): Provisions, Contingent Liabilities and Contingent Assets. The Bank is required to set provisions for off-the statements of financial position obligations when satisfied all of the following criteria:

1. Off-the statements of financial position obligations classified as substandard, doubtful, doubtful of loss, and loss.
2. Off-the statements of financial position obligations which the Bank should recognize provisions under liabilities according to TAS 37 (revised 2009), paragraph 14 when satisfied all of the following criteria:

2.1 A present obligation resulting from past events could be a legal or a constructive obligation.

2.2 It is possibly certain that there will be a future outflow of resources embodying economic benefit to settle such obligation, and

2.3 An estimate of obligation can be reliably made.

3. Off-the statements of financial position obligations engage in high credit risk such as guarantees on borrowings, aval to bills or irrevocable obligations whereby the Credit Conversion Factor stipulated by the BoT in calculating Capital Fund to be maintained is equal to 1.0.

4. RISK MANAGEMENT

4.1 The Bank's Risk Information

Credit Risk

Credit risk is the risk that a counterparty or borrower fails to comply with conditions and covenants as stated in the mutual agreement or the deterioration of assets' quality resulting in non-repayment debts as set out in the loan contract and an adverse effect over the Bank's income and capital funds. The assets on the statements of financial position, net of allowance for doubtful accounts, represent the Bank's credit risk exposure.

The Bank's risk arises from the counterparties fails to meet their obligations of contingencies which included aval to bills, guarantees on borrowings, liability under unmatured import bills, letters of credit, and other contingencies. The credit risk exposure on these instruments is represented by the notional amount recorded off-the statements of financial position.

The Bank concerns about the contingent credit risk as well as the credit quality, the appropriateness of borrowing objectives and repayment ability of the borrower. The Bank focuses on a credit expansion to both existing and new customers with high potentiality, low risks, and high yield. Moreover, the Bank shall closely evaluate and follow up situations both inside and outside country continually. The Bank also assesses the risks that may impact on solvency of the debtors in the Bank's loan portfolios. Then, the Bank classifies risk level, in order to notice credit department and set the loan policy guideline to prevent the debtors become NPLs. Additionally, the Bank has launched "KTB Transformation" Project since 2013 in order to enhance credit process, and risk management, and also timely response the needs of customers without increasing risks. It is separated into 3 projects which are Retail Transformation, SME Transformation, and Wholesale Banking Transformation. The Retail Transformation and the SME Transformation have already been rolled out, while the Wholesale Banking Transformation is improving the credit approval process and will be rolled out in the future. The Bank also adjusts the approval authority of Credit Rating to the credit approval committee instead of head of credit department. The credit approval committee comprises of authorized persons from credit department and credit risk transaction management department in order to check and balance approval authority and to increase efficiency in Credit Rating process. Moreover, the Bank has regularly improved credit risk management by reviewing/adjusting credit policies and other policies related to the credit risk management for the purpose of complying with economic situation and the Bank's business operation as well as being in consonant with risk management guidance prescribed by the BoT. These adaptive policies shall be practicable with credit offering in order to be flexible in the operation and consistent with the international standards.

The Bank develops Industry Rating and Business Alert (Outlook) report to set Industry Direction & Supply Chain for the credit management and screening criteria for potential entrepreneurs of credit department. The Bank also update information to increase more effective in credit risk management.

The Bank manages credit risk management of the companies in financial business group of the Bank under the BoT's regulations. The credit risk management policies and guidelines of those companies are also reviewed/improved annually and/or when significantly changed event occurs and affects credit risk management.

The Bank monitors and reports risk management results with the intention to control credit risk to be in compliance with the Bank's risk management plan, the BoT's supervision policy and other regulators' rules.

To follow up and manage the quality of credit, the Bank closely monitors the customers whose credits are approved in order to ensure that they are in comply with the terms and conditions of loan agreements by carrying out NPLs reduction project. The watch list debtors with weak performance will be monitored and controlled to prevent such loans becomes NPLs. However, in case those debtors become NPLs, the measure for debt restructuring shall be set up together with legal process. With this regards, the NPLs reduction project shall help stipulating the implementation plan to become clearer and more effective for the NPLs problem solving. Thus, the regular progress shall be reported regularly in order to expedite debt repayment with minimum loss.

In assessing the adequacy of provision as prescribed by the BoT, the Bank is required to examine the accuracy and completeness of loan classification, debt-restructuring and collateral data as type and value of collateral. Such associated data potentially has significant impacts on the allowance for doubtful accounts of the Bank.

According to assets written-off, the Bank has policy to write off any assets classified as doubtful of loss with 100 percent provision; however, the Bank still closely follow up uncollectible amounts or taken legal proceedings to the final action.

The credit review is established to ensure the compliance with standard operation procedures in relation to credit approval and debt restructuring. In addition, the qualitative assessment for loan and other related assets are conducted for loan classification as prescribed by the BoT.

Market Risk

Market risk is the risk that the Bank may sustain loss from changes in value of position on the statements of financial position and off-the statements of financial position which is caused by fluctuation of interest rate, foreign exchange rate, equity securities price and commodity price resulting in negative impact on income and capital. The Bank monitors and controls the market risk in the trading book and banking book portfolio by comparing the existing risks with the approved risk limits/indicators, conducting the approval processes for the breach of the limits/indicators and reporting to the executives and the risk management committee regularly.

Interest Rate Risk

Interest rate risk is the risk that income or capital is adversely affected by changes in interest rate of the asset, liability and off-the statements of financial position items which are Rate Sensitive Items. These may have negative impact on Net Interest Income, market values of Trading Account, and other income and expenses related to interest rate.

The Bank's significant financial assets and liabilities classified by periods of interest rate repricing are as follows:

(Million Baht)

	<u>December 31, 2014</u>						
	Call to				Non-interest		Total
	<u>1 month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>Over 1 year</u>	<u>Bearing</u>	<u>NPLs</u>	
Financial assets							
Interbank and money market items	420,135.53	11,378.23	13,239.13	3.95	13,008.59	18.57	457,784.00
Investments*	11,684.69	30,827.28	30,226.35	127,467.87	18,205.06	-	218,411.25
Loans to customers	1,342,010.80	215,715.56	218,306.26	70,143.74	984.82	53,606.09	1,900,767.27
Total financial assets	1,773,831.02	257,921.07	261,771.74	197,615.56	32,198.47	53,624.66	2,576,962.52
Financial liabilities							
Deposits	1,133,807.03	199,070.07	345,776.20	374,846.44	99,053.71	-	2,152,553.45
Interbank and money market items	74,557.39	28,449.46	12,248.03	40,175.20	5,344.57	-	160,774.65
Debt issued and borrowings	8,486.87	15,087.00	8,157.60	71,880.03	-	-	103,611.50
Total financial liabilities	1,216,851.29	242,606.53	366,181.83	486,901.67	104,398.28	-	2,416,939.60

(Million Baht)

	<u>December 31, 2013</u>						
	Call to				Non-interest		Total
	<u>1 month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>Over 1 year</u>	<u>Bearing</u>	<u>NPLs</u>	
Financial assets							
Interbank and money market items	388,920.49	41,936.33	6,757.68	9.71	11,346.56	19.54	448,990.31
Investments*	12,632.02	17,710.57	34,388.00	151,476.60	12,997.29	-	229,204.48
Loans to customers	1,219,340.44	169,614.64	180,952.99	89,847.87	915.74	55,007.55	1,715,679.23
Total financial assets	1,620,892.95	229,261.54	222,098.67	241,334.18	25,259.59	55,027.09	2,393,874.02
Financial liabilities							
Deposits	1,056,737.22	160,045.88	428,480.19	140,995.62	98,003.00	-	1,884,261.91
Interbank and money market items	106,641.62	42,638.02	17,137.06	29,848.93	3,106.85	-	199,372.48
Debt issued and borrowings	5,217.87	41,720.57	18,531.90	63,440.74	-	-	128,911.08
Total financial liabilities	1,168,596.71	244,404.47	464,149.15	234,285.29	101,109.85	-	2,212,545.47

*Excluded trading securities, allowance for revaluation and impairment of investment.

Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that foreign exchange rate volatility giving adverse impact on income or capital due to having foreign currency transactions or having assets or liabilities in foreign currency, when converting all items on the Bank's financial statements to local currency, the book values decrease including decline of income or loss incurred from foreign exchange trading.

Equity Securities Price Risk

Equity securities price risk is the risk that income or capital is negatively affected by changes in trading equity securities prices. However, the Bank focuses on investing in potential securities which have growth performance and have opportunities to generate bank's return.

Commodity Price Risk

This is the risk that income or capital is adversely affected by changes in commodity price. The Bank conducts commodity derivative transactions to accommodate customer hedging of risk. The Bank eliminates those risk exposures by doing back-to-back transactions.

The Bank's Market Risk Management Structure and Supervision

The Bank has designated the Board of Directors and Risk Management Committee to formulate policy and market risk limit as follows:

Board of Directors

To be responsible for the approval of market risk management policy and the limitation acceptance or threshold of Bank in order to control risk exposure that affects to the market risk and decentralized to relevant committees or responsible departments to supervise as appropriate.

Risk Management Committee – RMC

To be responsible for the determination of risk management policy to the Board of Directors, controlling, monitoring, assessing the result of risk management and supervising that the risk management policy and guidelines set by the Bank and the regulators have been implemented and observed.

The Bank has designated the Market Risk Management Department, an independent business unit from front office, to supervision risk in order to create transparency and efficiency. Moreover, it conforms with the BoT's market risk supervision regulations and the Bank's market risk management policy. Besides, the Market Risk Management Department is responsible to follow up and supervise market risk not exceeding the limit specified by the Bank. Then, it reports to top-level executives and RMC.

The Bank has set the risk management policy to be in line with the Bank's strategy and the BoT's market risk supervision regulations.

For transactions in trading accounts, the Bank set the maximum acceptable risk limit such as investment value/position, maximum loss, including statistic risk measurement namely Value at Risk (VaR) and Sensitivity for the trading book portfolio. The Bank also regularly assesses market value and conducts stress testing for both trading book portfolio and banking book portfolio. Besides, the Bank prepares Product Programme while enhancing applications and tools used in risk assessment and control for higher efficiency capable of accommodate more complex transactions.

The Bank regularly monitors the interest rate risk in the banking book portfolio by simulating the net interest income change and economic value change. The Bank also regularly conduct stress testing and closely monitor whenever there are some changes in the interest rate market movement that affects the bank significantly.

Market Risk Management Structure and Supervision of the Financial Business Group

The Bank has supervision of risk management of the financial business group and prescribes policy of risk management of the financial business group. The policy was approved by the Board of Directors determining the subsidiaries within the financial business group to complete all aspects of risk management in accordance with risk management policy which defines the organization chart that support the efficiency of risk management, including the determining of clearly authorization. The policy also determines the subsidiaries to complete and efficiently follow the monitoring process and internal control system by identifying, measuring, monitoring and controlling risk under the guideline prescribed in the risk management policy of the financial business group. Moreover, the subsidiaries are required to prepare their market risk management report and relating information for submission to the Bank in order that the Bank can monitor market risk and risk level of companies in the financial business group and assess effect to the Bank's capital.

The Bank's financial business group has decentralized risk management that means companies within the financial business group manage their own risk and the Bank will consider and comment the companies' key market risk indicators as appropriate.

Liquidity Risk

Liquidity risk is the risk that the Bank fails to repay liabilities or contingencies on due date because of inability to liquidate assets into cash or having insufficient funds or acquiring funds at a higher unacceptable cost thus affecting income and capital funds at present and in the future.

The Bank's Liquidity Risk Management Structure and Supervision

The Bank has designated the Board of Directors, Risk Management Committee, Assets and Liabilities Management Committee to prescribe policy and strategy of liquidity risk management as follows:

Board of Directors

Board of Directors are responsible for the approval of liquidity risk management policy, liquidity management plan and liquidity emergency plan and to approve the Bank's acceptable limit or trigger of liquidity risk.

Risk Management Committee – RMC

RMC is responsible for the determination of risk management policy to the Board of Directors, controlling, monitoring, assessing the result of risk management and supervising that the risk management policy and guidelines set by the Bank and the regulators have been implemented. RMC also submitted the operational report to the Audit Committee for acknowledgement and/or for considering on monthly basis and report to the Board of Directors for acknowledgement and/or for considering on quarterly basis.

Assets and Liabilities Management Committee – ALCO

ALCO is responsible for the determination of strategy to manage the Bank's assets, liabilities, and capital to be appropriate. ALCO monitors various external factors affecting the Bank's liquidity, specifies strategy to manage liquidity and interest rate risk and submits ALCO report to the Board of Executive Directors for acknowledgement and/or for considering.

Liquidity Risk Management Structure and Supervision of the Financial Business Group

The Bank has supervision of risk management of the financial business group and prescribes policy of risk management of the financial business group. The policy was approved by the Board of Directors determining the subsidiaries within the financial business group to complete all aspects of risk management in accordance with risk management policy which defines the organization chart that supports the efficiency of risk management, including the determining of clearly authorization. The policy also determines the subsidiaries to complete and efficiently follow the monitoring process and internal control system by identifying, measuring, monitoring and controlling risk under the guideline prescribed in the risk management policy of the financial business group. Moreover, the group is required to prepare liquidity position report and relating information for submission to the Bank in order that the Bank can monitor liquidity position and risk level of companies in the financial business group and assess effect to the Bank's liquidity.

The Bank's financial business group has decentralized risk management that means companies within the financial business group manage their own risk and the Bank will consider to support their liquidity as appropriate.

Structure of Sources and Uses of Funds

Liquidity risk is the significant risk of commercial banks. The Bank's liquidity risk factors are the structure of sources and uses of funds. The Bank's sources of funds are from short-term deposits mostly less than one year including saving deposits, while uses of funds for lending have maturity date longer than the deposits. Therefore, the Bank's liquidity risk stems from asset to cash turning period not matching with liability's maturity date. Besides, cost of fund that higher than acceptable limit could affect to the Bank's income and capital at present and in the future.

Thus, liquidity risk management process of the Bank is liquidity trend analysis by estimating the Bank's liquidity status and Net high-quality liquid assets to net liquidity gap ratio in order to evaluate the sufficiency of liquidity assets that supported short-term capital demand. The Bank also assigns the trigger to control liquidity risk and consistency report risk to the Risk Management Committee, the executive officers, and related parties.

Liquidity Risk Management Tools

Liquidity risk management tools are presented in several reports related to the Bank's liquidity to top-level executives and relating departments in order to efficiently apply to use of liquidity risk management.

- The Bank prepares liquidity risk report to determine liquidity risk on a daily and monthly basis by comparing with the approved risk limit/indicators to manage and control the risk level to the prescribed limit.

- Net liquidity position report is prepared on a daily basis in the first 14 calendar days to present daily details by showing estimated cash inflow and outflow information adjusted according to customer behavior, preceding cash flow model together with future trend considerations adhere to realistic and conservative principles.

- Daily liquidity position report represents liquidity reserve of deposits at the BoT by the BoT's requirement that required financial institutions to maintain deposits at the BoT at least 0.8 percent of total deposits and other specified borrowings. Moreover, the report demonstrates high quality liquidity assets in each asset category reserved as an operating liquidity for the Bank's normal operations.

- Simulation liquidity risk stress testing report is submitted to the Risk Management Committee on a quarterly basis.

Liquidity Risk Stress Testing

The Bank sets quarterly liquidity risk stress testing in conformity with the Bank's stress testing policy by using the 3 situations which are (1) Institution-specific crisis (2) Market-wide crisis and (3) Combination of both. Each situation is based on assumptions such as withdrawing customers' deposit in different proportion, declining in the market liquidity of assets, decreasing in ability to reach large-sized sources of funds. The Bank also prepares contingency plan to support crisis by considering to stress test result of each model situation. The contingency plan is set warning triggers of liquidity crisis in order that the Bank can reduce negative impact from liquidity problems that may occur with reasonable expenses/costs.

Liquidity Assets

As at December 31, 2014 and 2013, the Bank's liquidity assets are totaling to Baht 576,972.46 million and Baht 366,761 million or 26.06 percent and 18.75 percent of deposits, respectively. However, liquidity assets of the Bank are greater than the BoT's regulations that required commercial banks to maintain average liquidity assets not less than 6 percent of average deposits and borrowings.

Sources and Uses of Funds

Sources and uses of funds as at December 31, 2014, the Bank and its subsidiaries' major sources of funds were deposits accounting for 78.55 percent of total funds. Other sources of funds included net interbank and money market items (liabilities) of 5.91 percent, debt issued and borrowings of 3.82 percent, and equity of 8.47 percent.

The Bank and its subsidiaries' uses of funds were loans to customers 69.29 percent of total uses of funds. Other significant uses of funds included net interbank and money market items (assets) of 16.67 percent and net investments of 9.57 percent.

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Sources of Funds		
Deposits	78.55%	75.15%
Interbank and money market items (liabilities), net	5.91%	8.02%
Debt issued and borrowings	3.82%	5.31%
Equity	8.47%	8.22%
Uses of Funds		
Loans to customers	69.29%	68.26%
Interbank and money market items (assets), net	16.67%	17.89%
Investments, net	9.57%	9.64%

Loans to Deposits Ratio

On the consolidated financial statement as at December 31, 2014, the Bank has loans to deposits ratio of 88.21 percent which has decreased from 90.83 percent as at December 31, 2013.

Loans to deposits ratio on the Bank's financial statement as at December 31, 2014 is 88.30 percent which has decreased from 91.04 percent as at December 31, 2013. Such decrease is from the expansion of deposits increasing 14.24 percent more than the expansion of loans that increasing 10.79 percent from the end of the year 2013.

Considering to the loans to deposits ratio including bills of exchange on the Bank's financial statement as at December 31, 2014 is 87.74 percent which has decreased from 89.55 percent as at December 31, 2013. As a result of increasing in the expansion of deposits including bills of exchange of 13.08 percent (the expansion of deposits has increased 14.24 percent while bills of exchange decreased 56.36 percent from the end of the year 2013) is more than the expansion of loans that increased 10.79 percent from the end of the year 2013.

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Loans to deposits ratio (Consolidated financial statements)	88.21%	90.83%
Loans to deposits ratio (The Bank's financial statements)	88.30%	91.04%
Loans to deposits ratio including bills of exchange (The Bank's financial statements)	87.74%	89.55%

As at December 31, 2014 and 2013, the Bank's financial assets and liabilities are classified by remaining maturity as follows:

(Million Baht)

	<u>December 31, 2014</u>					
	Less than	Over 3 Months				
	<u>1 Month</u>	<u>1-3 Months</u>	<u>upto 1 Year</u>	<u>Over 1 Year</u>	<u>No Maturity</u>	<u>Total</u>
Financial Assets						
Interbank and money market items, net	243,533.74	45,208.29	121,008.59	46,686.26	-	456,436.88
Investments, net	-	-	104,449.39	140,659.33	11,463.36	256,572.08
Loans to customers	93,628.11	127,265.35	393,112.11	1,286,761.70	-	1,900,767.27
Total financial assets	337,161.85	172,473.64	618,570.09	1,474,107.29	11,463.36	2,613,776.23
Financial Liabilities						
Deposits	1,231,773.70	200,052.36	335,114.34	385,613.05	-	2,152,553.45
Interbank and money market items, net	73,162.85	5,622.57	28,181.77	53,807.46	-	160,774.65
Debt issued and borrowings	7,046.87	15,087.00	6,073.00	75,404.63	-	103,611.50
Total financial liabilities	1,311,983.42	220,761.93	369,369.11	514,825.14	-	2,416,939.60

<u>December 31, 2013</u>						
	Less than	Over 3 Months				Total
	<u>1 Month</u>	<u>1-3 Months</u>	<u>upto 1 Year</u>	<u>Over 1 Year</u>	<u>No Maturity</u>	
Financial Assets						
Interbank and money market items, net	177,850.69	47,499.12	127,076.57	96,018.95	-	448,445.33
Investments, net	-	-	75,031.64	155,367.10	5,369.56	235,768.30
Loans to customers	95,465.78	96,930.97	352,250.93	1,171,031.55	-	1,715,679.23
Total financial assets	273,316.47	144,430.09	554,359.14	1,422,417.60	5,369.56	2,399,892.86
Financial Liabilities						
Deposits	1,154,745.35	161,230.62	424,784.19	143,501.75	-	1,884,261.91
Interbank and money market items, net	101,647.03	18,213.26	29,780.32	49,731.87	-	199,372.48
Debt issued and borrowings	3,777.87	20,720.57	5,531.90	98,880.74	-	128,911.08
Total financial liabilities	1,260,170.25	200,164.45	460,096.41	292,114.36	-	2,212,545.47

4.2 Fair Value of Financial Instruments

(Million Baht)

<u>Consolidated Financial Statements</u>				
Type of Financial Instruments	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	74,587.62	74,587.62	50,689.51	50,689.51
Interbank and money market items, net	456,541.45	456,541.45	448,572.23	448,572.23
Derivative assets	16,042.97	16,042.97	21,310.25	21,310.25
Investments, net	262,117.77	267,041.06	241,783.07	240,312.80
Loans to customers and accrued interest receivables, net	1,832,042.93	1,832,042.93	1,653,930.54	1,653,930.54
Total	2,641,332.74	2,646,256.03	2,416,285.60	2,414,815.33
Financial Liabilities				
Deposits	2,151,641.28	2,151,641.28	1,883,781.17	1,883,781.17
Interbank and money market items, net	162,014.93	162,014.93	200,989.27	200,989.27
Liabilities payable on demand	5,107.99	5,107.99	5,695.01	5,695.01
Derivative liabilities	16,245.26	16,245.26	24,544.71	24,544.71
Debt issued and borrowings	104,582.44	105,209.53	133,000.65	133,156.85
Total	2,439,591.90	2,440,218.99	2,248,010.81	2,248,167.01

4.2 Fair Value of Financial Instruments (Continued)

(Million Baht)

Type of Financial Instruments	The Bank's Financial Statements			
	December 31, 2014		December 31, 2013	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash	74,585.23	74,585.23	50,687.47	50,687.47
Interbank and money market items, net	456,436.88	456,436.88	448,445.33	448,445.33
Derivative assets	16,108.06	16,108.06	21,335.31	21,335.31
Investments, net	256,572.08	269,849.77	235,768.30	238,238.57
Loans to customers and accrued interest receivables, net	1,837,366.70	1,837,366.70	1,659,302.27	1,659,302.27
Total	2,641,068.95	2,654,346.64	2,415,538.68	2,418,008.95
Financial Liabilities				
Deposits	2,152,553.45	2,152,553.45	1,884,261.91	1,884,261.91
Interbank and money market items, net	160,774.65	160,774.65	199,372.48	199,372.48
Liabilities payable on demand	5,107.99	5,107.99	5,695.01	5,695.01
Derivative liabilities	16,245.51	16,245.51	24,544.71	24,544.71
Debt issued and borrowings	103,611.50	104,238.59	128,911.08	129,067.28
Total	2,438,293.10	2,438,920.19	2,242,785.19	2,242,941.39

4.3 Statutory Capital Fund

(Million Baht)

	The Bank's Financial Statements	
	December 31, 2014	December 31, 2013
Tier 1 capital - equity		
Paid-up share capital	72,005.04	72,005.04
Premium on share capital	20,833.74	20,833.74
Legal reserve (Note 6.20)	7,200.50	7,200.50
Net income after appropriation	98,875.16	78,089.99
Other components of equity	9,443.26	7,661.62
Deduction items from Common Equity Tier 1 capital	(7,414.37)	(4,968.17)
Additional Tier 1 capital - financial instruments		
Hybrid tier 1	8,509.68	9,573.39
Total tier 1 capital	209,453.01	190,396.11
Tier 2 capital		
Long-term subordinated debt	53,407.03	64,688.32
Allowance for assets classified as pass	22,044.97	21,611.90
Total tier 2 capital	75,452.00	86,300.22
Total capital fund	284,905.01	276,696.33

4.3 Statutory Capital Fund (Continued)

As at December 31, 2014 and 2013, the Bank's capital fund calculated based on Basel III framework that was adjusted to conform with the BoT's Notification No. SOR NOR SOR.13/2555, regarding the Composition of Capital Fund for Commercial Banks Registered in Thailand. Adjustment of supervisory revision of capital fund regulations and supplement, effective since January 1, 2014, based on Basel III: a global regulatory framework for more resilient banks and banking systems (Revised version: June 2011), issued by the Basel Committee on Banking Supervision (BCBS), to support the Bank's quality and sufficiently capital fund to deal with losses might occur in normal and crisis situation and to preserve the stability of overall financial institutional system.

The BoT's Notification No. SOR NOR SOR.12/2555, regarding the Capital Fund for Commercial Banks Supervision, requires commercial banks registered in Thailand to maintain the minimum capital adequacy ratio to be 8.5 percent of risk weighted assets with the condition that the tier 1 capital is not less than previously 4.25 percent to currently 6.0 percent of risk weighted assets. As at December 31, 2014 and 2013, the Bank maintained capital adequacy ratios to risk weighted assets in accordance with the BoT's notification as follows:

	<u>Capital Adequacy Ratios to Risk Weighted Assets</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Total capital fund	14.85	14.79
Tier 1 capital	10.91	10.17

5. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the Thai financial reporting standards, requires managements to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and assumptions in applying accounting policies has significant effects on the amount recognized in the financial statements.

6. SUPPLEMENTARY INFORMATION**6.1 Supplementary Information of Cash Flows**

Significant non-cash items for the years ended December 31, 2014 and 2013 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Increase (decrease) in revaluation surplus on investments in equity	6,400.57	(5,325.77)	3,380.58	(3,677.14)
Increase in properties for sale from loan payment	4,395.75	5,127.10	4,395.75	5,127.10

6.2 Interbank and Money Market Items, Net (Assets)

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	10,742.06	187,000.44	197,742.50	4,879.93	108,500.51	113,380.44
Commercial banks	31.96	31,777.27	31,809.23	75.44	18,796.80	18,872.24
Special purpose financial institutions	-	20,742.21	20,742.21	0.15	95,971.46	95,971.61
Other financial institutions	150.88	161,555.28	161,706.16	292.93	174,203.10	174,496.03
Total	10,924.90	401,075.20	412,000.10	5,248.45	397,471.87	402,720.32
<u>Add</u> Accrued interest receivables	-	515.26	515.26	-	1,124.23	1,124.23
<u>Less</u> Deferred revenue	-	-	-	-	-	-
Allowance for doubtful accounts	(0.68)	(1,714.39)	(1,715.07)	(1.81)	(1,649.12)	(1,650.93)
Revaluation allowance for						
debt restructuring	-	-	-	-	-	-
Total domestic items	10,924.22	399,876.07	410,800.29	5,246.64	396,946.98	402,193.62
6.2.2 Foreign Items						
US Dollar	5,271.24	37,461.50	42,732.74	15,155.81	27,980.88	43,136.69
Japanese Yen	198.14	-	198.14	377.93	-	377.93
Euro	196.82	-	196.82	456.50	-	456.50
Other currencies	1,152.10	1,608.67	2,760.77	1,571.77	854.00	2,425.77
Total	6,818.30	39,070.17	45,888.47	17,562.01	28,834.88	46,396.89
<u>Add</u> Accrued interest receivables	0.04	166.19	166.23	0.04	184.23	184.27
<u>Less</u> Deferred revenue	-	(1.57)	(1.57)	-	-	-
Allowance for doubtful accounts	-	(311.97)	(311.97)	-	(202.55)	(202.55)
Revaluation allowance for						
debt restructuring	-	-	-	-	-	-
Total foreign items	6,818.34	38,922.82	45,741.16	17,562.05	28,816.56	46,378.61
Total domestic and foreign items	17,742.56	438,798.89	456,541.45	22,808.69	425,763.54	448,572.23

6.2 Interbank and Money Market Items, Net (Assets) (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	10,742.06	187,000.44	197,742.50	4,879.93	108,500.51	113,380.44
Commercial banks	4.70	31,777.27	31,781.97	27.91	18,796.80	18,824.71
Special purpose financial institutions	-	20,742.21	20,742.21	0.15	95,971.46	95,971.61
Other financial institutions	73.57	161,555.28	161,628.85	213.56	174,203.10	174,416.66
Total	10,820.33	401,075.20	411,895.53	5,121.55	397,471.87	402,593.42
<u>Add</u> Accrued interest receivables	-	515.26	515.26	-	1,124.23	1,124.23
<u>Less</u> Deferred revenue	-	-	-	-	-	-
Allowance for doubtful accounts	(0.68)	(1,714.39)	(1,715.07)	(1.81)	(1,649.12)	(1,650.93)
Revaluation allowance for						
debt restructuring	-	-	-	-	-	-
Total domestic items	10,819.65	399,876.07	410,695.72	5,119.74	396,946.98	402,066.72
6.2.2 Foreign Items						
US Dollar	5,271.24	37,461.50	42,732.74	15,155.81	27,980.88	43,136.69
Japanese Yen	198.14	-	198.14	377.93	-	377.93
Euro	196.82	-	196.82	456.50	-	456.50
Other currencies	1,152.10	1,608.67	2,760.77	1,571.77	854.00	2,425.77
Total	6,818.30	39,070.17	45,888.47	17,562.01	28,834.88	46,396.89
<u>Add</u> Accrued interest receivables	0.04	166.19	166.23	0.04	184.23	184.27
<u>Less</u> Deferred revenue	-	(1.57)	(1.57)	-	-	-
Allowance for doubtful accounts	-	(311.97)	(311.97)	-	(202.55)	(202.55)
Revaluation allowance for						
debt restructuring	-	-	-	-	-	-
Total foreign items	6,818.34	38,922.82	45,741.16	17,562.05	28,816.56	46,378.61
Total domestic and foreign items	17,637.99	438,798.89	456,436.88	22,681.79	425,763.54	448,445.33

6.3 Derivatives Held for Trading**The fair values and the notional amounts classified by type of risk**

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>Type of Risk</u>	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Fair Value</u>		Notional	<u>Fair Value</u>		Notional
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	10,475.96	10,689.98	1,259,854.44	18,420.31	21,666.86	1,228,659.61
Interest rate	2,277.90	2,098.15	308,791.79	1,639.12	1,550.87	243,214.21
Others	3,289.11	3,457.13	109,110.78	1,250.82	1,326.98	49,706.04
Total	16,042.97	16,245.26	1,677,757.01	21,310.25	24,544.71	1,521,579.86

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>Type of Risk</u>	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Fair Value</u>		Notional	<u>Fair Value</u>		Notional
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	10,475.96	10,690.23	1,259,873.86	18,420.31	21,666.86	1,228,659.61
Interest rate	2,342.99	2,098.15	312,811.93	1,664.18	1,550.87	245,024.49
Others	3,289.11	3,457.13	109,110.78	1,250.82	1,326.98	49,706.04
Total	16,108.06	16,245.51	1,681,796.57	21,335.31	24,544.71	1,523,390.14

The proportion of derivative transactions classified by type of counterparty based on the notional amounts

<u>Counterparty</u>	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>
Financial institutions	73.78%	69.73%	73.60%	69.65%
Financial business group	0.18%	0.17%	0.42%	0.29%
Third parties	26.04%	30.10%	25.98%	30.06%
Total	100.00%	100.00%	100.00%	100.00%

6.4 Investments, Net

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2014</u>				<u>December 31, 2013</u>			
	Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>	Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>
6.4.1 Trading Securities								
Government & state enterprise securities	36,094.82	17.94	(12.39)	36,100.37	7,958.66	12.06	-	7,970.72
Private enterprise debt securities	-	-	-	-	-	-	-	-
Foreign debt securities	-	-	-	-	-	-	-	-
Domestic marketable equity securities	-	-	-	-	-	-	-	-
Investments in borrowings with embedded derivatives	988.89	-	(793.55)	195.34	984.41	-	(778.97)	205.44
Total	37,083.71	17.94	(805.94)	36,295.71	8,943.07	12.06	(778.97)	8,176.16
<u>Less</u> Allowance for revaluation	(983.34)				(972.35)			
Total	36,100.37			36,295.71	7,970.72			8,176.16
6.4.2 Available-for-Sale Securities								
Government & state enterprise securities	85,376.88	270.34	(752.25)	84,894.97	84,071.53	162.45	(1,703.75)	82,530.23
Private enterprise debt securities	646.00	11.12	-	657.12	646.00	6.79	(0.51)	652.28
Foreign debt securities	4,475.15	48.65	(4.51)	4,519.29	4,185.66	35.24	(4.24)	4,216.66
Domestic marketable equity securities	5,283.73	3,939.45	(183.85)	9,039.33	5,409.04	1,792.75	(259.80)	6,941.99
Foreign marketable equity securities	330.34	199.74	-	530.08	400.77	119.07	(70.42)	449.42
Total	96,112.10	4,469.30	(940.61)	99,640.79	94,713.00	2,116.30	(2,038.72)	94,790.58
<u>Add</u> Allowance for revaluation	3,532.48				151.89			
<u>Less</u> Allowance for impairment	(3.79)				(74.31)			
Total	99,640.79			99,640.79	94,790.58			94,790.58
6.4.3 Held-to-Maturity Debt Securities								
Government & state enterprise securities	89,839.32	1,855.40	(1,890.21)	89,804.51	110,520.51	411.42	(3,007.38)	107,924.55
Private enterprise debt securities	2,751.67	75.43	(36.17)	2,790.93	893.32	18.83	(36.32)	875.83
Foreign debt securities	16,429.94	-	-	16,429.94	15,749.32	-	-	15,749.32
Total	109,020.93	1,930.83	(1,926.38)	109,025.38	127,163.15	430.25	(3,043.70)	124,549.70
<u>Less</u> Allowance for impairment	(206.91)				(207.06)			
Total	108,814.02			109,025.38	126,956.09			124,549.70

6.4 Investments, Net (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>								
<u>December 31, 2014</u>					<u>December 31, 2013</u>			
Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>		Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>
6.4.4 General Investments								
Domestic non-marketable equity securities	1,985.55	-	(1,261.32)	724.23	2,026.58	-	(1,242.54)	784.04
Foreign non-marketable equity securities	68.89	-	-	68.89	71.66	-	-	71.66
Total	2,054.44	-	(1,261.32)	793.12	2,098.24	-	(1,242.54)	855.70
<u>Less</u> Allowance for impairment	(1,261.32)				(1,242.54)			
Total	793.12		793.12		855.70			855.70
Total investments, net	245,348.30		245,755.00		230,573.09			228,372.14

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>December 31, 2014</u>					<u>December 31, 2013</u>			
Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>		Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>
6.4.1 Trading Securities								
Government & state enterprise securities	36,094.82	17.94	(12.39)	36,100.37	7,958.66	12.06	-	7,970.72
Private enterprise debt securities	-	-	-	-	-	-	-	-
Foreign debt securities	-	-	-	-	-	-	-	-
Domestic marketable equity securities	-	-	-	-	-	-	-	-
Investments in borrowings with embedded derivatives	988.89	-	(793.55)	195.34	984.41	-	(778.97)	205.44
Total	37,083.71	17.94	(805.94)	36,295.71	8,943.07	12.06	(778.97)	8,176.16
<u>Less</u> Allowance for revaluation	(983.34)				(972.35)			
Total	36,100.37		36,295.71		7,970.72			8,176.16

6.4.2 Available-for-Sale Securities

Government & state enterprise securities	85,376.88	270.34	(752.25)	84,894.97	84,071.53	162.45	(1,703.75)	82,530.23
Private enterprise debt securities	646.00	11.12	-	657.12	646.00	6.79	(0.51)	652.28
Foreign debt securities	4,475.15	48.65	(4.51)	4,519.29	4,185.66	35.24	(4.24)	4,216.66
Domestic marketable equity securities	5,283.73	3,939.45	(183.85)	9,039.33	5,409.04	1,792.75	(259.80)	6,941.99
Foreign marketable equity securities	330.34	199.74	-	530.08	400.77	119.07	(70.42)	449.42
Total	96,112.10	4,469.30	(940.61)	99,640.79	94,713.00	2,116.30	(2,038.72)	94,790.58
<u>Add</u> Allowance for revaluation	3,532.48				151.89			
<u>Less</u> Allowance for impairment	(3.79)				(74.31)			
Total	99,640.79			99,640.79	94,790.58			94,790.58

6.4 Investments, Net (Continued)

(Million Baht)

The Bank's Financial Statements								
December 31, 2014					December 31, 2013			
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
6.4.3 Held-to-Maturity Debt Securities								
Government & state enterprise securities	89,599.79	1,855.40	(1,890.21)	89,564.98	110,346.20	411.42	(3,007.38)	107,750.24
Private enterprise debt securities	2,751.67	75.43	(36.17)	2,790.93	893.32	18.83	(36.32)	875.83
Foreign debt securities	16,429.94	-	-	16,429.94	15,749.32	-	-	15,749.32
Total	108,781.40	1,930.83	(1,926.38)	108,785.85	126,988.84	430.25	(3,043.70)	124,375.39
<u>Less</u> Allowance for impairment	(206.91)				(207.06)			
Total	108,574.49			108,785.85	126,781.78			124,375.39
6.4.4 General Investments								
Domestic non-marketable equity securities	1,985.50	-	(1,261.32)	724.18	2,026.53	-	(1,242.54)	783.99
Foreign non-marketable equity securities	68.89	-	-	68.89	71.66	-	-	71.66
Total	2,054.39	-	(1,261.32)	793.07	2,098.19	-	(1,242.54)	855.65
<u>Less</u> Allowance for impairment	(1,261.32)				(1,242.54)			
Total	793.07			793.07	855.65			855.65
Total investments, net	245,108.72			245,515.42	230,398.73			228,197.78

As at December 31, 2014 and 2013, trading securities which are investments in borrowings with embedded derivatives, closely related, of Baht 988.89 million and Baht 984.41 million, respectively, are Collateralized Debt Obligations (CDO) with fair value of Baht 195.34 million and Baht 205.44 million, respectively, and have full allowance for revaluation.

As at December 31, 2014 and 2013, held-to-maturity debt securities in government and state enterprise securities included promissory notes issued by the Thai Asset Management Corporation (TAMC) paid for the transfer of the Bank's impaired assets amounting to Baht 3,174.33 million and Baht 3,388.20 million, respectively (Note 6.35). There is a TAMC's promissory note amounting to Baht 2,824.22 million, was already due in 2011, and is in the process of transferred price adjustment.

As at December 31, 2014 and 2013, general investments which are domestic non-marketable equity securities of Baht 1,985.50 million and Baht 2,026.53 million included investments in the Islamic Bank of Thailand amounting to Baht 1,048.15 million which the Bank reserved the full amount of allowance for impairment.

As at December 31, 2014 and 2013, the Bank had investments in foreign securities affected by foreign exchange rate, resulting in an increase of the carrying amount of Baht 52.05 million and an increase of the carrying amount of Baht 243.50 million, respectively.

6.4 Investments, Net (Continued)

Sales of Investments to the Bank's Subsidiaries

In 2009, the Bank sold some CDO, cost of Baht 3,090.46 million which was reserved the full amount of allowance for revaluation, to its subsidiary at Baht 3. Moreover, the Bank sold general investments in ordinary shares of 12 companies, cost of Baht 912.41 million which was reserved the full allowance for impairment to its subsidiary at Baht 13.

In 2011, the Bank sold some CDO, cost of Baht 1,266.20 million which was reserved the full amount of allowance for revaluation, to its subsidiary at Baht 1.

In addition, the Bank has acquired the investments in other securities, whereby the Bank holds for equal to or over 10 percent of the paid-up capital, classified into industrial sector and stated at their fair value as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Manufacturing	1.00	1.00	1.00	1.00
Banking and financial	237.17	232.05	237.17	232.05
Public utilities and services	1,338.06	1,131.16	1,338.06	1,131.16
Others	18.48	18.48	18.48	18.48
Total	1,594.71	1,382.69	1,594.71	1,382.69

6.4.5 Gains (Losses) on Investments, Net Shown in the Statements of Comprehensive Income for the years ended December 31, 2014 and 2013 comprise the following:

(Million Baht)

	<u>Consolidated Financial Statements</u>			
	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Gain/Reverse</u>	<u>Loss</u>	<u>Gain/Reverse</u>	<u>Loss</u>
Realized gains (losses) on disposal of available-for-sale current investments	69.62	(22.77)	30.84	(1.54)
Realized gains on disposal of current general investments	3.23	-	3.23	-
Realized gains (losses) on disposal of available-for-sale long-term investments	246.02	(136.05)	3,652.21	(128.05)
Realized gains (losses) on disposal of long-term general investments	24.71	(0.97)	91.09	(59.89)
Reversed (losses) on impairment of investments	51.48	-	-	(1,027.91)
Total	395.06	(159.79)	3,777.37	(1,217.39)
Gains on investments, net	235.27		2,559.98	

6.4.5 Gains (Losses) on Investments, Net Shown in the Statements of Comprehensive Income (Continued)

(Million Baht)

The Bank's Financial Statements				
	December 31, 2014		December 31, 2013	
	Gain/Reverse	Loss	Gain/Reverse	Loss
Realized gains (losses) on disposal of available-for-sale current investments	69.62	(22.77)	30.84	(1.54)
Realized gains on disposal of current general investments	3.23	-	3.23	-
Realized gains (losses) on disposal of available-for-sale long-term investments	246.02	(136.05)	3,652.21	(128.05)
Realized gains (losses) on disposal of long-term general investments	24.71	(0.97)	91.09	(59.89)
Reversed (losses) on impairment of investments	86.37	-	-	(1,028.40)
Total	429.95	(159.79)	3,777.37	(1,217.88)
Gains on investments, net	270.16		2,559.49	

6.4.6 As at December 31, 2014, the Bank has investments in 2 listed companies in which their financial position and performance fall under SET's delisted criteria, cost of Baht 1.83 million which are reserved full amount of allowance for impairment.

6.5 Investments in Subsidiaries and Associates, Net**6.5.1 The Bank's Financial Statements**

(Million Baht)

December 31, 2014					
			Percentages of	Investments	
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>Dividend</u>
Subsidiaries					
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	-
KTB General Services Co., Ltd.	General Services	Ordinary	100.00	140.00	56.00
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	100.00
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	29.90
KTB Leasing Co., Ltd.	Hire Purchase	Ordinary	100.00	1,000.00	-
KTB Capital Holding Co., Ltd.*	Holding	Ordinary	100.00	1.00	268.99
KTB Advisory Co., Ltd.	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	10.20
Total				2,721.90	465.09
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	800.00
Krungthai Card Pcl.	Credit Card Business	Ordinary	49.45	1,994.60	255.00
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	1,518.82	108.90
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	31.61
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	64.78
Total				8,741.46	1,260.29
Investments in subsidiaries and associates, net				11,463.36	1,725.38

* Registered as the business dissolution and withdraw from the financial business group.

6.5.1 The Bank's Financial Statements (Continued)

(Million Baht)

December 31, 2013					
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	Percentages of <u>Shareholdings</u>	Investments <u>(Cost Method)</u>	<u>Dividend</u>
Subsidiaries					
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	-
KTB General Services Co., Ltd.	General Services	Ordinary	100.00	140.00	5.12
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	16.50
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	50.70
KTB Leasing Co., Ltd.	Hire Purchase	Ordinary	100.00	100.00	-
KTB Capital Holding Co., Ltd.	Holding	Ordinary	100.00	1.00	-
KTB Advisory Co., Ltd.	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	-
Total				1,821.90	72.32
<u>Less</u> Allowance for impairment *				(34.89)	
Total				1,787.01	72.32
Associates					
Krungthai-AXA Life Insurance Pcl.**	Life Insurance	Ordinary	0.00	0.00	-
Krungthai Card Pcl.	Credit Card Business	Ordinary	49.45	1,994.60	51.00
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	20.00	431.68	37.40
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	32.83
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	155.71
Total				3,582.55	276.94
Investments in subsidiaries and associates, net				5,369.56	349.26

* Allowance for impairment of investments in subsidiaries comes from cost higher than book value.

** The Bank has investment in 1 share of Krungthai-AXA Life Insurance Pcl.

Investments in Subsidiaries

KTBC Capital Holding Co., Ltd. (KTBC) has operated to invest in other companies, as a holding company, which the Bank has entity control. It was registered on December 21, 2012 with Baht 1 million of registered share capital. The Bank owned 49,000 shares or 49 percent of KTBC with the remaining 51,000 shares or 51 percent of total issued shares being held by Thai individuals. The BoT already approves KTBC to be a company in the Bank's financial business group.

KTBC was established with the objective to be the Bank's agent holding shares in the insurance company, in order to be in compliance with Life Insurance Act No.2 B.E. 2551 and Non-Life Insurance Act No.2 B.E. 2551. According to those Acts, the insurance companies are supposed to have (1) a Thai individual and/or (2) a legal person incorporated in Thailand (in which more than 50 percent of the total number of voting issued shares is held by Thai individuals directly or through holding legal entities) holding shares more than 75 percent in aggregate of the total of voting issued shares of such insurance company. The Bank is a state enterprise held by the FIDF 55.05 percent (the Bank itself considers that the FIDF is a legal person); however, the Bank was not a Thai individual or a legal person which met

these qualifications at that point in time. If the Bank continues to hold shares in these companies, the shareholding structure in life insurance company and non-life insurance company will not be in compliance with those Acts.

On December 26, 2012, the Bank sold ordinary shares comprising 25 percent of total issued shares of Krungthai Panich Insurance Pcl. (KPI) (percentage of shareholding is 20 percent) and ordinary shares comprising 50 percent of the total issued shares of Krungthai-AXA Life Insurance Pcl. (KTAL) (held only 1 share) to KTB Capital Holding Co., Ltd. at book value amounting to Baht 4,800.74 million. The Bank had gain on sale of investments in associates of Baht 3,667.55 million (Note 6.24.8).

On March 11, 2013, the Office of Insurance Commission (OIC) informed the Bank for the interpretation of the Office of the Council of State of Thailand that the shareholding by the FIDF is regarded as a holding by Thai individual for the purpose of the relevant acts. As a result, the Bank is now able to hold shares in an insurance company. On July 24, 2013, the Bank submitted its reorganized shareholding structure of the financial business group to the BoT for the approval. In its approval on August 26, 2013, the BoT stipulated that the Bank had to purchase 51 percent of total issued shares of KTBCH from former shareholders and also repurchase shares of KPI and KTAL from KTBCH. Moreover, the Bank had to exclude KTBCH from its financial business group.

On October 1, 2013, the Bank conducted the process that was stipulated the BoT by purchasing KTBCH's total issued shares at the cost. As a result, the Bank currently holds 100 percent of KTBCH's total issued shares.

In 2014, the Bank has repurchased shares in KPI and KTAL from KTBCH at book value amounting to Baht 5,158.90 million (Note 6.24.8) and registered as the business dissolution with the Ministry of Commerce on December 18, 2014. The Bank also withdraws KTBCH from the financial business group.

On October 29, 2014, the Bank has bought the additional shares of KTB Leasing Co., Ltd. (KTBL) of Baht 900 million. As a result, the Bank remains 100 percent of KTBL's total issued shares.

Investments in Associates

In 2013, the Bank bought 18.18 million of the additional shares of KT Zmico Securities Co., Ltd., amounting to Baht 150 million.

6.5.2 The Consolidated Financial Statements

						(Million Baht)
						December 31, 2014
Name of Company	Type of Business	Type of Shares	Percentages of	Investments	Investments	
			Shareholdings	(Cost Method)	(Equity Method)	
Associates						
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	593.57	9,124.99	
Krungthai Card Pcl.	Credit Card Business	Ordinary	49.45	1,994.60	3,643.42	
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,214.26	
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	499.03	
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,287.77	
Total investments in associates, net				4,715.74	16,769.47	

6.5.2 The Consolidated Financial Statements (Continued)

(Million Baht)

			December 31, 2013		
			Percentages of	Investments	Investments
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>(Equity Method)</u>
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	593.57	4,625.71
Krungthai Card Pcl.	Credit Card Business	Ordinary	49.45	1,994.60	3,030.57
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	1,902.09
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	455.55
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,196.06
Total investments in associates, net				4,715.74	11,209.98

Investments in associates are accounted in the consolidated financial statements using the equity method based on financial information from unaudited/unreviewed financial statements of the associates.

6.5.3 Financial Positions and Operations of Associates

(Million Baht)

Consolidated Financial Statements						
Name of Company	December 31, 2014			December 31, 2013		
	"Unaudited"			"Audited"		
	Total Assets	Total Liabilities	Shareholders' Equity	Total Assets	Total Liabilities	Shareholders' Equity
Krung Thai IBJ Leasing Co., Ltd.	7,188.68	6,170.26	1,018.42	6,910.49	5,980.79	929.70
KT Zmico Securities Co., Ltd.	7,274.06	4,698.51	2,575.55	6,546.35	4,134.76	2,411.59
Krungthai Panich Insurance Pcl.	8,231.46	3,310.89	4,920.57	9,435.66	5,245.19	4,190.47
Krungthai-AXA Life Insurance Pcl.	136,963.73	118,713.75	18,249.98	96,719.92	87,467.27	9,252.65
Krungthai Card Pcl.	54,494.83	47,127.03	7,367.80	51,904.83	45,776.34	6,128.49
	214,152.76	180,020.44	34,132.32	171,517.25	148,604.35	22,912.90

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>Name of Company</u>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>"Unaudited"</u>		<u>"Audited"</u>	
	<u>Total Income</u>	<u>Net Profit (Loss)</u>	<u>Total Income</u>	<u>Net Profit (Loss)</u>
Krung Thai IBJ Leasing Co., Ltd.	590.41	153.22	542.39	129.19
KT Zmico Securities Co., Ltd.	1,896.08	310.08	2,078.52	329.09
Krungthai Panich Insurance Pcl.	2,828.86	720.52	2,889.62	400.03
Krungthai-AXA Life Insurance Pcl.	53,831.58	4,811.68	42,156.83	4,345.08
Krungthai Card Pcl.	14,336.63	1,754.98	13,867.78	1,282.63
	73,483.56	7,750.48	61,535.14	6,486.02

6.6 Loans to Customers and Accrued Interest Receivables, Net**6.6.1 Classified by Type of Loans**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Overdrafts	163,263.26	152,640.55	163,263.26	152,640.55
Loans	1,170,506.77	1,104,846.15	1,226,185.26	1,151,116.26
Bills	502,207.57	398,217.40	510,047.57	410,409.06
Hire purchase receivables	56,654.74	51,902.47	76.75	232.63
Financial lease receivables	10,770.58	9,470.50	-	-
Others	2,331.16	1,657.11	1,194.43	1,280.73
<u>Less</u> Deferred revenue	(7,744.82)	(7,643.92)	(120.49)	(175.33)
Total loans to customers net of deferred revenue	1,897,989.26	1,711,090.26	1,900,646.78	1,715,503.90
<u>Add</u> Accrued interest receivables	5,190.81	4,647.13	5,202.82	4,775.67
Total loans to customers net of deferred revenue, plus accrued interest receivables	1,903,180.07	1,715,737.39	1,905,849.60	1,720,279.57
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BoT's regulations				
- Individual approach	(47,436.33)	(40,959.49)	(45,567.69)	(40,250.05)
2. Excess allowance	(23,587.59)	(20,717.14)	(22,801.99)	(20,597.03)
<u>Less</u> Revaluation allowance for debt restructuring	(113.22)	(130.22)	(113.22)	(130.22)
Total loans to customers, net	1,832,042.93	1,653,930.54	1,837,366.70	1,659,302.27

As at December 31, 2014 and 2013, the Bank's other loans of Baht 1,194.43 million and Baht 1,280.73 million included debts resulting from the Bank's liabilities under acceptances or guarantees amounting to Baht 1,149.11 million and Baht 1,220.20 million, respectively.

6.6.2 Classified by Currency and Customer's Residence

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2014</u>			<u>December 31, 2013</u>			
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,796,530.57	61.36	1,796,591.93	1,593,013.61	89.25	1,593,102.86
US Dollar	81,155.39	22,838.07	103,993.46	103,627.78	20,431.16	124,058.94
Other currencies	5,064.15	84.54	5,148.69	1,502.48	69.90	1,572.38
Total	1,882,750.11	22,983.97	1,905,734.08	1,698,143.87	20,590.31	1,718,734.18
<u>Less</u> Deferred revenue			(7,744.82)			(7,643.92)
Total loans net from deferred revenue			1,897,989.26			1,711,090.26

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>December 31, 2014</u>			<u>December 31, 2013</u>			
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,791,563.76	61.36	1,791,625.12	1,589,958.66	89.25	1,590,047.91
US Dollar	81,155.39	22,838.07	103,993.46	103,627.78	20,431.16	124,058.94
Other currencies	5,064.15	84.54	5,148.69	1,502.48	69.90	1,572.38
Total	1,877,783.30	22,983.97	1,900,767.27	1,695,088.92	20,590.31	1,715,679.23
<u>Less</u> Deferred revenue			(120.49)			(175.33)
Total loans net from deferred revenue			1,900,646.78			1,715,503.90

6.6.3 Classified by Business Types and Loan Classification

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2014</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	33,998.12	435.38	96.53	171.17	900.67	35,601.87
Manufacturing and commercial	505,901.88	38,471.05	5,886.14	4,575.38	13,229.61	568,064.06
Real estate and construction	119,533.50	4,424.09	595.93	1,702.33	10,089.43	136,345.28
Public utilities and services	396,779.71	11,027.43	2,404.78	1,552.68	4,353.63	416,118.23
Housing loans	341,505.53	5,193.71	977.09	1,829.79	3,447.99	352,954.11
Others	385,379.77	6,653.41	1,335.50	1,186.04	2,095.81	396,650.53
Total	1,783,098.51	66,205.07	11,295.97	11,017.39	34,117.14	1,905,734.08
<u>Less</u> Deferred revenue						(7,744.82)
Total loans net from deferred revenue						1,897,989.26

6.6.3 Classified by Business Types and Loan Classification (Continued)

(Million Baht)

Consolidated Financial StatementsDecember 31, 2013

	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	36,710.94	416.30	120.30	190.96	911.07	38,349.57
Manufacturing and commercial	472,745.80	31,321.07	6,454.98	5,386.57	12,671.14	528,579.56
Real estate and construction	113,114.74	5,704.20	385.44	1,272.12	10,949.37	131,425.87
Public utilities and services	339,979.59	13,051.91	970.79	1,683.73	6,984.62	362,670.64
Housing loans	270,382.58	4,212.59	1,120.14	1,218.71	2,540.50	279,474.52
Others	368,394.65	6,018.41	1,470.14	1,402.65	948.17	378,234.02
Total	1,601,328.30	60,724.48	10,521.79	11,154.74	35,004.87	1,718,734.18
<u>Less</u> Deferred revenue						(7,643.92)
Total loans net from deferred revenue						1,711,090.26

(Million Baht)

The Bank's Financial StatementsDecember 31, 2014

	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	32,792.61	383.71	67.20	150.96	900.67	34,295.15
Manufacturing and commercial	494,503.33	38,297.54	5,794.53	4,433.98	13,209.16	556,238.54
Real estate and construction	116,498.77	4,269.17	534.23	1,657.19	10,074.32	133,033.68
Public utilities and services	386,022.26	10,797.94	2,279.22	1,515.40	4,352.97	404,967.79
Housing loans	341,505.53	5,193.71	977.09	1,829.79	3,447.99	352,954.11
Others	413,325.37	3,552.47	874.28	811.03	714.85	419,278.00
Total	1,784,647.87	62,494.54	10,526.55	10,398.35	32,699.96	1,900,767.27
<u>Less</u> Deferred revenue						(120.49)
Total loans net from deferred revenue						1,900,646.78

6.6.3 Classified by Business Types and Loan Classification (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>December 31, 2013</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	35,512.39	395.23	100.53	184.18	911.07	37,103.40
Manufacturing and commercial	462,193.94	31,057.90	6,364.86	5,367.79	12,662.88	517,647.37
Real estate and construction	109,929.75	5,575.08	316.33	1,237.20	10,945.25	128,003.61
Public utilities and services	329,634.63	12,863.56	908.50	1,680.23	6,984.62	352,071.54
Housing loans	270,382.58	4,212.59	1,120.14	1,218.71	2,540.50	279,474.52
Others	395,793.55	3,100.76	899.40	1,020.20	564.88	401,378.79
Total	1,603,446.84	57,205.12	9,709.76	10,708.31	34,609.20	1,715,679.23
<u>Less</u> Deferred revenue						(175.33)
Total loans net from deferred revenue						1,715,503.90

6.6.4 Classified by Loan Classification

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2014</u>				
	Net Amount	%		
Loans and	Used for Set aside	Used for Set aside	Allowance	
Accrued Interest	the Allowance for	the Allowance for	for Doubtful	
<u>Receivables</u>	<u>Doubtful Accounts</u> ¹	<u>Doubtful Accounts</u>	<u>Accounts</u>	
1. Minimum reserve under BoT's regulations				
Normal	1,780,720.10	787,509.77	1	10,260.32
Special mention	66,041.57	34,069.07	2	11,812.44
Substandard	11,173.63	6,185.92	100	6,198.10
Doubtful	11,019.32	5,022.79	100	5,022.74
Doubtful of loss	34,225.45	9,543.65	100	14,142.73
2. Excess allowance				23,587.59
Total *	1,903,180.07	842,331.20		71,023.92

* Total loans to customers net of deferred revenue in Note 6.6.1

6.6.4 Classified by Loan Classification (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2013</u>				
	Net Amount	%		
Loans and Accrued Interest	Used for Set aside the Allowance for	Used for Set aside the Allowance for	Allowance for Doubtful	
<u>Receivables</u>	<u>Doubtful Accounts</u> ¹	<u>Doubtful Accounts</u>	<u>Accounts</u>	
1. Minimum reserve under BoT's regulations				
Normal	1,598,588.83	735,043.05	1	8,425.05
Special mention	60,408.87	34,256.19	2	8,298.61
Substandard	10,383.59	6,418.79	100	6,631.83
Doubtful	11,095.86	3,888.01	100	3,937.03
Doubtful of loss	35,260.24	8,801.45	100	13,666.97
2. Excess allowance				20,717.14
Total *	1,715,737.39	788,407.49		61,676.63

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>December 31, 2014</u>				
	Net Amount	%		
Loans and Accrued Interest	Used for Set aside the Allowance for	Used for Set aside the Allowance for	Allowance for Doubtful	
<u>Receivables</u>	<u>Doubtful Accounts</u> ¹	<u>Doubtful Accounts</u>	<u>Accounts</u>	
1. Minimum reserve under BoT's regulations				
Normal	1,789,102.81	848,105.49	1	10,229.75
Special mention	62,851.65	33,730.29	2	11,805.67
Substandard	10,526.41	5,930.07	100	5,942.23
Doubtful	10,507.67	4,775.28	100	4,775.24
Doubtful of loss	32,861.06	8,189.27	100	12,814.80
2. Excess allowance				22,801.99
Total *	1,905,849.60	900,730.40		68,369.68

* Total loans to customers net of deferred revenue in Note 6.6.1

6.6.4 Classified by Loan Classification (Continued)

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>December 31, 2013</u>			
	Net Amount	%		
	Loans and Accrued Interest Receivables	Used for Set aside the Allowance for Doubtful Accounts ¹	Used for Set aside the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
1. Minimum reserve under BoT's regulations				
Normal	1,607,545.13	790,510.12	1	8,392.84
Special mention	57,426.52	33,877.30	2	8,291.03
Substandard	9,709.84	6,246.84	100	6,459.87
Doubtful	10,730.87	3,775.39	100	3,824.42
Doubtful of loss	34,867.21	8,412.81	100	13,281.89
2. Excess allowance				20,597.03
Total *	1,720,279.57	842,822.46		60,847.08

* Total loans to customers net of deferred revenue in Note 6.6.1

¹ Net amount used for set aside the allowance for doubtful accounts represents outstanding amount of principal excluding accrued interest receivables after deducted collateral, or debts after deducted the present value of expected cash flows from debtors, or present value of expected cash flows from sale of collateral.

6.6.5 Non-Performing Loans (NPLs)

As at December 31, 2014 and 2013, the Bank and its subsidiaries had NPLs classified by the BoT's notifications as substandard, doubtful, doubtful of loss, and loss, including loans to interbank and money market excluding accrued interest receivables.

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
NPLs before deducting allowance for doubtful accounts	56,147.25	56,458.09	53,623.99	55,026.31
NPLs percentage of total loans	2.41	2.65	2.30	2.58
NPLs after deducting allowance for doubtful accounts	30,783.68	32,222.25	30,091.71	31,460.13
NPLs percentage of net loans	1.34	1.53	1.30	1.49

For the years ended December 31, 2014 and 2013, impaired loans have been written off both principal and accrued interest receivables amounting to Baht 5,626.83 million and Baht 6,809.64 million, respectively.

6.6.6 Loans to Potential Delisted Companies

As at December 31, 2014 and 2013, the Bank has loans and accrued interest receivables to 7 potential delisted companies of Baht 1,000.80 million and Baht 1,150.26 million, and accrued interest receivables amounting to Baht 0.01 million and Baht 0.14 million, totaling to Baht 1,000.81 million and Baht 1,150.40 million, their allowance for doubtful accounts were provided for Baht 793.63 million and Baht 830.44 million in accordance with the BoT's notifications for loan classification, respectively.

6.6.7 Troubled Debt Restructuring (TDR)

For the years ended December 31, 2014 and 2013, the original loan value of the 11,798 and 7,040 troubled debt restructuring cases are Baht 30,098.70 million and Baht 30,661.41 million. The repayment for related interest and principal are Baht 5,220.11 million and Baht 5,221.10 million, whereas extended lending increased by Baht 4,394.59 million and Baht 2,309.04 million. Bad debts from Troubled Debt Restructuring are Baht 202.59 million and Baht 324.48 million, respectively.

TDR for the year ended December 31, 2014 is set out as follows:

(Million Baht)				
<u>The Bank's Financial Statements</u>				
	No. of	Outstanding	Type of	
	Cases	Debt before	Transferred	
Troubled Debt Restructuring Methods	Cases	Restructuring	Assets	Fair Value
Transfers of assets	25	412.38	Land & Premises	412.04
Change of repayment conditions	1,266	12,252.01		
Debt restructuring in various forms	10,507	17,434.31		
	11,798	30,098.70		

As at December 31, 2014, the Bank has outstanding balance of loans to restructured debts for 26,084 cases amounting to Baht 87,451 million, of which 731 cases amounting to Baht 9,211.88 million, has been monitored under the new contractual agreements.

The consolidated financial statements as at December 31, 2014, the Bank restructured debts of 12,689 cases which the debts before restructuring were Baht 31,687.48 million.

6.6.7 Troubled Debt Restructuring (TDR) (Continued)

TDR for the year ended December 31, 2013 was set out as follows:

(Million Baht)

Troubled Debt Restructuring Methods	<u>The Bank's Financial Statements</u>			
	Outstanding		Type of	
	No. of	Debt before	Transferred	
	<u>Cases</u>	<u>Restructuring</u>	<u>Assets</u>	<u>Fair Value</u>
Transfers of assets	20	3,080.46	Land & Premises	2,897.69
Change of repayment conditions	1,021	15,003.30		
Debt restructuring in various forms	5,999	12,577.65		
	<u>7,040</u>	<u>30,661.41</u>		

As at December 31, 2013, the Bank has outstanding balance of restructured debts 23,898 cases amounting to Baht 80,513.22 million, of which 532 cases amounting to Baht 6,458.77 million, has been monitored under the new contractual agreements.

The consolidated financial statements as at December 31, 2013, the Bank had restructured debts 7,086 cases which the debts before restructuring were Baht 31,208.33 million.

6.6.8 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables)

(Million Baht)

	<u>Consolidated Financial Statements</u>							
	<u>December 31, 2014</u>				<u>December 31, 2013</u>			
	<u>Amount Due of the Contract</u>				<u>Amount Due of the Contract</u>			
	Not Over	Over	Over		Not Over	Over	Over	
	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>
Gross investment of leases payment	22,736.09	42,238.59	2,450.64	67,425.32	19,177.20	39,537.20	2,658.57	61,372.97
<u>Less</u> Unearned financial income				(7,642.09)				(7,526.31)
Present value of minimum leases payment				59,783.23				53,846.66
Allowance for doubtful accounts				(1,547.15)				(460.02)
Financial lease receivables, net				<u>58,236.08</u>				<u>53,386.64</u>

6.6.8 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables) (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>December 31, 2014</u>					<u>December 31, 2013</u>			
<u>Amount Due of the Contract</u>					<u>Amount Due of the Contract</u>			
Not Over	Over	Over			Not Over	Over	Over	
<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>		<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>
Gross investment of leases payment	32.75	44.00	-	76.75	62.36	170.27	-	232.63
<u>Less</u> Unearned financial income			(10.04)					(37.88)
Present value of minimum leases payment			66.71					194.75
Allowance for doubtful accounts			(3.18)					(3.29)
Financial lease receivables, net			<u>63.53</u>					<u>191.46</u>

6.7 Allowance for Doubtful Accounts

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2014</u>							
					Allowance in Excess of		
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>BoT's Regulations</u>	<u>Total</u>
Beginning balances	8,392.84	8,291.03	6,459.87	3,824.42	13,281.89	20,597.03	60,847.08
Increase (decrease) in allowance for doubtful accounts	2,010.58	3,514.54	(517.64)	950.82	3,236.74	2,204.96	11,400.00
Allowance for doubtful accounts transferred from (to) allowance for debt restructuring revaluation	-	-	-	-	17.00	-	17.00
Bad debt recovered	-	-	-	-	921.74	-	921.74
Bad debt written-off	-	-	-	-	(5,626.83)	-	(5,626.83)
Others	(173.67)	0.10	-	-	984.26	-	810.69
Ending balances	<u>10,229.75</u>	<u>11,805.67</u>	<u>5,942.23</u>	<u>4,775.24</u>	<u>12,814.80</u>	<u>22,801.99</u>	<u>68,369.68</u>

The consolidated financial statements as at December 31, 2014, the Bank has set aside allowance for doubtful accounts of Baht 71,023.92 million, including its subsidiaries' allowance for doubtful accounts of Baht 2,654.24 million.

For the year ended December 31, 2014, the Bank has set aside allowance for doubtful accounts on a monthly basis of Baht 500 million. The Bank has increased allowance for doubtful accounts to Baht 700 million per month since April 2014 and also set aside an additional of Baht 3,600 million, totaling to Baht 11,400 million.

6.7 Allowance for Doubtful Accounts (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2013</u>							
	Special			Doubtful		Allowance in Excess of BoT's	Total
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Regulations</u>	
Beginning balances	11,123.65	4,602.35	3,604.49	7,002.69	16,578.81	11,880.26	54,792.25
Increase (decrease) in allowance for doubtful accounts	(2,365.09)	3,688.28	2,855.38	(3,178.27)	1,882.93	8,716.77	11,600.00
Allowance for doubtful accounts transferred from (to) allowance for debt restructuring revaluation	-	-	-	-	(80.36)	-	(80.36)
Bad debt recovered	-	-	-	-	1,669.69	-	1,669.69
Bad debt written-off	-	-	-	-	(6,809.64)	-	(6,809.64)
Others	(365.72)	0.40	-	-	40.46	-	(324.86)
Ending balances	8,392.84	8,291.03	6,459.87	3,824.42	13,281.89	20,597.03	60,847.08

The consolidated financial statements as at December 31, 2013, the Bank had set aside allowance for doubtful accounts of Baht 61,676.63 million, including its subsidiaries' allowance for doubtful accounts of Baht 829.55 million.

For the year ended December 31, 2013, the Bank had set aside allowance for doubtful accounts on a monthly basis of Baht 500 million, totaling to Baht 6,000 million and also set aside an additional of Baht 5,600 million, totaling to Baht 11,600 million.

6.8 Revaluation Allowance for Debt Restructuring

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Beginning balances	130.22	49.86
Transfer from (to) allowance for doubtful accounts	(17.00)	80.36
Ending balances	113.22	130.22

The revaluation allowance for debt restructuring was transferred from allowance for doubtful accounts for restructured debtors, and transferred to allowance for doubtful accounts when the debtors failed to comply with the new troubled debt restructuring agreement.

The revaluation allowance for debt restructuring has not been amortized and recognized as income upon receipt of debt repayment but transferred to allowance for doubtful accounts instead as the restructured debts may again become non-performing.

6.9 Properties for Sale, Net

(Million Baht)

Consolidated Financial Statements

Type of Properties for Sale	<u>December 31, 2014</u>				<u>December 31, 2013</u>			
	Beginning		Disposals	Ending	Beginning		Disposals	Ending
	Balances	Additions			Balances	Additions		
Assets from debt repayment								
Immovable properties								
- Appraised by external appraisers	20,490.38	12,014.70	3,895.54	28,609.54	22,749.02	3,775.37	6,034.01	20,490.38
- Appraised by internal appraisers	10,303.40	1,190.11	9,817.90	1,675.61	11,636.43	2,286.17	3,619.20	10,303.40
Movable properties	410.03	1,394.80	1,265.55	539.28	160.14	736.62	486.73	410.03
Total	31,203.81	14,599.61	14,978.99	30,824.43	34,545.59	6,798.16	10,139.94	31,203.81
Others (closed branches)	71.52	-	30.15	41.37	84.39	6.35	19.22	71.52
Properties for sale in transit	212.99	937.80	206.58	944.21	2,454.85	214.13	2,455.99	212.99
Total	31,488.32	15,537.41	15,215.72	31,810.01	37,084.83	7,018.64	12,615.15	31,488.32
<u>Less</u> Allowance for impairment	(827.30)	(249.44)	-	(1,076.74)	(1,148.00)	-	(320.70)	(827.30)
Properties for sale, net	30,661.02	15,287.97	15,215.72	30,733.27	35,936.83	7,018.64	12,294.45	30,661.02

(Million Baht)

The Bank's Financial Statements

Type of Properties for Sale	<u>December 31, 2014</u>				<u>December 31, 2013</u>			
	Beginning		Disposals	Ending	Beginning		Disposals	Ending
	Balances	Additions			Balances	Additions		
Assets from debt repayment								
Immovable properties								
- Appraised by external appraisers	20,490.38	12,014.70	3,895.54	28,609.54	22,749.02	3,775.37	6,034.01	20,490.38
- Appraised by internal appraisers	10,303.40	1,190.11	9,817.90	1,675.61	11,636.43	2,286.17	3,619.20	10,303.40
Movable properties	110.60	-	-	110.60	110.60	-	-	110.60
Total	30,904.38	13,204.81	13,713.44	30,395.75	34,496.05	6,061.54	9,653.21	30,904.38
Others (closed branches)	71.52	-	30.15	41.37	84.39	6.35	19.22	71.52
Properties for sale in transit	212.99	937.80	206.58	944.21	2,454.85	214.13	2,455.99	212.99
Total	31,188.89	14,142.61	13,950.17	31,381.33	37,035.29	6,282.02	12,128.42	31,188.89
<u>Less</u> Allowance for impairment	(802.29)	(92.43)	-	(894.72)	(1,145.83)	-	(343.54)	(802.29)
Properties for sale, net	30,386.60	14,050.18	13,950.17	30,486.61	35,889.46	6,282.02	11,784.88	30,386.60

The consolidated and the Bank's financial statements as at December 31, 2014, there are an increase in immovable properties for sale appraised by external appraisers and a decrease in immovable properties for sale appraised by internal appraisers from disposals of Baht 12,014.70 million and Baht 9,817.90 million, respectively. Such immovable properties are included items changed from internal appraisers to external appraisers of Baht 8,257.34 million.

6.9 Properties for Sale, Net (Continued)

As at December 31, 2014 and 2013, the Bank's allowance for impairment of properties for sale has increased Baht 92.43 million and decreased Baht 343.54 million, respectively, from reversal or additional of loss on impairment.

For the years ended December 31, 2014 and 2013, the Bank generated gains on sale of properties for sale of Baht 1,115.87 million and Baht 1,028.31 million, respectively (before deduction of selling expenses of Baht 384.85 million and Baht 406.68 million, respectively).

6.10 Premises and Equipment, Net

Premises and equipment as at December 31, 2014 and 2013 are as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>										
<u>December 31, 2014</u>										
	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning		Ending	Beginning			Ending		for	Equipment,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,151.02	29.58	-	9,180.60	-	-	-	-	1,622.89	7,557.71
Revaluation Surplus in 2011	7,950.36	-	-	7,950.36	-	-	-	-	-	7,950.36
Revaluation Deficit in 2011	(15.81)	-	-	(15.81)	-	-	-	-	-	(15.81)
Premises	10,099.40	73.11	1.83	10,170.68	6,612.93	140.82	1.57	6,752.18	-	3,418.50
Equipment	22,421.37	3,866.83	2,934.04	23,354.16	14,650.56	2,383.00	2,170.62	14,862.94	-	8,491.22
Others	75.80	267.33	-	343.13	-	-	-	-	-	343.13
Total	49,682.14	4,236.85	2,935.87	50,983.12	21,263.49	2,523.82	2,172.19	21,615.12	1,622.89	27,745.11

(Million Baht)

<u>Consolidated Financial Statements</u>										
<u>December 31, 2013</u>										
	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning		Ending	Beginning			Ending		for	Equipment,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,151.93	5.09	6.00	9,151.02	-	-	-	-	1,619.83	7,531.19
Revaluation Surplus in 2011	7,952.23	-	1.87	7,950.36	-	-	-	-	-	7,950.36
Revaluation Deficit in 2011	(15.81)	-	-	(15.81)	-	-	-	-	-	(15.81)
Premises	10,026.41	118.49	45.50	10,099.40	6,498.88	135.18	21.13	6,612.93	-	3,486.47
Equipment	20,327.12	3,184.53	1,090.28	22,421.37	13,211.86	2,202.44	763.74	14,650.56	-	7,770.81
Others	13.68	64.37	2.25	75.80	-	-	-	-	-	75.80
Total	47,455.56	3,372.48	1,145.90	49,682.14	19,710.74	2,337.62	784.87	21,263.49	1,619.83	26,798.82

6.10 Premises and Equipment, Net (Continued)

(Million Baht)

The Bank's Financial StatementsDecember 31, 2014

	<u>Cost</u>			<u>Accumulated Depreciation</u>				Allowance	Premises and	
	Beginning		Ending	Beginning		Ending		for	Equipment,	
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,367.96	29.58	-	9,397.54	-	-	-	-	1,622.89	7,774.65
Revaluation Surplus in 2011	7,950.36	-	-	7,950.36	-	-	-	-	-	7,950.36
Revaluation Deficit in 2011	(15.81)	-	-	(15.81)	-	-	-	-	-	(15.81)
Premises	9,631.64	65.97	0.20	9,697.41	6,383.92	112.12	0.30	6,495.74	-	3,201.67
Equipment	10,870.89	929.92	855.43	10,945.38	8,526.07	965.36	851.39	8,640.04	-	2,305.34
Others	75.72	267.41	-	343.13	-	-	-	-	-	343.13
Total	37,880.76	1,292.88	855.63	38,318.01	14,909.99	1,077.48	851.69	15,135.78	1,622.89	21,559.34

(Million Baht)

The Bank's Financial StatementsDecember 31, 2013

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning			Ending	Beginning			Ending	for	Equipment,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,368.87	5.09	6.00	9,367.96	-	-	-	-	1,619.83	7,748.13
Revaluation Surplus in 2011	7,952.23	-	1.87	7,950.36	-	-	-	-	-	7,950.36
Revaluation Deficit in 2011	(15.81)	-	-	(15.81)	-	-	-	-	-	(15.81)
Premises	9,595.65	37.50	1.51	9,631.64	6,277.26	107.81	1.15	6,383.92	-	3,247.72
Equipment	10,286.04	733.47	148.62	10,870.89	7,663.16	1,004.66	141.75	8,526.07	-	2,344.82
Others	13.60	62.12	-	75.72	-	-	-	-	-	75.72
Total	37,200.58	838.18	158.00	37,880.76	13,940.42	1,112.47	142.90	14,909.99	1,619.83	21,350.94

As at December 31, 2014 and 2013, the Bank has premises and equipment which were full depreciated but still in use, with the original cost approximately Baht 7,050.58 million and Baht 7,102.89 million, respectively.

6.10 Premises and Equipment, Net (Continued)

As at December 31, 2014 and 2013, the allowance for impairment is as follows:

	(Million Baht)	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Beginning balances	1,619.83	1,619.83
<u>Add</u> Allowance for impairment	3.06	-
<u>Less</u> Transfer to income	-	-
Ending balances	<u>1,622.89</u>	<u>1,619.83</u>

6.11 Other Intangible Assets, Net

(Million Baht)

Consolidated Financial StatementsDecember 31, 2014

	<u>Cost</u>			<u>Accumulated Amortization</u>			Intangible		
	Beginning		Decrease/	Ending	Beginning		Decrease/	Ending	Assets,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Net</u>
Software licenses	4,367.89	617.16	90.81	4,894.24	2,109.37	434.10	1.53	2,541.94	2,352.30
Other licenses	8.34	0.46	-	8.80	7.03	0.87	-	7.90	0.90
Development cost	2,942.15	275.20	-	3,217.35	1,740.09	263.32	-	2,003.41	1,213.94
Partial payment of									
intangible assets	386.29	850.21	615.91	620.59	-	-	-	-	620.59
Total	7,704.67	1,743.03	706.72	8,740.98	3,856.49	698.29	1.53	4,553.25	4,187.73

(Million Baht)

Consolidated Financial StatementsDecember 31, 2013

	<u>Cost</u>				<u>Accumulated Amortization</u>				Intangible
	Beginning		Decrease/	Ending	Beginning		Decrease/	Ending	Assets,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Net</u>
Software licenses	3,742.00	625.89	-	4,367.89	1,724.00	385.37	-	2,109.37	2,258.52
Other licenses	7.65	0.69	-	8.34	5.87	1.16	-	7.03	1.31
Development cost	2,721.22	220.93	-	2,942.15	1,463.82	276.27	-	1,740.09	1,202.06
Partial payment of									
intangible assets	446.52	88.81	149.04	386.29	-	-	-	-	386.29
Total	6,917.39	936.32	149.04	7,704.67	3,193.69	662.80	-	3,856.49	3,848.18

6.11 Other Intangible Assets, Net (Continued)

(Million Baht)

The Bank's Financial StatementsDecember 31, 2014

	<u>Cost</u>			<u>Accumulated Amortization</u>			<u>Intangible Assets,</u>	
	<u>Beginning</u>	<u>Decrease/</u>	<u>Ending</u>	<u>Beginning</u>	<u>Decrease/</u>	<u>Ending</u>	<u>Assets,</u>	
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Net</u>
Software licenses	710.96	-	1.81	709.15	251.43	68.19	1.53	318.09
Other licenses	4.97	0.06	-	5.03	4.50	0.27	-	4.77
Development cost	262.92	10.28	-	273.20	195.68	19.17	-	214.85
Partial payment of								
intangible assets	110.16	345.58	-	455.74	-	-	-	-
Total	1,089.01	355.92	1.81	1,443.12	451.61	87.63	1.53	537.71

(Million Baht)

The Bank's Financial StatementsDecember 31, 2013

	<u>Cost</u>			<u>Accumulated Amortization</u>			<u>Intangible Assets,</u>	
	<u>Beginning</u>	<u>Decrease/</u>	<u>Ending</u>	<u>Beginning</u>	<u>Decrease/</u>	<u>Ending</u>	<u>Assets,</u>	
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Net</u>
Software licenses	696.11	14.85	-	710.96	183.23	68.20	-	251.43
Other licenses	4.91	0.06	-	4.97	4.01	0.49	-	4.50
Development cost	262.46	0.46	-	262.92	173.29	22.39	-	195.68
Partial payment of								
intangible assets	23.90	86.26	-	110.16	-	-	-	-
Total	987.38	101.63	-	1,089.01	360.53	91.08	-	451.61

6.12 Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities as at December 31, 2014 and 2013 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deferred Tax Assets	4,142.40	3,876.02	3,892.13	3,719.68
Deferred Tax Liabilities	-	182.68	-	-
Net	4,142.40	3,693.34	3,892.13	3,719.68

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

Movements in deferred tax assets and deferred tax liabilities during the year are as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>Charged / credited to:</u>				
	As at	Other Comprehensive		As at
	<u>January 1, 2014</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2014</u>
Deferred Tax Assets				
Investments	910.60	(8.65)	(205.52)	696.43
Investments in subsidiaries and associates	6.98	(6.98)	-	-
Loans to customers and accrued interest receivables, net	1,256.83	850.83	-	2,107.66
Properties for sale	362.86	(147.51)	-	215.35
Premises and equipment	328.70	(0.18)	-	328.52
Provisions	2,869.22	474.16	134.74	3,478.12
Guarantee deposit under financial lease	134.10	(54.38)	-	79.72
Others	494.10	(23.77)	-	470.33
Total	6,363.39	1,083.52	(70.78)	7,376.13
Deferred Tax Liabilities				
Investments	425.67	1.18	470.60	897.45
Premises and equipment	1,706.32	57.23	-	1,763.55
Loans to customers and accrued interest receivables, net	538.06	34.67	-	572.73
Total	2,670.05	93.08	470.60	3,233.73
Net	3,693.34	990.44	(541.38)	4,142.40

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>Charged / credited to:</u>				
	As at	Other Comprehensive		As at
	<u>January 1, 2013</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2013</u>
Deferred Tax Assets				
Investments	376.69	218.46	315.45	910.60
Investments in subsidiaries and associates	6.88	0.10	-	6.98
Loans to customers and accrued interest receivables, net	1,094.36	162.47	-	1,256.83
Properties for sale	426.39	(63.53)	-	362.86
Premises and equipment	328.75	(0.05)	-	328.70
Provisions	2,657.38	65.94	145.90	2,869.22
Guarantee deposit under financial lease	114.90	19.20	-	134.10
Others	448.36	46.94	(1.20)	494.10
Total	5,453.71	449.53	460.15	6,363.39
Deferred Tax Liabilities				
Investments	848.52	(2.87)	(419.98)	425.67
Premises and equipment	1,648.30	58.39	(0.37)	1,706.32
Loans to customers and accrued interest receivables, net	372.75	165.31	-	538.06
Total	2,869.57	220.83	(420.35)	2,670.05
Net	2,584.14	228.70	880.50	3,693.34

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>Charged / credited to:</u>				
	<u>As at</u>		<u>Other Comprehensive</u>	<u>As at</u>
	<u>January 1, 2014</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2014</u>
Deferred Tax Assets				
Investments	910.60	(8.65)	(205.52)	696.43
Investments in subsidiaries and associates	6.98	(6.98)	-	-
Loans to customers and accrued interest receivables, net	1,074.39	478.30	-	1,552.69
Properties for sale	357.68	(178.74)	-	178.94
Premises and equipment	323.97	0.61	-	324.58
Provisions	2,746.48	446.89	139.34	3,332.71
Others	420.82	38.41	-	459.23
Total	5,840.92	769.84	(66.18)	6,544.58
Deferred Tax Liabilities				
Investments	425.67	1.18	470.60	897.45
Premises and equipment	1,695.57	59.43	-	1,755.00
Total	2,121.24	60.61	470.60	2,652.45
Net	3,719.68	709.23	(536.78)	3,892.13

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>Charged / credited to:</u>				
	<u>As at</u>		<u>Other Comprehensive</u>	<u>As at</u>
	<u>January 1, 2013</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2013</u>
Deferred Tax Assets				
Investments	376.69	218.46	315.45	910.60
Investments in subsidiaries and associates	6.88	0.10	-	6.98
Loans to customers and accrued interest receivables, net	1,018.76	55.63	-	1,074.39
Properties for sale	426.39	(68.71)	-	357.68
Premises and equipment	323.97	-	-	323.97
Provisions	2,547.41	53.45	145.62	2,746.48
Others	399.35	22.67	(1.20)	420.82
Total	5,099.45	281.60	459.87	5,840.92

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>Charged / credited to:</u>			
	As at <u>January 1, 2013</u>	<u>Profit / Loss</u>	Other Comprehensive <u>Income</u>	As at <u>December 31, 2013</u>
Deferred Tax Liabilities				
Investments	848.52	(2.87)	(419.98)	425.67
Premises and equipment	1,634.65	61.29	(0.37)	1,695.57
Total	2,483.17	58.42	(420.35)	2,121.24
Net	2,616.28	223.18	880.22	3,719.68

6.13 Other Assets, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Prepaid expenses	1,044.94	1,043.21	844.10	928.29
Advances	36.99	37.30	29.80	28.49
Account receivables - Revenue Department	1,565.67	1,271.87	229.38	221.67
Leaseholds	396.49	450.23	396.49	450.23
Collateral under Credit Support Annex Contract and Cash Margin Debtors	856.38	4,973.31	856.38	4,973.31
Interbranch transactions	-	3,141.74	-	3,141.74
Settlement account between the Bank and other financial institutions	557.87	1,580.14	557.87	1,580.14
Sundry assets	9,262.41	7,440.89	9,028.47	6,190.91
Total	13,720.75	19,938.69	11,942.49	17,514.78
<u>Less</u> Allowance for impairment	(2,258.57)	(2,071.53)	(2,258.57)	(2,069.23)
Total other assets, net	11,462.18	17,867.16	9,683.92	15,445.55

As at December 31, 2014 and 2013, sundry assets are included default debtors from convertible preferred shares contracts of Baht 997.87 million with the same amounts of allowance for impairment (Note 6.37.1).

Settlement account between the Bank and other financial institutions as at December 31, 2013 as comparison, has offset assets and liabilities of Baht 7,937.85 million.

6.14 Deposits**6.14.1 Classified by Type of Deposits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Demand deposits	99,013.04	97,970.25	99,013.36	97,973.10
Savings deposits	1,009,305.12	967,701.56	1,010,115.52	968,163.78
Time deposits	1,043,323.12	818,109.36	1,043,424.57	818,125.03
Total	2,151,641.28	1,883,781.17	2,152,553.45	1,884,261.91

6.14.2 Classified by Currency and Residence of Depositors

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	2,101,372.67	11,899.08	2,113,271.75	1,820,242.87	10,167.88	1,830,410.75
US Dollar	25,117.69	9,975.04	35,092.73	47,875.94	3,013.49	50,889.43
Other currencies	2,917.06	359.74	3,276.80	2,182.51	298.48	2,480.99
Total	2,129,407.42	22,233.86	2,151,641.28	1,870,301.32	13,479.85	1,883,781.17

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	2,102,284.84	11,899.08	2,114,183.92	1,820,723.61	10,167.88	1,830,891.49
US Dollar	25,117.69	9,975.04	35,092.73	47,875.94	3,013.49	50,889.43
Other currencies	2,917.06	359.74	3,276.80	2,182.51	298.48	2,480.99
Total	2,130,319.59	22,233.86	2,152,553.45	1,870,782.06	13,479.85	1,884,261.91

6.15 Interbank and Money Market Items (Liabilities)

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	35.50	28,073.28	28,108.78	8.78	33,931.82	33,940.60
Commercial banks	314.67	44,017.66	44,332.33	509.55	78,046.19	78,555.74
Special purpose financial institutions	7,101.89	7,939.24	15,041.13	7,497.73	11,650.00	19,147.73
Other financial institutions	21,596.05	32,891.26	54,487.31	18,122.49	22,139.48	40,261.97
Total domestic items	29,048.11	112,921.44	141,969.55	26,138.55	145,767.49	171,906.04
6.15.2 Foreign Items						
US Dollar	325.69	17,816.50	18,142.19	166.92	28,603.62	28,770.54
Japanese Yen	-	-	-	-	-	-
Euro	1,783.21	-	1,783.21	176.04	-	176.04
Other currencies	119.98	-	119.98	136.65	-	136.65
Total foreign items	2,228.88	17,816.50	20,045.38	479.61	28,603.62	29,083.23
Total domestic and foreign items	31,276.99	130,737.94	162,014.93	26,618.16	174,371.11	200,989.27

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	35.50	28,073.28	28,108.78	8.78	33,931.82	33,940.60
Commercial banks	314.67	44,017.66	44,332.33	509.55	78,046.19	78,555.74
Special purpose financial institutions	7,101.89	7,939.24	15,041.13	7,497.73	11,650.00	19,147.73
Other financial institutions	21,652.12	31,594.91	53,247.03	18,180.48	20,464.70	38,645.18
Total domestic items	29,104.18	111,625.09	140,729.27	26,196.54	144,092.71	170,289.25
6.15.2 Foreign Items						
US Dollar	325.69	17,816.50	18,142.19	166.92	28,603.62	28,770.54
Japanese Yen	-	-	-	-	-	-
Euro	1,783.21	-	1,783.21	176.04	-	176.04
Other currencies	119.98	-	119.98	136.65	-	136.65
Total foreign items	2,228.88	17,816.50	20,045.38	479.61	28,603.62	29,083.23
Total domestic and foreign items	31,333.06	129,441.59	160,774.65	26,676.15	172,696.33	199,372.48

6.16 Debt Issued and Borrowings classified by type of debts and sources of fund as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>									
				<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Short term bonds	Baht	2.20-2.46	2015	9,865.00	-	9,865.00	6,081.00	-	6,081.00
Long term bonds									
No.1/2013	USD	2.25	2018	-	16,456.12	16,456.12	-	16,374.64	16,374.64
No.1/2014	USD	5.20	2019	-	23,074.10	23,074.10	-	-	-
KTB subordinated debentures									
No.1/2009	Baht	5.00	2019	-	-	-	21,000.00	-	21,000.00
No.2/2009	Baht	4.80	2019	-	-	-	13,000.00	-	13,000.00
No.1/2010	Baht	4.35	2020	10,400.00	-	10,400.00	10,400.00	-	10,400.00
No.1/2012	Baht	4.50	2022	5,155.00	-	5,155.00	5,155.00	-	5,155.00
No.2/2012	Baht	4.60	2022	15,133.32	-	15,133.32	15,133.32	-	15,133.32
- Hybrid debt capital instruments	Baht/USD	4.09-7.38		3,524.60	6,246.49	9,771.09	3,524.60	6,218.18	9,742.78
Bill of exchange (B/E)									
Short term*	Baht	0.00-2.10	2015	5,911.64	-	5,911.64	8,976.27	-	8,976.27
Long term	Baht	3.73-6.60	2015-2026	8,815.00	-	8,815.00	26,636.47	-	26,636.47
Private repo	Baht	2.65	2014	-	-	-	500.00	-	500.00
Others	Baht			1.17	-	1.17	1.17	-	1.17
Total				58,805.73	45,776.71	104,582.44	110,407.83	22,592.82	133,000.65

(Million Baht)

<u>The Bank's Financial Statements</u>									
				<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Short term bonds	Baht	2.20-2.46	2015	9,865.00	-	9,865.00	6,081.00	-	6,081.00
Long term bonds									
No.1/2013	USD	2.25	2018	-	16,456.12	16,456.12	-	16,374.64	16,374.64
No.1/2014	USD	5.20	2019	-	23,074.10	23,074.10	-	-	-
KTB subordinated debentures									
No.1/2009	Baht	5.00	2019	-	-	-	21,000.00	-	21,000.00
No.2/2009	Baht	4.80	2019	-	-	-	13,000.00	-	13,000.00
No.1/2010	Baht	4.35	2020	10,400.00	-	10,400.00	10,400.00	-	10,400.00
No.1/2012	Baht	4.50	2022	5,155.00	-	5,155.00	5,155.00	-	5,155.00
No.2/2012	Baht	4.60	2022	15,133.32	-	15,133.32	15,133.32	-	15,133.32
- Hybrid debt capital instruments	Baht/USD	4.09-7.38		3,524.60	6,246.49	9,771.09	3,524.60	6,218.18	9,742.78
Bill of exchange (B/E)									
Short term*	Baht	0.00-2.10	2015	4,940.70	-	4,940.70	4,886.70	-	4,886.70
Long term	Baht	3.73-6.60	2015-2026	8,815.00	-	8,815.00	26,636.47	-	26,636.47
Private repo	Baht	2.65	2014	-	-	-	500.00	-	500.00
Others	Baht			1.17	-	1.17	1.17	-	1.17
Total				57,834.79	45,776.71	103,611.50	106,318.26	22,592.82	128,911.08

*Short term bill of exchange (B/E) is included mature B/E which has not yet redeemed.

6.16 Debt Issued and Borrowings (Continued)

Long Term Bonds under Euro Medium Term Note Programme (EMTN Programme) in an amount of USD 2,500 Million

- No. 1/2013 on March 11, 2013, the Bank issued USD 500 million of unsecured unsubordinated debentures, with a maturity of 5.5 years at a fixed coupon of 2.25 percent per annum. The interest payment is semiannually on 11th of March and September of each year, over the time to maturity.

- No. 1/2014 on June 26, 2014, the Bank issued and offered USD 700 million of subordinated debentures in accordance with Basel III (Subordinated Tier 2), with a maturity of 10.5 years at a fixed coupon of 5.20 percent per annum for the first 5.5 years. After that the interest will equal to 5-year US Treasury Rate. The interest payment is semiannually on 26th of June and December of each year, over the time to maturity.

Subordinated Debentures

The Bank may be granted the right to redeem the debentures prior to their maturities, on 5th anniversary of the issued date or on any interest-payment date after 5th anniversary date or under defined conditions.

Hybrid Debt Capital Instruments

Hybrid debt capital instruments of non-cumulative interest, non-interest payment in the year that there is no profit, non-fixed repayment period as tier 1 capital (Hybrid Tier 1) which the Bank may be granted the right to redeem prior to their maturities, however, on 5th anniversary of the issued date or on any interest-payment date after 5th anniversary or when the Bank could no longer threat them as tier 1 capital, subject to approval of the BOT's.

The interest rates are fixed during the first 10 years and floating after the 11th year at the 6-month fixed deposit rate, general customers plus defined rate and semiannually interest payment.

6.17 Provisions

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Defined benefit plan				
Beginning balances	10,415.09	9,285.33	9,806.06	8,750.79
Current service cost	504.92	502.14	439.06	434.60
Interest	464.52	477.66	440.22	453.91
Employee benefits paid during the period	(1,942.96)	(579.52)	(1,915.54)	(561.36)
Actuarial losses (gains) on defined benefit plans (Note 6.34)	673.71	729.48	696.68	728.12
Total defined benefit plan	10,115.28	10,415.09	9,466.48	9,806.06
Loss from NPLs transferred to TAMC (Note 6.35)	3,461.48	3,461.48	3,461.48	3,461.48
Contingent liabilities from being sued	497.72	447.00	497.72	447.00
Other contingent liabilities	24.53	22.36	17.61	17.61
Total provisions	14,099.01	14,345.93	13,443.29	13,732.15

The Significant Actuarial Assumptions

Average discount rate	4.00% - 5.12%
Average rate of salary raise	6.00% - 7.50%
Average rate of resignation	0.02% - 25.08%
Age of retirement	50 - 60 years

6.18 Other Liabilities comprise the followings:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accrued interest expenses	5,306.49	5,173.07	5,320.16	5,171.66
Accrued expenses	11,917.19	9,957.10	11,460.28	9,449.06
Interbranch transactions	-	-	-	-
Suspense account creditors	3,703.71	3,453.00	3,257.11	2,748.34
Tax payables	4,677.05	5,482.53	4,549.91	5,440.09
Deferred revenue	-	986.16	-	986.16
Settlement account between the Bank and other financial institutions	41.87	122.25	41.87	122.25
Sundry liabilities	12,761.91	9,907.09	11,807.24	8,561.39
Total	38,408.22	35,081.20	36,436.57	32,478.95

Settlement account between the Bank and other financial institutions as at December 31, 2013 as comparison, has offset assets and liabilities of Baht 7,937.85 million.

6.19 Share Capital**6.19.1 Ordinary Shares**

As at December 31, 2014 and 2013, the Bank's authorized share capital and issued and paid-up share capital are 13,976,061,250 shares.

6.19.2 Preferred Shares

The 5.5 million of preferred shares are fully paid-up. Preferred share has more preference over the ordinary share. Apart from entitling to the same voting rights and claims on dividends as ordinary shares, it may enjoy preferential rights to a special dividend at a 3 percent fixed rate per annum prior to the ordinary shares when paid.

6.19.3 The Bank is the state enterprise, its major shareholder is the Financial Institutions Development Fund (FIDF). As at December 31, 2014, FIDF holds 7,696,248,833 shares or 55.05 percent of paid-up ordinary and preferred shares.

6.20 Legal Reserve

	(Million Baht)
Net profit of the year 2013	31,539.92
Legal reserve	364.04
Beginning balances	6,836.46
Total (as at December 31, 2014 and 2013)	7,200.50

According to the Public Limited Company Act, the Bank is required to appropriate net profit of the year as legal reserve which is not less than 5 percent after deducting accumulated losses brought forward (if any) until legal reserve reaches an amount not less than 10 percent of authorized share capital.

As at December 31, 2014 and 2013, the Bank's legal reserve is already 10 percent of authorized share capital.

6.21 The Appropriation of 2013 Net Profit and Dividend Payment

On April 11, 2014, the 21st Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2013 net profit amounting to Baht 30,957.42 million. On April 5, 2013, the 20th Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2012 net profit amounting to Baht 25,719.64 million and dividend payment as follows:

	(Million Baht)	
	<u>Net Profit of 2013</u>	<u>Net Profit of 2012</u>
Legal reserve	364.04	1,286.00
Dividend - preferred shares (@ Baht 1.0345 and Baht 0.9545)	5.69	5.25
Dividend - ordinary shares (@ Baht 0.88 and Baht 0.80)	12,298.93	10,174.18
Net profit carried forward	18,288.76	14,254.21

In 2012, the Bank paid interim dividend payment for the first half year 2012 to the preference shareholders at the rate of Baht 0.43725 per share, totaling to Baht 2.40 million and to the ordinary shareholders at the rate of Baht 0.36 per share, totaling to Baht 4,024.71 million. The Bank also paid additional dividend, according to the 20th Annual General Shareholders' Meeting resolution, for the second half year to the preference shareholders at the rate of Baht 0.51725 per share, totaling to Baht 2.85 million and to the ordinary shareholders at the rate of Baht 0.44 per share, totaling to Baht 6,149.47 million.

6.22 Obligations and Contingent Liabilities

6.22.1 Contingent Liabilities

	(Million Baht)	
	Consolidated and the Bank's Financial Statements	
	December 31, 2014	December 31, 2013
Avals to bills	4,020.77	4,715.65
Guarantees of loans	14,845.02	12,194.90
Letters of credit	40,538.15	48,687.76
Other contingencies		
Unused credit line of overdraft	149,601.74	141,086.85
Other guarantees	140,726.37	134,635.54
Others	988.89	984.41
Total	350,720.94	342,305.11

Besides the contingent liabilities mentioned above, as at December 31, 2014 and 2013, the Bank has material contingent liabilities owing to prosecutions of Baht 11,657.15 million and Baht 15,392.66 million, respectively. Such prosecutions comprised of the completed cases in the civil court and the cases proceedings in the Appeal Court and the Supreme Court.

As at December 31, 2014 and 2013, the Bank has set aside provisions of Baht 497.72 million and Baht 447 million, respectively, for estimated losses from such cases.

6.22.2 Obligations under Long-Terms Leased

The Bank has obligations arising from lease agreements. The amounts due are classified as follows:

	(Million Baht)							
	December 31, 2014				December 31, 2013			
Period	Within 1 year	Over 1 to 5 years	Over 5 years	Total	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Land and/or Premises	483.53	489.97	99.55	1,073.05	408.42	439.14	104.16	951.72
Vehicles	317.56	678.97	-	996.53	252.10	641.90	-	894.00
Facsimile/Copy machine	5.16	4.56	-	9.72	4.98	6.62	-	11.60
Total	806.25	1,173.50	99.55	2,079.30	665.50	1,087.66	104.16	1,857.32

6.23 Assets with Obligations and Restrictions

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Government and state enterprise bonds pledged as collateral		
- court collateral	189.53	263.81
- repurchase agreements	26,033.93	83,378.56
Properties for sale (debtor is granted the right to buy back or first right for this portion)	5,842.09	7,540.25
Total	<u>32,065.55</u>	<u>91,182.62</u>

6.24 Related Party Transactions

6.24.1 As at December 31, 2014 and 2013, loans to the Bank's executives (First Vice President and above) are Baht 985.69 million and Baht 487.91 million. The average outstanding balances of such loans at month end are Baht 736.71 million and Baht 496.15 million, respectively.

The loans outstanding as at December 31, 2014 and 2013 to close family of the Bank's executives mentioned above are Baht 148.69 million and Baht 161.47 million, respectively.

(Million Baht)

<u>The Bank's Financial Statements</u>					
	Pricing Policy	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	for Loans and				
	<u>Obligations</u>	<u>Loans</u>	<u>Obligations</u>	<u>Loans</u>	<u>Obligations</u>
6.24.2 Loans and Obligations to Businesses which the Bank Totally Held from 10 to 20 Percent of Their Paid-up Capital					
Dhipaya Insurance Pcl.	Normal Bank Policy	0.57	24.63	0.35	24.57
6.24.3 Loans and Obligations to Businesses which the Bank Acquired equal to or over 10 Percent of Their Paid-up Capital from TDR					
Kiatpapha Co., Ltd.	Normal Bank Policy	110.99	-	113.76	-
Manager Media Group Pcl.	Normal Bank Policy	-	0.29	-	0.29
6.24.4 Loans and Obligations to Subsidiaries and Associates					
<u>Subsidiaries</u>					
KTB General Services Co., Ltd.	Normal Bank Policy	10.36	23.20	9.75	23.20
KTB Computer Services Co., Ltd.	Normal Bank Policy	4,084.58	4.55	3,775.69	4.55
KTB Leasing Co., Ltd.	Normal Bank Policy	59,423.54	1,071.27	50,204.68	1,118.39
Krung Thai Asset Management Pcl.	Normal Bank Policy	0.03	-	0.01	-
KTB Capital Holding Co., Ltd.	Normal Bank Policy	-	-	4,471.66	-
<u>Associates</u>					
Krung Thai IBJ Leasing Co., Ltd.	Normal Bank Policy	4.84	1.27	1,925.73	1.27
Krungthai Card Pcl.	Normal Bank Policy	0.82	2.15	0.91	-
KT Zmico Securities Co., Ltd.	Normal Bank Policy	663.15	-	965.33	0.25
Krungthai Panich Insurance Pcl.	Normal Bank Policy	0.24	-	0.27	-

6.24 Related Party Transactions (Continued)

(Million Baht)

		<u>The Bank's Financial Statements</u>			
		<u>December 31, 2014</u>		<u>December 31, 2013</u>	
Pricing Policy					
for Loans and					
	<u>Obligations</u>	<u>Loans</u>	<u>Obligations</u>	<u>Loans</u>	<u>Obligations</u>
6.24.5 <u>Loans and Obligations to Related Companies</u>					
<u>With Common Directors</u>					
PTT Pcl.	Normal Bank Policy	-	44.95	-	9,570.78
PTT Global Chemical Pcl.	Normal Bank Policy	15,589.35	16.22	17,085.00	16.22
Bangkok Commercial Asset Management Co., Ltd.*	Normal Bank Policy	-	-	0.37	-
MCOT Pcl.*	Normal Bank Policy	-	-	0.40	0.10
Electricity Generating Authority of Thailand*	Normal Bank Policy	-	-	78.78	11,866.47
Eastern Water Resources Development and Management Pcl.*	Normal Bank Policy	-	-	1,496.03	10.25
Mass Rapid Transit Authority of Thailand*	Normal Bank Policy	-	-	0.05	-
Provincial Electricity Authority*	Normal Bank Policy	-	-	0.01	6.84
The Siam United Steel (1995) Co.,Ltd.*	Normal Bank Policy	-	-	0.26	-
Thai Airways International Pcl.**	Normal Bank Policy	3,014.57	-	-	-
Synnex (Thailand) Pcl.**	Normal Bank Policy	138.50	8.16	-	-
Provincial Waterworks Authority**	Normal Bank Policy	0.04	-	-	-
PTT Exploration and Production Pcl.**	Normal Bank Policy	0.84	0.35	-	-
T.K.S. Siampress Management Co., Ltd.**	Normal Bank Policy	-	41.15	-	-
<u>With Common Top Managements</u>					
Siam Paper Pcl.*	Normal Bank Policy	-	-	326.87	2.19
Bangkok Expressway Pcl.	Normal Bank Policy	1,216.38	-	446.13	-
Bangkok Metro Pcl.	Normal Bank Policy	3,558.32	17.98	4,144.73	17.98

6.24 Related Party Transactions (Continued)

(Million Baht)

		<u>The Bank's Financial Statements</u>			
		<u>December 31, 2014</u>		<u>December 31, 2013</u>	
Pricing Policy					
for Deposits					
and Borrowings		<u>Deposits</u>	<u>Borrowings</u>	<u>Deposits</u>	<u>Borrowings</u>
6.24.6 Deposits and Borrowings to Related Companies					
<u>Consolidated Financial Statements</u>					
<u>Associates</u>					
Krung Thai IBJ Leasing Co., Ltd.	Normal Bank Policy	37.44	-	37.19	-
Krungthai Card Pcl.	Normal Bank Policy	373.03	-	918.41	-
KT Zmico Securities Co., Ltd.	Normal Bank Policy	35.51	-	71.61	-
Krungthai Panich Insurance Pcl.	Normal Bank Policy	82.81	-	143.51	-
Krungthai-AXA Life Insurance Pcl.	Normal Bank Policy	755.64	2,380.00	391.39	2,730.00
<u>The Bank's Financial Statements</u>					
<u>Subsidiaries</u>					
KTB Law Co., Ltd.	Normal Bank Policy	266.05	-	234.53	-
KTB General Services Co., Ltd.	Normal Bank Policy	96.89	430.00	57.64	280.00
KTB Computer Services Co., Ltd.	Normal Bank Policy	26.52	-	33.29	-
KTB Leasing Co., Ltd.	Normal Bank Policy	203.48	-	119.31	-
Krung Thai Asset Management Pcl.	Normal Bank Policy	56.42	-	58.34	-
KTB Capital Holding Co., Ltd.	Normal Bank Policy	247.70	-	3.10	-
KTB Advisory Co., Ltd.	Normal Bank Policy	71.53	-	32.88	-
<u>Associates</u>					
Krung Thai IBJ Leasing Co., Ltd.	Normal Bank Policy	37.44	-	37.19	-
Krungthai Card Pcl.	Normal Bank Policy	373.03	-	918.41	-
KT Zmico Securities Co., Ltd.	Normal Bank Policy	35.51	-	71.61	-
Krungthai Panich Insurance Pcl.	Normal Bank Policy	82.81	-	143.51	-
Krungthai-AXA Life Insurance Pcl.	Normal Bank Policy	755.64	2,380.00	391.39	2,730.00

As at December 31, 2014 and 2013, the Bank has other benefits paid to authorized managements which are committed to employment contracts of Baht 265.43 million and Baht 102.55 million, respectively.

*As at December 31, 2014, the Bank has no common directors and common top managements.

**As at December 31, 2013, the Bank has no common directors and common top managements.

6.24 Related Party Transactions (Continued)

6.24.7 Intercompany Trading Transactions

Subsidiaries

1) KTB Computer Services Co., Ltd. has been designated mainly to provide information technology (IT) services to various work units in the Bank. Service offers consist of introducing IT to the Bank's business operation and modernizing the existing systems in line with the Bank's requirement, rendering system control and maintenance system software development, offering preliminary consultancy service and organizing training in various applications of IT and techniques. The Bank incurs service charges on a cost plus method amounting to Baht 3,674 million and Baht 3,241.68 million for the years ended December 31, 2014 and 2013, respectively.

Since 2003, the GFMIS project Phase 2 has been developed and implemented on behalf of the Bank by KTBCS. The Bank and the Office of GFMIS attached to the Secretariat of the Prime Minister have unanimously signed on the Memorandum of Agreement upon the submission of deliverables and disbursement associated to the investments on the GFMIS project on September 22, 2005. Further, the Bank has signed the hiring contract for the implementation and maintenance with the Office of GFMIS. The Bank incurs service charges for the years ended December 31, 2014 and 2013 amounting to Baht 163.08 million and Baht 188.73 million, respectively.

2) The Bank has operated student loans in subjects of public relations, policy, regulation, loan payment, documents filling, loan notification, loans status, including loan collection, claim for payment, and prosecution for the Student Loans Fund. KTB LAW Co., Ltd. has been designated to prosecute debtors of the Student Loans Fund. The Bank incurs service charges for the year ended December 31, 2014 of Baht 555.06 million.

3) The Bank incurs service charges on its subsidiaries [including service charges mentioned in No.1 and 2)] for the years ended December 31, 2014 and 2013 amounting to Baht 7,074.13 million and Baht 6,331.92 million, respectively, at the agreed-upon rate.

4) The Bank generates fees income from service contracts for the years ended December 31, 2014 and 2013 amounting to Baht 235.70 million and Baht 256.52 million, respectively.

5) Other Information

Intercompany Considerations

Intercompany income and expenses are based on the agreed-upon rate and the amount specified in the contract, whereas cost plus system has been applicable to some certain transactions.

The consolidated financial statements include the accounts of subsidiaries after eliminating intercompany transactions and balances.

Associates

1) For the years ended December 31, 2014 and 2013, the Bank generates premises rental income from associates of Baht 0.76 million and Baht 0.72 million at the agreed-upon rate.

2) For the years ended December 31, 2014 and 2013, the Bank generates fees income from supportive service contracts of Baht 2,026.52 million and Baht 1,555.22 million at the agreed-upon rate.

6.24 Related Party Transactions (Continued)**6.24.8 Sales of Investments to the Bank's Subsidiaries**

On December 26, 2012, the Bank sold 25 percent of total issued shares in Krungthai Panich Insurance Pcl. (KPI) and 50 percent of total issued shares in Krungthai-AXA Life Insurance Pcl. (KTAL) to KTB Capital Holding Co., Ltd. at book value amounting to Baht 4,800.74 million with gain on sale of Baht 3,667.55 million. In this period, the Bank repurchased all shares in KPI and KTAL from KTBCB at book value amounting to Baht 5,158.90 million (Note 6.5.1).

The consolidated financial statements had been already eliminated intercompany transactions.

6.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment**6.25.1 Financial Position Classified by Business Segment**

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Total assets	2,676,917.07	65,061.68	2,741,978.75	2,462,723.54	52,681.66	2,515,405.20
Interbank and money market items, net	418,700.75	37,840.70	456,541.45	417,740.60	30,831.63	448,572.23
Investments, net	261,074.67	1,043.10	262,117.77	241,182.13	600.94	241,783.07
Loans to customers and						
accrued interest receivables, net	1,808,848.11	23,194.82	1,832,042.93	1,632,986.29	20,944.25	1,653,930.54
Deposits	2,148,210.96	3,430.32	2,151,641.28	1,880,723.33	3,057.84	1,883,781.17
Interbank and money market items, net	147,125.98	14,888.95	162,014.93	183,633.11	17,356.16	200,989.27
Debt issued and borrowings	58,805.73	45,776.71	104,582.44	110,407.83	22,592.82	133,000.65

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Total assets	2,664,701.30	65,061.68	2,729,762.98	2,450,183.73	52,681.66	2,502,865.39
Interbank and money market items, net	418,596.18	37,840.70	456,436.88	417,613.70	30,831.63	448,445.33
Investments, net	255,528.98	1,043.10	256,572.08	235,167.36	600.94	235,768.30
Loans to customers and						
accrued interest receivables, net	1,814,171.88	23,194.82	1,837,366.70	1,638,358.02	20,944.25	1,659,302.27
Deposits	2,149,123.13	3,430.32	2,152,553.45	1,881,204.07	3,057.84	1,884,261.91
Interbank and money market items, net	145,885.70	14,888.95	160,774.65	182,016.32	17,356.16	199,372.48
Debt issued and borrowings	57,834.79	45,776.71	103,611.50	106,318.26	22,592.82	128,911.08

The consolidated and the Bank's financial statements as at December 31, 2014 and 2013, the Bank has total assets before eliminating net interbranch transactions of Baht 2,612.59 million and Baht 8,572.50 million, respectively.

6.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment (Continued)**6.25.2 Operations Classified by Business Segment**

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Interest income	117,425.54	3,469.75	120,895.29	110,260.82	2,639.21	112,900.03
Interest expenses	(49,275.10)	(2,318.31)	(51,593.41)	(46,873.70)	(1,544.83)	(48,418.53)
Interest income, net	68,150.44	1,151.44	69,301.88	63,387.12	1,094.38	64,481.50
Fees and service income, net	16,097.99	225.21	16,323.20	15,540.81	170.91	15,711.72
Other operating income	11,569.61	20.36	11,589.97	14,133.27	4.47	14,137.74
Other operating expenses	(56,826.89)	(464.95)	(57,291.84)	(51,545.33)	(349.21)	(51,894.54)
Operating profit before income tax expenses	38,991.15	932.06	39,923.21	41,515.87	920.55	42,436.42

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Interest income	115,476.57	3,469.75	118,946.32	108,817.30	2,639.21	111,456.51
Interest expenses	(48,996.31)	(2,318.31)	(51,314.62)	(46,725.69)	(1,544.83)	(48,270.52)
Interest income, net	66,480.26	1,151.44	67,631.70	62,091.61	1,094.38	63,185.99
Fees and service income, net	15,185.67	225.21	15,410.88	14,576.92	170.91	14,747.83
Other operating income	8,494.84	20.36	8,515.20	10,802.29	4.47	10,806.76
Other operating expenses	(52,399.17)	(464.95)	(52,864.12)	(49,005.83)	(349.21)	(49,355.04)
Operating profit before income tax expenses	37,761.60	932.06	38,693.66	38,464.99	920.55	39,385.54

The consolidated and the Bank's financial statements for the years ended December 31, 2014 and 2013, the Bank has total interest income and interest expenses before eliminating net interbranch transactions of Baht 2,270.63 million and Baht 1,497.17 million, respectively.

6.26 Operations Classified by Operating Segment

Segment definition

The Bank is organized into segments for internal management which the Management Committee of each segment is the chief operating decision-maker (CODM). Three reportable segments have been divided based on customer types and nature of businesses:

1) *Retail banking segment*: develops financial products and services, and also provides services for individual customers relating to deposits, loans, payment for goods and services as well as sale of products released by the Bank's subsidiaries and business alliances through network branches nationwide.

2) *Wholesale banking segment*: provides credit facilities and financial services to corporate clients; and

3) *Treasury and investment segment*: controls the Bank's financial structure to appropriate to make profit from the Bank's equity investment, foreign currency exchange services, international business and excess liquidity, and also supervising overseas branches and companies in which the Bank has invested.

Other segments comprise of middle offices, back offices, subsidiaries and associates.

Accounting policies for segment reporting

In contrast to the accounting policies for external reporting, the accounting policies of the operating segments are based on the principle of Economic Value Management (EVM), whereby performance is measured based on segment economic profit (EP), as included in the internal management reports that are reviewed by the Bank's CODM. In accordance with the EVM concept, all business units are treated as profit centers, having internal service charge (ISC) between service providing unit and service receiving unit. Fund Transfer Pricing (FTP) concept is used to calculating value of fund for fund provider unit and cost of fund for fund user unit. Income and expenses are allocated according to ownership basis in order to calculate the economic profit.

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2014</u>						
	Retail <u>Banking</u>	Wholesale <u>Banking</u>	Treasury and <u>Investment</u>	Support and <u>Others</u>	<u>Adjustments</u>	<u>Total</u>
Total operating income	52,481.44	35,096.02	8,959.52	578.61	99.46 ¹	97,215.05
Total expenses (excluding bad debts, doubtful accounts and loss on impairment)	(34,175.39)	(19,290.05)	(5,087.06)	(9,259.84)	17,442.62 ^{1,2}	(50,369.72)
Bad debts, doubtful accounts and loss on impairment	(3,242.38)	(3,121.02)	(282.46)	(7,008.58)	0.15	(13,654.29)
Net profit (loss)	15,063.67	12,684.95	3,590.00	(15,689.81)	17,542.23	33,191.04
Segment assets	791,436.25	1,200,364.16	181,673.67	551,075.93	14,816.15 ³	2,739,366.16
Segment liabilities ⁴	1,534,374.88	636,315.10	198,934.17	138,488.41	(888.67) ³	2,507,223.89

6.26 Operations Classified by Operating Segment (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2013</u>						
	Retail Banking	Wholesale Banking	Treasury and Investment	Support and Others	Adjustments	Total
Total operating income	50,048.50	29,569.65	11,697.99	4,277.99	(1,263.18) ¹	94,330.95
Total expenses (excluding bad debts, doubtful accounts and loss on impairment)	(31,442.24)	(18,839.70)	(5,540.61)	(9,986.72)	18,301.70 ^{1,2}	(47,507.57)
Bad debts, doubtful accounts and loss on impairment	(2,003.85)	(2,119.80)	(272.93)	(7,914.10)	0.15	(12,310.53)
Net profit (loss)	16,602.41	8,610.15	5,884.45	(13,622.83)	17,038.67	34,512.85
Segment assets	682,106.33	1,166,971.18	414,496.71	257,134.75	(13,876.27) ³	2,506,832.70
Segment liabilities ⁴	1,953,879.87	598.64	217,965.33	156,322.96	(28,024.39) ³	2,300,742.41

¹ In the financial statements, certain gains are presented net of losses and shown either as gains under operating income or as losses under other operating expenses. However, these items from EVM data are predetermined as either income or expense regardless of whether they are gains or losses.

² Capital charge is recorded at each operating segment according to EVM concept, whereas, in the overall Bank's financial statements, capital charge is reversed.

³ Assets and liabilities in the financial statements are ending balances while assets and liabilities from EVM data are average balances.

⁴ The Bank's major liabilities are deposits which are booked across business segments in 2014 according to ownership basis, unlike in 2013 where most deposits were booked at branches under retail banking segment.

6.27 Interest Income

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interbank and money market items	14,874.73	13,223.74	14,873.05	13,222.45
Investment and trading transactions	188.02	190.16	188.02	190.16
Investment in debt	6,255.34	6,595.72	6,251.72	6,593.11
Loans	93,270.04	87,789.43	95,317.72	89,869.52
Hire-purchase and finance lease	4,017.77	3,583.89	26.42	64.18
Others	18.76	19.92	18.76	19.92
Total interest income	118,624.66	111,402.86	116,675.69	109,959.34

6.28 Interest Expenses

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deposits	32,205.39	28,809.03	32,216.00	28,814.74
Interbank and money market items	2,987.30	4,004.20	2,705.81	3,860.06
Contributions to Bank of Thailand (BoT)	9,111.09	8,034.51	9,111.09	8,034.51
Contributions to Deposit Protection Agency (DPA)	196.62	174.94	196.62	174.94
Debt issued				
- Subordinated notes	3,928.59	4,150.83	3,928.59	4,150.83
- B/E	825.42	1,669.82	825.42	1,669.82
Borrowings	62.08	72.69	54.60	63.29
Others	6.28	5.35	5.86	5.15
Total interest expenses	49,322.77	46,921.37	49,043.99	46,773.34

6.29 Fees and Service Income, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Fees and service income				
- Acceptance, aval and guarantee	1,740.42	1,677.59	1,740.42	1,677.59
- Others	16,353.82	15,690.98	15,512.97	14,856.96
Total fees and service income	18,094.24	17,368.57	17,253.39	16,534.55
Fees and service expenses	(1,771.04)	(1,656.85)	(1,842.51)	(1,786.72)
Fees and service income, net	16,323.20	15,711.72	15,410.88	14,747.83

6.30 Gains on Tradings and Foreign Exchange Transactions, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Gains (losses) on Tradings and Foreign Exchange Transactions				
- Foreign currency and foreign currency related derivatives	3,049.55	3,808.34	3,081.93	3,815.18
- Interest rate related derivatives	1,396.17	602.23	1,435.94	627.28
- Debt securities	329.19	107.82	329.19	107.82
- Equity securities	27.08	7.95	27.08	7.95
- Others	24.53	54.50	24.53	54.50
Total gains on tradings and foreign exchange transactions, net	4,826.52	4,580.84	4,898.67	4,612.73

6.31 Gains (Losses) on Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Gains (losses) on sale of				
- Available-for-sale securities	156.83	3,553.46	156.83	3,553.46
- General investments	26.96	34.43	26.96	34.43
- Investment in subsidiaries and associates	-	-	-	-
Total	183.79	3,587.89	183.79	3,587.89
Reverse (losses) on impairment of				
- Available-for-sale securities	70.26	-	70.26	-
- General investments	(18.78)	(1,027.91)	(18.78)	(1,027.91)
- Investment in subsidiaries and associates	-	-	34.89	(0.49)
Total	51.48	(1,027.91)	86.37	(1,028.40)
Total gains (losses) on investments, net	235.27	2,559.98	270.16	2,559.49

6.32 Bad Debts, Doubtful Accounts, and Loss on Impairment

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interbank and money market items	173.56	365.33	173.56	365.33
Held-to-maturity debt securities	(0.15)	(0.15)	(0.15)	(0.15)
Loans to customers	13,480.88	11,945.35	11,226.44	11,234.67
Total bad debts, doubtful accounts, and loss on impairment	13,654.29	12,310.53	11,399.85	11,599.85

6.33 Income Tax Expenses

Income tax expenses recognized in profit or losses for the years ended December 31, 2014 and 2013 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current Tax				
Current period	7,722.61	8,152.27	7,547.58	8,068.80
Deferred Tax				
Movement in temporary differences	(990.44)	(228.70)	(709.23)	(223.18)
Total	<u>6,732.17</u>	<u>7,923.57</u>	<u>6,838.35</u>	<u>7,845.62</u>

Reconciliation of effective tax rates for the years ended December 31, 2014 and 2013 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>			
	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses		39,923.21		42,436.42
Income tax calculated statutory tax rates	20.00%	7,984.64	20.00%	8,487.28
Tax effects of income and expenses				
that are not taxable and deductible for tax purposes, net		(1,252.47)		(563.71)
Total	16.86%	<u>6,732.17</u>	18.67%	<u>7,923.57</u>

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses		38,693.66		39,385.54
Income tax calculated statutory tax rates	20.00%	7,738.73	20.00%	7,877.11
Tax effects of income and expenses				
that are not taxable and deductible for tax purposes, net		(900.38)		(31.49)
Total	17.67%	<u>6,838.35</u>	19.92%	<u>7,845.62</u>

6.34 Components of Other Comprehensive Income and Related Taxes

Components of other comprehensive income and related taxes for the years ended December 31, 2014 and 2013.

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	Amount	Tax (expense)	Net amount	Amount	Tax (expense)	Net amount
	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>	<u>before Tax</u>	<u>benefit</u>	<u>after tax</u>
Changes in revaluation surplus on assets	-	-	-	(1.87)	0.37	(1.50)
Gains on remeasuring available-for-sale investments	3,380.58	(676.12)	2,704.46	(3,677.14)	735.43	(2,941.71)
Gains (losses) arising from translating the						
financial statements of foreign operations	(19.93)	-	(19.93)	59.14	(1.20)	57.94
Actuarial losses on defined benefit plans* (Note 6.17)	(673.71)	134.74	(538.97)	(729.48)	145.90	(583.58)
Share of other comprehensive income from associates	3,020.00	-	3,020.00	(1,648.63)	-	(1,648.63)
Other comprehensive income	5,706.94	(541.38)	5,165.56	(5,997.98)	880.50	(5,117.48)

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
	Amount	Tax (expense)	Net amount	Amount	Tax (expense)	Net amount
	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>	<u>before Tax</u>	<u>benefit</u>	<u>after tax</u>
Changes in revaluation surplus on assets	-	-	-	(1.87)	0.37	(1.50)
Gains on remeasuring available-for-sale investments	3,380.58	(676.12)	2,704.46	(3,677.14)	735.43	(2,941.71)
Gains (losses) arising from translating the						
financial statements of foreign operations	(19.93)	-	(19.93)	59.14	(1.20)	57.94
Actuarial losses on defined benefit plans* (Note 6.17)	(696.68)	139.34	(557.34)	(728.12)	145.62	(582.50)
Other comprehensive income	2,663.97	(536.78)	2,127.19	(4,347.99)	880.22	(3,467.77)

*Recorded in retained earnings

6.35 The Transfer of Non-Performing Loans to Thai Asset Management Corporation (TAMC)

TAMC was established under the Emergency Decree on Thai Asset Management Corporation B.E. 2544 (2001) with an objective to manage impaired assets of financial institutions by acquisition of impaired assets of financial institutions as well as any other rights over the property being held as collateral for debt repayments with respect to such impaired assets. Under such decree, financial institutions are required to transfer their impaired assets to TAMC as well as any other rights over the property held as collateral under the conditions and within the timeframe specified by TAMC. The transfer price shall be equal to the value of assets held as collateral, with respect to such impaired assets, according to the appraisal criteria specified by the BoT. The Bank shall have the right to request a new appraisal of the collaterals within specified criteria and timeframe. TAMC and the Bank agree to recognize and share profit or loss arising from the management of impaired assets at the end of the year 5th and 10th since July 1, 2001. TAMC shall calculate the profit or loss for the transferred impaired-assets of each debtor who completely repaid or only debtors whose assets are disposed in the case of asset transferred for repayment. The calculation as such will base on accumulated asset recoveries on a cash basis up to the date of calculation less transfer cost, other operating expenses incurred by TAMC including all interest expenses paid to the Bank.

In the case of generating the profits, the first portion of profits not exceeding 20 percent of the transfer price will be evenly shared between the Bank and TAMC. The second portion of the profits included with the first portion thus not exceeding the difference between the book value of impaired assets and transfer price will be realized by the Bank. The residual profit will be realized by TAMC.

In the case of realizing the consequent losses, the first portion not exceeding 20 percent of the transfer price will be solely absorbed by the Bank whereas the second portion not exceeding 20 percent of the transfer price will be evenly shared between the Bank and TAMC. The residual losses will be wholly absorbed by TAMC. Total losses absorbed by the Bank, therefore, will be up to 30 percent of the transfer price.

The Bank had transferred impaired assets to TAMC during the year 2001-2006. TAMC shall complete a preliminary verification of asset price within 180 days for each transfer. Having confirmed matching asset price, TAMC shall issue non-transferable promissory notes, with 10 year maturity and availed by the FIDF, to the Bank. TAMC may exercise the right to redeem these promissory notes before their maturities. Interest rates will be calculated by using reference weighted-average deposit interest rate of the five large scale commercial banks announced by the BoT and will be paid on the last workday of the year.

TAMC has completely reached a decade of running its business under the Emergency Decree on Thai Asset Management Corporation B.E. 2544 (2001) Clause 95 dated June 8, 2011. TAMC has dissolved its business on June 9, 2011 and is in the process of liquidation under the Royal Decree on Liquidation of Thai Asset Management Corporation B.E. 2554 (2011).

TAMC permanently dissolved its organization on June 8, 2013 and has employed the Phloenchit Capital Co., Ltd. to manage its outstanding tasks.

On September 11, 2013, the Phloenchit Capital Co., Ltd. officially informed the calculation result of profit and loss from impaired asset management as at November 30, 2012 and asked the Bank to pay loss to TAMC of Baht 2,507.48 million. On October 3, 2013, the Bank opposed the calculation of profit and loss from impaired asset management, regarding to add pledged machines of impaired assets of a debtor amounting to Baht 1,744.48 million, in transfer price for calculate profit and loss from impaired asset management as at November 30, 2012.

As at December 31, 2014 and 2013, the Bank has net impaired assets transferred to TAMC after adjusting transfer price of Baht 17,743.18 million. For a debtor who pledging machineries as collaterals, the machine values are Baht 1,744.48 million. TAMC has already decreased the face value of promissory notes but the Bank informed TAMC that it denies to receive those promissory notes until transfer price would be concluded. The Bank has been suing TAMC which the case is in the process of petition to the Civil Court. As at December 31, 2014 and December 31, 2013, TAMC has amount due to the Bank of Baht 3,174.33 million and Baht 3,388.20 million, respectively. The 6 promissory notes were issued to the Bank and recorded under held-to-maturity debt securities (Note 6.4). As at December 31, 2014, the Bank recorded accrued interest receivables at Baht 31.70 million.

As at December 31, 2014 and 2013, provisions that may arise from losses on impaired-assets transferred to TAMC were Baht 3,461.48 million. The Bank has been estimated allowance for doubtful accounts at 15 percent upon transfer price. In 2012, the management has considered set more provisions of Baht 800 million as shown in provisions (Note 6.17).

6.36 Operation and Risk Management Policies within the Financial Business Group

The BoT's Notification No. SOR NOR SOR.6/2553 dated June 18, 2010, regarding the Consolidated Supervision Policy requires the Bank to disclose the operation and risk management policies within the financial business group as follows:

The operation and risk management within the financial business group are prepared as regulations to supervise the operation within the financial conglomerate, including the Bank and 11 companies within the financial business group (Note 6.5), in terms of common standards and procedures which conform to the BoT's consolidated supervision policy. The policies are approved by the Bank's board of directors and reviewed at least once a year. The policies also include operations, rules and regulations of business transactions, ratio of business transactions within the financial business group, and other related operating procedures. The operations within the group are conducted in the same manner as public operations and follow the Bank's corporate governance.

In case of the Bank has business transactions with a company within the financial business group as it is the Bank's sector, the Bank will follow the BoT's relenting regulations.

6.37 Others

6.37.1 The Bank has a debtor prosecuted to the Supreme Court's Criminal Division for Person Holding Political Positions by the Office of the Attorney General. The Supreme Court issued the order of acceptance on July 25, 2012. This debtor has granted credit limit on December 9, 2003 of Baht 9,900 million which has been drawn down amounting to Baht 8,368.73 million. As at December 31, 2014, the arrears is totally the drawn amount including accrued interest. The Bank also set full amounts of allowance for doubtful accounts as the prescription of BoT's regulations. Moreover, such case is related to accrued receivables from default debtors from convertible preferred shares contracts recorded in other assets of Baht 997.87 million with full amounts of allowance for impairment (Note 6.13).

6.37.2 In 2010, the Bank's loans to a company amounting to USD 95.67 million (Baht 2,884.61 million) arising from the Bank's investment in ordinary shares of a foreign financial institution, amounting to 50 percent of authorized shares capital. The Bank has a security sold under repurchase agreement to another company within the group of this foreign financial institution with the specific price and period, which the Bank has no influences over this invested financial institution. The Bank determined this transaction to the loan pledge with ordinary shares as collateral. The differences between par value and loans are recognized to interest income. The Bank has completely received total loan repayment of this contract in July, 2011. Currently, the Bank has not yet transferred those ordinary shares pledged as collateral to the company since the company shall find the new investor should be the financial institution.

6.38 Information Disclosure under the BoT's Notifications

The Bank discloses information about capital maintenance of the Bank and financial business group under the BoT's notifications on disclosure of capital for financial business group and disclosure of capital maintenance for commercial banks.

Location of disclosure	www.ktb.co.th >Investor Relations>Financial Information>Pillar III Disclosures
Date of disclosure	Within April 2015
Information as at	December 31, 2014

6.39 Approval of the Financial Statements

These financial statements have been authorized to issue by the Audit Committee on February 24, 2015.
