

# ๑๐๐ ปี ธนาคารออมสิน

100<sup>th</sup> Anniversary of The Government Savings Bank



# Report of the Auditor

## To: The Board of Directors of the Government Savings Bank (GSB)

The Office of the Auditor General has examined GSB's financial statements exhibiting investments by the equity method and bank-only financial statements, comprising statements of financial position exhibiting investments by the equity method and bank-only financial statements as of December 31, 2012; statements of comprehensive income exhibiting investments by the equity method and bank-only statements of comprehensive income; statements of changes in equity exhibiting investments by the equity method and bank-only statements of changes in equity; and cash flow statements exhibiting investments by the equity method and bank-only cash flow statements for each of the years then ended, as well as notes on important accounting policies and on other issues.

### Management's responsibility for financial statements

The Bank's management is responsible for preparing and presenting these financial statements with accuracy and completeness as appropriate in accordance with financial reporting standards, and for internal controls as deemed necessary by the management to ensure the financial statements are prepared without presentation of information contradictory to material factual information either by fraud or by error.

### Auditor's responsibility

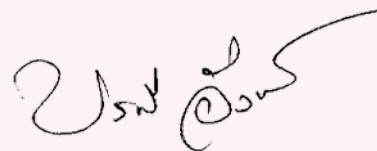
Our responsibility is to express an opinion on these financial statements based on the audit results. We have conducted the audits in accordance with the auditing standards. These standards require that we comply with code of ethics, and plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit includes examining to acquire evidences supporting the amounts and disclosures in the financial statements by the method selected at the auditor's discretion. It also includes assessing risk from presenting information contradictory to factual information of material respect of the financial statements either by fraud or by error. We consider internal controls in relation to preparation and presentation of financial statements correctly as appropriate for the business to design the audit method suitable to the circumstances, not for the purpose of expressing opinion on the efficiency of the internal controls of the business. The audit also covers assessing the appropriateness of the accounting policies applied by the management and reasonableness of the accounting projections prepared by the management, as well as assessing presentation of the financial statements in overall.

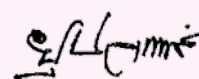
We believe that audit evidences acquired are adequate and appropriate for use as criteria in expressing our opinion.

### Auditor's opinion

In the opinion of the Office of the Auditor General, the financial statements exhibiting investments by the equity method and the bank-only financial statements referred to above represent fairly, in all material respects and in accordance with the financial reporting standards, GSB's financial position as of December 31, 2012, and its operating results and cash flows for each of the years then ended.



(Miss Prapee Ankinandana)  
Deputy Auditor General Officiating for  
Auditor General



(Mrs. Yupin Chalanonniwat)  
Director of Financial Audit Office No. 2

Office of the Auditor General

*Office of the Auditor General*  
March 4, 2013

# Balance Sheet

As of December 31, 2012

Unit : Thousand Baht

	Notes	Financial statements exhibiting investments by equity method			Bank-only financial statements		
		2012	2011	2010	2012	2011	2010
<b>Assets</b>							
Cash	5.2	31,229,044	20,842,687	11,804,396	31,229,044	20,842,687	11,804,396
Interbank and money market items - net	5.3	195,589,773	227,899,922	146,848,221	195,589,773	227,899,922	146,848,221
Claims on securities		1,010,077	8,085,244	36,349,670	1,010,077	8,085,244	36,349,670
Derivatives assets	5.4	617,662	814,705	1,159,705	617,662	814,705	1,159,705
Investments - net	5.5	244,483,702	192,909,435	199,445,008	244,483,702	192,909,435	199,445,008
Investments in associated companies - net	5.6	4,667,607	4,640,068	4,291,880	4,075,468	4,075,468	4,075,468
Loans to customers and accrued interest receivables - net	5.7						
Loans to customers		1,491,320,316	1,317,421,309	1,071,771,042	1,491,320,316	1,317,421,309	1,071,771,042
Accrued interest receivables		7,115,973	5,904,823	3,759,524	7,115,973	5,904,823	3,759,524
Total loans to customers and accrued interest receivables		1,498,436,289	1,323,326,132	1,075,530,566	1,498,436,289	1,323,326,132	1,075,530,566
Less Deferred revenue		72,313	96,189	99,807	72,313	96,189	99,807
Less Allowance for doubtful accounts	5.8	28,492,738	26,067,734	24,474,212	28,492,738	26,067,734	24,474,212
Less Revaluation allowance for debt restructuring	5.9	21,000	35,261	-	21,000	35,261	-
Total loans to customers and accrued interest receivables - net		1,469,850,238	1,297,126,948	1,050,956,547	1,469,850,238	1,297,126,948	1,050,956,547
Assets pending sales - net	5.10	1,849,722	2,138,104	1,002,777	1,849,722	2,138,104	1,002,777
Land, buildings and equipment - net	5.11	7,192,908	6,527,748	4,937,480	7,192,908	6,527,748	4,937,480
Other intangible assets - net	5.12	699,632	590,468	669,474	699,632	590,468	669,474
Other assets - net	5.13	5,951,771	11,100,274	5,877,049	5,951,771	11,100,274	5,877,049
<b>Total assets</b>		<b>1,963,142,136</b>	<b>1,772,675,603</b>	<b>1,463,342,207</b>	<b>1,962,549,997</b>	<b>1,772,111,003</b>	<b>1,463,125,795</b>

Notes to the financial statements are an integral part of these financial statements.

## Balance Sheet (Continued)

As of December 31, 2012

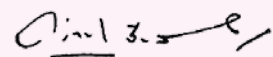
Unit : Thousand Baht

	Notes	Financial statements exhibiting investments by equity method			Bank-only financial statements		
		2012	2011	2010	2012	2011	2010
<b>Liabilities and Equity</b>							
Deposits	5.14	1,679,763,787	1,525,755,840	1,180,247,909	1,679,763,787	1,525,755,840	1,180,247,909
Interbank and money market items - net	5.15	75,664,294	63,703,393	91,837,774	75,664,294	63,703,393	91,837,774
Liabilities payable on demand		1,664,048	1,140,468	770,261	1,664,048	1,140,468	770,261
Liabilities to deliver securities		1,010,077	8,085,244	36,349,670	1,010,077	8,085,244	36,349,670
Derivatives liabilities	5.4	289,326	797,489	440,730	289,326	797,489	440,730
Provisions	5.16	20,893,470	13,906,759	6,588,105	20,893,470	13,906,759	6,588,105
Accrued deposit and PSC interest payables		39,964,498	29,603,987	20,174,591	39,964,498	29,603,987	20,174,591
Accrued expenses		4,957,285	3,666,798	3,680,817	4,957,285	3,666,798	3,680,817
Other liabilities	5.17	4,626,815	8,762,622	5,105,433	4,626,815	8,762,622	5,105,433
<b>Total liabilities</b>		<b>1,828,833,600</b>	<b>1,655,422,600</b>	<b>1,345,195,290</b>	<b>1,828,833,600</b>	<b>1,655,422,600</b>	<b>1,345,195,290</b>
<b>Equity</b>							
Capital granted by HM King Rama VI		100	100	100	100	100	100
Other components of equity	#5.18	7,080,361	2,319,329	9,825,543	7,080,361	2,319,329	9,825,543
<b>Accumulated profit</b>							
<b>Allocated</b>							
Reserves for business expansion		15,626,629	13,864,618	11,924,645	15,626,629	13,864,618	11,924,645
Unallocated		111,601,446	101,068,956	96,396,629	111,009,307	100,504,356	96,180,217
<b>Total equity</b>		<b>134,308,536</b>	<b>117,253,003</b>	<b>118,146,917</b>	<b>133,716,397</b>	<b>116,688,403</b>	<b>117,930,505</b>
<b>Total liabilities and equity</b>		<b>1,963,142,136</b>	<b>1,772,675,603</b>	<b>1,463,342,207</b>	<b>1,962,549,997</b>	<b>1,772,111,003</b>	<b>1,463,125,795</b>

Notes to the financial statements are an integral part of these financial statements.



(Mrs. Chujira Kongkaew)  
Chairman of the Board of Directors



(Mr. Woravit Chaillimpamontri)  
President and CEO

# Statements of Comprehensive Income

For the year ended December 31, 2012

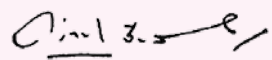
Unit : Thousand Baht

	Notes	Financial statements exhibiting investments by equity method		Bank-only financial statements	
		2012	2011	2012	2011
Interest income	5.26	99,225,729	80,108,027	99,225,729	80,108,027
Interest expenses	5.27	50,082,960	38,780,395	50,082,960	38,780,395
Interest income - net		49,142,769	41,327,632	49,142,769	41,327,632
Fees and service income		3,053,079	2,483,389	3,053,079	2,483,389
Fees and service expenses		348,451	232,457	348,451	232,457
Fees and service income - net	5.28	2,704,628	2,250,932	2,704,628	2,250,932
Gain on trading and foreign exchange - net	5.29	157,316	117,371	157,316	117,371
Gain on investments - net	5.30	167,419	987,441	167,419	987,441
Share of profit from investments by equity method		225,971	548,873	-	-
Dividend income		1,428,409	2,563,357	1,626,841	2,764,042
Other operating income		1,155,191	1,177,696	1,155,191	1,177,696
Total operating income		54,981,703	48,973,302	54,954,164	48,625,114
Other operating expenses					
Personnel expenses		17,465,076	16,520,718	17,465,076	16,520,718
Director remuneration		5,260	4,236	5,260	4,236
Employee remuneration		3,338,503	2,173,119	3,338,503	2,173,119
Director fees		3,667	3,769	3,667	3,769
Premises and equipment expenses		3,588,571	2,888,603	3,588,571	2,888,603
Remuneration for debt collection agency		4,179,508	3,504,991	4,179,508	3,504,991
Others		2,944,731	3,195,593	2,944,731	3,195,593
Total other operating expenses		31,525,316	28,291,029	31,525,316	28,291,029
Bad debts, doubtful accounts and loss (reversal) on devaluation	5.31	2,401,506	2,713,973	2,401,506	2,713,973
Net profit		21,054,881	17,968,300	21,027,342	17,620,112
Other comprehensive profit (loss)					
Gain (Loss) on revaluation of securities available-for-sale		4,761,032	(7,506,214)	4,761,032	(7,506,214)
Total other comprehensive profit (loss) - net		4,761,032	(7,506,214)	4,761,032	(7,506,214)
Total comprehensive profit		25,815,913	10,462,086	25,788,374	10,113,898

Notes to the financial statements are an integral part of these financial statements.



(Mrs. Chujira Kongkaew)  
Chairman of the Board of Directors



(Mr. Woravit Chailimpamontri)  
President and CEO

# Statements of Changes in Equity

For the year ended December 31, 2012

Unit : Thousand Baht

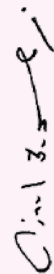
Notes	Financial statements exhibiting investments by equity method							Total
	Capital granted by HIM				Accumulated profit			
	Other components of equity	Reserves for business expansion		Total bank-only financial statements	Non-controlling interest	Total		
		Allocated	Unallocated			Allocated	Unallocated	
Balance as of January 1, 2011	100	9,825,543	11,924,645	96,180,217	216,412	118,146,917	117,930,505	
Reserves for business expansion	5.19	-	1,939,973	(1,939,973)	-	-	-	
Contribution to Ministry of Finance	5.19	-	-	(11,356,000)	-	(11,356,000)	(11,356,000)	
Total comprehensive profit (loss)		(7,506,214)	-	17,620,112	348,188	10,462,086	10,113,898	
Balance as of December 31, 2011	100	2,319,329	13,864,618	100,504,356	564,600	117,253,003	116,688,403	
Balance as of January 1, 2012	100	2,319,329	13,864,618	100,504,356	564,600	117,253,003	116,688,403	
Reserves for business expansion	5.19	-	1,762,011	(1,762,011)	-	-	-	
Contribution to Ministry of Finance	5.19	-	-	(8,760,380)	-	(8,760,380)	(8,760,380)	
Total comprehensive profit (loss)		4,761,032	-	21,027,342	27,539	25,815,913	25,788,374	
Balance as of December 31, 2012	100	7,080,361	15,626,629	111,009,307	592,139	134,308,536	133,716,397	

Notes to the financial statements are an integral part of these financial statements.



(Mrs. Chujjira Kongkaew)

Chairman of the Board of Directors



(Mr. Woravit Chaillampomthit)

President and CEO

# Statements of Changes in Equity

For the year ended December 31, 2012

Unit : Thousand Baht

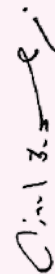
	Bank-only financial statements				
	Accumulated profit				
	Capital granted by HM	Other components of equity	Allocated Reserves for business expansion	Total	
Notes					
Balance as of January 1, 2011		100	11,924,645	96,180,217	117,980,505
Reserves for business expansion	5.19	-	1,939,973	(1,939,973)	-
Contribution to Ministry of Finance	5.19	-	-	(11,356,000)	(11,356,000)
Total comprehensive profit (loss)		-	-	17,620,112	10,113,898
Balance as of December 31, 2011		100	13,864,618	100,504,356	116,688,403
Balance as of January 1, 2012		100	13,864,618	100,504,356	116,688,403
Reserves for business expansion	5.19	-	1,762,011	(1,762,011)	-
Contribution to Ministry of Finance	5.19	-	-	(8,760,380)	(8,760,380)
Total comprehensive profit (loss)		-	-	21,027,342	25,788,374
Balance as of December 31, 2012		100	15,626,629	111,009,307	133,716,397

Notes to the financial statements are an integral part of these financial statements.



(Mrs. Chujira Kongkaew)

Chairman of the Board of Directors



(Mr. Woravit Chailampomtrii)

President and CEO

# Statements of Cash Flows

For the year ended December 31, 2012

Unit : Thousand Baht

	Financial statements exhibiting investments by equity method		Bank-only financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Net profit	21,054,881	17,968,300	21,027,342	17,620,112
Adjustment to reconcile net profit				
with cash receivables				
(payables) from operating activities				
Depreciation and amortization	1,156,449	1,186,107	1,156,449	1,186,107
Bad debts and doubtful accounts	2,586,586	2,912,136	2,586,586	2,912,136
Loss on debt restructuring	-	153,444	-	153,444
Adjusted investment amortized	-1,037,362	-262,320	-1,037,362	-262,320
Loss on transfer of securities amortized	33,055	48,465	33,055	48,465
Unrealized (gain) loss - tradable	-34,792	2,043	-34,792	2,043
(Reversal of) loss on devaluation of investments	-4,143	-962,723	-4,143	-962,723
(Reversal of) loss on devaluation of debt securities	-162,075	-343,448	-162,075	-343,448
Gain on sales of assets	-22,577	-75,235	-22,577	-75,235
Gain on sales of assets pending sales	-195,536	-46,308	-195,536	-46,308
Gain on sales of investments in securities	-163,277	-24,718	-163,277	-24,718
Gain on sales of investments in securities - tradable	-60,901	-68,462	-60,901	-68,462
Loss (Gain) on foreign currency transactions	322,004	-703,078	322,004	-703,078
(Gain) Loss on forward contracts	-306,306	817,940	-306,306	817,940
Gain on forward contracts - tradable	-16,180	-114,123	-16,180	-114,123
Gain on IRS agreements	-12,857	-19,779	-12,857	-19,779
(Reversal of) loss on discount of assets pending sales	-7,760	-	-7,760	-
Loss on discount of assets pending sales	-	26,674	-	26,674
Loss on devaluation of assets	111,717	-	111,717	-
Increase in provisions	6,986,711	7,318,654	6,986,711	7,318,654
Decrease in other accrued income	3,555	1,197	3,555	1,197
Increase (Decrease) in other accrued expenses	1,296,047	-36,149	1,296,047	-36,149
Receivables from donation	-187	-184	-187	-184
Miscellaneous income	-55	-	-55	-
Share of profit from investments by equity method	-225,971	-548,873	-	-
	31,301,026	27,229,560	31,499,458	27,430,245
Net interest income	-49,142,769	-41,327,632	-49,142,769	-41,327,632
Dividend income	-1,428,409	-2,563,357	-1,626,841	-2,764,042
Interest cash receivables	97,162,909	78,067,559	97,162,909	78,067,559
Interest cash payables	-39,728,008	-29,328,869	-39,728,008	-29,328,869
Dividend cash receivables	1,428,409	2,563,357	1,428,409	2,563,357
Operating profit before changes in operating assets and liabilities	39,593,158	34,640,618	39,593,158	34,640,618

Notes to the financial statements are an integral part of these financial statements.



# Statements of Cash Flows (Continued)

For the year ended December 31, 2012

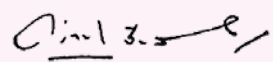
Unit : Thousand Baht

	Financial statements exhibiting investments by equity method		Bank-only financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities (cont.)</b>				
(Increase) Decrease in operating assets				
Interbank and money market items	32,409,439	-81,068,556	32,409,439	-81,068,556
Investments in securities - tradable	-1,210,020	-2,021,346	-1,210,020	-2,021,346
Loans	-174,017,469	-247,325,521	-174,017,469	-247,325,521
Assets pending sales	499,890	-691,689	499,890	-691,689
Other assets	-115,965	-318,941	-115,965	-318,941
Increase (Decrease) in operating liabilities				
Deposits	154,007,947	345,507,931	154,007,947	345,507,931
Interbank and money market items	-21,361,920	-28,134,381	-21,361,920	-28,134,381
Liabilities payable on demand	523,580	370,207	523,580	370,207
Other liabilities	276,026	-399,046	276,026	-399,046
Net cash from operating activities	30,604,666	20,559,276	30,604,666	20,559,276
<b>Cash flows from investing activities</b>				
Cash payables on purchase of land, buildings and equipment	-1,988,398	-2,614,601	-1,988,398	-2,614,601
Cash receivables on sales of land, buildings and equipment	26,251	77,930	26,251	77,930
Cash payables on purchase of investments in securities	-173,190,257	-72,752,858	-173,190,257	-72,752,858
Cash receivables on sales of investments in securities	130,375,084	75,156,675	130,176,652	74,955,990
Cash receivables on dividend from associated companies	-	-	198,432	200,685
Cash payables on leasehold right	-3,430	-32,131	-3,430	-32,131
Net cash used in investing activities	-44,780,750	-164,985	-44,780,750	-164,985
<b>Cash flows from financing activities</b>				
Long-term loans of financial institutions	33,322,821	-	33,322,821	-
Delivery of income to the Ministry of Finance	-8,760,380	-11,356,000	-8,760,380	-11,356,000
Net cash from (used in) financing activities	24,562,441	-11,356,000	24,562,441	-11,356,000
Net increase in cash and cash equivalents	10,386,357	9,038,291	10,386,357	9,038,291
Cash and cash equivalents as of January 1	20,842,687	11,804,396	20,842,687	11,804,396
Cash and cash equivalents as of December 31	31,229,044	20,842,687	31,229,044	20,842,687

Notes to the financial statements are an integral part of these financial statements.



(Mrs. Chujira Kongkaew)  
Chairman of the Board of Directors



(Mr. Woravit Chailimpamontri)  
President and CEO

# Notes to Financial Statements

For the year ended December 31, 2012

## 1. General information

Government Savings Bank (GSB or the Bank) is a juristic person established by the Government Savings Bank Act B.E. 2489 (1946), with its headquarters located at 470 Phaholyothin Road, Samsen Nai, Phayathai, Bangkok. The Bank's core business operations are deposit services, sales and purchases of government bonds, profit-oriented investments as allowed by Minister of Finance and any other banking activities. GSB has branches throughout the country.

## 2. Significant accounting policies and principles

### 2.1 Basis of financial statement preparation

The Bank's financial statements exhibiting investments by the equity method and bank-only financial statements for the year ended December 31, 2012 are prepared, and the transactions therein are presented, pursuant to the Bank of Thailand (BOT) Notification No. SorNorSor. 11/2553 dated December 3, 2010 regarding Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies that are Parent Companies of Financial Business Groups. The Bank uses the format for presenting the financial statements in conformity with Thai Accounting Standard No. 1 (Revised 2009) regarding Presentation of Financial Statements, as well as the procedure, policy and presentation of transactions pursuant to the afore-mentioned BOT Notification.

The Bank's accounts are denominated in Thai Baht and its financial statements are prepared under the laws in Thai language and in accordance with Thai Accounting Standards (TAS) and the generally accepted accounting principles in Thailand stipulated in the Accounting Act B.E. 2543 (2000). The financial statements represent integration of the accounts of all the Bank's branches nationwide, excluding the inter-branch items.

The financial statements also integrate the accounts of the Bureau of the Regional Urban Development Fund, which is a work unit of the Bank, with the exclusion of inter-transactions.

The financial statements are prepared by the cost method for valuation of components of the financial statements, unless otherwise indicated in the accounting policies.

### 2.2 New and revised accounting standards

The Federation of Accounting Professions has issued the following accounting standards and financial reporting standards which have been announced in the Royal Gazette but not yet taken effect in 2012:

	<u>Accounting standards</u>	<u>Effective date</u>
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2013
TAS 21 (Revised 2009)	Effects of Changes in Foreign Exchange Rates	January 1, 2013
	<u>Financial reporting standards</u>	<u>Effective date</u>
TAS 8	Operations	January 1, 2013

The Federation of Accounting Professions' new and revised accounting standards and financial reporting standards are designated to be enforced with financial statements for accounting periods beginning on or after January 1, 2013. The Bank's management has assessed and found the said accounting standards and financial reporting standards posing no material impact on the financial statements for the period they have taken effect.

### 2.3 Changes in accounting estimates

The Bank changes the estimates of useful life of assets, i.e. building and other constructions and buildings constructed on leased assets (Note 2.5.10) and intangible assets (Note 2.5.11) for the year ended December 31, 2012 to better reflect their actual current conditions and expected future economic benefits. Such change has an effect on the financial statements exhibiting investments by the equity method and the bank-only financial statements for the year ended December 31, 2012, causing an increase in depreciation and amortization of 1.82 Million Baht and a decrease in profit of 1.82 Million Baht.

The Bank recognizes the effect from changes in accounting estimates above by the immediate recognition method according to TAS 8 (Revised 2009) regarding Accounting Policies, Changes in Accounting Estimates and Errors. As regards the assets fully depreciated but still in use as of January 1, 2012, the Bank does not make any change to the estimates.

## 2.4 Reclassification of accounts

The comparative information for the year ended December 31, 2011 is reclassified to be consistent with the financial statements for the year ended December 31, 2012. GSB loans provided to financial institutions under the Interests on Loans of Financial Institutions Act and the Islamic Bank of Thailand presented as loans to customers and accrued interest receivables-net are reclassified as interbank and money market items—net (assets). This has impact on the financial statements as follows:

As of December 31, 2010, net interbank and money market items increased by 40,241.83 Million Baht and net loans to customers and accrued interest receivables decreased by the same amount, comprising 40,066.36 Million Baht in loans to customers, 244.63 Million Baht in accrued interest receivables, and 69.16 Million Baht in allowance for doubtful accounts.

As of December 31, 2011, net interbank and money market items increased by 34,734.81 Million Baht and net loans to customers and accrued interest receivables decreased by the same amount, broken down into 34,568.28 Million Baht in loans to customers, 352.21 Million Baht in accrued interest receivables and 185.68 Million Baht in allowance for doubtful accounts.

## 2.5 Summary of significant accounting policies

### 2.5.1 Cash and cash equivalents

Cash and cash equivalents in statements of cash flows refer to cash in hand and cash items under collection, which is in line with the BOT Notification dated December 3, 2010 regarding Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies that are Parent Companies of Financial Business Groups.

### 2.5.2 Revenue recognition

The Bank recognizes interest income on loans on an accrual basis and stops recognition of interest income on loans with interest accrued for more than three months by canceling in full the accrued interest receivables already recognized. It will be reversed and recognized when interest payment is resumed. Receivables from debt restructuring are recognized on a cash basis throughout the agreement term.

Interest income on investments in debt securities is recognized on an accrual basis.

Interest on personal loans secured by life annuity deposit accounts is recorded in advance on the date of loan repayment, and will gradually be recognized as income on a monthly basis throughout the contractual term.

Dividend income is recognized upon entitlement to dividend payment.

Other income is recognized on an accrual basis.

### 2.5.3 Expense recognition

Interest expenses on all types of deposits and borrowings and other expenses are recognized on an accrual basis.

### 2.5.4 Derivatives

Derivatives transactions are recognized on the trade date by the following methods:

Tradable derivatives are stated at a fair value. Gain/Loss on revaluation is recognized as income or expense in the statements of comprehensive income and incorporated into net gain (loss) on trading and foreign exchange.

Hedging derivatives are measured by the same method as that used for valuing the hedged items and are recognized as income or expense in the same manner as the hedged items.

### 2.5.5 Investments

Investments of the Bank encompass debt instruments and equity instruments, classified into tradable securities, securities available-for-sale, debt instruments held to maturity, and general investments. Investments held by the Bank for more than 20% are stated as investments in associated companies.

#### Tradable securities

Tradable securities are marketable debt instruments or equity instruments held in a short term and will be sold for profit taking from securities price changes. Tradable securities prices are presented at a fair value. Realized gain or loss on sales of tradable securities and unrealized gain or loss on change in the fair value are recognized in the statements of comprehensive income and incorporated into net gain (loss) on trading and foreign exchange.

### Securities available-for-sale

Securities available-for-sale are comprised of debt instruments that are neither tradable nor held to maturity and marketable equity instruments, both listed and non-listed, for which a fair value can be identified. They are stated at a fair value. Unrealized gain or loss on change in the fair value during the year are presented in other comprehensive profit (loss) in the statements of comprehensive income and the accumulated balance is presented in other components of equity. Upon devaluation or sales of securities, the unrealized gain or loss on change in the fair value will be reversed before recognition of loss on devaluation and gain or loss on sales of securities in the statements of comprehensive income.

### Debt instruments held to maturity

Debt securities purchased with the intention and ability of holding the investments to maturity are classified as debt instruments held to maturity and are reported at the amortized cost net of allowance for devaluation (if any).

### General investments

Non-marketable equity instruments are classified as general investments and are presented at cost net of allowance for devaluation (if any).

### Investments in associated companies

The bank-only financial statements record investments in associated companies by the cost method and recognize dividend receivable from them as dividend income, while the financial statements exhibiting investments by the equity method record investments in associated companies by the equity method.

Trade of investments in securities are reported on the trade date and cost of the securities sold during the year is calculated by the weighted average method. Gain/Loss on sales of tradable securities is presented in net gain (loss) on trading and foreign exchange, whereas other types of investments are stated in net gain (loss) on investments.

Fair value of debt instruments is calculated from the yield rate quoted by the Thai Bond Market Association, and fair value of marketable equity instruments is based on the latest bid on a domestic market, which is regulated by a state agency and on which the said securities are traded, prevailing as of the end of the last business day of the fiscal period.

Interest income from investments is recognized on a time proportion basis. Interest income from tradable debt securities are presented in interest income from investments and trading. Interest income from debt instruments classified as securities available-for-sale and debt instruments held to maturity is stated in interest income from investments in debt instruments.

Dividend income from investments is recognized upon entitlement to dividend payment and is reported as dividend income in the statements of comprehensive income.

### 2.5.6 Loans

Loans are presented in terms of outstanding principal amount, and accrued interest receivables on loans are recorded separately, except in case of overdrafts.

Hire purchase receivables are stated by the amount of debts under agreements, net of commission fee and deferred initial direct cost on hire purchase financing. Deferred revenue is presented in a separate item.

Unearned discount on notes receivable and unearned financial income are presented in deferred revenue.

### 2.5.7 Allowance for doubtful accounts

The Bank sets aside an allowance for doubtful accounts in accordance with the provisioning guidelines set forth in the BOT Notification No. SorNorSor. 31/2551 dated August 3, 2008 regarding Guidelines on Assets Classification and Provision of Financial Institutions.

The Bank sets aside minimum allowance for doubtful accounts based on the percentage set by the BOT on the difference between the book value of the outstanding debt and the present value of the cash flow expected from disposal of collateral. The collateral value used is based on the type of collateral and the date of the most updated appraisal of the collateral.

For other uncollectible doubtful accounts, allowance is set aside in full. Doubtful accounts are recorded as expenses in the fiscal period of such recognition and reversed when they are settled.

Allowance for doubtful accounts is calculated as percentage of debt amount after deduction of collateral value as below:

<u>Type of classification</u>	<u>Provisioning rate</u>
Pass (0-1 month overdue)	1%
Special mention (more than 1-3 months overdue)	2%
Sub-standard (more than 3-6 months overdue)	100%
Doubtful (more than 6-12 months overdue)	100%
Doubtful of loss (more than 12 months overdue)	100%

Bad debt write-off during the year is deducted from allowance for doubtful accounts.

Bad debts and doubtful accounts are recognized as expenses in the statements of comprehensive income, while bad debts recovered are stated as other income in the statements of comprehensive income.

#### 2.5.8 Troubled debt restructuring (TDR)

1. Loss on troubled debt restructuring arising from reduction of principal and accrued interest on defaulted loans and from various restructuring methods such as transfer of assets, change of repayment conditions, debt restructuring in mixed forms, etc. is fully recognized as expenses in the statements of comprehensive income.

2. In case of a relaxation of repayment conditions without reduction of principal and accrued interest before debt restructuring, the Bank estimates the present value of cash flow expected to be recovered by using the interest rate under the conditions specified in the TDR agreement as a discount rate. In case where such interest rate is lower than the financial cost rate, the financial cost rate is used as the discount rate instead. If the estimated present value of cash flow is lower than the book value (the principal amount plus accrued interest receivable recorded in the outstanding balance of restructured debt), the allowance for loss on troubled debt restructuring is fully recognized in the statements of comprehensive income for the relevant fiscal period.

The components of financial costs encompass costs of deposits.

3. In case of the Bank accepting assets transferred, financial instruments, or debt-equity conversion for debt repayment, total accounts receivable are entirely written off. Losses arising are charged to the statements of comprehensive income instantly upon the receipt of transfer by taking into account the original allowance for doubtful accounts provided. The value of transferred assets is recorded at a fair value and not higher than the book value of the debt plus accrued interest receivable to which the Bank is entitled by law.

In case of partial settlement of debt through the transfer of assets, financial instruments or debt-equity conversion, the Bank follows the practice in No. 3 in the first place. For the remaining amount of debt, if there is a relaxation of lending criteria, the Bank will follow the practice in No. 2.

#### 2.5.9 Assets pending sales

Assets pending sales are immovable properties earlier mortgaged as loan security and acquired by the Bank as debt settlement and from purchase at a court-ordered auction sale, which will thereafter be disposed of by the Bank. These assets are stated at the fair value or at the outstanding debt plus accrued interest receivable, inclusive of interest entitled by creditors on the asset acquisition date, whichever is lower, and are also recorded as partial debt repayment. The Bank will appraise the asset value and make allowance for the downward deviation from the book value in full amount (100%), which is recognized as other operating expenses or income in the statements of comprehensive income. The Bank does not calculate the depreciation for the assets pending sales.

Gain or loss on disposal of assets pending sales is recognized as other operating income or expenses in the statements of comprehensive income.

#### 2.5.10 Land, buildings and equipment

Land, buildings (both freehold and leasehold) and durable goods are presented at cost less accumulated depreciation and allowance for asset devaluation (if any).

Depreciation is recorded as expenses in the statements of comprehensive income and computed on a straight-line basis according to the estimated economic benefit life of each item of assets, as follows:

Buildings and other constructions	14 - 86 years
Buildings constructed on leased land	20 - 61 years or based on lease contract term
Leased building improvements	5 years
Durable goods	5 - 8 years

Gain or loss on disposal of assets is recognized as other operating income or expenses upon disposal in the statements of comprehensive income.

#### 2.5.11 Intangible assets

Intangible assets, comprising computer programs, are stated at cost less accumulated depreciation and allowance for asset devaluation (if any).

Computer programs, having an economic benefit life of around 2-21 years, is amortized on a straight-line basis over the economic benefit life and is recognized as expenses in the statements of comprehensive income, stated at cost less allowance for devaluation (if any).

Loss on devalued intangible assets is recognized as other operating expenses in the statements of comprehensive income.

#### 2.5.12 Leasehold right

Leasehold right is presented at cost less amortization which is calculated on a straight-line basis and according to the lease contract term.

In case where the lease term is specified to be renewable indefinitely, amortization will be made at 10% per year.

#### 2.5.13 Assets from donation

Assets from donation are stated at the donation price and accounted for as unearned income from donation, then gradually recognized as income from donation throughout the useful life of the relevant assets.

#### 2.5.14 Life annuity deposit accounts

Life annuity deposit accounts are deposits for life assurance and for saving as income and education insurance. The Bank makes payments according to the deposit conditions.

Life annuity deposit accounts are presented as deposits in full amount. Expenses on acquisitions of and collections from the depositors are deductible from the deposit balance.

Provision for such expenses is made in accordance with the deposit conditions and is calculated by the actuarial method, with additional provision set aside based on the deposit balance to ensure payment adequacy according to the deposit conditions.

Healthcare benefits for life annuity depositors and additional provision based on the deposit balance are recognized as expenses in the statements of comprehensive income.

#### 2.5.15 Foreign currency translation

Items denominated in foreign currencies arising during the period are converted and recorded in Thai Baht at the exchange rate prevailing as of the transaction date. The remaining foreign currency balance, as of the end of period, of assets and liabilities is converted and recorded in Thai Baht at the exchange rate announced by the BOT.

Gains or loss on foreign exchange conversion is recorded as net gain (loss) on trading and foreign exchange.

#### 2.5.16 Employee benefits

The Bank provides a number of employee benefit plans for its staff members, as follows:

##### Short-term employee benefits

Short-term employee benefits consist of salary, overtime pay and bonus, including other short-term benefits under the employment contract and the present legal or constructive obligation to pay the benefits as a result of past service provided by employees where the obligation can be reliably estimated. Short-term employee benefits are recognized as expenses in the statements of comprehensive income on an accrual basis.

### Defined contribution plan

Defined contribution plan is a post-employment benefit plan for employees. The Bank established a provident fund under the Provident Fund Act B.E. 2530 (1987) and became a registered fund approved by the Ministry of Finance on June 29, 2005. The provident fund is managed by an external fund manager. The Bank's liability is limited to the amount of contributions it is obligated to pay to the fund at a rate ranging from 9% to 12% according to the individual employees' length of service, whereas employees who are the fund members may opt for any contribution rate between 3% and 12% of their respective salary and will receive this benefit upon termination of employment from the Bank pursuant to the fund's regulations.

Provident fund is classified as a defined contribution plan. Contributions paid by the Bank are recognized as personnel expenses in the statements of comprehensive income.

### Defined benefit plan

Defined benefit plan is a post-employment benefit plan, besides a defined contribution plan, comprising gratuities/pensions, retirement gifts, merit pays, living gratuities and special gratuities. The obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The said benefit is discounted based on the yield rate of government bonds that have maturity dates approximating the terms of the Bank's obligations. The calculation is performed by a qualified actuary, using the projected unit credit method.

As from January 1, 2011, the Bank recognizes provisions for employee benefits in respect of defined benefit plan in the statements of financial position at present value of employee benefit obligations net of unrealized past service cost. Current service cost, interest cost and actuarial gain/loss are recognized as expenses in the statements of comprehensive income.

### Other long-term employee benefits

The Bank offers other long-term employee benefits to the eligible employees in return for their service in the current and former periods before retirement such as long service awards. The obligations are calculated on the same basis as the defined benefit plan.

Past service cost is recognized on a straight-line basis for a 5-year period beginning January 1, 2011.

#### 2.5.17 Estimated Liabilities

Contingent liabilities and obligations which are items outside the statements of financial position are recognized as provisions in the statements of financial position when they meet all the following conditions:

1. The Bank has current obligations, either legal or constructive, which result from incidents in the past;
2. Payment for such obligations will lead to a rather high possibility that the Bank will lose economic benefits of its resources; and
3. Reliable estimates can be made of the value of obligations.

Estimated liabilities are recognized as other operating expenses in the statements of comprehensive income.

#### 2.5.18 Long-term lease contracts

Lease contracts of which the risks and returns on majority ownership have been transferred to the Bank, as a lessee, are classified as financial leases. Financial leases are recorded as assets at a lower of the fair value of leased assets and the present value of amounts payable under the lease contracts. Assets acquired under financial leases are subject to depreciation calculation throughout the leased assets' useful life. Obligations under the lease contracts less financial expenses are recorded as liabilities. Rental fees payable are divided into financial expenses and amounts deductible from liabilities under contracts, resulting in a fixed interest rate for each of the remaining installments in respect of the outstanding debt balance. Financial expenses are charged to the statements of comprehensive income.

Long-term contracts for assets leasing where the risks and returns on majority ownership still rest with the lessors are classified as operating leases and are recognized as expenses in the statements of comprehensive income on a straight-line basis throughout the lease terms. Amounts prepaid under operating leases are recorded as leasehold right and are charged to expenses in the statements of comprehensive income on a straight-line basis throughout the lease terms.

## 3. Risk management

### 3.1 The Bank's risk overview

The Bank, in conducting business, is exposed to various perspectives of financial risks. It has subsequently developed a risk management system to minimize the downside effects of unforeseeable events in the money market that could hurt the Bank's

operations to the lowest possible degree under the risk management framework approved by the Board of Directors. Moreover, the Bank adopts, and consistently reviews, risk triggers and risk limits approved by Risk Management Committee, and has its Risk Management Group taking charge of risk monitoring and reporting to the concerned executives and committees on a regular basis. The Bank conducts a stress testing to ensure its resilience against any critical loss. Described below is the management of key risks to which the Bank is exposed:

### 3.1.1 Credit risk

Credit risk refers to risk arising from failure by the borrowers or the counterparties to comply with the obligations as agreed upon such as the borrowers' default on principal or interest payment as specified in the agreements, etc., including the counterparties being prone to credit risk downgrade, which could have an impact on the Bank's income and capital funds.

The Bank adopts a policy on improvement of economic and social potentials in line with the government policy. To such effect, it provides credits not only to grassroots people and communities, but also to prime customers. It also emphasizes the enhancement of efficiency and competitiveness through development of a systematic risk management process under the code of best practice, improvement of the credit extension process, development of credit risk management tools to ensure quality credit expansion, and consistent monitoring of credit portfolio to contain credit risk at an acceptable level.

### 3.1.2 Interest rate risk

Interest rate risk refers to risk associated with interest rate movements that adversely affect the Bank's revenues and/or economic value, consisting of interest rate risk in the banking book and interest rate risk in the trading book.

The interest rate risk in the banking book arises from a mismatch of repricing of assets and liabilities. To cope with this, the Bank aligns its assets and liabilities structure with the interest rate movement to make certain that it could achieve the net interest income (NII) target and conducts a repricing gap analysis to measure the effect of NII sensitivity in the next one year, as well as setting out a risk limit of such effect in percentage of the estimated NII over the next one year (assuming a 1% change in the interest rate).

As regards the interest rate risk in the trading book, the Bank's tradable securities portfolio, mainly encompassing government and state enterprise debt securities and representing 1.47% of total investment portfolio of the Bank at the end of 2012, is shielded by hedging tools such as risk triggers and risk limits comprising, for example, a 1-day VaR limit at the 99% confidence level, etc.

The below table illustrates the Bank's average outstanding balance and amount of interest for interest-bearing financial instruments for the years ended December 31, 2012 and 2011:

Unit: Million Baht

	2012			2011		
	Avg. outstanding balance	Amount of interest	Avg. interest rate (%)	Avg. outstanding balance	Amount of interest	Avg. interest rate (%)
Interest-bearing financial assets						
Interbank and money market items	225,849.92	7,262.74	3.22	194,246.30	5,905.15	3.04
Investments	168,688.58	6,120.68	3.63	138,381.94	5,153.98	3.72
Loans to customers	1,400,595.74	85,819.28	6.13	1,184,272.75	69,037.85	5.83
<b>Total</b>	<b>1,795,134.24</b>	<b>99,202.70</b>	<b>5.53</b>	<b>1,516,900.99</b>	<b>80,096.98</b>	<b>5.28</b>
Interest-bearing financial liabilities						
Deposits	1,682,466.71	48,619.32	2.89	1,395,005.80	37,012.51	2.65
Interbank and money market items	62,068.71	1,463.23	2.36	61,942.89	1,761.65	2.84
Debt instruments and borrowings	13.66	0.41	3.00	264.33	6.24	2.36
<b>Total</b>	<b>1,744,549.08</b>	<b>50,082.96</b>	<b>2.87</b>	<b>1,457,213.02</b>	<b>38,780.40</b>	<b>2.66</b>



### 3.1.3 Foreign exchange risk

Foreign exchange risk refers to risk incidental to exchange rate volatility having adverse impact on the Bank's income and capital funds as a result of its foreign exchange transactions that could cause a surplus or deficit in any foreign currency position, given a change in the exchange rate, thus affecting gains or losses on foreign exchange. The Bank's foreign currency position at the end of 2012 represented approximately 0.50% of the Bank's capital funds. To manage this risk, the Bank uses risk limits such as a position limit, etc.

Moreover, in its assets and liabilities management, the Bank hedges against foreign exchange risk by entering into forward contracts aimed primarily to cope with foreign exchange risk associated with the assets and liabilities in the financial statements. The use of financial tools for risk management must be consistent with the policy and guideline approved by the Board of Directors, whereas the risk management process is controlled by the departments and committees concerned. The Bank also evaluates the hedging derivatives to ensure the effectiveness and support the decision on strategic improvement in case any derivatives fail to meet the specified results.

### 3.1.4 Equity instrument price risk

Equity instrument price risk refers to risk stemming from changes in equity instrument prices having adverse impact on the Bank's income and capital funds, divided into equity instrument price risk in the banking book and equity instrument price risk in the trading book.

Equity instrument price risk in the banking book arises when the Bank invests in common shares and funds in the available-for-sale portfolio, whereby the stock market fluctuation will relatively affect its portfolio value. To cushion against this risk, the Bank applies risk limits and risk triggers such as a 1-month VaR limit at the 99% confidence level, etc.

For equity instrument price risk in the trading book, the Bank's tradable securities portfolio, which mainly is the investment in the SET50 securities and represents 0.01% of total investment portfolio of the Bank at the end of 2012, is shielded by risk limits and risk triggers such as a 1-day VaR limit at the 99% confidence level, etc.

The Bank also conducts a stress testing to consider the overall impacts of interest rate risk, foreign exchange risk and equity instrument price risk to ensure its resilience against any critical loss.

### 3.1.5 Liquidity risk

Liquidity risk refers to risk arising from failure by the Bank to repay liabilities and contingencies on due dates due to inability to liquidate assets into cash or to acquire sufficient funds or ability to acquire funds but at an unacceptably higher cost, thus likely affecting the Bank's income and capital funds both at present and in the future. Liquidity risk may also stem from failure by the Bank to mitigate or offset risk with the assets it is holding, forcing it to dispose of the assets at a price lower than acquisition cost due to either low liquidity of the assets or an illiquid market.

The Bank's Assets and Liabilities Management Committee (ALCO) is responsible for overall liquidity monitoring to ensure that the Bank has adequate liquidity for its operations. In the meantime, its liquidity management working group has the duty to formulate a guideline on deposit mobilization, investments and lending in alignment with the Bank's business plan in order to maintain the Bank's liquidity at a proper level and enable it to fulfill all financial obligations.

The Bank controls this risk by using risk limits and risk triggers, comprising loans to deposits ratio, liquid assets to deposits ratio, etc. Moreover, the Bank measures and evaluates liquidity risk by using a liquidity gap report prepared both in the remaining time to maturity and with behavioral adjustments. The Bank also conducts a stress testing of liquidity risk and reviews the liquidity contingency plan to ensure that it is able to acquire sufficient funds for its operations, whether in the normal or the critical situation. At the end of 2012, the liquid assets to deposits ratio (fortnightly in average) is 15.31%.

## 3.2 Fair value of financial instruments

Shown below is a summary of the outstanding balance as appearing in the financial statements and the estimated fair value of financial assets and financial liabilities as of December 31, 2012 and 2011:

Financial statements exhibiting investments by equity method				
	2012		2011	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash	31,229.05	31,229.05	20,842.69	20,842.69
Interbank and money market items - net	195,589.77	195,589.77	227,899.92	227,899.92
Derivative assets	617.66	617.66	814.71	814.71
Investments - net	249,151.31	250,180.60	197,549.50	198,438.01
Loans to customers - net	1,469,850.24	1,469,850.24	1,297,126.95	1,297,126.95
<b>Total</b>	<b>1,946,438.03</b>	<b>1,947,467.32</b>	<b>1,744,233.77</b>	<b>1,745,122.28</b>
<b>Financial liabilities</b>				
Deposits	1,679,763.79	1,679,763.79	1,525,755.84	1,525,755.84
Interbank and money market items - net	75,664.29	75,664.29	63,703.39	63,703.39
Liabilities payable on demand	1,664.05	1,664.05	1,140.47	1,140.47
Derivative liabilities	289.33	289.33	797.49	797.49
Accrued interest on deposits and bonds	39,964.50	39,964.50	29,603.99	29,603.99
<b>Total</b>	<b>1,797,345.96</b>	<b>1,797,345.96</b>	<b>1,621,001.18</b>	<b>1,621,001.18</b>

Unit: Million Baht

Bank-only financial statements				
	2012		2011	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash	31,229.05	31,229.05	20,842.69	20,842.69
Interbank and money market items - net	195,589.77	195,589.77	227,899.92	227,899.92
Derivative assets	617.66	617.66	814.71	814.71
Investments - net	248,559.17	250,180.60	196,984.90	198,438.01
Loans to customers - net	1,469,850.24	1,469,850.24	1,297,126.95	1,297,126.95
<b>Total</b>	<b>1,945,845.89</b>	<b>1,947,467.32</b>	<b>1,743,669.17</b>	<b>1,745,122.28</b>
<b>Financial liabilities</b>				
Deposits	1,679,763.79	1,679,763.79	1,525,755.84	1,525,755.84
Interbank and money market items - net	75,664.29	75,664.29	63,703.39	63,703.39
Liabilities payable on demand	1,664.05	1,664.05	1,140.47	1,140.47
Derivative liabilities	289.33	289.33	797.49	797.49
Accrued interest on deposits and bonds	39,964.50	39,964.50	29,603.99	29,603.99
<b>Total</b>	<b>1,797,345.96</b>	<b>1,797,345.96</b>	<b>1,621,001.18</b>	<b>1,621,001.18</b>

### 3.3 Capital fund

As of December 31, 2012 and 2011, the Bank's capital fund is calculated based on the BOT guideline set forth under Basel II framework, revised by the BOT's Notification No. SorNorSor. 88/2551 dated November 27, 2008 regarding Composition of Capital Fund for Commercial Banks registered in Thailand, in order to cushion against operational risk, in addition to credit risk and market risk, covering all related risks and reflecting risk-sensitive against the Bank's assets.

GSB's capital fund under Basel II framework is as follows:

Unit: Million Baht

	2012	2011
Tier 1 capital		
Capital granted by HM King Rama VI	0.10	0.10
Allocated accumulated profit	15,626.63	13,864.62
Unallocated accumulated profit	94,209.97	88,464.24
<u>Less</u> Investment in other instruments counted as capital fund of financial institution	2,205.37	2,207.91
<b>Total tier 1 capital</b>	<b>107,631.33</b>	<b>100,121.05</b>

Unit: Million Baht

	2012	2011
Tier 2 capital		
Reserve for pass or normal assets	9,347.44	9,347.44
<u>Plus</u> (Net) Capital surplus from revaluation of investments in equity instruments available-for-sale	2,587.08	519.03
<u>Less</u> Investment in other instruments counted as capital fund of financial institution	2,205.37	2,207.90
<b>Total tier 2 capital</b>	<b>9,729.15</b>	<b>7,658.57</b>
<b>Total capital fund</b>	<b>117,360.48</b>	<b>107,779.62</b>

Pursuant to the BOT guidelines, commercial banks registered in Thailand are required to maintain a ratio of capital fund to assets and contingencies of at least 8.5%, with tier 1 capital of at least 4.25% of such assets and contingencies.

As of December 31, 2012 and 2011, the Bank maintains a ratio of capital fund to assets and contingencies as prescribed by Basel II guidelines as follows:

Unit: Million Baht

	In percentage	
	2012	2011
Total capital fund	10.63	11.38
Tier 1 capital	9.75	10.57

#### 4. Estimates and hypotheses

In order to prepare the financial statements in conformity with the generally accepted accounting principles and financial reporting standards, the Bank's management has to use several estimates and hypotheses, which thereby affect the amounts related to income, expenses, assets and liabilities, as well as the disclosure of information on contingent assets and liabilities. Thus, the real amounts incurred may differ from the estimates.

The estimates and hypotheses are reviewed consistently. Changes in accounting estimates are recorded in the fiscal period when the change occurs and future period which is affected. Information on the estimates of uncertainties and key hypotheses for determining the accounting policies is disclosed in notes to financial statements for the fiscal period where there are material effects.

#### 5. Additional information

##### 5.1 Additional information of cash flows

Significant non-cash items are as follows:

Unit: Million Baht

	Financial statements exhibiting investments by equity method		Bank-only nancial statements	
	2012	2011	2012	2011
Revaluation surplus (deficit) on				
available-for-sale investments	4,761.03	(7,506.21)	4,761.03	(7,506.21)
Assets pending sales acquired from				
asset transfer for debt settlement	20.84	424.00	20.84	424.00
Assets pending sales transferred as land,				
buildings and equipment - net	12.87	-	12.87	-

##### 5.2 Cash

Unit: Million Baht

	2012	2011
Cash	29,521.39	20,313.69
Foreign currencies	39.55	26.45
Cash under collection		
Checks pending collection	0.14	(15.91)
ATM POOL	1,725.36	502.12
ADM POOL	(90.49)	5.74
VISA PLUS	22.83	10.60
UNION PAY	1.98	-
EASY BUY	8.15	-
Balance surplus/deficit	0.14	-
<b>Total cash</b>	<b>31,229.05</b>	<b>20,842.69</b>

### 5.3 Inter-bank and money market items - net (assets)

Unit: Million Baht

	2012			2011		
	At call	Term	Total	At call	Term	Total
(1) Domestic items						
Bank of Thailand and Financial						
Institutions Development Fund	2.66	64,472.00	64,474.66	2.50	181,327.00	181,329.50
Commercial banks	45.85	51,950.45	51,996.30	72.27	25,441.21	25,513.48
Specialized financial institutions	32.84	77,824.21	77,857.05	8.52	20,391.67	20,400.19
Other financial institutions	530.00	480.00	1,010.00	-	480.00	480.00
Total	611.35	194,726.66	195,338.01	83.29	227,639.88	227,723.17
Plus Accrued interest receivable	0.00	570.08	570.08	0.05	429.56	429.61
Less Allowance for doubtful accounts	5.30	313.71	319.01	-	254.18	254.18
<b>Total domestic items</b>	<b>606.05</b>	<b>194,983.03</b>	<b>195,589.08</b>	<b>83.34</b>	<b>227,815.26</b>	<b>227,898.60</b>
(2) Foreign items						
US dollar	0.31	-	0.31	1.07	-	1.07
Yen	0.09	-	0.09	0.05	-	0.05
Euro	0.13	-	0.13	0.11	-	0.11
Other currencies	0.16	-	0.16	0.09	-	0.09
Total foreign items	0.69	-	0.69	1.32	-	1.32
<b>Total domestic and foreign items</b>	<b>606.74</b>	<b>194,983.03</b>	<b>195,589.77</b>	<b>84.66</b>	<b>227,815.26</b>	<b>227,899.92</b>

As of December 31, 2012, net inter-bank and money market items included loans to customers under the programs to support the government policy as follows:

- Soft loans for entrepreneurs in three southern border provinces: The Bank on behalf of the Bank of Thailand has provided soft loans through commercial banks and special-purpose financial institutions in the total amount of 25,000 Million Baht with interest rate of 0.01% p.a., commencing on September 1, 2010 and ending on December 31, 2013. The interest payment subsidized by the government is calculated based on GSB's highest 12-month fixed deposit rate for individual customers plus 0.98% p.a. and less rate of return on loans to financial institutions of 0.01% p.a. (3.97% p.a. at present), payable every quarter-end. The Bank recognizes income from interest from commercial banks and special-purpose financial institutions and the government subsidy at the end of each month. As of December 31, 2012, disbursement of loans totaled 18,341.18 Million Baht by 12 entrepreneurs.

- Soft loans for flood-hit SMEs: The Bank has collaborated with commercial banks in providing low-interest loans in a proportion of 50:50. The Bank deposits the total amount of 20,000 Million Baht with commercial banks for a period of 3 years with interest rate of 0.01% p.a. and the commercial banks lend to the affected SMEs at an interest rate of 3% p.a. for a period of 3 years. The interest payment subsidized by the government is calculated based on GSB's highest 12-month fixed deposit rate for individual customers plus 0.98% p.a. and less rate of return on deposits with financial institutions at 0.01% p.a. (3.97% p.a. at present), payable every quarter-end. The Bank recognizes income from interest from commercial banks and the government subsidy at the end of each month. As of December 31, 2012, outstanding balance of deposits with commercial banks under this program totaled 16,880.48 Million Baht.

### 5.4 Derivatives

As of December 31, 2012 and 2011, the Bank's derivatives are comprised of:

- Derivatives assets of 617.66 Million Baht and 814.71 Million Baht respectively; and
- Derivatives liabilities of 289.33 Million Baht and 797.49 Million Baht respectively.

#### 5.4.1 Tradable derivatives

The fair value and notional amount of tradable derivatives, classified by type of risk, as of December 31, 2012 and 2011 are as follows:

Unit: Million Baht

Type of risk	2012			2011		
	(Fair Value)*		(Notional Amount or Effective Notional Amount)	(Fair Value)*		(Notional Amount or Effective Notional Amount)
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate	156.72	10.55	6,044.27	209.28	79.28	5,633.50
Total	156.72	10.55	6,044.27	209.28	79.28	5,633.50

\* Fair value refers to gain (loss) on revaluation to reflect the fair value as of the date of the statements of financial position.

The proportion, determined based on the notional amount, of derivatives transactions classified by type of counterparty as of December 31, 2012 and 2011 is as follows:

Counterparty	2012	2011
	Proportion (%)	Proportion (%)
Third parties	100.00	100.00
Total	100.00	100.00

#### 5.4.2 Hedging derivatives

The fair value and notional amount of hedging derivatives, classified by type of risk, as of December 31, 2012 and 2011 are as follows:

Table 1 Risk hedging in the fair value

Unit: Million Baht

Type of risk	2012			2011		
	(Fair Value)*		(Notional Amount or Effective Notional Amount)	(Fair Value)*		(Notional Amount or Effective Notional Amount)
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	451.47	270.55	18,005.06	573.93	699.32	17,885.82
Total	451.47	270.55	18,005.06	573.93	699.32	17,885.82

\* Fair value refers to gain (loss) on revaluation to reflect the fair value as of the date of the financial statements.

Table 2 Risk hedging in the cash flows

Unit: Million Baht

Type of risk	2012			2011		
	(Fair Value)*		(Notional Amount or Effective Notional Amount)	(Fair Value)*		(Notional Amount or Effective Notional Amount)
	Assets	Liabilities		Assets	Liabilities	
Interest rate	9.47	8.23	2,630.00	31.50	18.89	9,630.00
Total	9.47	8.23	2,630.00	31.50	18.89	9,630.00

\* Fair value refers to gain (loss) on revaluation to reflect the fair value as of the date of the financial statements.

The period in which cash flows of the hedged items are expected to occur and affect profit or loss:

Unit: Million Baht

	2012			2011		
	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years
Cash flow receivable	39.57	46.68	78.50	188.59	202.23	179.53
Cash flow payable	36.33	47.07	72.06	172.81	193.75	170.21
Net cash flow	3.24	(0.39)	6.44	15.78	8.48	9.32

## 5.5 Investments - net

As of December 31, 2012 and 2011, the Bank classifies its investments in securities as follows:

Unit: Million Baht

	2012	2011
	Fair value	Fair value
<b>5.5.1 Tradable securities</b>		
Government and state enterprise bonds	3,646.68	857.81
Domestic marketable equity instruments	18.08	12.17
Total	3,664.76	869.98

Unit: Million Baht

	2012	2011
	Fair value	Fair value
<b>5.5.2 Securities available-for-sale</b>		
Government and state enterprise bonds	135,994.51	88,169.08
Private sector bonds	1,427.28	1,899.88
Domestic marketable equity instruments	25,242.69	21,792.21
Total	18,344.48	15,074.94
Total	181,008.96	126,936.11

Unit: Million Baht

	2012	2011
	Cost/Amortized cost	Cost/Amortized cost
<b>5.5.3 Debt instruments held to maturity</b>		
Government and state enterprise bonds	29,446.93	38,276.39
Private sector bonds	18,355.12	14,669.92
Foreign debt securities	12,468.13	13,058.10
Total	60,270.18	66,004.41
<u>Less Allowance for devaluation</u>	952.65	1,114.73
Total	59,317.53	64,889.68

Unit: Million Baht

	2012	2011
	Cost	Cost
<b>5.5.4 General investments</b>		
Domestic marketable equity instruments	0.00	-
Domestic non-marketable equity instruments	584.85	306.06
Others	0.00	0.00
Total	584.85	306.06
<u>Less Allowance for devaluation</u>	92.40	92.40
Total	492.45	213.66
Total investments - net	244,483.70	192,909.43



As of December 31, 2012, foreign debt securities of 12,468.13 Million Baht are inclusive of credit linked notes worth 306.32 Million Baht .

As of December 31, 2012 and 2011, the Bank accounts for the allowance for devaluation of investments as follows:

- Securities available-for-sale which are domestic marketable equity instruments with a fair value of 25,242.69 Million Baht and 21,792.21 Million Baht are inclusive of the transactions for which the allowance for devaluation is recognized in the amount of 603.00 Million Baht and 603.00 Million Baht respectively.

- Securities available-for-sale which are not listed on the SET and classified as other investments with a fair value of 18,344.48 Million Baht and 15,074.94 Million Baht are inclusive of the transactions for which the allowance for devaluation is recognized in the amount of 191.88 Million Baht and 196.02 Million Baht respectively.

- Debt instruments held to maturity which are foreign debt securities with a cost price of 12,468.13 Million Baht and 13,058.10 Million Baht and are affected by the US financial turmoil, hence exposed to risk from changes in value of invested securities, are covered by the allowance for devaluation recognized in the amount of 952.65 Million Baht and 1,114.73 Million Baht respectively.

- General investments which are domestic non-marketable equity instruments with a cost price of 584.85 Million Baht and 306.06 Million Baht are covered by the allowance for devaluation recognized in the amount of 92.40 Million Baht and 92.40 Million Baht respectively.

For the years ended December 31, 2012 and 2011, the Bank reverses loss on devaluation of investments to income of 166.22 Million Baht and 1,306.17 Million Baht respectively.

In addition, as of December 31, 2012 and 2011, the Bank's investments in which it holds 10% or more of paid-up capital and which are not classified as investments in subsidiaries and associated companies can be shown by type of business as follows:

Unit: Million Baht

Type of business	2012	2011
Manufacturing and commerce	98.75	106.26
Others	21,528.70	17,842.30
Total	21,627.45	17,948.56

#### 5.5.5 Investments in private funds

Investments in private funds are presented in other types of securities available-for-sale, having a fair value as of December 31, 2012 and 2011 of 4,993.66 Million Baht and 4,131.60 Million Baht respectively.

The fair value of investments in private funds, classified by fund manager, is as follows:

	2012 (Fair value)						
	ZMICO	Krung Thai	MFC	One	Asset Plus	UOB	Total
Deposits at bank							
Current	84.88	-	0.42	-	-	-	85.30
Savings	-	0.12	0.41	32.59	10.39	8.05	51.56
	84.88	0.12	0.83	32.59	10.39	8.05	136.86
Negotiable certificate of deposit (NCD)	-	-	-	-	728.00	687.13	1,415.13
	-	-	-	-	728.00	687.13	1,415.13
Investments in other securities							
- Treasury bonds/bills							
Government bonds	-	-	45.13	424.63	-	23.95	493.71
Bonds issued by banks	-	0.94	-	-	-	-	0.94
State enterprise bonds guaranteed by MOF	-	-	40.10	-	-	-	40.10
Domestic (foreign) bonds	-	-	-	-	-	279.86	279.86
Treasury bills	-	-	193.30	-	-	-	193.30
	-	0.94	278.53	424.63	-	303.81	1,007.91
- Debentures							
Non-financial institution debentures	-	-	145.02	-	-	-	145.02
Corporate debentures (foreign)	-	298.04	-	-	308.00	-	606.04
	-	298.04	145.02	-	308.00	-	751.06
- Equity instruments							
Common shares	365.99	-	-	238.08	493.04	183.40	1,280.51
	365.99	-	-	238.08	493.04	183.40	1,280.51
- Equities Linked Notes	-	-	-	452.10	-	-	452.10
	-	-	-	452.10	-	-	452.10
Other receivables							
Foreign exchange transactions	-	(16.24)	-	(17.59)	(17.64)	(18.27)	(69.74)
	-	(16.24)	-	(17.59)	(17.64)	(18.27)	(69.74)
	0.06	-	3.59	22.03	6.09	4.10	35.87
	0.06	-	3.59	22.03	6.09	4.10	35.87
Other payables	6.16	0.27	5.48	1.50	2.42	0.21	16.04
	6.16	0.27	5.48	1.50	2.42	0.21	16.04
	444.77	282.59	422.49	1,150.34	1,525.46	1,168.01	4,993.66

As of December 31, 2012, returns on investment in private funds amounted to 146.33 Million Baht.

	2011 (Fair value)						
	ZMICO	Krung Thai	MFC	One	Asset Plus	UOB	Total
Deposits at bank							
Current	8.07	-	-	-	-	-	8.07
Savings	20.05	0.42	3.49	70.46	275.46	700.62	1,070.50
Fixed	-	-	40.02	-	-	-	40.02
	28.12	0.42	43.51	70.46	275.46	700.62	1,118.59
Investments in other securities							
- Debt instruments							
Banks' bills of exchange	-	-	64.57	-	-	-	64.57
Non-financial institution promissory notes	-	-	-	9.06	692.00	-	701.06
	-	-	64.57	9.06	692.00	-	765.63
- Treasury bonds/bills							
Government bonds	-	7.99	119.91	-	-	-	127.90
Bonds issued by banks	-	0.94	-	36.99	-	-	37.93
Domestic (foreign) bonds	-	-	-	-	-	272.18	272.18
	-	8.93	119.91	36.99	-	272.18	438.01
- Debentures							
Non-financial institution debentures	-	-	191.07	-	299.44	-	490.51
Corporate debentures (foreign)	-	290.59	-	-	-	-	290.59
	-	290.59	191.07	-	299.44	-	781.10
- Equity instruments							
Common shares	129.57	-	-	690.53	-	-	820.10
	129.57	-	-	690.53	-	-	820.10
- Foreign exchange transactions							
	-	0.00	-	(10.70)	282.73	(15.59)	256.44
	-	0.00	-	(10.70)	282.73	(15.59)	256.44
Other receivables	3.44	-	0.15	0.14	5.14	0.00	8.87
	3.44	-	0.15	0.14	5.14	0.00	8.87
Other payables	0.16	14.64	5.48	0.54	35.83	0.49	57.14
	0.16	14.64	5.48	0.54	35.83	0.49	57.14
	160.97	285.30	413.73	795.94	1,518.94	956.72	4,131.60

## 5.6 Investments in associated companies - net

As of December 31, 2012 and 2011, the Bank's investments in associated companies are as follows:

Unit: Million Baht

	Financial statements exhibiting investments by equity method		Bank-only financial statements	
	2012	2011	2012	2011
Beginning balance	4,702.51	4,354.32	4,137.91	4,137.91
Share of profit from investments by equity method	225.97	548.87	-	-
Dividend received	(198.43)	(200.68)	-	-
Total	4,730.05	4,702.51	4,137.91	4,137.91
Allowance for devaluation	(62.44)	(62.44)	(62.44)	(62.44)
Ending balance	4,667.61	4,640.07	4,075.47	4,075.47

### 5.6.1 Bank-only financial statements

The Bank's investments in associated companies as of December 31, 2012 and 2011 are as follows:

Unit: Million Baht

Company name	Type of business	Category Type of securities	As % of invested securities		Investments (cost method)	
			2012	2011	2012	2011
Thanachart Fund Management Co., Ltd.	Financial business	Common shares				
MFC Asset Management Plc.	Financial business	Common shares	25.00	25.00	25.00	25.00
Islamic Bank of Thailand	Banking business	Common shares				
Total			24.50	24.50	318.84	318.84
Less Allowance for devaluation			39.81	39.81	3,794.07	3,794.07
Total					4,137.91	4,137.91
Less Allowance for devaluation					62.44	62.44
Investments in associated companies - net					4,075.47	4,075.47

## 5.6.2 Financial statements exhibiting investments by equity method

The Bank's investments in associated companies as of December 31, 2012 and 2011 are as follows:

Unit: Million Baht

Company name	Type of business	Category Type of securities	As % of invested securities		Investments (cost method)		Investments (equity method)	
			2012	2011	2012	2011	2012	2011
Thanachart Fund Management Co., Ltd.								
	Financial Business	Common Shares	25.00	25.00	25.00	25.00	68.42	55.60
MFC Asset Management Plc.								
	Financial Business							
		Common Shares	24.50	24.50	318.84	318.84	309.23	319.80
Islamic Bank of Thailand								
	Banking Business	Common Shares	39.81	39.81	3,794.07	3,794.07	4,352.40	4,327.11
Total					4,137.91	4,137.91	4,730.05	4,702.51
Less Allowance for devaluation					62.44	62.44	62.44	62.44
Investments in associated companies - net					4,075.47	4,075.47	4,667.61	4,640.07

As of December 31, 2012, investments in associated companies are accounted for by the equity method based on the unaudited statements of comprehensive income for the year ended December 31, 2012 of the associated companies. The statements of comprehensive income of Islamic Bank of Thailand for the year ended December 31, 2011 used in the calculation were duly audited.

Investment in Islamic Bank of Thailand was first made in 7 Million shares at 10 Baht per share, totaling 70.00 Million Baht. In 2007, additional investment was made in another 1,236.37 Million shares at 1.08 Baht per share, totaling 1,335.28 Million Baht. In 2008, the Bank recognized devaluation in investment in the 7 Million shares from formerly 10 Baht per share to 1.08 Baht per share pursuant to the resolution of the Executive Committee meeting no. 12/2008 on August 15, 2008. The Bank thus realized the allowance for devaluation of 62.44 Million Baht. Later in 2010, the Bank made additional investment of 2,211.84 Million shares at 1.08 Baht per share, totaling 2,388.79 Million Baht.

## 5.7 Loans to customers and accrued interest receivable - net

### 5.7.1 Classified by type of loans

Unit: Million Baht

	2012	2011
Overdrafts	17,991.32	14,389.48
Loans	1,358,758.39	1,299,429.40
Notes	114,232.16	3,211.04
Receivables under hire purchase agreements	338.44	391.39
<u>Less</u> Deferred revenue	72.31	96.19
Total loans, net of deferred revenue	1,491,248.00	1,317,325.12
<u>Plus</u> Accrued interest receivable	7,115.97	5,904.82
Total loans, net of deferred revenue, plus accrued interest receivable	1,498,363.97	1,323,229.94
<u>Less</u> Allowance for doubtful accounts		
1. Minimum allowance required by BOT criteria	19,145.29	16,720.29
2. Excess allowance	9,347.44	9,347.44
<u>Less</u> Revaluation allowance for debt restructuring	21.00	35.26
Total loans to customers and accrued interest receivable - net	1,469,850.24	1,297,126.95

As of December 31, 2012, the Bank provided loans under the programs to support the government policy as follows:

- Financial support to flood victims in 2011: The Bank has offered loans under this program totaling 50,260.94 Million Baht as follows: up to 3 Million Baht each for individual borrowers and up to 30 Million Baht each for SMEs, with interest at the rate of 3.00% p.a., for a period of not over 5 years from the date of loan approval and legal documentation to the date not beyond December 31, 2018, and thereafter at the rate as to be announced by the Bank. The Bank earned interest on such loans to customers less interest payable on promissory notes issued for borrowing from the BOT at 0.01% p.a. (2.99% p.a. at present). As of December 31, 2012, the outstanding number of debtors under this program was 62,820 with the total loan amount of 47,674.78 Million Baht, comprising the Bank's own funds of 14,351.96 Million Baht and its borrowing from the BOT of 33,322.82 Million Baht (Note 5.15).

- Debt suspension program for retail farmers and low-income individuals with outstanding debts of less than 500,000 Baht and debtors classified as NPLs: The Bank has offered loans totaling 5,205.82 Million Baht. The qualified borrowers are entitled to suspension of principal repayment from October 1, 2011 to September 30, 2014 and exemption from interest payment during such period. Interest payment is subsidized by the government at 4.00% p.a., payable every quarter-end. The Bank has realized the interest subsidy at each month-end. As of December 31, 2012, the outstanding number of debtors under this program was 95 covering 5.47 Million Baht.

- Debt suspension program for retail farmers and low-income individuals with outstanding debts of less than 500,000 Baht and debtors classified as normal: The qualified borrowers can choose either to have principal repayment suspended and interest reduced for the existing loans at 3.00% p.a. for a period of 3 years, or to have interest reduced for the existing loans at 3.00% p.a. for a period of 3 years without suspension of principal repayment, starting from September 1, 2012 to August 31, 2015. Interest payment is subsidized by the government at 1.50% p.a., payable every quarter-end. The Bank has realized the interest subsidy at each month-end. As of December 31, 2012, the outstanding number of borrowers under this program was 60,025 covering 5,398.39 Million Baht.

## 5.7.2 Classified by loan type

Unit: Million Baht

	2012	2011
Loans for occupation development	621,779.12	549,581.89
Housing loans	206,901.08	162,388.63
Welfare loans	191,285.71	164,293.35
Public sector and state enterprise loans	88,655.01	201,630.98
General business loans	57,971.85	55,288.85
People's bank loans	47,731.86	24,833.13
'Sai Thong' loans	43,440.01	34,399.71
'Cheewit Suksan' loans	27,560.06	22,925.63
Private sector loans	23,751.08	23,939.79
Others	49,682.61	60,147.44
<b>Total</b>	<b>1,358,758.39</b>	<b>1,299,429.40</b>

Loans for occupation development are provided for improvement of living condition of teachers, civil servants, local officials and military officials. Welfare loans are intended for government and state enterprise officials, private sector officers and retired government officials. 'Sai Thong' loan is for education, tourism, medical service group, consumption, working overseas and multi-purposes.

## 5.7.3 Classified by currency and residence of customers

Unit: Million Baht

	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	1,486,803.16	4,441.96	1,491,245.12	1,314,643.41	2,667.33	1,317,310.74
US dollar	2.88	-	2.88	14.38	-	14.38
<b>Total</b>	<b>1,486,806.04</b>	<b>4,441.96</b>	<b>1,491,248.00</b>	<b>1,314,657.79</b>	<b>2,667.33</b>	<b>1,317,325.12</b>

## 5.7.4 Classified by type of business and loan classification criteria

Unit: Million Baht

	2012					
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	896.43	139.69	358.44	17.92	45.55	1,458.03
Manufacturing and and commercial	36,760.29	1,475.08	34.20	437.48	393.12	39,100.17
Real estate and construction	29,515.98	1,479.69	817.87	485.14	1,346.59	33,645.27
Public utilities and services	84,596.26	1,653.38	727.53	780.88	1,726.38	89,484.43
Housing loans	202,677.88	3,800.36	768.42	621.57	3,065.41	210,933.64
Others	1,092,796.13	18,705.19	1,707.21	1,479.97	1,937.96	1,116,626.46
<b>Total</b>	<b>1,447,242.97</b>	<b>27,253.39</b>	<b>4,413.67</b>	<b>3,822.96</b>	<b>8,515.01</b>	<b>1,491,248.00</b>

Loans are inclusive of the Regional Urban Development Fund and credits secured by ordinary shares as of December 31, 2012 of 525.00 Million Baht and 3,014.26 Million Baht respectively, which are itemized in other types of credits and classified as pass loans.

Unit: Million Baht

	2011					Total
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	
Agriculture and mining	1,183.88	123.63	1.69	4.10	19.80	1,333.10
Manufacturing and and commercial	39,853.23	454.58	202.78	46.54	232.95	40,790.08
Real estate and construction	37,094.39	1,197.46	768.41	213.07	446.69	39,720.02
Public utilities and services	78,261.74	547.05	230.27	13.83	1,527.91	80,580.80
Housing loans	156,758.82	4,870.30	1,165.92	535.85	3,208.51	166,539.40
Others	968,982.13	15,287.82	1,768.94	1,134.30	1,188.53	988,361.72
<b>Total</b>	<b>1,282,134.19</b>	<b>22,480.84</b>	<b>4,138.01</b>	<b>1,947.69</b>	<b>6,624.39</b>	<b>1,317,325.12</b>

Loans are inclusive of the Regional Urban Development Fund and credits secured by ordinary shares as of December 31, 2011 of 487.37 Million Baht and 3,014.26 Million Baht respectively, which are itemized in other types of credits and classified as pass loans.

#### 5.7.5 Classified by loan classification criteria

Unit: Million Baht

	2012			
	Loans and accrued interest receivable	Net amount used for setting the allowance	% used for setting the allowance	Allowance for doubtful accounts
1. Minimum allowance according to BOT criteria				
Pass	1,447,242.97	968,385.35	1	9,683.85
Special mention	27,253.39	18,201.88	2	364.04
Sub-standard	4,413.67	2,927.95	100	2,927.95
Doubtful	3,822.96	1,757.66	100	1,757.66
Doubtful of loss	8,515.01	4,411.79	100	4,411.79
<b>Total</b>	<b>1,491,248.00</b>	<b>995,684.63</b>		<b>19,145.29</b>
Plus Accrued interest receivable	7,115.97			
<b>Total</b>	<b>1,498,363.97</b>			
2. Excess allowance				9,347.44
<b>Total</b>				<b>28,492.73</b>



Unit: Million Baht

	2011			
	Loans and accrued interest receivable	Net amount used for setting the allowance	% used for setting the allowance	Allowance for doubtful accounts
1. Minimum allowance according to BOT criteria				
Pass	1,282,134.19	930,253.85	1	9,302.54
Special mention	22,480.84	15,123.32	2	302.47
Sub-standard	4,138.01	2,591.61	100	2,591.61
Doubtful	1,947.69	1,227.29	100	1,227.29
Doubtful of loss	6,624.39	3,296.38	100	3,296.38
Total	1,317,325.12	952,492.45		16,720.29
Plus Accrued interest receivable	5,904.82			
Total	1,323,229.94			
2. Excess allowance				9,347.44
Total				26,067.73

#### 5.7.6 Non-performing loans

As of December 31, 2012 and 2011, GSB recorded non-performing loans (NPLs) comprising sub-standard, doubtful and doubtful of loss loans. Total loans including inter-bank and money market items are as below:

Unit: Million Baht

	2012	2011
NPLs before allowance for doubtful accounts	16,751.64	12,710.09
As percentage of total loans	1.06	0.94
NPLs after allowance for doubtful accounts	7,654.24	5,594.81
As percentage of net loans	0.49	0.42

#### 5.7.7 Troubled debt restructuring (TDR)

For the years ended December 31, 2012 and 2011, the TDR debts classified by TDR approach are as detailed below:

Unit: Million Baht

	2012				
	No. of cases	Outstanding debts at book value		Transferred assets	
		Before debt restructuring	After debt restructuring	Type of assets	Fair value
Change in repayment conditions	-	-	-	-	-
Restructuring in mixed forms	-	-	-	-	-
Total	-	-	-	-	-

Unit: Million Baht

TDR approach	2011				
	No. of cases	Outstanding debts at book value		Transferred assets	
		Before debt restructuring	After debt restructuring	Type of assets	Fair value
Change in repayment conditions	2	0.38	0.15		-
Restructuring in mixed forms	1	1,019.33	1,019.52		-
Total	3	1,019.71	1,019.67		-

For the years ended December 31, 2012 and 2011, the Bank recorded loss on debt restructuring and interest income from debt restructuring in the statements of comprehensive income as follows:

Unit: Million Baht

	2012	2011
Loss on debt restructuring	-	153.68
Interest income from debt restructuring	37.31	18.34

As of December 31, 2012 and 2011, the Bank recorded an outstanding balance of restructured loans in the statements of financial position as follows:

Unit: Million Baht

	2012	2011
Outstanding balance of restructured loans	807.31	842.53

#### 5.8 Allowance for doubtful accounts

Unit: Million Baht

	2012						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Excess allowance	Total
Beginning balance	9,302.54	302.47	2,591.61	1,227.29	3,296.38	9,347.44	26,067.73
Doubtful accounts	381.31	61.57	336.34	530.37	1,189.16	-	2,498.75
Bad debt write-off	-	-	-	-	(73.75)	-	(73.75)
Ending balance	9,683.85	364.04	2,927.95	1,757.66	4,411.79	9,347.44	28,492.73

Unit: Million Baht

	2011						Total
	Pass	Special mention	Sub- Standard	Doubtful	Doubtful of loss	Excess allowance	
Beginning balance	6,674.21	142.02	1,976.58	1,775.71	4,558.25	9,347.44	24,474.21
Doubtful accounts	2,628.33	160.45	615.03	(548.42)	(126.43)	-	2,728.96
Bad debt write-off	-	-	-	-	(1,135.44)	-	(1,135.44)
Ending balance	9,302.54	302.47	2,591.61	1,227.29	3,296.38	9,347.44	26,067.73

## 5.9 Revaluation allowance for debt restructuring

Unit: Million Baht

	2012	2011
Beginning balance	35.26	-
Increase during the year	1.71	41.57
Write-off	15.97	6.31
Ending balance	21.00	35.26

## 5.10 Assets pending sales - net

Unit: Million Baht

	2012			
	Beginning balance	Increase	Disposal/Transfer	Ending balance
Immovable assets	2,165.66	261.39	557.53	1,869.52
<u>Less</u> Allowance for devaluation	27.56	(2.89)	4.87	19.80
Total assets pending sales - net	2,138.10	264.28	552.66	1,849.72

Unit: Million Baht

	2011			
	Beginning balance	Increase	Disposal/Transfer	Ending balance
Immovable assets	1,003.66	1,272.85	110.85	2,165.66
<u>Less</u> Allowance for devaluation	0.88	29.28	2.60	27.56
Total assets pending sales - net	1,002.78	1,243.57	108.25	2,138.10

As of December 31, 2012 and 2011, the Bank's immovable assets obtained from debt repayment amounted to 1,869.52 Million Baht and 2,165.66 Million Baht, consisting of those valued by external appraiser of 672.63 Million Baht and 495.46 Million Baht respectively, and those by internal appraiser of 1,196.89 Million Baht and 1,670.20 Million Baht respectively.

#### 5.11 Land, buildings and equipment - net

Unit: Million Baht

	2012											
	Cost price				Accumulated depreciation				Allowance for devaluation			Land, buildings and equipment - net
	Beginning balance	Increase	Disposed/ Transferred	Ending balance	Beginning balance	Depreciation	Disposed/ Transferred	Ending balance	Beginning balance	Increase/Decrease	Ending balance	
Land	1,709.77	56.97	(32.05)	1,734.69	-	-	-	-	-	75.00	75.00	
Buildings	4,542.57	476.56	(5.45)	5,013.68	2,814.33	129.27	(5.43)	2,938.17	-	36.72	36.72	2,038.79
Equipment	7,436.87	1,107.90	(323.03)	8,221.74	4,788.54	925.25	(288.87)	5,424.92	-	-	-	2,796.82
Assets in process	441.41	1,641.61	(1,385.41)	697.61	-	-	-	-	-	-	-	697.61
<b>Total</b>	<b>14,130.62</b>	<b>3,283.04</b>	<b>(1,745.94)</b>	<b>15,667.72</b>	<b>7,602.87</b>	<b>1,054.52</b>	<b>(294.30)</b>	<b>8,363.09</b>	<b>-</b>	<b>111.72</b>	<b>111.72</b>	<b>7,192.91</b>

Unit: Million Baht

	2011											
	Cost price				Accumulated depreciation				Allowance for devaluation			Land, buildings and equipment - net
	Beginning balance	Increase	Disposed/ Transferred	Ending balance	Beginning balance	Depreciation	Disposed/ Transferred	Ending balance	Beginning balance	Increase/Decrease	Ending balance	
Land	1,448.57	352.66	(91.46)	1,709.77	-	-	-	-	-	-	-	
Buildings	4,018.90	668.69	(145.02)	4,542.57	2,715.17	166.15	(66.99)	2,814.33	-	-	-	1,728.24
Equipment	6,942.33	1,552.66	(1,058.12)	7,436.87	4,970.41	817.84	(999.71)	4,788.54	-	-	-	2,648.33
Assets in process	213.26	1,744.33	(1,516.18)	441.41	-	-	-	-	-	-	-	441.41
<b>Total</b>	<b>12,623.06</b>	<b>4,318.34</b>	<b>(2,810.78)</b>	<b>14,130.62</b>	<b>7,685.58</b>	<b>983.99</b>	<b>(1,066.70)</b>	<b>7,602.87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,527.75</b>

Unit: Million Baht

	2012	2011
Depreciation for the year	1,054.52	983.99
Loss on devaluation	111.72	-

In 2012, the Bank evaluated devaluation of the land, buildings and equipment by comparing the book value and the expected value of returns on the land, buildings and equipment and recognized loss on devaluation in the statements of comprehensive income of 111.72 Million Baht.

As of December 31, 2012 and 2011, the Bank has buildings and equipment that have been fully depreciated but are still in use with the cost price of 3,980.38 Million Baht and 3,840.66 Million Baht respectively.

#### 5.12 Other intangible assets - net

Unit: Million Baht

	2012								
	Cost price				Accumulated amortization				Other intangible assets - net
	Beginning balance	Increase	Disposed/ Transferred	Ending balance	Beginning balance	Increase	Disposed/ Transferred	Ending balance	
Computer programs	1,363.48	200.55	(0.12)	1,563.91	773.01	91.39	(0.12)	864.28	699.63
Total	1,363.48	200.55	(0.12)	1,563.91	773.01	91.39	(0.12)	864.28	699.63

Unit: Million Baht

	2011								
	Cost price				Accumulated amortization				Other intangible assets - net
	Beginning balance	Increase	Disposed/ Transferred	Ending balance	Beginning balance	Increase	Disposed/ Transferred	Ending balance	
Computer programs	1,199.04	164.81	(0.37)	1,363.48	529.57	243.44	-	773.01	590.47
Total	1,199.04	164.81	(0.37)	1,363.48	529.57	243.44	-	773.01	590.47

Unit: Million Baht

	2012	2011
Amortization for the year	91.39	192.37
Transfer of accumulated amortization from equipment	0.00	51.07
Total amortization	91.39	243.44

As of December 31, 2012 and 2011, the Bank had computer programs that had been fully amortized but were still in use with the cost price of 430.02 Million Baht and 421.25 Million Baht respectively.

### 5.13 Other assets - net

Unit: Million Baht

	2012	2011
Accrued income	1,887.56	1,194.18
Leasehold right	37.38	44.43
Receivables from sales of investments	2,378.12	8,305.91
Auction asset purchase - suspended	580.37	568.44
Other receivables and sundry assets	1,061.01	978.24
Loans pending adjustment	7.33	9.07
<b>Total</b>	<b>5,951.77</b>	<b>11,100.27</b>

Receivables from sales of investments of 2,378.12 Million Baht are comprised of sale transactions duly concluded but settlement for which not yet been made over a period of around 1-5 business days.

Suspended auction asset purchase of 580.37 Million Baht is the suspended outstanding balance of loan accounts thereby adjustment and appropriation for loan repayment will be made upon availability of receipt-payment account from Legal Execution Department or provincial legal execution offices.

Other receivables and sundry assets of 1,061.01 Million Baht are comprised of:

- Receivables on management fee of the Regional Urban Development Fund of 34.81 Million Baht;
- Receivables pending transfer — fraud and deficit amounts of 0.56 Million Baht, consisting of a fraud amount of 295.17 Million Baht less full allowance for doubtful accounts, and a deficit amount of 19.07 Million Baht less full allowance for doubtful accounts of 18.51 Million Baht, leaving a balance of 0.56 Million Baht;
- Other receivables pending transfer of 188.08 Million Baht; and
- Others of 837.56 Million Baht.

Loans pending adjustment of 7.33 Million Baht are the amounts of balance adjustment items under the financial information system (FIS) to align with the balance in the main accounts at branches, for which branches will record the adjusted items in the FIS in the following month.

### 5.14 Deposits

Classified by type of deposits:

Unit: Million Baht

Type of deposits	2012	2011
At-call deposits	2,657.46	2,704.76
Savings deposits	685,399.98	387,956.27
Time deposits		
- Fixed deposits	316,564.82	521,268.95
- PSCs and bonds	599,893.36	555,274.22
- Life insurance deposits	72,971.61	56,472.16
Other deposits	2,276.56	2,079.48
<b>Total</b>	<b>1,679,763.79</b>	<b>1,525,755.84</b>

Savings deposits of 685,399.98 Million Baht include the guarantee contributions (pension category 1) made by Bank employees, amounting to 165.76 Million Baht, which cannot be withdrawn during their employment period with the Bank.

Other deposits of 2,276.56 Million Baht are inclusive of the neglected accounts of 2,235.00 Million Baht covering accounts for which the depositors have not been in contact with the Bank after the specified period. For accounts with a remaining balance of not more than 500.00 Baht an account maintenance fee is charged pursuant to Ministerial Notification no. 44 (2003) issued by virtue of the Government Savings Bank Act B.E. 2489 (1946) regarding savings deposit services.

#### 5.15 Interbank and money market items — net (liabilities)

Unit: Million Baht

	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	45.04	33,322.82	33,367.86	127.43	7,000.00	7,127.43
Commercial banks	1.43	40,325.00	40,326.43	300.96	44,475.00	44,775.96
Specialized financial institutions	1,820.00	-	1,820.00	1,500.00	10,000.00	11,500.00
Other financial institutions	-	150.00	150.00	-	300.00	300.00
<b>Total</b>	<b>1,866.47</b>	<b>73,797.82</b>	<b>75,664.29</b>	<b>1,928.39</b>	<b>61,775.00</b>	<b>63,703.39</b>

Net inter-bank and money market items of 75,664.29 Million Baht included promissory notes issued by the Bank for borrowing from the BOT of 33,322.82 Million Baht for onlending to those affected by the flood crisis in accordance with the Emergency Decree on Financial Aids for People Affected by Flood B.E. 2555 dated January 26, 2012 and the BOT's Notification no. SorKorNgor. 12/2555 Re: Financial Assistance for People Affected by Flood in 2011 dated February 16, 2012 in the total amount of 300,000 Million Baht, of which up to 210,000 Million Baht is loans from the BOT to financial institutions and at least 90,000 Million Baht is financed by financial institutions. Such allocated loan amount can be disbursed in full or until December 31, 2013. Maturity of the promissory notes is up to 5 years from the issuance date and no later than December 31, 2018. The BOT charges interest of 0.01% p.a. from financial institutions and banks charge from the affected persons up to 3% p.a. from those damaged by the flood. After receiving full or partial payment from flood-hit persons before the due date of the promissory notes, the Bank is required to repay the BOT in proportion to the received payment plus interest. The Bank recognizes interest expense on the outstanding promissory notes every month-end and pays interest on the outstanding promissory notes semi-annually, i.e. end of June and end of December, and the BOT collects the payment on the first business day of the following month.

#### 5.16 Estimated Liabilities

Unit: Million Baht

	2012	2011
Employee benefit plans		
Gratuities/Pensions	17,813.34	12,288.75
Living gratuities	875.47	471.37
Special gratuities	655.70	331.25
Compensation	1,411.85	745.95
Retirement gifts	46.73	23.62
Long-service gifts	88.85	45.82
<b>Total provisions for employee benefits</b>	<b>20,891.94</b>	<b>13,906.76</b>
Contingent liabilities from prosecution (Note 5.21.2)	1.53	-
<b>Total provisions</b>	<b>20,893.47</b>	<b>13,906.76</b>

## Employee benefit plans

From compliance with the TAS No. 19, Employee Benefits, the Bank incurred past service cost as of December 31, 2010 of 26,733.54 Million Baht. The Bank has adopted the option during the transition period to recognize such cost on a straight-line basis within a 5-year period, thereby the amount of 5,346.71 Million Baht was recognized as expense in 2011 and 5,346.71 Million Baht in this period. Present value of employee benefit commitments under the employee benefit plan as of December 31, 2012 and 2011 are reconciled as shown below:

Unit: Million Baht

	2012		2011	
Employee benefit plans				
Beginning balance		13,906.76		-
Past service cost				
Brought forward (provident fund reserve)		-		6,588.10
Addition		5,346.71	5,346.71	11,934.81
Current service cost		1,073.40		977.66
Interest cost		1,683.24		1,618.76
Actuarial loss		263.27		752.21
Benefits paid during the period		(1,381.44)		(1,376.68)
Ending balance		20,891.94		13,906.76

Significant actuarial assumptions used for calculation of the employee benefit obligations are as follows:

Average discount rate	4.50% - 5.00%
Average rate of salary increase for employees	5.50%
Average rate of salary increase for contract staff	3.50%
Average turnover rate of employees	0% - 1.69%
Average turnover rate of contract staff	0% - 30.00%
Retirement age	60 years

For the years ended December 31, 2012 and 2011, the Bank's expenses on employee benefit plans are 8,366.62 Million Baht and 8,695.34 Million Baht respectively.

## 5.17 Other liabilities

Unit: Million Baht

	2012	2011
Checks pending clearing to accounts	2,127.64	1,428.40
Payables on purchases of investments	1,047.44	5,493.68
Other payables and sundry liabilities	1,451.73	1,840.54
Total	4,626.81	8,762.62



## 5.18 Other components of equity

Unit: Million Baht

	2012			2011		
	Beginning balance	Change during the period	Ending balance	Beginning balance	Change during the period	Ending balance
Surplus (Deficit) on revaluation of investments	2,319.33	4,761.03	7,080.36	9,825.54	(7,506.21)	2,319.33
Total	2,319.33	4,761.03	7,080.36	9,825.54	(7,506.21)	2,319.33

## 5.19 Appropriation of net profit

The State Enterprise Performance Evaluation Committee resolved to approve GSB's performance evaluation for 2011 and 2010 and appropriation of its net profit for 2011 and 2010 as follows:

Unit: Million Baht

	2012	2011
Reserve for business expansion	1,762.01	1,939.97
Director bonus	2.37	2.49
Employee bonus	1,781.77	1,949.74
Contribution to state revenue	10,112.38	9,751.00
Total appropriation	13,658.53	13,643.20
Accumulated profit	3,961.58	5,756.53
Total net profit for 2011 and 2010	17,620.11	19,399.73

In the net profit appropriation for 2011, the Bank contributed 5,580.00 Million Baht to the interim state revenue on October 21, 2011, leaving a balance for contribution in this period of 4,532.38 Million Baht which was remitted to state revenue on March 23, 2012, hence a total of 10,112.38 Million Baht was duly contributed to state revenue from 2011 net profit appropriation. The Bank made contribution no. 1 of 4,228.00 Million Baht to the 2012 interim state revenue on October 22, 2012, making up the total contribution to state revenue in 2012 of 8,760.38 Million Baht.

In net profit appropriation for 2010, the Bank contributed 3,975.00 Million Baht to the interim state revenue on October 21, 2010, leaving a balance for contribution in 2011 of 5,776.00 Million Baht of which 4,025.00 Million Baht was remitted to state revenue on April 22, 2011 and 1,751.00 Million Baht on November 25, 2011, making up the total contribution from 2010 net profit appropriation of 9,751.00 Million Baht. The Bank made contribution no. 1 of 5,580.00 Million Baht to the 2011 interim state revenue on October 21, 2011, making up the total contribution to state revenue in 2011 of 11,356.00 Million Baht.

## 5.20 Assets with encumbrance

The Bank invested in government and state enterprise securities with commitments in the borrowing transactions under the repurchase agreement with the BOT and other financial institutions with book value of 30,048.19 Million Baht as of December 31, 2012.

## 5.21 Contingent liabilities

### 5.21.1 Commitments

Unit: Million Baht

	2012	2011
Aval to bills	-	1,430.50
Liability under unmatured import bills	-	29.58
Letter of credit	-	109.88
Other contingencies		
-Undrawn overdraft	12,231.51	8,751.18
-Other guarantees	4,911.19	4,447.49
<b>Total</b>	<b>17,142.70</b>	<b>14,768.63</b>

### 5.21.2 Contingent liabilities from prosecution

As of December 31, 2012, the Bank recorded contingent liabilities as 56 cases of lawsuit that had been filed against the Bank as claims for compensation, the amount of which could not be determined, involving 103.42 Million Baht in debt amount. These included cases still under the court hearing process. The estimated amount of damage was recorded as provisions in the amount of 1.53 Million Baht (Note 5.16).

## 5.22 Related party transactions

Unit: Million Baht

	2012			2011		
	Loans		Deposits	Loans		Deposits
	Outstanding balance	Allowance for doubtful accounts	Allowance for doubtful accounts	Outstanding balance	Allowance for doubtful accounts	Allowance for doubtful accounts
1. Associated companies or companies in which the Bank has joint controlling power	576.76	5.77	0.74	1,008.78	10.08	-
<b>Total</b>	<b>576.76</b>	<b>5.77</b>	<b>0.74</b>	<b>1,008.78</b>	<b>10.08</b>	<b>-</b>
2. Bank having transactions related to related business						
Business in which the Bank's key management and close persons thereof have controlling power or joint controlling power or serve as key executives	1,999.79	19.97	-	1,594.69	15.93	0.28
<b>Total</b>	<b>1,999.79</b>	<b>19.97</b>	<b>-</b>	<b>1,594.69</b>	<b>15.93</b>	<b>0.28</b>
3. Bank having transactions with related person						
Key management and close persons thereof	343.06	2.58	407.59	349.36	2.87	518.76
<b>Total</b>	<b>343.06</b>	<b>2.58</b>	<b>407.59</b>	<b>349.36</b>	<b>2.87</b>	<b>518.76</b>
<b>Grand total</b>	<b>2,919.61</b>	<b>28.32</b>	<b>408.33</b>	<b>2,952.83</b>	<b>28.88</b>	<b>519.04</b>

### 5.23 Other benefits payable to directors and persons with management power

The Bank does not pay any benefits to its directors and executives other than the benefits that are normally paid such as meeting allowance, salary, bonus, vehicle allowance and other fringe benefits in conformity with its regulations.

For the years ended December 31, 2012 and 2011, remuneration paid to key management personnel in line with TAS 24 (Revised 2009), Related Party Disclosures, is as follows:

Unit: Million Baht

	2012	2011
Short-term benefits	235.77	261.87
Post-employment benefits	2,286.46	664.15
Other long-term benefits	7.21	2.02
Total	2,529.44	928.04

### 5.24 Long-term lease agreements

As of December 31, 2012 and 2011, the Bank's commitments arising from land and/or building lease fees and car rentals with the amount due according to the designated period as from the date of the statements of financial position are as follows:

Unit: Million Baht

		2012			
		Amount payable according to designated period			
		Over 1 year but			Total
Remaining period		Up to 1 year	not over 5 years	Over 5 years	
Land and/or building lease agreements	Jan 1, 2013 - Dec 17, 2039	253.73	189.66	15.67	459.06
Auto lease agreements	Jan 1, 2013 - Jun. 30, 2017	195.67	293.92	-	489.59
Total		449.40	483.58	15.67	948.65

Unit: Million Baht

		2011			
		Amount payable according to designated period			
		Over 1 year but			Total
Remaining period		Up to 1 year	not over 5 years	Over 5 years	
Land and/or building lease agreements	Jan 1, 2012 - Dec. 17, 2039	212.69	246.68	24.72	484.09
Auto lease agreements	Jan 1, 2012 - Sept 30, 2016	215.26	463.77	-	679.03
Total		427.95	710.45	24.72	1,163.12

As of December 31, 2012, the Bank had long-term lease agreements with maturity in the range of 1-30 years covering 1983-2039. Of these, 506 were land and/or building leases and 19 were auto leases, with future lease/rental fees payable of approximately 948.65 Million Baht.

## 5.25 Significant financial Status and Operating performances classified by domestic and foreign businesses.

### 5.25.1 Financial Status classified by transaction

Unit: Million Baht

	Financial statements exhibiting investments by equity method					
	2012			2011		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
Total assets	1,963,142.14	-	1,963,142.14	1,772,675.60	-	1,772,675.60
Interbank and money market items - net (assets)	195,589.77	-	195,589.77	227,899.92	-	227,899.92
Investments - net	249,151.31	-	249,151.31	197,549.50	-	197,549.50
Loans to customers and accrued interest receivable - net	1,469,850.24	-	1,469,850.24	1,297,126.95	-	1,297,126.95
Deposits	1,679,763.79	-	1,679,763.79	1,525,755.84	-	1,525,755.84
Interbank and money market items - net (liabilities)	75,664.29	-	75,664.29	63,703.39	-	63,703.39

Unit: Million Baht

	Bank-only nancial statements					
	2012			2011		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
Total assets	1,962,550.00	-	1,962,550.00	1,772,111.00	-	1,772,111.00
Interbank and money market items - net (assets)	195,589.77	-	195,589.77	227,899.92	-	227,899.92
Investments - net	248,559.17	-	248,559.17	196,984.90	-	196,984.90
Loans to customers and accrued interest receivable - net	1,469,850.24	-	1,469,850.24	1,297,126.95	-	1,297,126.95
Deposits	1,679,763.79	-	1,679,763.79	1,525,755.84	-	1,525,755.84
Interbank and money market items - net (liabilities)	75,664.29	-	75,664.29	63,703.39	-	63,703.39

## 5.25.2 Operating performances classified by transaction

Unit: Million Baht

	Financial statements exhibiting investments by equity method					
	2012			2011		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
Interest income	99,225.73	-	99,225.73	80,108.03	-	80,108.03
Interest expenses	50,082.96	-	50,082.96	38,780.40	-	38,780.40
Net interest income	49,142.77	-	49,142.77	41,327.63	-	41,327.63
Fees and service income - net	2,704.63	-	2,704.63	2,250.93	-	2,250.93
Other operating income	3,134.30	-	3,134.30	5,394.74	-	5,394.74
Other operating expenses	33,926.82	-	33,926.82	31,005.00	-	31,005.00
Net profit	21,054.88	-	21,054.88	17,968.30	-	17,968.30

Unit: Million Baht

	Bank-only financial statements					
	2012			2011		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
Interest income	99,225.73	-	99,225.73	80,108.03	-	80,108.03
Interest expenses	50,082.96	-	50,082.96	38,780.40	-	38,780.40
Net interest income	49,142.77	-	49,142.77	41,327.63	-	41,327.63
Net fees and service income	2,704.63	-	2,704.63	2,250.93	-	2,250.93
Other operating income	3,106.76	-	3,106.76	5,046.55	-	5,046.55
Other operating expenses	33,926.82	-	33,926.82	31,005.00	-	31,005.00
Net profit	21,027.34	-	21,027.34	17,620.11	-	17,620.11

## 5.26 Interest income

Unit: Million Baht

	2012	2011
Interbank and money market items	7,262.74	5,905.16
Investments and trading transactions	23.03	11.05
Investments in debt instruments	6,120.68	5,153.97
Loans	85,803.42	69,023.33
Hire purchase	15.86	14.52
Total interest income	99,225.73	80,108.03

## 5.27 Interest expenses

Unit: Million Baht

	2012	2011
Deposits	36,525.60	25,822.81
Prize money	12,093.72	11,189.70
Interbank and money market items	1,463.23	1,761.65
Borrowings	0.41	6.24
Total interest expenses	50,082.96	38,780.40

## 5.28 Net fees and service income

Unit: Million Baht

	2012	2011
Fees and service income		
Acceptances, avals and guarantees	105.14	63.95
Lending charges	779.53	807.89
Insurance premium payment fees	355.45	530.62
Others	1,812.96	1,080.93
Total fees and service income	3,053.08	2,483.39
Fees and service expenses	348.45	232.46
Net fees and service income	2,704.63	2,250.93

## 5.29 Net gain on trading and foreign exchange

Unit: Million Baht

	Net gain (loss)	
	2012	2011
1) Gain (Loss) on trading and foreign exchange		
Foreign currencies and derivatives on exchange rate	(257.54)	849.11
Debt instruments	85.99	73.80
Equity instruments	9.70	(7.38)
Total	(161.85)	915.53
2) Gain (Loss) on hedge accounting	319.17	(798.16)
Grand total	157.32	117.37

## Net gain (loss) on investments

Unit: Million Baht

	Net gain (loss)	
	2012	2011
1) Gain (Loss) on sales of		
securities available-for-sale	163.28	24.72
Total	163.28	24.72
2) Reversal (loss) on devaluation of		
securities available-for-sale	4.14	962.72
Total	4.14	962.72
Grand total	167.42	987.44

## 5.31 Bad debts, doubtful accounts and loss (reversal) on devaluation

Unit: Million Baht

	2012	2011
Interbank and money market items	64.83	175.02
Debt instruments held to maturity	(162.07)	(343.45)
Loans to customers	2,498.75	2,728.96
Loans to TDR customers	-	153.44
Total	2,401.51	2,713.97

## 5.32 Contributions to provident fund

The Bank established the GSB Employee Provident Fund under the Provident Fund Act B.E. 2530 (1987) on June 29, 2005. Employees who are members may opt for paying a contribution to the fund at any rate between 3% and 12% of their respective salary, while the Bank makes a supplemental contribution ranging from 9% to 12% of the individual members' salary.

Provident fund is classified as a defined contribution plan. Contributions paid by the Bank are recognized as personnel expenses in the statements of comprehensive income. For the years ended December 31, 2012 and 2011, the Bank's contributions to the provident fund accounted for 316.24 Million Baht and 187.90 Million Baht respectively.

For the year ended December 31, 2012, the Bank paid an initial fund for contribution to the provident fund totaling 1,487.16 Million Baht, broken down into initial fund of 1,392.83 Million Baht and initial fund benefit of 94.33 Million Baht.

## 5.33 Islamic banking services

The Bank offers Islamic banking services, which are interest-free. They comprise such deposit products as wadiah account, pilgrim saving account and mudarabah account facilities, and investments for return generation, such as leasing and hire-purchase, sales of goods on installment payments, investment in securities, and joint-venture deals. These services have been available since December 1998. At present, the Bank provides Islamic banking services on-line (opening of new deposit accounts) and at 343 branches, of which 243 branches offer fully-fledged services (in terms of types of deposit and investment services).

### 5.34 Office of Regional Urban Development Fund

GSB managed the Social Investment Fund and Regional Urban Development Fund until the end of the maturity of the Social Investment Program of MOF. The MOF accordingly approved for the Bank to terminate its management of the Social Investment Fund and to continue managing the Regional Urban Development Fund. In this regard, the Office of the Regional Urban Development Fund was established to run the Regional Urban Development Fund in lieu of the Bureau of Social Investment Fund. The Office of Regional Urban Development Fund is an independent agency under the supervision of the Bank, the management and administration of which are undertaken by the Board of Directors as in the former structure. The Bank has been permitted to collaborate with the Office in providing syndication loans in the amount up to 1,000.00 Million Baht to local administration organizations for infrastructure or public utility projects pursuant to Government Savings Bank Regulations no. 408 regarding the Office of Regional Urban Development Fund. Management fee is chargeable at 12% of the disbursed loan amount calculated as of the disbursement date under the respective loan agreement, and the MOU regarding Regional Urban Development Fund Management between the MOF and GSB no. 1/2549 dated June 30, 2006 (Amendment no. 1).

The Bank's financial statements presented since the fiscal year ended December 31, 2005 have integrated the accounts of the Office of the Regional Urban Development Fund, which is a work unit of the Bank, with the exclusion of inter-transactions.

The Office's financial statements as integrated in the Bank's financial statements as of December 31, 2012 (after inter-transactions) were composed of the following items:

Unit: Million Baht

Assets	568.69
Liabilities	0.05
Equity	114.69
Revenues	33.84
Expenses	15.04

### 5.35 Draft Specialized Financial Institution System Support and Development Fund Act B.E....

On April 10, 2012, the cabinet resolved to approve in principle the Draft Specialized Financial Institution System Support and Development Fund Act B.E.... with the objective to assist specialized financial institutions. Specialized financial institutions shall make contribution to the Fund at the rate specified by the government but not more than 1% of the average deposit balance. Criteria and method of average deposit calculation shall be as announced by the Board of Directors.

The draft Act is currently under legislation process.

### 5.36 Approval of financial statements

GSB President and CEO approved the issuance of these financial statements on March 4, 2013.