

Disclosure Information under Basel II Capital Requirement

As of 31 December 2009

1. Capital

1.1 Capital Structure

For the year ended December 2009, Kiatnakin Bank Public Company Limited ("KK" or "the Bank")'s capital to risk weighted assets was 16.29%, declined from 16.91% at the end of June 2009. Meanwhile, Tier-I capital adequacy ratio stood at 15.69%. The reduction of capital adequacy ratio (BIS ratio) was due to an increase in risk weighted assets of 4,485 million baht consisting of 3,099 million baht increase in credit risk capital, and 1,386 million baht increase in operational risk capital. However, the Bank's BIS ratio was much higher than the 8.50% required by the Bank of Thailand representing the Bank's strong financial status.

Table 1 Regulatory Capital composition

Unit: Baht

| Item | December 31, 2009 | December 31, 2008 |
|--|-----------------------|-----------------------|
| Tier 1 Capital | 16,257,763,751 | 14,036,683,695 |
| Issued and paid-up capital | 5,231,524,660 | 5,231,517,800 |
| Warrants | - | 8,483,233 |
| Net premium (discount) | 2,655,779,138 | 2,647,294,293 |
| Statutory reserves | 722,845,571 | 722,845,571 |
| Reserve appropriated from the net profit | 380,000 | 380,000 |
| Cumulative profit (loss) after appropriation | 7,647,234,383 | 5,426,162,798 |
| Tier 2 Capital | 624,863,812 | 524,041,729 |
| Total Tier 2 capital before deductions | 624,863,812 | 524,041,729 |
| Deductions from Tier 1 capital and Tier 2 capital 50% each | - | - |
| Total regulatory capital | 16,882,627,563 | 14,497,713,361 |
| Total regulatory capital before deductions | 16,882,627,563 | 14,560,725,424 |
| Deductions from total regulatory capital | - | 63,012,063 |

1.2 Capital Adequacy (Table 2 - 5)

Capital Adequacy Assessment

Capital Fund Calculation adopted by the Bank for each risk type are as follows:

- Standardized Approach (SA) for Credit Risk and Investment in Equity
- Basic Indicator Approach (BIA) for Operational Risk
- No capital fund required for Market Risk as the Bank currently has no transaction on trading book

Table 2 Minimum capital requirements for credit risk classified by types of assets under the SA approach

Unit: Baht

| Minimum capital requirements for credit risk classified by types of assets under the SA approach | December 31, 2009 | December 31, 2008 |
|--|-------------------|-------------------|
| 1. Performing assets | | |
| 1.1 Claims on Sovereigns and Central Banks and Multilateral Development Banks (MDBs) | - | - |
| 1.2. Claims on Banks, Public Sector Entities (PSEs) that are treated as claims on banks and securities companies | 239,551,208 | 32,604,483 |
| 1.3 Claims on Corporate and Entities (PSEs) that are treated as claims on corporate | 2,047,795,590 | 1,483,911,798 |
| 1.4 Claims on retail portfolios | 3,645,150,242 | 3,509,328,942 |
| 1.5 Residential mortgage exposures | 42,290,759 | 35,643,604 |
| 1.6 Other assets | 1,317,401,759 | 1,385,839,066 |
| 2. Non-performing assets | 581,950,553 | 761,603,292 |
| 3. First-to-default Credit derivatives and Securitisation | | |
| Total minimum capital requirements for credit risk under the SA approach | 7,874,140,111 | 7,208,931,185 |

Table 3 Minimum capital requirement for market risk for positions in the trading book

Unit: Baht

| Minimum capital requirements for market risk (positions in the trading book) | December 31, 2009 | December 31, 2008 |
|--|-------------------|-------------------|
| 1. Calculation by Standardized Approach | - | - |
| 2. Calculation by Internal Model Approach | - | - |
| Total minimum capital requirements for market risk | - | - |

***The bank has no trading book activities at present*

Table 4 Minimum capital requirement for operational risk (BIA / SA / ASA Approach)

Unit: Baht

| Minimum capital requirement for operational risk | December 31, 2009 | December 31, 2008 |
|---|-------------------|-------------------|
| 1. Basic Indicator Approach | 933,342,436 | 784,988,916 |
| 2. Standardised Approach | - | - |
| 3. Alternative Standardised Approach | - | - |
| Total minimum capital requirements for operational risk | 933,342,436 | 784,988,916 |

Table 5 Total capital to risk-weighted assets and Tier 1 capital to risk-weighted assets

Unit : %

| Ratio | December 31, 2009 | December 31, 2008 |
|---|-------------------|-------------------|
| 1. Total capital to risk-weighted assets | 16.29% | 15.42% |
| 2. Tier 1 capital to risk-weighted assets | 15.69% | 14.93% |

2. General qualitative information for each type of risk

2.1 Risk Management Process

Risk management is the process of identify, measure, monitor and control risk in order to ensure appropriate risk level of the Bank. In practice, the risk management department collaborates with involved party at all levels of the Bank, from Board of Directors to business unit in order to identify current and future possible risk. Risks are identified according to its source from both internal and external of the Bank. Then, risk with possible significant impact to the Bank are selected and measured using tools and methods jointly developed by the risk management department and business unit. The risks are then assessed and compared with the limit.

To ensure consistent risk management process, the risk management department is responsible for monitoring the identified risk and reporting each specific and overall risk information to the Risk Management Committee and the Management regularly or at least every quarter. The risk management department is also ensuring that every department operates in compliance with the risk management policies, guidelines and risk limits. When breach of policies, guidelines and limit arise, risk management department will review the business plan or take action plan as approved by the Risk Management Committee.

2.2 Structure and responsibilities of departments related with risk management

The Bank has the policy to establish an appropriate organization structure to support all types of risk management. The Board of Directors oversees and monitors risk activities closely through the Risk Management Committee to ensure that complete and effective risk management is implemented for the Bank, and that risk management system is continually reviewed and evaluated for higher effectiveness. The Bank also place great emphasize on early warning signals and abnormal transactions. The Risk Management Committee has assigned the risk management department, an independent entity from the Management, to implement the risk management policies and report to the Board of Directors regularly so revision and adjustment are made accordingly. To ensure effective monitoring process, the Board of Directors may assign other committee to closely monitor specific risk. Such delegation including authorization to the Asset and Liability Committee to monitor Interest Rate Risk, Liquidity Risk, and Asset and Liability Position.

2.3 Feature and framework for measuring and monitoring risk and reporting system

The Risk Management Committee has appointed the risk management department to monitor and report each specific and overall risk. The risk management department is also responsible for monitor any risks significantly impact the Bank's business in the future to ensure that the Bank has acceptable risk level. If any risk indicator falls out of the risk limit, the related departments are required to submit their action plans which the effectiveness and efficiency of the plan will be monitored by the Risk Management Committee till the risk level is back to normal level.

2.4 Risk prevention or reduction policies, and monitoring procedures of the effectiveness of such policies

The Bank manage risk it encounters in accordance with the guidelines from the Bank of Thailand. Risks are categorized into 5 main types i.e. strategic risk, credit risk, market risk, liquidity risk and operational risk. The Bank set up policy for each specific risk to ensure complete and appropriate monitoring process. Report of all risk is presented to the Board of Directors every quarter. The Bank has reviewed risk management policies and tools at least once a year or whenever there is any change that has significantly impact risk level of the Bank.

Sound principal concept is used by the Bank to manage risk it involves. They are Take Risk, Treat Risk, Transfer Risk and Terminate Risk

The Bank considered its major risk as follows:

- Liquidity Risk. The Bank has the policy to reduce the Liquidity Risk and focus on liquidity position. The Asset and Liability Committee, assigned by the Board of Directors, is responsible for consistently and strictly manage and keep the net liquidity position at the appropriate level. The Bank manage liquidity risk by targeting high liquidity level at all time, adjusting liability maturity to match those of assets, expanding its deposit base, and distributing the liability maturity period evenly.
- Concentration Risk. The Bank reduces its business concentration risk by ensuring certain level of business diversification, increasing business expertise and maintaing high level of capital base.

Moreover, the Bank realizes the importance of current risk from car hire purchase business, residential project loans, and investment in loans.

The Bank then, opt to maintains low level of market and liquidity risk by avoiding sophisticated business transactions such as derivatives for speculation, business with high interest rate risk, and always maintaining high liquidity level. For credit risk which inherit in all lending business, the Bank manage the risk by invest in human capital to increase business expertise in lending process including customer selection process, credit approval, credit scoring development, appropriate risk adjusted returns, and portfolio management to bring in closely monitoring and possible loss reduction.

2.5 Guideline for risk limits set up to control the risk

The Bank define risk limit in accordance with its risk appetite level. The goal is to control overall risk within acceptable level. To closely monitor and control the risk within manageable level, the Bank has set up risk limit covering external and internal factors, which are classified into 3 levels as follows:

- Normal level, represented with green signal, means the change of risk factors or risk indicators will have no impact or significant change to the Bank businesses
- Warning level, represented with yellow signal, means the change of risk factors or risk indicators will make an impact or significant change to the Bank businesses, but in the manageable or controllable level. The continuous monitoring those risk indicators is required to control and reduce risk level of those risk indicators.
- Over risk limits level, represented with red signal, means the change of risk factors and risk indicators will cause severe impact or significant change to the Bank businesses. Departments related to such risk indicators are requested to submit the action plan to reduce risk level to the RMC and continuously report the progress of risk management plan to the risk management department

2.6 Internal control and audit system

The Bank has set up the internal control system in compliance with the good governance with several objectives including

1. Ensure accuracy and reliability of financial statements
2. Ensure the operations in compliance with the Bank policies, plans, procedures identified in accordance with laws, and regulations
3. Ensure assets management monitoring and effective operations to achieve the Bank' objectives and goals

There are 5 important factors as follows:

1. Organizational and Control Environment

The Bank places great importance on encouraging the necessity of internal control to all employees by appointing the committee to oversee that the business goals are measurable and clearly stated. This is to assist employees in performing their duties. The organization structure is well established to support the management in effective business operations. The Bank has established a code of conduct, a code of business ethics to prevent conflict of interest, and penalties are set up for those who violation of such code. Additionally, the Bank has assigned the internal audit department, which plays an important part of internal control system, assists in managing good internal environment, and formulates the policy and guidelines for all financial transactions, procurements, and general business management to be prudent and be able to prevent fraud. The Bank also has the policy for human resources management including appropriate recruitment, orientation, trainings, and human resources development, which are under supervision of the senior staff with check and balance procedures.

2. Risk Management

The Bank adopts risk management policies and conducts risk assessments regularly for both internal and external risk factors that may significantly impact the Bank's business operation. In addition, the Bank has also set up measures to closely monitor and reduce sources of risk factors. By communicate the measures to all employees, the Bank creates awareness throughout the organization and has all employees to comply. The internal audit and the compliance department are responsible to ensure that the operations are in compliance with the risk management guidelines.

3. Control Activities

Delegation of responsibility and approval limits for the management and each committee is clearly stated and documented. Segregation of approval, recording transactions, information technology access, and document storage are established for the purpose of cross checking. Cautious measures regarding transaction with major shareholders, directors, management or related persons, are set up and closely monitor to ensure that the transaction is approved by authorized person specified. The Bank regularly monitor performance of its subsidiaries and affiliated companies and give direction to the representatives it appoint as directors or management of the subsidiaries and affiliate companies. The compliance department is assigned to oversee the Bank's operations to ensure compliance with related laws and regulations. Moreover, the Investigation Committee, comprising neutral department will be appointed, to investigate any misconduct and find solution and operation development to prevent such matters and to reduce the Bank's operational risk and retain the Bank's reputation.

4. Information and Communication

Information technology system has been developed to support the organizational information management and internal communication. The goal is to be able to make decision on a timely manner. The information is completely stored and classified in groups for easy understanding. The Bank also provides knowledge development on the Bank's intranet for all employees to access and utilize to increase their work efficiency and to develop develop their business expertise in order to be able to give advices to customers, business partners, creditors, and related parties for the highest benefits in accordance with the Bank's vision and mission.

5. Monitoring and Evaluation

The Bank's policy, procedures, and tools established to support the Bank's management and committees to monitor the Bank's operations, efficiency development, and performance evaluation based on balance score card and key performance indicator to ensure that the performance and efficiency of internal control are continually deployed and developed on time to respond to the changing environment, and any shortcoming is solved immediately. The performance and operational results compared with the Bank's business plan is reported on quarterly and monthly basis depending on the significance level, impact, and damages in order to evaluate and review business guidelines, procedures, and efficiency of risk management system in compliance with the Bank of Thailand's 5 types of risk. The internal audits department, compliance department, as well as external auditors, review performance reports, meeting minutes, loss report, complaints, and self-assessment report as source of information. The Board of Directors evaluates the internal control system on a yearly basis to ensure an appropriate internal control system in order to achieve the Bank's goal.

3. Information of each type of risk including qualitative and quantitative information

3.1 Credit risk information is classified into 3 topics as follows

Topic 1 : Credit risk Exposure (Table 6 - 14)

1.1 Credit risk policy

Definition

Credit risk is defined as the possibility of an obligor's failure to meet the terms of any contract with the Bank as agreed or by defaulting on a loan agreement and may cause any damages to the Bank's income and capital.

Credit risk

The Bank control credit risk on all types of asset following the overall risk control measures to be within the acceptable risk level. Risk management policies and guidelines is adjusted in accordance with business plan and can be modified in timely manner when business environment changes. The Bank formulates the strategic plan for all types of loan to achieve acceptable risk-adjusted return. The strategic plan serves as a framework for credit approval and guidelines for performance monitoring. The Bank also defines the operations plan covering from customer credit screening process to controlling credit quality after credit underwrite. Credit risk tools, procedures, and reporting are developed while risk is controlled at the acceptable risk level. The risk limit, which control each risk type, is set up in accordance with the credit policy of each business unit covering all main topics i.e. business growth, credit quality, profitability and credit concentration.

1.2 Definition of credit default and asset impairment

Asset classifications in the risk management policy is defined according to the Notification of the Bank of Thailand No. SorNorSor. 31/2551 regarding Asset Classification and Allowance of Financial Institutions, dated 3 October 2008. The Bank, by the operations department, classify assets based on the Bank's policy of asset classification or debt restructuring, and reports to the Executive Board at least once every quarter. For corporate customers, the business unit also apply qualitative criteria as specified in the Bank's policy in order to classify each loan and report to the Risk Management Committee for approval. Then the information is then submitted to the operation department to reclassify and set aside provision accordingly. For retail customers, if any event that has systematically impact on ability to repay debts of any customer group, the business unit is responsible for reclassification of assets based on the Bank's criteria on quality of assets and reported to the Risk Management Committee for approval. Then the information is submitted to the operations department to reclassify and set aside provision accordingly.

1.3 Statistical approach to calculate for General provision and Specific provision

The Bank defines provision policy in compliance with the Notification of the Bank of Thailand No. SorNorSor. 31/2551 regarding Asset Classification and Allowance of Financial Institutions, dated 3 October 2008. The Bank also places great emphasize on the strong asset quality by setting up the policy to retain higher loan loss reserve to non-performing loans (LLR/NPL) than the Bank of Thailand's requirement and in line with the average coverage ratio of banking industry (as of 30 October 2008, the average LLR/NPL of Thai banking industry was 70%) which the Bank achieved such level on 31 December 2009. Provisioning expense is calculated based on asset classification. For assets classified as Normal and Special Mention are provisioned 1% and 2% of total loans net collateral respectively, while assets classified as Sub-Standard, Doubtful, and Doubtful-to-Loss are provisioned 100% for the difference between the outstanding loans and present value of expected cash received from customers or present value of expected cash received from sales of collaterals as required by the Bank of Thailand' regulations. Assets classified as Loss are written off.

The Bank also calculates provision following the collective approach based on actual losses in the past, which is calculated from probability of default and percentage of loss given default.

Table 6 Outstandings of on-balance sheet assets and off-balance sheet items before credit risk mitigation

หน่วย : บาท

| Item | Average | December 31, 2009 | December 31, 2008 |
|--|----------------|-------------------|-------------------|
| 1. On-balance sheet assets | | | |
| 1.1 Net loans ^{1/} | 90,610,757,215 | 93,141,801,999 | 95,832,362,101 |
| 1.2 Net investments in debt securities ^{2/} | 10,658,384,487 | 16,505,657,619 | 2,135,273,293 |
| 1.3 Deposits (including accrued interests) | 959,124,432 | 709,830,857 | 679,287,258 |
| 2. Off-balance sheet items ^{3/} | | | |
| 2.1 Aval of bills, guarantee, and letter of credits | 1,557,703,845 | 1,644,176,319 | 1,014,808,419 |
| 2.2 OTC derivatives ^{4/} | 4,894,655,023 | 8,096,176,100 | 1,912,000,000 |
| 2.3 Undrawn committed line (Undrawn committed line) | 78,155,804 | 100,000,916 | 55,332,726 |

^{1/} Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring.

^{2/} Excluding accrued interests and net of revaluation allowances for equities and impairment allowances for equities.

^{3/} Before multiplying by CCF

^{4/} Including equity derivatives

Table 7 Outstandings of on-balance sheet assets and off-balance sheet items before CRM classified by country or geographic area of debtors

| December 31, 2009 | | | | | | | | |
|--------------------------------------|-------------------------|------------------------|---|------------------------------------|---------------------------------------|---|-----------------|------------------------|
| Unit : Baht | | | | | | | | |
| Country or geographic area of debtor | On-balance sheet assets | | | | Off-balance sheet items ^{3/} | | | |
| | Total | Net loan ^{1/} | Net investment in debt securities ^{2/} | Deposit (include accrued interest) | Total | Aval of bills, guarantees, letter of credit | OTC derivatives | Undrawn committed line |
| 1. Thailand | 108,869,847,014 | 93,141,801,999 | 15,018,214,158 | 709,830,857 | 9,840,353,335 | 1,644,176,319 | 8,096,176,100 | 100,000,916 |
| 2. Asia Pacific (exclude Thailand) | - | - | 1,487,443,461 | - | - | - | - | - |
| 3. North America and Latin America | - | - | - | - | - | - | - | - |
| 4. Africa and Middle East | - | - | - | - | - | - | - | - |
| 5. Europe | - | - | - | - | - | - | - | - |
| Total | 108,869,847,014 | 93,141,801,999 | 16,505,657,619 | 709,830,857 | 9,840,353,335 | 1,644,176,319 | 8,096,176,100 | 100,000,916 |

| December 31, 2009 | | | | | | | | |
|--------------------------------------|-------------------------|------------------------|---|------------------------------------|---------------------------------------|---|-----------------|------------------------|
| Unit : Baht | | | | | | | | |
| Country or geographic area of debtor | On-balance sheet assets | | | | Off-balance sheet items ^{3/} | | | |
| | Total | Net loan ^{1/} | Net investment in debt securities ^{2/} | Deposit (include accrued interest) | Total | Aval of bills, guarantees, letter of credit | OTC derivatives | Undrawn committed line |
| 1. Thailand | 98,646,922,652 | 95,832,362,101 | 2,135,273,293 | 679,287,258 | 2,982,141,145 | 1,014,808,419 | 1,912,000,000 | 55,332,726 |
| 2. Asia Pacific (exclude Thailand) | - | - | - | - | - | - | - | - |
| 3. North America and Latin America | - | - | - | - | - | - | - | - |
| 4. Africa and Middle East | - | - | - | - | - | - | - | - |
| 5. Europe | - | - | - | - | - | - | - | - |
| Total | 98,646,922,652 | 95,832,362,101 | 2,135,273,293 | 679,287,258 | 2,982,141,145 | 1,014,808,419 | 1,912,000,000 | 55,332,726 |

1/ Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item.

2/ Excluding accrued interests and net of revaluation allowances for equities and impairment allowances for equities.

3/ Before multiplying by CCF.

Table 8 Outstandings of on-balance sheet assets and off-balance sheet items before credit risk mitigation classified by residual maturity

Unit : Baht

| Item | December 31, 2009 | | | December 31, 2008 | | |
|--|-------------------------------|---------------------------|----------------|-------------------------------|---------------------------|----------------|
| | maturity not exceeding 1 year | maturity exceeding 1 year | Total | maturity not exceeding 1 year | maturity exceeding 1 year | Total |
| 1. On-balance sheet assets | | | | | | |
| 1.1 Net loans ^{1/} | 13,996,976,995 | 79,144,825,004 | 93,141,801,999 | 22,386,382,244 | 73,445,979,857 | 95,832,362,101 |
| 1.2 Net investments in debt securities ^{2/} | 4,476,556,460 | 12,029,101,159 | 16,505,657,619 | 314,355,106 | 1,820,918,187 | 2,135,273,293 |
| 1.3 Deposits (including accrued interests) | 709,830,857 | - | 709,830,857 | 679,287,258 | - | 679,287,258 |
| 2. Off-balance sheet assets ^{3/} | | | | | | |
| 2.1 Aval of bills, guarantee, and letter of credits | 1,640,799,755 | 3,376,564 | 1,644,176,319 | 986,361,562 | 28,446,857 | 1,014,808,419 |
| 2.2 OTC derivatives | 2,763,000,000 | 5,333,176,100 | 8,096,176,100 | - | 1,912,000,000 | 1,912,000,000 |
| 2.3 Undrawn committed line | 99,948,601 | 52,315 | 100,000,916 | 52,509,655 | 2,823,071 | 55,332,726 |

^{1/} Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item.

^{2/} Excluding accrued interests and net of revaluation allowances for equities and impairment allowances for equities.

^{3/} Before multiplying by CCF

Table 9 Loans and accrued interests and investments in debt securities before credit risk mitigation classified by country or geographic area of debts and by asset classification specified by the Bank of Thailand

| December 31, 2009 | | | | | | | |
|--------------------------------------|--|-------------------|---------------|-------------|---------------|----------------|---------------|
| Unit : Baht | | | | | | | |
| Country or geographic area of debtor | Loan and accrued interests ^{1/} | | | | | | securities |
| | Normal | Special Mentioned | Sub standard | Doubtful | Doubtful loss | Total | Doubtful loss |
| 1. Thailand | 83,477,155,006 | 8,032,396,003 | 1,075,776,209 | 888,158,532 | 3,478,136,587 | 96,951,622,337 | - |
| 2. Asia Pacific (exclude Thailand) | - | - | - | - | - | - | - |
| 3. North America and Latin America | - | - | - | - | - | - | - |
| 4. Africa and Middle East | - | - | - | - | - | - | - |
| 5. Europe | - | - | - | - | - | - | - |
| Total | 83,477,155,006 | 8,032,396,003 | 1,075,776,209 | 888,158,532 | 3,478,136,587 | 96,951,622,337 | - |

| December 31, 2009 | | | | | | | |
|--------------------------------------|--|-------------------|---------------|-------------|---------------|----------------|---------------|
| Unit : Baht | | | | | | | |
| Country or geographic area of debtor | Loan and accrued interests ^{1/} | | | | | | securities |
| | Normal | Special Mentioned | Sub standard | Doubtful | Doubtful loss | Total | Doubtful loss |
| 1. Thailand | 84,843,302,446 | 7,453,424,827 | 2,509,005,426 | 958,117,557 | 3,591,958,594 | 99,355,808,850 | - |
| 2. Asia Pacific (exclude Thailand) | - | - | - | - | - | - | - |
| 3. North America and Latin America | - | - | - | - | - | - | - |
| 4. Africa and Middle East | - | - | - | - | - | - | - |
| 5. Europe | - | - | - | - | - | - | - |
| Total | 84,843,302,446 | 7,453,424,827 | 2,509,005,426 | 958,117,557 | 3,591,958,594 | 99,355,808,850 | - |

1/ Including loans and accrued interest receivables of interbank and money market item.

Table 10 Provisions (divided into general provisions and specific provisions) and charge-offs for loans and accrued interests and investments in debt securities classified by country of geographic area

December 31, 2009

Unit : Baht

| Country or geographic area of debtor | Loan and accrued interest receivables ^{1/} | | | Investment in debt securities |
|--------------------------------------|---|--------------------|----------------------------|-------------------------------|
| | General provision ^{2/} | Specific provision | Charges-off between period | Specific provision |
| 1. Thailand | | 3,809,820,337 | 609,818,188 | 480,255,763 |
| 2. Asia Pacific (exclude Thailand) | | - | - | - |
| 3. North America and Latin America | | - | - | - |
| 4. Africa and Middle East | | - | - | - |
| 5. Europe | | - | - | - |
| Total | | 3,809,820,337 | 609,818,188 | 480,255,763 |

December 31, 2008

Unit : Baht

| Country or geographic area of debtor | Loan and accrued interest receivables ^{1/} | | | Investment in debt securities |
|--------------------------------------|---|--------------------|----------------------------|-------------------------------|
| | General provision ^{2/} | Specific provision | Charges-off between period | Specific provision |
| 1. Thailand | | 3,523,446,750 | 695,048,232 | 36,001 |
| 2. Asia Pacific (exclude Thailand) | | - | - | - |
| 3. North America and Latin America | | - | - | - |
| 4. Africa and Middle East | | - | - | - |
| 5. Europe | | - | - | - |
| Total | | 3,523,446,750 | 695,048,232 | 36,001 |

^{1/} Include provisions and charge-offs for loans and accrued interest receivables of interbank and money market item

^{2/} Total general provision

Table 11 Loans and accrued interests before credit risk mitigation classified by type of business and by asset classification specified by the Bank of Thailand

December 31, 2009

Unit : Baht

| Type of business | Normal | Special mentioned | Sub standard | Doubtful | Doubtful loss | Total |
|---------------------------------|----------------|-------------------|---------------|-------------|---------------|----------------|
| - Agriculture and Mining | 2,859,824 | 440,729 | - | - | 403,562 | 3,704,115 |
| - Manufacturing and Commerce | 1,997,307,422 | 45,238,290 | 29,478,520 | 27,912,143 | 313,820,285 | 2,413,756,660 |
| - Property and Construction | 14,877,582,191 | 641,285,014 | 406,574,285 | 400,663,568 | 2,964,317,522 | 19,290,422,579 |
| - Public Utilities and Services | 710,689,078 | 17,101,523 | 20,799,234 | 30,239,428 | 29,104,001 | 807,933,264 |
| - Housing | 1,105,196,542 | 81,192,441 | 67,757,174 | 19,380,987 | 14,884,061 | 1,288,411,206 |
| - others | 64,783,519,949 | 7,247,138,006 | 551,166,996 | 409,962,405 | 155,607,157 | 73,147,394,512 |
| Total | 83,477,155,006 | 8,032,396,004 | 1,075,776,209 | 888,158,532 | 3,478,136,587 | 96,951,622,337 |

December 31, 2008

Unit : Baht

| Type of business | Normal | Special mentioned | Sub standard | Doubtful | Doubtful loss | Total |
|---------------------------------|----------------|-------------------|---------------|-------------|---------------|----------------|
| - Agriculture and Mining | 54,228,066 | 41,497,387 | 7,715,208 | 4,758,028 | 3,101,349 | 111,300,038 |
| - Manufacturing and Commerce | 2,129,316,932 | 161,608,472 | 46,079,606 | 59,354,548 | 338,578,159 | 2,734,937,718 |
| - Property and Construction | 12,306,293,024 | 410,861,016 | 1,374,103,005 | 429,945,273 | 3,013,351,752 | 17,534,554,070 |
| - Public Utilities and Services | 860,729,737 | 76,594,204 | 88,758,646 | 36,634,126 | 77,860,143 | 1,140,576,855 |
| - Housing | 718,577,587 | 82,259,143 | 53,944,445 | 13,831,642 | 10,491,130 | 879,103,947 |
| - others | 68,749,399,972 | 6,690,151,622 | 946,665,027 | 419,805,078 | 149,314,523 | 76,955,336,224 |
| Total | 84,818,545,319 | 7,462,971,844 | 2,517,265,936 | 964,328,695 | 3,592,697,057 | 99,355,808,850 |

Table 12 Provisions (divided into general provisions and specific provisions) and charge-offs for loans and accrued interests classified by type of business

Unit : Baht

| Type of business | December 31, 2009 | | | December 31, 2008 | | |
|---------------------------------|---------------------------------|--------------------|-------------------------------|---------------------------------|--------------------|-------------------------------|
| | General provision ^{1/} | Specific provision | Charges-off between period | General provision ^{1/} | Specific provision | Charges-off between period |
| - Agriculture and Mining | | 432,696 | 5,042,574 | | 28,216,381 | 7,515,512 |
| - Manufacturing and Commerce | | 245,620,067 | 52,467,629 | | 337,374,779 | 131,115,767 |
| - Property and Construction | | 916,632,898 | 23,293,168 | | 908,018,833 | 74,979,072 |
| - Public Utilities and Services | | 46,348,604 | 15,373,232 | | 209,912,021 | 131,697,902 |
| - Housing | | 25,193,082 | 748,440 | | 20,409,868 | 2,628,905 |
| - Others | | 2,575,592,990 | 512,893,145 | | 2,019,514,868 | 347,111,074 |
| Total | | 3,809,820,337 | 609,818,188 | | 3,523,446,750 | 695,048,232 |

^{1/} Including loans and accrued interests of interbank and money market item

Table 13 Reconciliation of changes in provisions for loans including accrued interests

Unit : Baht

| Item | December 31, 2009 | | | December 31, 2008 | | |
|---|-------------------|--------------------|---------------|-------------------|--------------------|---------------|
| | General provision | Specific provision | Total | General provision | Specific provision | Total |
| Provisions at the beginning of the period | - | 3,469,580,474 | 3,469,580,474 | - | 2,961,586,690 | 2,961,586,690 |
| Charges-offs during the period | - | 609,818,188 | 609,818,188 | - | 695,048,232 | 695,048,232 |
| Increases or decreases of provisions during the period | - | 903,727,333 | 903,727,333 | - | 1,203,042,016 | 1,203,042,016 |
| Other provision (provisions for losses from foreign exchange) | - | - | - | - | - | - |
| Provisions for merger and sale of businesses | - | - | - | - | - | - |
| Provisions at the end of the period | - | 3,763,489,619 | 3,763,489,619 | - | 3,469,580,474 | 3,469,580,474 |

* Including loans and accrued interests of interbank and money market item

Table 14 Outstanding of on-balance sheet assets and off-balance sheet items for credit risk under the SA approach classified by type of assets

Unit : Baht

| Type of assets | December 31, 2009 | | | December 31, 2009 | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| | On-balance sheet asset | Off-balance sheet item | total | On-balance sheet asset | Off-balance sheet item | total |
| 1. Performing assets | | | | | | |
| 1.1 Claims on Sovereigns and Central Banks and Multilateral Development Banks (MDBs) | 14,323,127,572 | - | 14,323,127,572 | 18,718,156,100 | - | 18,718,156,100 |
| 1.2. Claims on Banks, Public Sector Entities (PSEs) that are treated as claims on banks and securities companies | 11,619,668,091 | 272,350,088 | 11,892,018,179 | 1,917,910,763 | - | 1,917,910,763 |
| 1.3 Claims on Corporate and Entities (PSEs) that are treated as claims on corporate | 23,013,572,798 | 1,093,436,026 | 24,107,008,824 | 17,453,961,863 | 19,120,000 | 17,473,081,863 |
| 1.4 Claims on retail portfolios | 57,178,827,327 | - | 57,178,827,327 | 55,023,201,868 | - | 55,023,201,868 |
| 1.5 Residential mortgage exposures | 1,170,486,363 | - | 1,170,486,363 | 789,954,451 | - | 789,954,451 |
| 1.6 Other assets | 15,848,421,208 | - | 15,848,421,208 | 16,532,416,763 | - | 16,532,416,763 |
| 2. Non-performing assets | 5,866,087,526 | - | 5,866,087,526 | 6,963,268,767 | 565,804,065 | 7,529,072,832 |
| 3. First-to-default Credit derivatives and Securitisation | - | - | - | - | - | - |
| Total | 129,020,190,885 | 1,365,786,114 | 130,385,976,999 | 117,398,870,575 | 584,924,065 | 99,265,638,540 |

* After multiplying by CCF and Specific provision

Topic 2 : Credit risk exposure based on the method used for calculate risk weighted assets (Table 15)

1.4 List of credit rating agencies and country risk classification of OECD used as reference to define risk weight of the Bank' asset/loan types

The Bank's customer group and rating reference

The Bank use credit rating of Moody's Investor Service to define risk weight of the government, financial institutional, and International Development Bank which do not classified as zero risk weight. For corporate sector, the Bank employs 100% risk weight factor without taking credit rating from external agency into consideration since most of the Bank's portfolio are small to medium enterprises, who have no rating by such rating agencies.

1.5 Internal process used in assign rating from external credit assessment institutional rating

At the end of every quarter, the treasury department downloads the latest credit rating information from Moody's Investors Service (<http://v3.moodys.com/login.aspx>) and submits to the operations department to define risk weighted under the Basel II. The operations department reports to the risk management department for review at least once a year.

Table 15 Outstanding of on-balance sheet assets and off-balance sheet items after credit risk mitigation for each type of assets classified by risk weight under the SA approach

| Type of asset | December 31, 2009 | | | | | | | | | | | | | |
|--|-------------------|----------------|-------------|---------------|---------------|---------------------|----|----|---------------|----------------|----------------|-----|-------|------------------------|
| | Rated outstanding | | | | | Unrated outstanding | | | | | | | | |
| Risk weight (%) | 0 | 20 | 50 | 100 | 150 | 0 | 20 | 50 | 35 | 75 | 100 | 625 | 937.5 | 100/8.5% ^{1/} |
| Performing assets | | | | | | | | | | | | | | |
| 1.1 Claims on sovereigns and central banks and Multilateral Development Banks (MDBs) | 14,323,127,572 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2. Claims on Banks, Public Sector Entities (PSEs) that are treated as claims on banks and securities companies | - | 10,837,548,218 | 838,052,198 | 235,537,763 | - | - | - | - | - | - | - | - | - | - |
| 1.3 Claims on Corporate and Entities (PSEs) that are treated as claims on corporate | - | - | - | - | - | - | - | - | - | - | 24,087,888,824 | - | - | - |
| 1.4 Claims on retail portfolios | - | - | - | - | - | - | - | - | - | 57,178,827,327 | - | - | - | - |
| 1.5 Residential mortgage exposures | - | - | - | - | - | - | - | - | 1,035,304,653 | - | 135,181,711 | - | - | - |
| 1.6 Other assets | - | - | - | - | - | 349,576,981 | - | - | - | - | 15,498,844,227 | - | - | - |
| Risk weight (%) | - | - | 50 | 100 | 150 | - | - | - | - | 75 | - | - | - | - |
| Non-performing assets^{1/} | - | - | 35,681,010 | 3,814,656,837 | 1,996,460,138 | - | - | - | - | - | - | - | - | - |
| Items which BOT allows to deduct from capital of FIs | | | | | | | | | | | | | | |

^{1/} For the part with no CRM whose risk weights depend on the ratio of provisions to total exposures.

Table 15 Outstanding of on-balance sheet assets and off-balance sheet assets

Unit : Baht

| Type of asset | December 31, 2008 | | | | | | | | | | | | | |
|--|-------------------|---------------|------------|---------------|---------------|---------------------|----|----|-------------|----------------|----------------|-----|-------|------------------------|
| | Rated outstanding | | | | | Unrated outstanding | | | | | | | | |
| Risk weight (%) | 0 | 20 | 50 | 100 | 150 | 0 | 20 | 50 | 35 | 75 | 100 | 625 | 937.5 | 100/8.5% ^{2/} |
| Performing assets | | | | | | | | | | | | | | |
| 1.1 Claims on sovereigns and central banks and Multilateral Development Banks (MDBs) | 18,718,156,100 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2. Claims on Banks, Public Sector Entities (PSEs) that are treated as claims on banks and securities companies | - | 1,937,030,763 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.3 Claims on Corporate and Entities (PSEs) that are treated as claims on corporate | - | - | - | - | - | - | - | - | - | - | 17,453,961,863 | - | - | - |
| 1.4 Claims on retail portfolios | - | - | - | - | - | - | - | - | - | 54,998,106,608 | - | - | - | - |
| 1.5 Residential mortgage exposures | - | - | - | - | - | - | - | - | 570,181,431 | - | 219,773,020 | - | - | - |
| 1.6 Other assets | - | - | - | - | - | 228,427,758 | - | - | - | - | 16,303,989,005 | - | - | - |
| Risk weight (%) | - | - | 50 | 100 | 150 | - | - | - | - | 75 | - | - | - | - |
| Non-performing assets ^{1/} | - | - | 88,698,893 | 4,489,743,248 | 2,975,725,951 | - | - | - | - | - | - | - | - | - |
| Items which BOT allows to deduct from capital of FIs | | | | | | | | | | | | | | |

^{1/} For the part with no CRM whose risk weights depend on the ratio of pro

Topic 3 : Credit mitigation risk information under standardized method (Table 16)

The Bank has not applied credit risk mitigation as it is not applicable to majority of the Bank's loan portfolio.

Table 16 Part of outstanding that is secured by collateral under the SA approach classified by type of assets and collateral

Unit : Baht

| Type of asset | December 31, 2009 | | December 31, 2008 | |
|--|---|---------------------------------|---|---------------------------------|
| | Eligible financial collateral ^{1/} | Guarantee and credit derivative | Eligible financial collateral ^{1/} | Guarantee and credit derivative |
| Performing assets | | | | |
| 1.1 Claims on sovereigns and central banks and Multilateral Development Banks (MDBs) | - | - | - | - |
| 1.2. Claims on Banks, Public Sector Entities (PSEs) that are treated as claims on banks and securities companies | - | - | - | - |
| 1.3 Claims on Corporate and Entities (PSEs) that are treated as claims on corporate | - | - | - | - |
| 1.4 Claims on retail portfolios | - | - | - | - |
| 1.5 Residential mortgage exposures | - | - | - | - |
| 1.6 Other assets | - | - | - | - |
| Total | - | - | - | - |

1/ Eligible financial collateral that the Bank of Thailand allows to use for risk mitigation

3.2 Disclosure information of market risk

Topic 4 : Information of market risk (Table 17)

Currently, there is no transaction of trading book of the Bank.

Table 17 Minimum capital requirements for each type of market risk under the Standardized Approach (Trading only)

| Unit : Baht | | |
|---|-------------------|-------------------|
| Minimum capital requirement for market risk under the Standardized Approach | December 31, 2009 | December 31, 2008 |
| Interest rate risk | - | - |
| Equity position risk | - | - |
| Foreign exchange rate risk | - | - |
| Commodity risk | - | - |
| Total minimum capital requirement | - | - |

3.3 Information of operational risk

Topic 5 : Information of operational risk

3.3.1 General qualitative information of operational risk

Definition

Operational risk is risk of losses from the failure or inadequacy of internal process, staff and management, or the failure caused by external factors.

Operational risk

The Bank realizes the importance of operational risk management and emphasize on the following issues.

- Internal operations system is developed by the special unit together with a consulting company to study/analyze and develop working procedure to increase efficiency of the Bank's operation.
- Risk controlling and monitoring plan, a process continuing from Risk information management (Risk identification and assessment) contributed from every department to resolve and prevent causes of Risk and ensure that such Risk will not occur again in the future.
- Operational risk management is continuous communicated to all employees to create risk awareness of any potential operational risk
- Risk of new products and processes are evaluated to ensure appropriate business operations and risk control before launching
- Business continuity management. The Bank devises business continuity management policy and plan to ensure that if any emergency case occurred, the Bank is still able to operate core business transactions continuously or return to normal operation in time. In addition, such plan is tested and reviewed periodically to ensure its effectiveness when implemented.

3.3.2 Method used to calculate risk weight assets of operational risk

The Bank adopt Basic Indicator Approach (BIA) for calculation of operational risk weight assets.

- Minimum required capital base for operational risk is calculated by 15%*gross income of the Bank, and
- Operational risk weighted assets is 12.5 times of the minimum required capital base for operational risk calculated above

3.4 Disclosure information of equity investment

Topic 6 : Information of equity investment on banking book (Table 18)

3.4.1 General information of equity investment risk on banking book

In the Bank's investment portfolio, only a minimal portion represents equity investment in banking book, therefore there is not significant risk.

However, the Bank recognizes an importance of risk management and develops an appropriate risk management system for the investment. The details is clearly stated for person in charge covering important procedures such as criteria for equity selection, risk limitation development, performance monitoring and reporting to the Investment Committee for consideration continuously.

3.4.2 Explanation of the difference between equity investment risk for trading and for other purposes such as for long-term good relationships with clients or for the Bank's strategy etc.

The Bank has setup the risk management policy for equity investment whose main purpose is to seek profit and return on investment. Requirement in the policy include strategic investment plan and possible losses protection measures. The Investment Committee is assigned to approve financial investment tools employed for risk management of investment portfolio. Moreover, there are other investments in which the Bank invest with intention to bring in business stability and to support the Bank's services.

3.4.3 Important policy for fair value estimation under the accounting standards, assumptions, guideline and changes of major procedures

The Bank defines the fair value estimation guideline for equity investment to be in line with the accounting standards as follows;

- The fair value of marketable equity securities is based on the latest bid price quoted by the Stock Exchange of Thailand
- The fair value of unit trust is based on the net asset value quoted by the asset management companies acted as a fund manager of such mutual fund
- Non-marketable equity securities and not subsidiaries are classified as general securities, and the value is stated at cost net of impairment
- Investments in subsidiary company which present in the Bank only financial statements are determined at cost net of allowance for impairment

The Bank conducts impairment testing for investments if any indication exists. If book value of investments is higher than expected recoverable amount, impairment losses are recognized in the income statement.

Table 18 Equity exposures in the banking book

| Equity exposures | Unit : Baht | |
|--|-------------------|-------------------|
| | December 31, 2009 | December 31, 2008 |
| 1. Equity exposures | | |
| 1.1 Equities listed and publicly traded in the Stock Exchange | | |
| - Cost | 404,637,060.00 | 165,804,805.00 |
| - Market value | 494,267,338.00 | 115,295,565.00 |
| 1.2 Other equities | 6,980,185,283.00 | 7,391,213,035.00 |
| 2. Gains (losses) of sale of equities in the reporting period | 45,354,991.00 | -4,478,644.00 |
| 3. Unrealized gain (net) on revaluation of available-for-sale equity securities | 100,396,618.00 | 41,067.00 |
| 4. Unrealized loss (net) on revaluation of available-for-sales equity securities | 1,231,730.00 | 63,053,130.00 |
| 5. Minimum capital requirements for equity exposures classified by the calculation methods | | |
| - SA approach | 669,722,622.89 | 652,146,639.43 |
| - IRB approach | - | - |
| 6. Equity values for using the IRB approach which the Bank of Thailand allows to use the SA approach | - | - |

3.5. Disclosure information of interest rate risk on banking book

Topic 7 : Information of interest rate risk on banking book (Table 19)

3.5.1 General quality information for interest rate risk on banking book

Definition

Interest rate risk is negative impact on income or capital from the movement of interest rates of assets, liabilities, and off-balance sheet items, which is sensitive to interest rates, reflecting in lower net interest income, trading book market value, and other interest rate related income and expenses.

Interest rate risk

The Bank has developed the effective and adequate interest rate risk management system in banking book to control risk that the Bank faces. Interest rate risk inherit directly in the Bank's lending business. Most of the Bank's loan portfolio has a long term fixed interest rate. Meanwhile, the source of deposit and borrowings are short-term fixed interest rate or floating rate. Therefore, the Bank has put effective interest rate risk control system in place and established appropriate risk measurement through risk assessment tools covering earning and economic value perspective. Repricing gap and economic value of equity model are used to calculated such risk respectively.

3.5.2 Explanation of interest rate risk characters on the banking book

Interest rate is a market risk factor directly impact the Bank's financial status and operating performance. The Bank applies risk management tools in evaluating impact on yield and cost of fund of assets, liabilities, and off-balance items involving different interest rate. If interest rate rises 1%, the Bank's net interest income will decline 148.53 million baht or 2.64% of net interest income for the year 2009.

3.5.3 Important assumptions in risk assessment such as loan early repayment, non-maturity deposits behaviors

The Bank assesses interest rate risk regularly and defines assumption on loan early repayment and non-maturity deposits behaviors to test stimulation of interest rate risk assessment.

3.5.4 Frequency of interest rate risk on banking book assessment

The Bank is aware of interest rate risk on banking book, which is always changing; therefore risk assessment and reporting to the management are required at least once a month.

Table 19 The effect of changes in interest rates to earnings (net) by upward shift 100 bps parallel on the next 1 year

| Currency | Unit : Baht | |
|--------------|------------------------------|------------------------------|
| | December 31, 2009 | December 31, 2008 |
| | The effect to earnings (net) | The effect to earnings (net) |
| 1. THB | -148,526,854 | -23,440,975 |
| 2. USD | - | - |
| 3. EURO | - | - |
| Others | - | - |
| Total Effect | -148,526,854 | -23,440,975 |