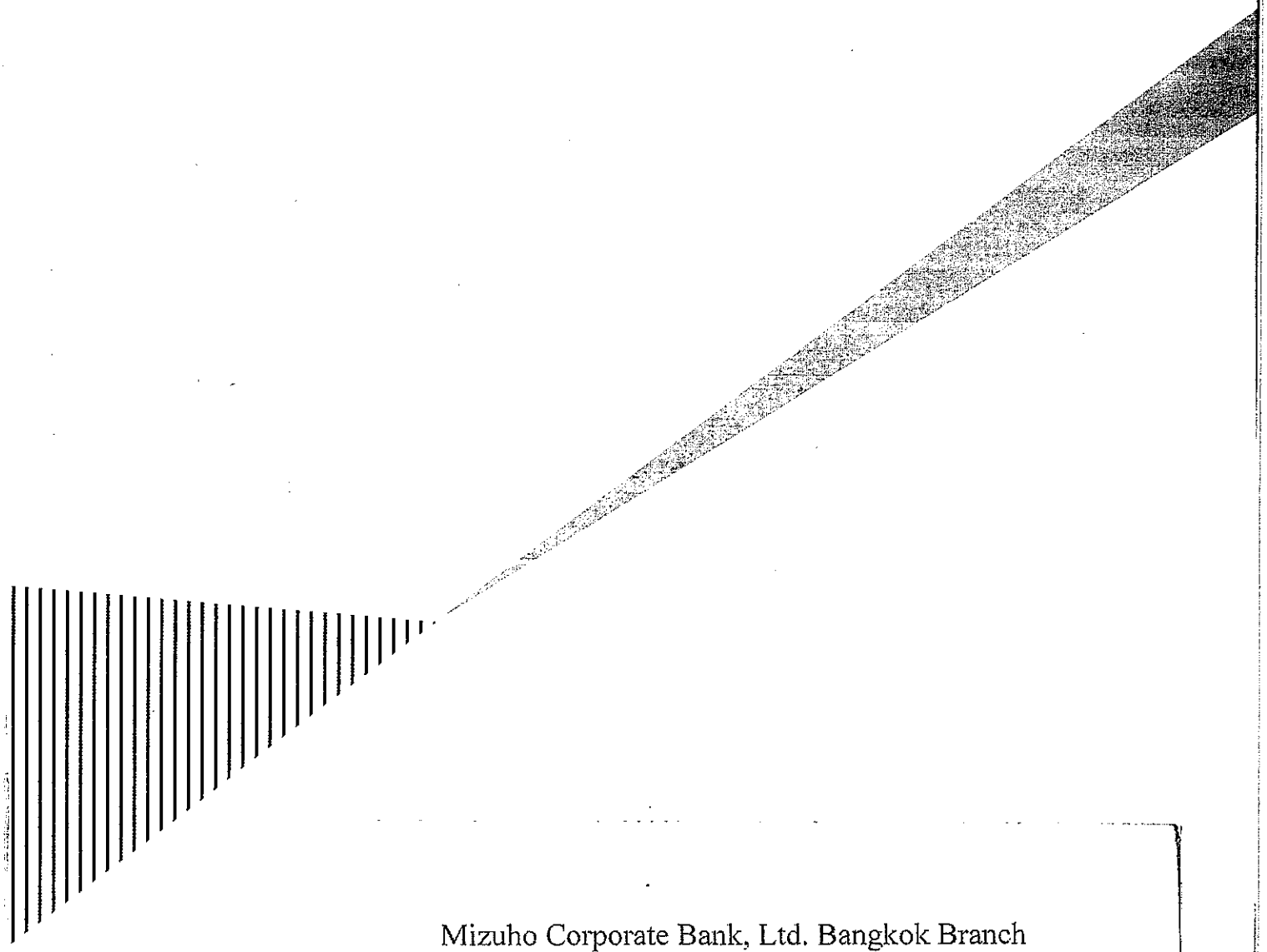


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Mizuho Corporate Bank, Ltd. Bangkok Branch
Report and financial statements
31 March 2012 and 2011

Ernst & Young

Report of Independent Auditor

To the Head Office of Mizuho Corporate Bank, Ltd. Bangkok Branch

I have audited the accompanying statements of financial position of Mizuho Corporate Bank, Ltd. Bangkok Branch as at 31 March 2012 and 2011, the related statements of comprehensive income, changes in equity of head office account and other branches under the same entity, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Bank as to their correctness and the completeness of the presentation. My responsibility is to report on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mizuho Corporate Bank, Ltd. Bangkok Branch as at 31 March 2012 and 2011, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above mentioned financial statements, I draw attention to Note 3.1 to the financial statements. During the current year, the Bank adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of the financial statements.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Mizuho Corporate Bank, Ltd. Bangkok Branch

Statements of financial position

As at 31 March 2012 and 2011

(Unit: Thousand Baht)

	Note	2012	2011
Assets			
Cash		6,997	3,698
Interbank and money market items - net	6	98,549,881	53,964,841
Derivatives assets	7	3,824,476	2,608,719
Investments - net	8	55,921,670	46,097,901
Loans to customers and accrued interest receivables	9		
Loans to customers		137,480,289	109,694,127
Accrued interest receivables		568,361	388,540
Total loans to customers and accrued interest receivables		138,048,650	110,082,667
Less: Deferred revenue		(623)	(3,086)
Allowance for doubtful accounts	10	(1,361,158)	(1,219,318)
Net loans to customers and accrued interest receivables		136,686,869	108,860,263
Leasehold improvement and equipment - net	11	67,379	94,541
Intangible assets - net	12	70,458	46,624
Accrued interest receivables		353,510	260,393
Prepaid corporate income tax		12,991	275,869
Other assets - net	13	33,001	30,671
Total assets		295,527,232	212,243,520

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

Mizuho Corporate Bank, Ltd. Bangkok Branch

Statements of financial position (continued)

As at 31 March 2012 and 2011

(Unit: Thousand Baht)

	Note	2012	2011
Liabilities and equity of head office account and other branches under the same entity			
Liabilities			
Deposits	14	71,485,088	66,466,567
Interbank and money market items	15	8,856,583	1,807,582
Liability payable on demand		550,918	398,054
Derivatives liabilities	7	3,019,521	3,808,540
Debt issued and borrowings	16	55,721,580	26,330,487
Provisions	17	30,106	-
Accrued interest payable		500,481	330,958
Corporate income tax payable		388,613	116,486
Other liabilities	18	155,347	103,172
Total liabilities		140,708,237	99,361,846
Equity of head office account and other branches under the same entity			
Funds remitted into Thailand for maintaining assets under section 32 of the Act on Undertaking of Banking business B.E. 2551	19	41,399,530	37,645,516
Net balance of inter-office accounts with head office and other branches under the same entity	29.2	109,747,142	71,649,734
Other component of head office account and other branches under the same entity	8.2	(1,722,463)	(218,033)
Retained earnings		5,394,786	3,804,457
Total equity of head office account and other branches under the same entity		154,818,995	112,881,674
Total liabilities and equity of head office account and other branches under the same entity		295,527,232	212,243,520

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



General Manager of Bangkok Branch

Mizuho Corporate Bank, Ltd. Bangkok Branch

Statements of comprehensive income

For the years ended 31 March 2012 and 2011

(Unit: Thousand Baht)

	Note	2012	2011
Profit or loss			
Interest income	20	6,074,465	2,868,735
Interest expenses	21	3,792,036	1,511,709
Net interest income		2,282,429	1,357,026
Fees and service income	22	433,364	330,914
Fees and service expenses	22	103,737	77,307
Net fees and service income		329,627	253,607
Gains on trading and foreign exchange transactions	23	1,463,174	531,065
Other operating income		73	55
Total operating income		4,075,303	2,141,753
Other operating expenses			
Employee's expenses		418,603	350,803
Premises and equipment expenses		173,399	134,807
Taxes and duties		196,267	127,503
Expenses allocated from head office	29	751,504	578,875
Other expenses		60,839	81,460
Total other operating expenses		1,600,612	1,273,448
Impairment losses of loans	24	152,441	117,463
Profit before income tax		2,322,250	750,842
Income tax	25	706,445	177,609
Profit for the year		1,615,805	573,233
Other comprehensive income	26		
Gains (losses) on changes in value of available-for-sale investments		(1,504,430)	469,683
Other comprehensive income for the year (losses)		(1,504,430)	469,683
Total comprehensive income		111,375	1,042,916

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

Corporate Bank, Ltd. Bangkok Branch

Changes in equity of head office account and other branches under the same entity
for the years ended 31 March 2012 and 2011

(Unit: Thousand Baht)

	Funds remitted into Thailand for maintaining assets	Net balance of inter-office accounts with head office and other branches under the same entity	Other components of head office and other branches under the same entity - revaluation surplus (deficit) on investments	Retained earnings	Total
Balance as at 1 April 2010	28,175,767	20,559,443	(687,716)	3,231,224	51,278,718
Increase in funds remitted into Thailand	8,786,828	-	-	-	8,786,828
Decrease in balance of inter-office accounts with head office and other branches under the same entity	-	51,090,291	-	-	51,090,291
Comprehensive income for the year	-	-	469,683	573,233	1,042,916
Change rate adjustments	682,921	-	-	-	682,921
Balance as at 31 March 2011	37,645,516	71,649,734	(218,033)	3,804,457	112,881,674
Balance as at 1 April 2011	37,645,516	71,649,734	(218,033)	3,804,457	112,881,674
Relative effect of change in accounting policy for employee benefits (Note 3.1)	-	-	-	(25,476)	(25,476)
Increase in funds remitted into Thailand	3,019,477	-	-	-	3,019,477
Decrease in balance of inter-office accounts with head office and other branches under the same entity	-	38,097,408	-	-	38,097,408
Comprehensive income for the year (losses)	-	-	(1,504,430)	1,615,805	111,375
Change rate adjustments	734,537	-	-	-	734,537
Balance as at 31 March 2012	41,399,530	109,747,142	(1,722,463)	5,394,786	154,818,995

Accompanying notes are an integral part of the financial statements.

Mizuho Corporate Bank, Ltd. Bangkok Branch

Cash flows statements

For the years ended 31 March 2012 and 2011

	(Unit: Thousand Baht)	
	2012	2011
Cash flows from operating activities		
Profit from operation before corporate income tax	2,322,250	750,842
Adjustments to reconcile profit before corporate income tax to net cash received (paid) from operating activities		
Depreciation and amortisation	56,002	56,157
Impairment losses of loans	152,441	117,463
Provisions for contingent liabilities in respect of off - balance sheet commitments (reversal)	78	(47)
Provisions for employee benefits	4,552	-
Gains on sales of equipments	(7)	-
Unrealised losses (gain) on exchange and financial derivative contracts	(1,067,645)	2,240,495
Net interest income	(2,282,429)	(1,357,026)
Cash received from interest income	5,751,439	2,606,512
Cash paid for interest expenses	(3,748,924)	(1,478,673)
Cash received from corporate income tax return	262,879	-
Cash paid for corporate income tax	(434,318)	(61,123)
Profit from operating activities before changes in operating assets and liabilities	1,016,318	2,874,600
Decrease (increase) in operating assets		
Interbank and money market items	(50,917,353)	(23,667,750)
Derivatives assets	975,664	1,758,259
Loans to customers	(27,779,446)	(27,615,616)
Other assets	11,689	(20,766)
Increase (decrease) in operating liabilities		
Deposits	5,018,521	7,111,051
Interbank and money market items	7,049,001	421,682
Liabilities payable on demand	152,864	(105,722)
Derivatives liabilities	(1,694,045)	(1,431,773)
Debt issued and borrowings	29,391,093	(1,740,040)
Other liabilities	52,754	19,519
Cash flows used in operating activities	(36,722,940)	(42,396,556)

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

Mizuho Corporate Bank, Ltd. Bangkok Branch

Cash flows statements (continued)

For the years ended 31 March 2012 and 2011

	(Unit: Thousand Baht)	
	2012	2011
Cash flows from investing activities		
Cash paid for purchase of investments	(31,800,072)	(39,000,871)
Cash received from sales on investments	21,119,933	27,241,807
Cash paid for purchase of equipment	(9,382)	(2,378)
Cash paid for purchase of intangible assets	(43,292)	(17,835)
Cash received from sales of equipment	7	-
Net cash flows used in investing activities	<u>(10,732,806)</u>	<u>(11,779,277)</u>
Cash flows from financing activities		
Increase in net balance of inter-office accounts with head office and other branches under the same entity	38,097,408	51,090,291
Increase in funds remitted into Thailand	3,019,477	8,786,828
Net cash flows from financing activities	<u>41,116,885</u>	<u>59,877,119</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,338,861)</u>	<u>5,701,286</u>
Cash and cash equivalents at beginning of the year	9,340,811	3,639,525
Cash and cash equivalents at end of the year (Note 28)	<u>3,001,950</u>	<u>9,340,811</u>

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

Mizuho Corporate Bank, Ltd. Bangkok Branch

Notes to financial statements

For the years ended 31 March 2012 and 2011

1. The Bank's general information

The Ministry of Finance granted Mizuho Corporate Bank, Ltd. Bangkok Branch ("the Bank") a license to carry out domestic banking business through Mizuho Corporate Bank, Ltd. Bangkok Branch under the Commercial Banking Act B.E. 2505. The Bank's registered address is 18th Floor, Tisco Tower, 48 North Sathorn Road, Silom, Bangrak, Bangkok.

2. Basis for preparation of financial statements

These financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and the principles stipulated by the Bank of Thailand ("BOT"). The presentation of the financial statements has been made in compliance with the BOT's Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011. Hence, the Bank reclassified certain items of the comparative financial statements.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from these financial statements in Thai language.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding significant accounting policies.

3. Revised and newly issued accounting standards

3.1 Adoption of new accounting standards during the year

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

Accounting standards:

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

Financial reporting standards:

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

Financial Reporting Standard Interpretations:

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

SIC 31	Revenue - Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements for the current year, except for the following accounting standard.

TAS 19 Employee Benefits

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

Hence, the Bank has changed this accounting policy since the beginning of the current year and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. This resulted in the decrease in the retained earnings brought forward as at 1 April 2011 by Baht 25 million. The cumulative effect of such change in the accounting policy has already been presented under the heading of "Cumulative effect of change in accounting policy regarding employee benefits" in the statements of changes in head office account and other branches under the same entity.

In addition, the change in such accounting policy also has the effect of decreasing the profit for the year ended 31 March 2012 by Baht 5 million.

3.2 New accounting standards issued during the year but not yet effective

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

Accounting standards:

TAS 12 Income Taxes

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of
Government Assistance

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

Financial reporting standard:

TFRS 8 Operating Segments

Accounting standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to
Operating Activities

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

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

The management of the Bank has assessed the effect of these standards and noted that these accounting standards will not have any significant impact on the financial statements for the years in which there are initially applied except for the following accounting standards.

TAS 12 Income Taxes

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

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

TFRS 8 Operating Segments

This financial reporting standard requires an entity to report operating results and of segment assets which are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

At present, the management is evaluating the impact on the financial reporting standard in the year when this standard is adopted.

4. Significant accounting policies

4.1 Revenue recognition

a) Interest and discounts on loans to customers

Interest on loans to customers is recognised as income on an accrual basis and is based on the amount of principal outstanding. The Bank ceases accruing interest income for loans to customers on which principal or interest payments have been defaulted for more than three months and reverses interest income formerly recognised from the Bank's accounts. Interest is then recognised as income on a cash basis.

Interest or discounts, already included in the face values of notes receivable or loans to customers, are recorded as deferred interest income and taken up as income evenly throughout the term of the notes or loans to customers or proportion of the collection.

b) Interest on investments

Interest on investments is recognised as income on an accrual basis.

c) Fees and service income

Fees and service income is recognised as income on an accrual basis.

d) Gains on investments and derivatives

Gains (losses) on investments and derivatives are recognised as income/expenses on the transaction date.

4.2 Expenses recognition

a) Interest expenses

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

b) Fees and service expenses

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

4.3 Cash and cash equivalent

Cash and cash equivalents consist of cash in hand and cash at financial institutions with an original maturity of three months or less and not subject to restrictions.

4.4 Investments

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

Premiums/discounts on debt securities are amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of government and state enterprise securities and foreign debt securities are determined in accordance with the BOT's regulations, which is based on market price or the yield rate quoted by the market.

The Bank recognised loss on impairment (if any) of investments in part of profit or loss in the statements of comprehensive income.

The Bank used the weighted average method for computation of the cost of investments.

4.5 Securities purchased under resale agreements

The Bank entered into agreements to purchase securities, whereby there is an agreement to resell those securities at certain dates and at a fixed price. Amounts paid for securities purchased are presented as assets under the caption of "Interbank and money market items" or "Loan", depending on the counter party and the underlying securities are treated as collateral to such receivables.

4.6 Loans

The Bank presents loans at principal balances, excluding accrued interest receivable. Unrecognised deferred income and discounts on loans are deducted from the loan balances.

4.7 Allowances for doubtful accounts

- a) The Bank provides allowances for doubtful accounts in accordance with the Notifications of the BOT and adjusts these by the additional amounts which are expected not to be collectible, based on analysis and evaluation of the current status of the debtors, taking into consideration the recovery risk, the value of collateral, and current economic conditions. Increase (decrease) in an allowance for doubtful debts is recognised as an expense during the year.

The Bank sets provision for normal loans and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) net of collateral value as required by the BOT's guidelines.

For non-performing loans which are classified as substandard, doubtful and doubtful of loss, the Bank records allowance for doubtful accounts at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal, based on the use of a discount interest rate and the period of collateral disposal being set with reference to the BOT's guidelines.

- b) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

4.8 Leasehold improvement, equipment and depreciation

Leasehold improvement and equipment are stated at cost less accumulated depreciation and less impairment, if any. Depreciation is calculated with reference to its cost on a straight-line basis over estimated useful lives of 5 years.

Depreciation is included in determining income.

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

4.9 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses (if any).

The Bank amortised intangible assets on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expenses and impairment of losses are charged to profit or loss in the statements of comprehensive income.

The intangible assets with finite useful lives have useful lives of approximately 5 years.

4.10 Impairment of assets

The Bank assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank realises loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Bank could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss in the statements of comprehensive income.

4.11 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank has jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plans. The Bank treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan and other long-term benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

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

4.12 Provision

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

4.13 Foreign currencies

Foreign currency transactions have been translated into Baht at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of financial reporting period.

Gains and losses on translation and foreign currencies transactions are included in determining income.

4.14 Financial derivatives

The Bank has entered into derivative financial instruments in order to respond to customer needs and manages the risk of the Bank.

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance sheet items. Gains or losses arising from changes in the fair value of the contracts are recognised as part of profit or loss in the statements of comprehensive income. Fair value is determined based on the average rate of buying and selling rates for the remaining period of each contract.

Interest rate swap contracts, cross currency and interest rate swap contracts, interest rate option contracts and currency option contracts which originated in response to customer needs are recorded as off-balance sheet items. Gains or losses arising from changes in the fair value of contracts are recognised as part of profit or loss in the statements of comprehensive income. Fair value is determined based on discounted cash flows.

Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts which are not originated for trading purposes are recorded as off-balance sheet items and valued on an accrual basis. The foreign currency components are valued at the exchange rate at the end of financial reporting period while the interest components are recorded on an accrual basis, in the same way as the underlying assets or liabilities.

4.15 Operating leases

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised on a straight-line basis over the lease period as part of profit or loss in the statements of comprehensive income.

4.16 Income tax

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

4.17 Related party transactions

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

They also included individuals who have significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

5. Significant accounting judgments and estimates

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

5.1 Recognition and derecognition of assets and liabilities

When considering the recognition and derecognition of assets or liabilities, the management is required to use judgment on whether risk and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

5.2 Allowance for doubtful accounts for loans to customers

Allowance for doubtful accounts for loans to customers is intended to adjust the value of loans for probable credit losses. The management uses the BOT's regulation regarding the provision of allowance for doubtful accounts and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

5.3 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercised judgment, using a variety of valuation techniques. The input to the models used is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

5.4 Leasehold improvement, equipment and depreciation

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

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

5.5 Finance lease/Operating lease

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

5.6 Provisions for employee benefit

The obligation under the defined benefit plan and other long-term employee benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, inflation rate, and staff turnover rate.

6. Interbank and money market items (assets)

	(Unit: Thousand Baht)					
	31 March 2012			31 March 2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	2,592,538	400,000	2,992,538	8,747,985	4,000,000	12,747,985
Commercial banks	123,464	94,469,310	94,592,774	104,174	40,195,279	40,299,453
Specialised financial institutions	10	-	10	-	-	-
Other financial institutions	-	420,000	420,000	-	-	-
Total	2,716,012	95,289,310	98,005,322	8,852,159	44,195,279	53,047,438
Add: Accrued interest receivable	-	48,925	48,925	-	22,052	22,052
Less: Allowance for doubtful debts	-	(105,234)	(105,234)	-	(86,480)	(86,480)
Total domestic items	2,716,012	95,233,001	97,949,013	8,852,159	44,130,851	52,983,010
Foreign						
US dollars	92,496	201,780	294,276	162,728	288,004	450,732
Euro	120,176	123,522	243,698	185,363	214,286	399,649
Australian dollars	44,424	-	44,424	116,405	-	116,405
Other currencies	21,845	-	21,845	20,458	-	20,458
Total	278,941	325,302	604,243	484,954	502,290	987,244
Add: Accrued interest receivable	-	1	1	-	5	5
Less: Deferred revenues	-	(123)	(123)	-	(395)	(395)
Allowance for doubtful debts	-	(3,253)	(3,253)	-	(5,023)	(5,023)
Total foreign items	278,941	321,927	600,868	484,954	496,877	981,831
Total domestic and foreign items	2,994,953	95,554,928	98,549,881	9,337,113	44,627,728	53,964,841

As at 31 March 2012, the Bank has loans to interbank and money market and related allowances classified in accordance with the Bank of Thailand's guideline of Baht 95,215 million and Baht 108 million, respectively. All of the loans was classified as normal (2011: Baht 40,698 million and Baht 92 million, respectively. All of the loans was classified as normal).

7. Derivatives

As at 31 March 2012 and 2011, the notional amount and the fair value of trading derivatives, and the adjustments made on an accrual basis for banking book derivatives were classified by type of risk as follow.

(Unit: Thousand Baht)

Type of risk	31 March 2012			31 March 2011		
	Fair value/Adjustment on an accrual basis		Notional amount*	Fair value/Adjustment on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate						
Derivatives for trading	2,387,484	1,640,946	197,239,137	1,855,784	1,511,232	138,156,733
Derivatives for banking book	634,498	888,407	97,556,374	129,363	1,880,490	83,674,967
Interest rate						
Derivatives for trading	802,494	490,168	35,110,585	623,572	416,818	35,112,939
Derivatives for banking book	-	-	11,133,079	-	-	13,756,502
Total	3,824,476	3,019,521	341,039,175	2,608,719	3,808,540	270,701,141

* Disclosed only in case that the Bank has an obligation to pay

Derivatives for banking book are obligations under contracts which are not held for trading, and are measured on an accrual basis. For foreign currency component, gain (loss) on exchange at the end of the year is presented under derivatives assets or derivatives liabilities. For interest component, it is recognised as part of accrued interest receivables or accrued interest payables.

Fair value and the adjustments made on an accrual basis for derivatives which the counter parties are head office and other branches under the same entity is presented under inter-office accounts with head office and other branches under the same entity.

Below are the proportions of derivatives transactions classified by counterparty, determined based on the notional amount, as at 31 March 2012 and 2011.

(Unit: Percent)

Counterparties	31 March 2012	31 March 2011
Financial institutions	67	64
Companies within the Group*	12	8
Third parties	21	28
Total	100	100

* Head office or other branches under the same entity

8. Investments

8.1 Classified by type of investment

(Unit: Thousand Baht)

	31 March 2012		31 March 2011	
	Cost	Fair value	Cost	Fair value
Available-for-sale securities				
Government and state enterprise securities	28,299,472	28,293,105	17,530,452	17,567,084
Private debt securities	1,860,000	1,853,595	1,860,000	1,842,051
Foreign debt securities	27,484,661	25,774,970	26,925,482	26,688,766
	<u>57,644,133</u>	<u>55,921,670</u>	<u>46,315,934</u>	<u>46,097,901</u>
Less: Allowance for changes in value	<u>(1,722,463)</u>		<u>(218,033)</u>	
Net	<u>55,921,670</u>		<u>46,097,901</u>	

8.2 Revaluation surplus (deficit) on investments

(Unit: Thousand Baht)

	31 March 2012	31 March 2011
Revaluation surplus on investments		
- Debt securities	71,680	137,248
Revaluation deficit on investments		
- Debt instruments	<u>(1,794,143)</u>	<u>(355,281)</u>
Revaluation deficit on investments - net	<u>(1,722,463)</u>	<u>(218,033)</u>

8.3 As at 31 March 2012, investments in government and state enterprise and foreign debt securities amounting to Baht 37,162 million (2011: Baht 33,666 million) are maintained as assets under Section 32.

9. Loans to customers and accrued interest receivable

9.1 Classified by loan type

(Unit: Thousand Baht)

	31 March 2012	31 March 2011
Overdrafts	3,819	6,013
Loans	136,911,149	108,230,902
Discounted bills	565,321	1,457,212
Less: Deferred revenue	<u>(623)</u>	<u>(3,086)</u>
Total loans to customers net from deferred revenue	137,479,666	109,691,041
Add: Accrued interest receivable	<u>568,361</u>	<u>388,540</u>
Total loans to customers and accrued interest receivable	138,048,027	110,079,581
Less: Allowance for doubtful debts		
- Provision at BOT's minimum required rate	<u>(1,361,158)</u>	<u>(1,219,318)</u>
Loans to customers and accrued interest receivable - net	<u>136,686,869</u>	<u>108,860,263</u>

9.2 Classified by currency and country

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
Baht	97,132,147	80,660,799
US Dollars	38,233,976	22,884,504
Yen	2,113,543	6,145,738
Total loans to customers net of deferred revenue	<u>137,479,666</u>	<u>109,691,041</u>

As at 31 March 2012 and 2011, all outstanding loan balances are loans to domestic receivables.

9.3 Classified by type of business and loan classification

	(Unit: Thousand Baht)					
	31 March 2012					
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	8,327,637	-	-	-	-	8,327,637
Manufacturing and commerce	77,726,618	2,290,990	-	237,885	-	80,255,493
Real estate and construction	555,500	29,039	-	-	-	584,539
Public utilities and service	12,942,217	11,000	49,667	-	-	13,002,884
Others	35,309,113	-	-	-	-	35,309,113
Total loans to customers net of deferred revenue	<u>134,861,085</u>	<u>2,331,029</u>	<u>49,667</u>	<u>237,885</u>	<u>-</u>	<u>137,479,666</u>

	(Unit: Thousand Baht)					
	31 March 2011					
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	6,059,330	-	-	-	-	6,059,330
Manufacturing and commerce	55,436,208	4,935,373	-	205,876	-	60,577,457
Real estate and construction	117,000	29,000	-	-	-	146,000
Public utilities and service	12,167,769	29,000	30,000	24,867	-	12,251,636
Others	30,656,618	-	-	-	-	30,656,618
Total loans to customers net of deferred revenue	<u>104,436,925</u>	<u>4,993,373</u>	<u>30,000</u>	<u>230,743</u>	<u>-</u>	<u>109,691,041</u>

9.4 Non-performing loans

As at 31 March 2012 and 2011, the Bank had non-performing loans classified in accordance with the Notification of the BOT (includes debtors classified as substandard, doubtful and doubtful of loss) as follows:

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
Non-performing loans (excluding accrued interest receivable)	287,552	260,743

As at 31 March 2012 and 2011, the Bank did not have loans to customers for which income recognition under an accrual basis has been discontinued.

9.5 Classification of loans/classification of assets

As at 31 March 2012 and 2011, the Bank's loans and related allowances classified in accordance with the Bank of Thailand's guidelines are summarised below.

	(Unit: Thousand Baht)			
	31 March 2012			
	Loans and accrued interest receivable ⁽¹⁾	Net balance used in made allowance for doubtful account ⁽²⁾	Minimum percentage required by BOT (%)	Allowance for doubtful accounts
Normal	135,410,618	127,745,205	1	1,277,452
Special mention	2,347,521	1,663,309	2	33,266
Substandard	49,813	2,630	100	2,630
Doubtful	240,075	47,810	100	47,810
Total	138,048,027	129,458,954		1,361,158

(1) Total loans net of deferred revenues and accrued interest receivable.

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

(Unit: Thousand Baht)

31 March 2011

	Loans and accrued interest receivable ⁽¹⁾	Net balance used in made allowance for doubtful account ⁽²⁾	Minimum percentage required by BOT (%)	Allowance for doubtful accounts
Normal	104,811,664	100,893,751	1	1,008,938
Special mention	5,006,866	3,844,170	2	76,883
Substandard	30,081	1,581	100	1,581
Doubtful	230,970	131,916	100	131,916
Total	110,079,581	104,871,418		1,219,318

(1) Total loans net of deferred revenues and accrued interest receivable.

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

10. Allowance for doubtful accounts

(Unit: Thousand Baht)

For the year ended 31 March 2012

	Normal	Special mention	Sub-standard	Doubtful	Total
Balance - beginning of the year	1,008,938	76,883	1,581	131,916	1,219,318
Increase (decrease) during the year	261,807	(43,603)	1,049	(84,106)	135,147
Exchange rate adjustments	6,707	(14)	-	-	6,693
Balance - end of the year	1,277,452	33,266	2,630	47,810	1,361,158

(Unit: Thousand Baht)

For the year ended 31 March 2011

	Normal	Special mention	Sub-standard	Doubtful	Total
Balance - beginning of the year	729,587	71,217	244,067	92,168	1,137,039
Increase (decrease) during the year	280,355	5,693	(242,770)	39,748	83,026
Exchange rate adjustments	(1,004)	(27)	284	-	(747)
Balance - end of the year	1,008,938	76,883	1,581	131,916	1,219,318

11. Leasehold improvement and equipment

(Unit: Thousand Baht)

	Leasehold improvement	Office equipment	Computer equipment	Total
<u>Cost</u>				
31 March 2010	226,002	47,613	128,067	401,682
Additions	1,448	281	649	2,378
31 March 2011	227,450	47,894	128,716	404,060
Additions	631	1,377	7,374	9,382
Disposals	-	(673)	-	(673)
31 March 2012	228,081	48,598	136,090	412,769
<u>Accumulated depreciation</u>				
31 March 2010	155,240	31,651	83,120	270,011
Depreciation charged for the year	18,829	5,208	15,471	39,508
31 March 2011	174,069	36,859	98,591	309,519
Depreciation charged for the year	18,944	5,063	12,537	36,544
Accumulated depreciation from disposals	-	(673)	-	(673)
31 March 2012	193,013	41,249	111,128	345,390
<u>Net book value</u>				
31 March 2011	53,381	11,035	30,125	94,541
31 March 2012	35,068	7,349	24,962	67,379
Depreciation charged included in profit or loss for the years ended 31 March				
2012				36,544
2011				39,508

As at 31 March 2012, the Bank has office equipment which has been fully depreciated but is still in use of which the original costs, before deducting accumulated depreciation, amounted to approximately Baht 240 million (2011: Baht 220 million).

12. Intangible assets

(Unit: Thousand Baht)

	Computer software	Computer software under development	Total
<u>Cost</u>			
31 March 2010	81,849	-	81,849
Additions	17,835	-	17,835
31 March 2011	99,684	-	99,684
Additions	32,397	10,895	43,292
Transfers in (out)	8,526	(8,526)	-
31 March 2012	140,607	2,369	142,976
<u>Accumulated amortisation</u>			
31 March 2010	36,411	-	36,411
Amortisation for the year	16,649	-	16,649
31 March 2011	53,060	-	53,060
Amortisation for the year	19,458	-	19,458
31 March 2012	72,518	-	72,518
<u>Net book value</u>			
31 March 2011	46,624	-	46,624
31 March 2012	68,089	2,369	70,458
Amortised expenses included in profit or loss for the years ended 31 March			
2012			19,458
2011			16,649

As at 31 March 2012 and 2011, computer software has amortisation period of 0 - 5 years.

As at 31 March 2012, the Bank has computer software which has been fully amortised but is still in use of which the original costs, before deducting accumulated amortisation, amounted to approximately Baht 44 million (2011: Baht 8 million).

13. Other assets

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
Deposits	16,183	15,721
Deferred expenses	6,653	10,373
Accrued fees receivable	9,716	4,333
Others	449	244
Total other assets	<u>33,001</u>	<u>30,671</u>

14. Deposits

14.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
Demand deposits	3,899,794	2,828,537
Savings deposits	46,281,523	41,249,602
Term deposits		
- Less than 6 months	21,079,539	21,938,189
- 6 months but less than 1 year	76,504	285,121
- 1 year and over	147,728	165,118
Total deposits	<u>71,485,088</u>	<u>66,466,567</u>

14.2 Classified by currency and depositors' country

	31 March 2012			31 March 2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	64,757,960	7,358	64,765,318	58,843,709	7,381	58,851,090
US dollars	4,494,651	-	4,494,651	5,271,904	-	5,271,904
Yen	2,002,224	287	2,002,511	2,024,329	283	2,024,612
Other currencies	222,608	-	222,608	318,961	-	318,961
Total deposits	<u>71,477,443</u>	<u>7,645</u>	<u>71,485,088</u>	<u>66,458,903</u>	<u>7,664</u>	<u>66,466,567</u>

15. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 March 2012			31 March 2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	50,000	5,305,013	5,355,013	-	454,450	454,450
Other financial institutions	3,401,954	-	3,401,954	1,243,788	-	1,243,788
Total domestic items	3,451,954	5,305,013	8,756,967	1,243,788	454,450	1,698,238
Foreign						
Baht	99,616	-	99,616	109,344	-	109,344
Total foreign items	99,616	-	99,616	109,344	-	109,344
Total domestic and foreign items	3,551,570	5,305,013	8,856,583	1,353,132	454,450	1,807,582

16. Debt issued and borrowings

As at 31 March 2012 and 2011, the balance of debt issued and domestic borrowings, which stated in Baht, are as follows:

(Unit: Thousand Baht)

Type of borrowings	31 March 2012		
	Interest rate per annum (%)	Maturities	Amount
Bill of exchange	0.60 – 3.10	2012 - 2013	55,721,580
Total debt issued and borrowings			55,721,580

(Unit: Thousand Baht)

Type of borrowings	31 March 2011		
	Interest rate per annum (%)	Maturities	Amount
Bill of exchange	0.60 – 2.41	2011	26,330,487
Total debt issued and borrowings			26,330,487

17. Provisions

(Unit: Thousand Baht)

	For the year ended 31 March 2012		
	Employee benefits	Obligations of off-balance	Total
Balance as at 1 April 2011	-	-	-
The cumulative effect of the changes in the accounting policy for employee benefits (Note 3.1)	25,476	-	25,476
Increase during the year	4,657	78	4,735
Decrease from actual paid	(105)	-	(105)
Balance as at 31 March 2012	30,028	78	30,106

Employee benefits

Employee benefits under defined benefit plans recognised in part of profit or loss in the statements of comprehensive income for the year ended 31 March 2012 consist of the followings:

	(Unit: Thousand Baht)
	For the year ended 31 March 2012
Current service cost	3,615
Interest cost	1,042
Total employee benefits	4,657

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

	(Percent per annum)
Discount rate	4.10
Future salary increase rate (depending on age)	3.00 - 10.00
Average staff turnover rate (depending on age)	0.00 - 25.00

18. Other liabilities

(Unit: Thousand Baht)

	31 March 2012	31 March 2011
Deferred income - revenue received in advance	7,285	6,707
Payment payable to the Deposit Protection Agency and Bank of Thailand	100,868	54,424
Accrued expenses	47,194	42,041
Total other liabilities	155,347	103,172

19. Capital funds

The primary objective of the Bank's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 March 2012 and 2011, funds remitted into Thailand for maintaining assets under Section 32 of the Act on Undertaking of Banking business B.E. 2551 are as follows:

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
<u>Funds remitted into Thailand</u>		
Funds from head office	10,670,800	10,670,800
Borrowings from other branches under the same entity	30,728,730	26,974,716
Total	<u>41,399,530</u>	<u>37,645,516</u>

As at 31 March 2012 and 2011, the Bank's capital adequacy ratio in accordance with the Act on undertaking of Banking business B.E. 2551 are as follows:

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
1. Assets required to be maintained under Section 32	37,161,922	33,666,131
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts	148,688,808	106,691,876
2.1 Capital for maintenance of assets under Section 32	38,941,666	35,042,142
2.2 Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	109,747,142	71,649,734
3. Total regulatory capital (3.1 - 3.2)	37,161,922	33,666,131
3.1 Total regulatory capital before deducting (the lowest amount among item 1, item 2 and item 2.1)	37,161,922	33,666,131
3.2 Deduction	-	-

20. Interest income

Interest income for the years ended 31 March 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 March	
	2012	2011
Interbank and money market items	1,909,937	544,022
Investments in debt securities	1,008,073	425,431
Loans to customers	3,147,437	1,893,549
Others	9,018	5,733
Total interest income	<u>6,074,465</u>	<u>2,868,735</u>

21. Interest expenses

Interest expenses for the years ended 31 March 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 March	
	2012	2011
Deposits	744,143	374,132
Interbank and money market items	1,587,504	592,464
Contribution fee to the Deposit Protection Agency and Bank of Thailand	262,128	197,816
Debts issued - Bill of exchange	1,198,261	347,297
Total interest expenses	<u>3,792,036</u>	<u>1,511,709</u>

22. Net fees and service income

Fees and service income for the years ended 31 March 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 March	
	2012	2011
Fees and service income		
Acceptance, aval and guarantees	61,247	47,939
Management fees	255,594	147,658
Others	116,523	135,317
Total fees and service income	433,364	330,914
Total fees and service expenses	(103,737)	(77,307)
Net fees and service income	<u>329,627</u>	<u>253,607</u>

23. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 March 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2012	2011
Foreign exchange and derivatives relating to foreign exchange	1,363,016	529,198
Derivatives relating to interest rate	100,158	1,867
Total	1,463,174	531,065

24. Impairment losses of loans

Impairment losses of loans for the years ended 31 March 2012 and 2011 consist of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2012	2011
Interbank and money market items	17,294	34,437
Loans to customers	135,147	83,026
Total	152,441	117,463

25. Corporate income tax

Corporate income tax was calculated on net income for the year, after adjusting with certain expenses and allowances which are disallowable for tax computation purposes and income which is exempted for tax computation purposes.

26. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 March 2012 and 2011 of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2012	2011
Other comprehensive income		
Available-for-sale investments:		
Unrealised gains (losses) during the year	(1,504,430)	469,683
Other comprehensive income (loss) for the year	(1,504,430)	469,683

27. Provident fund

The Bank and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by the employees at the rate of 5 percent of the employee's salary and by the Bank at a rate of 5 - 10 percent of the employees' salary. The fund will be paid to the employees upon termination of employment in accordance with the rules of the fund. During the year 2012, approximately Baht 8 million has been contributed to the fund by the Bank (2011: Baht 7 million).

28. Cash and cash equivalents

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
Cash	6,997	3,698
Interbank and money market items - deposits at banks	2,994,953	9,337,113
Total cash and cash equivalents	<u>3,001,950</u>	<u>9,340,811</u>

29. Related party transactions

The Bank had significant business transactions with its head office, other branches under the same entity and certain related companies, related by way of common shareholders and/or common directors. Such transactions which have been concluded on the terms and basis as determined by the Bank and those companies are summarised below.

29.1 Significant transactions occurred during the years

For the years ended 31 March 2012 and 2011, the Bank had significant business transactions with its related parties as follows:

(Unit: Thousand Baht)

	For the years ended 31 March		2012 Pricing policy
	2012	2011	
Transactions with other related companies in Mizuho Financial Group			
Loss on financial derivative contracts	180,068	161,290	At the rate stipulated in the contracts
Transactions with head office and other branches under the same entity			
Interest income from lending	10,472	24,524	At interest rate 0.13 - 0.56 percent per annum
Interest expense from borrowings	593,434	384,283	At interest rate 0.20 - 1.10 percent per annum
Fee and service expenses	60,827	54,625	As per invoice charged by head office
Loss on financial derivative contracts	99,343	70,036	At the rate stipulated in the contracts
Expenses allocated from head office	751,504	578,875	As per invoice charged by head office

29.2 Significant outstanding balances

As at 31 March 2012 and 2011, the outstanding balances of the above transactions are as follows:

(Unit: Thousand Baht)

	31 March 2012	31 March 2011
Balances with other related companies in Mizuho Financial Group		
Deposits	7,016	3,925
Off - balance items - financial derivative contracts	11,403,086	11,532,648
Balances with other related banks in Mizuho Financial Group		
Interbank and money market items (liabilities)	99,616	109,344
Net balances of inter-office accounts with head office and other branches under the same entity		
Borrowings and interest payable - net	110,678,523	72,980,456
Deposits/inter-office balances - assets	931,381	1,330,722
Off - balance items - financial derivative contracts	42,215,295	20,734,388

30. Contingent liabilities and commitments

30.1 Commitments

	(Unit: Thousand Baht)	
	31 March 2012	31 March 2011
Liability under unmatured import bills	1,464,074	1,317,707
Letter of credits	2,043,599	2,545,156
Other obligations		
- Undrawn bank overdrafts	2,699,182	2,471,987
- Undrawn commitment	23,635,430	9,696,485
- Guarantee - others	27,429,010	22,037,376
- Undrawn credit line	197,492,565	173,096,495
Total	<u>254,763,860</u>	<u>211,165,206</u>

Furthermore, the Bank has commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and currency option contracts as mentioned in Note 7 to the financial statements.

30.2 Commitments under long-term lease agreements

As at 31 March 2012, the Bank has rental and service commitments related to 1 - 5 years office lease agreements. Under the lease agreements, the Bank has an option to renew the lease period and the lesser has the right to adjust the rental fee when the lease is renewed.

As at 31 March 2012, future minimum lease payments required under these non-cancellable operating leases contracts are as follows:

	(Unit: Thousand Baht)
Payable within:	
1 year	37,268
1 to 5 years	14,768

30.3 As at 31 March 2012, the Bank has commitments under the vehicles and office equipment rental and services agreements of Baht 21 Million.

31. Segment information

The Bank's operations involve a domestic banking business, and are carried on in the single geographic area of Thailand. As a result, all of revenues, operating profit and assets reflected in these financial statements pertain the aforementioned industry segment and geographic area.

32. Financial instruments

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Bank enters into off-balance financial instruments in the normal course of its business in order to meet customer needs and to reduce its own exposure risk from fluctuations in foreign exchange rates and interest rates. The Bank's risk management accords with the head office's policy, which limits the scope of foreign exchange transactions and financial market transactions.

32.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill its contractual obligations, causing the Bank to incur a financial loss. The maximum amount of credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statements of financial position, and the off-balance transactions exposure arising from avals and guarantees provided to loans and other credit.

The Bank manages credit risk based on analysis of the capability of debtors to make payment and their financial position. In addition, the Bank manages the concentration of its loan portfolio by grading debtors by reliability and industry, and taking into consideration risk factors to ensure the effectiveness of the Bank's reserves.

32.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the financial position of the Bank.

a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

Financial assets and financial liabilities classified by type of interest rate as at 31 March 2012 and 2011 are as follows:

(Unit: Million Baht)				
Outstanding balances of financial instruments as at 31 March 2012				
Description	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	7	7
Interbank and money market items	3,545	92,111	2,954	98,610
Derivatives assets	-	-	3,824	3,824
Investments	20,928	36,716	-	57,644
Loans to customers	114,186	23,289	5	137,480
<u>Financial liabilities</u>				
Deposits	46,281	21,304	3,900	71,485
Interbank and money market items	56	8,697	103	8,856
Liabilities payable on demand	-	-	551	551
Derivatives liabilities	-	-	3,020	3,020
Debt issued and borrowings	-	55,722	-	55,722
Funds remitted into Thailand - borrowings from other branches under the same entity	-	30,729	-	30,729
Net balance of inter-office accounts with head office and other branches under the same entity	-	110,577	(830)	109,747
(Unit: Million Baht)				
Outstanding balances of financial instruments as at 31 March 2011				
Description	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	4	4
Interbank and money market items	49	44,697	9,288	54,034
Derivatives assets	-	-	2,609	2,609
Investments	20,284	26,032	-	46,316
Loans to customers	90,479	19,212	-	109,691
<u>Financial liabilities</u>				
Deposits	41,250	22,388	2,829	66,467
Interbank and money market items	7	1,690	111	1,808
Liabilities payable on demand	-	-	398	398
Derivatives liabilities	-	-	3,809	3,809
Debt issued and borrowings	-	26,330	-	26,330
Funds remitted into Thailand - borrowings from other branches under the same entity	-	26,975	-	26,975
Net balance of inter-office accounts with head office and other branches under the same entity	-	72,940	(1,290)	71,650

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

(Unit: Million Baht)

	31 March 2012					Weighted average interest rate (%)
	Repricing or maturity dates				Total	
	0-3 months	3-12 months	1-5 years	Over 5 years		
<u>Financial assets</u>						
Interbank and money market items	92,111	-	-	-	92,111	2.98
Investments	1,950	5,983	27,783	1,000	36,716	2.75
Loans to customers	14,118	7,171	2,000	-	23,289	3.46
<u>Financial liabilities</u>						
Deposits	21,022	242	40	-	21,304	2.33
Interbank and money market items	8,697	-	-	-	8,697	1.27
Debt issued and borrowings	54,941	781	-	-	55,722	2.62
Funds remitted into Thailand - borrowings from other branches under the same entity	30,729	-	-	-	30,729	0.40
Net balance of inter-office accounts with head office and other branches under the same entity	107,184	3,393	-	-	110,577	0.54

(Unit: Million Baht)

	31 March 2011					Weighted average interest rate (%)
	Repricing or maturity dates				Total	
	0-3 months	3-12 months	1-5 years	Over 5 years		
<u>Financial assets</u>						
Interbank and money market items	44,697	-	-	-	44,697	2.36
Investments	4,860	5,609	13,756	1,807	26,032	2.29
Loans to customers	7,427	9,012	2,773	-	19,212	3.29
<u>Financial liabilities</u>						
Deposits	21,646	742	-	-	22,388	1.87
Interbank and money market items	1,690	-	-	-	1,690	1.45
Debt issued and borrowings	25,989	341	-	-	26,330	2.22
Funds remitted into Thailand - borrowings from other branches under the same entity	26,975	-	-	-	26,975	0.35
Net balance of inter-office accounts with head office and other branches under the same entity	62,857	10,083	-	-	72,940	0.48

In addition, the Bank has interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Bank and the average rate of interest for the years ended 31 March 2012 and 2011 can be summarised as follows:

(Unit: Million Baht)

	For the years ended 31 March					
	2012			2011		
	Average	Average		Average	Average	
	rate	rate		rate	rate	
	(Percent	(Percent		(Percent	(Percent	
	per	per		per	per	
	balances	Interest	annum)	balances	Interest	annum)
<u>Interest bearing financial assets</u>						
Interbank and money market						
items and inter-office accounts						
with head office and other						
branches under the same entity	68,178	1,910	2.80	33,996	544	1.60
Investments	54,162	1,008	1.86	41,206	425	1.03
Loans to customers	127,684	3,147	2.47	97,429	1,894	1.94
<u>Interest bearing financial liabilities</u>						
Deposits	63,185	744	1.18	54,952	374	0.68
Interbank and money market						
items, borrowings and accounts						
with head office and other						
branches under the same entity	132,779	1,588	1.20	81,573	592	0.73
Debt issued and borrowings	38,410	1,198	3.12	21,845	347	1.59

b) Foreign exchange risk

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

As at 31 March 2012 and 2011, the significant Bank's foreign currency positions are summarised as follows:

	(Unit: Million Baht)							
	31 March 2012				31 March 2011			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	dollar	Euro	Yen	Others	dollar	Euro	Yen	Others
<u>In-balance foreign currency position</u>								
<u>Assets</u>								
Interbank and money market								
items	3,379	244	-	66	905	400	2	137
Investments	19,431	-	8,054	-	19,087	-	7,839	-
Loans to customers and								
accrued interest receivable	38,313	-	2,118	-	22,961	-	6,156	-
<u>Liabilities</u>								
Deposits	4,495	215	2,003	7	5,272	310	2,025	9
Interbank and money market								
items	5,305	-	-	-	454	-	-	-
Liabilities payable on								
demand	156	6	48	10	189	2	53	-
Funds remitted into Thailand -								
borrowings from other								
branches under the same								
entity	21,424	-	9,305	-	12,864	-	14,110	-
Net balance of inter-office								
accounts with head office								
and other branches under								
the same entity	111,311	-	(1,618)	-	61,537	-	10,030	-

(Unit: Million Baht)

	31 March 2012				31 March 2011			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US dollar	Euro	Yen	Others	US dollar	Euro	Yen	Others
Off-balance foreign currency position								
Liability under unmatured								
import bills	1,464	-	-	-	1,262	55	-	-
Guarantees	9,241	72	674	5	6,624	75	1,023	38
Letters of credit	1,422	431	96	1	1,658	367	286	1
Foreign exchange contracts								
Bought contracts	93,699	2,728	26,380	2,086	75,842	1,687	29,452	2,283
Sold contracts	49,555	2,746	26,855	2,121	48,144	1,621	17,477	2,395
Cross currency and interest								
rate swap contracts								
Bought contracts	80,034	-	8,696	-	38,415	-	9,012	-
Sold contracts	35,614	-	8,696	-	20,728	-	9,012	-
Interest rate swap contracts								
Bought contracts	17,637	-	8,953	-	16,432	-	8,845	-
Sold contracts	17,637	-	8,953	-	16,432	-	8,845	-
Currency option contracts								
Bought contracts	239	-	-	-	1,100	-	44	-
Sold contracts	239	-	-	-	1,100	-	44	-

c) Securities position risk

Securities position risk is the risk that changes in the market prices of securities will result in fluctuations in revenues and in the values of financial assets.

32.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrance of a financial loss.

Counting from the financial position date, the periods to maturity of financial instruments held as at 31 March 2012 and 2011 are as follows:

(Unit: Million Baht)

Transactions	31 March 2012					Total
	At call	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	
<u>Financial assets</u>						
Cash	7	-	-	-	-	7
Interbank and money market items	2,995	95,615	-	-	-	98,610
Derivatives assets	-	955	433	1,876	560	3,824
Investments	-	1,950	6,908	44,085	4,701	57,644
Loans to customers	50,339	5,418	36,710	41,684	3,329	137,480
<u>Financial liabilities</u>						
Deposits	50,181	21,022	242	40	-	71,485
Interbank and money market items	3,551	5,305	-	-	-	8,856
Liability payable on demand	551	-	-	-	-	551
Derivatives liabilities	-	423	511	1,717	369	3,020
Debt issued and borrowings	-	54,941	781	-	-	55,722
Funds remitted into Thailand - borrowings from other branches under the same entity	-	-	1,202	24,903	4,624	30,729
Net balance of inter-office accounts with head office and other branches under the same entity	(1,022)	107,185	3,394	50	140	109,747
<u>Off-balance items - commitments</u>						
Liability under unmatured import bills	-	1,244	220	-	-	1,464
Letters of credit	102	1,762	180	-	-	2,044
Other obligations	225,190	10,961	10,864	4,201	40	251,256

(Unit: Million Baht)

Transactions	31 March 2011					Total
	At call	Less than 3 months	3-12 months	1-5 years	Over 5 years	
Financial assets						
Cash	4	-	-	-	-	4
Interbank and money market items	9,337	44,697	-	-	-	54,034
Derivatives assets	-	563	380	1,299	367	2,609
Investments	-	8,496	10,154	21,315	6,351	46,316
Loans	24,639	10,484	27,779	42,129	4,660	109,691
Financial liabilities						
Deposits	44,079	21,646	742	-	-	66,467
Interbank and money market items	1,353	455	-	-	-	1,808
Liability payable on demand	398	-	-	-	-	398
Derivatives liabilities	-	1,346	317	1,750	396	3,809
Debt issued and borrowings	-	25,989	341	-	-	26,330
Funds remitted into Thailand -						
borrowings from other branches						
under the same entity	-	5,047	-	15,728	6,200	26,975
Net balance of inter-office accounts						
with head office and other branches						
under the same entity	(1,330)	40,172	7,313	25,495	-	71,650
Off-balance items - commitments						
Liability under unmatured import bills	-	989	329	-	-	1,318
Letters of credit	55	1,584	625	255	26	2,545
Other obligations	185,385	3,686	16,626	1,605	-	207,302

32.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Bank has estimated the fair value of financial instruments as follows:

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instrument. The fair values of most financial assets, including cash, interbank and money market items, derivative assets, and loans to customers, are held to be their carrying values. The fair values of financial instruments with standard terms and conditions which are traded on an active and liquid market, such as investments, are the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, liabilities payable on demand, derivative liabilities, debt issued and borrowings, and borrowings and balance of inter-office accounts with head office and other branches under the same entity, are considered to approximate their respective carrying values.

As at 31 March 2012 and 2011, the book value and fair value of financial assets and financial liabilities of the Bank are as follows.

	(Unit: Million Baht)			
	31 March 2012		31 March 2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	7	7	4	4
Interbank and money market items	98,550	98,550	53,965	53,965
Derivatives assets	3,824	3,824	2,609	2,609
Investments	55,922	55,922	46,098	46,098
Loans to customers	136,687	136,687	108,860	108,860
<u>Financial liabilities</u>				
Deposits	71,485	71,485	66,467	66,467
Interbank and money market items	8,856	8,856	1,808	1,808
Liabilities payable on demand	551	551	398	398
Derivatives liabilities	3,020	3,020	3,809	3,809
Debt issued and borrowings	55,722	55,722	26,330	26,330
Fund remitted into Thailand - borrowings from other branches under the same entity	30,729	30,729	26,975	26,975
Net balance of inter - office accounts with head office and other branches under the same entity	109,747	109,747	71,650	71,650

32.5 Financial derivatives

The Bank enters into financial derivatives as required in the normal course of its business, in order to response to customer needs and to manage the risk of the Bank which will be incurred from the fluctuations in exchange rates and interest rates.

As at 31 March 2012 and 2011, the Bank's financial derivatives can be classified as follows by period to maturity:

	(Unit: Million Baht)					
	31 March 2012			31 March 2011		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
Bought contracts	158,853	3,310	162,163	140,803	-	140,803
Sold contracts	158,573	3,308	161,881	141,290	-	141,290
Cross currency and interest rate swap contracts						
Bought contracts	18,868	113,468	132,336	12,834	65,261	78,095
Sold contracts	18,997	113,679	132,676	13,268	66,130	79,398
Interest rate swap contracts						
Bought contracts	5,298	40,946	46,244	8,805	40,064	48,869
Sold contracts	5,298	40,946	46,244	8,805	40,064	48,869
Currency option contracts						
Bought contracts	384	-	384	1,958	279	2,237
Sold contracts	384	-	384	1,958	279	2,237

33. Reclassification

The Bank has reclassified certain amounts in the financial statements as at 31 March 2011 and for the year then ended to conform to the current year's classifications, in accordance with the revised format stipulated by the BOT, with no effect to previously reported net profit or of head office account.

	(Unit: Million Baht)	
	31 March 2011	
	As reclassified	As previously reported
Financial derivatives assets	-	2,623
Derivatives assets	2,609	-
Accrued interest receivable	260	237
Other assets	30	39
Financial derivatives liabilities	-	4,033
Derivatives liabilities	3,808	-
Accrued interest payable	331	106

(Unit: Million Baht)

For the year ended 31 March 2011

	As reclassified	As previously reported
Interest income	2,869	3,442
Interest expenses	1,512	1,129
Fees and services income	331	334
Fees and services expenses	77	283
Gains on trading and foreign exchange transactions	531	-
Loss on exchange and financial derivative contracts	-	232
Other operating income	-	6
Other operating expenses - others	81	77

34. Approval of financial statements

These financial statements were authorised for issue by General Manager of Bangkok Branch on 30 July 2012.