

**The Hongkong and Shanghai Banking Corporation Limited**  
**Bangkok Branch**

Annual financial statements  
and  
Audit report of Certified Public Accountant

For the years ended  
31 December 2009 and 2008



**KPMG Phoomchai Audit Ltd.**

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## **Audit report of Certified Public Accountant**

### **To the Board of Directors of The Hongkong and Shanghai Banking Corporation Limited**

I have audited the accompanying balance sheets of The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch (“the Branch”) as at 31 December 2009 and 2008 and the related statements of income, changes in equity for head office and other Branches abroad and cash flows for the years then ended. The Branch’s management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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 audit provides 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 The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch as at 31 December 2009 and 2008, and the result of its operations for the years then ended in accordance with generally accepted accounting principles.

(Somboon Supasiripinyo)  
Certified Public Accountant  
Registration No. 3731

KPMG Phoomchai Audit Ltd.  
Bangkok  
18 February 2010



# The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch

## Balance sheets

As at 31 December 2009 and 2008

### Liabilities and equity of head office and other branches abroad

	Note	2009	2008
		<i>(in Baht)</i>	
<b>Deposits</b>	12		
Deposits in Baht		62,912,988,830	54,440,243,144
Deposits in foreign currencies		10,988,806,746	8,732,693,900
<b>Total deposits</b>		<b>73,901,795,576</b>	<b>63,172,937,044</b>
Interbank and money market items	13		
Domestic items			
Interest bearing		19,989,638,378	17,368,840,657
Non-interest bearing		47,704,766	36,003,374
Foreign items			
Interest bearing		1,046,131,650	838,920,615
Non-interest bearing		3,323,271,480	2,322,113,944
<b>Total interbank and money market items</b>		<b>24,406,746,274</b>	<b>20,565,878,590</b>
Borrowings	14	21,631,962,976	18,281,118,747
Liabilities payable on demand		1,469,303,512	1,416,116,454
Bank liabilities under acceptances		27,310,000	177,310,000
Bank liabilities under collateral		4,544,350,096	-
Derivative liabilities		25,224,633,789	37,180,154,679
Deferred tax liabilities	10	-	4,494,110
Other liabilities	15	2,114,338,373	3,639,838,823
<b>Total liabilities</b>		<b>153,320,440,596</b>	<b>144,437,848,447</b>
<b>Equity of head office and other branches abroad</b>			
Funds remitted into Thailand and reserved for maintaining assets under Section 32 of the Financial Institutions Business Act, B.E. 2551	16	10,348,604,820	10,348,604,820
Retained earnings		1,264,492,256	3,243,229,981
Unrealised (losses) gains on revaluation of securities, net	5	(46,818,530)	154,069,014
Other reserves		49,530,945	62,974,703
Balance of inter-office accounts with head office and other branches abroad	20	13,780,213,263	946,592,920
<b>Total equity of head office and other branches abroad</b>		<b>25,396,022,754</b>	<b>14,755,471,438</b>
<b>Total liabilities and equity of head office and other branches abroad</b>		<b>178,716,463,350</b>	<b>159,193,319,885</b>
Off balance sheet items - Contingencies and commitments	17, 20		
Avals to bills and guarantees of loans		532,555,539	225,260,793
Liabilities under unmatured import bills		919,835,024	1,692,730,806
Letters of credit		1,353,280,048	1,391,535,851
Other contingencies and commitments		2,047,337,470,264	1,753,135,720,968

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

# The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch

## Statements of income

For the years ended 31 December 2009 and 2008

	<i>Note</i>	2009	2008
		<i>(in Baht)</i>	
<b><i>Interest income</i></b>	<i>20</i>		
Loans		2,919,313,276	4,087,722,094
Interbank and money market items		985,781,811	1,930,727,345
Investments		536,614,067	689,494,403
<b>Total interest income</b>		<b><u>4,441,709,154</u></b>	<b><u>6,707,943,842</u></b>
<b><i>Interest expenses</i></b>	<i>20</i>		
Deposits		407,291,986	1,290,059,994
Interbank and money market items		540,640,708	674,622,584
Borrowings		374,999,386	670,611,682
<b>Total interest expenses</b>		<b><u>1,322,932,080</u></b>	<b><u>2,635,294,260</u></b>
<b>Net interest income</b>		<b><u>3,118,777,074</u></b>	<b><u>4,072,649,582</u></b>
Bad debt and doubtful accounts		1,098,540,790	886,343,843
<b>Net interest income after bad debt and doubtful accounts</b>		<b><u>2,020,236,284</u></b>	<b><u>3,186,305,739</u></b>
<b><i>Non-interest income</i></b>	<i>20</i>		
(Losses) gains on investments		(97,681,375)	217,239,139
Fees and services income			
Acceptances, avals and guarantees		109,026,301	118,458,168
Others		1,274,280,253	1,381,102,001
Gains on exchange		2,091,381,204	2,294,979,228
Other income		4,489,621	2,955,870
<b>Total non-interest income</b>		<b><u>3,381,496,004</u></b>	<b><u>4,014,734,406</u></b>
<b><i>Non-interest expenses</i></b>	<i>20</i>		
Personnel expenses		1,269,624,574	1,336,691,412
Premises and equipment expenses		405,196,693	486,955,389
Taxes and duties		130,516,265	176,707,573
Fees and services expenses		346,085,484	268,207,047
Other expenses	<i>18</i>	1,490,647,965	1,663,488,841
<b>Total non-interest expenses</b>		<b><u>3,642,070,981</u></b>	<b><u>3,932,050,262</u></b>
<b>Income before income tax</b>		<b><u>1,759,661,307</u></b>	<b><u>3,268,989,883</u></b>
Income tax expense	<i>19</i>	600,169,051	1,032,192,727
<b>Net income</b>		<b><u>1,159,492,256</u></b>	<b><u>2,236,797,156</u></b>

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Statements of changes in equity of head office and other branches abroad**  
**For the years ended 31 December 2009 and 2008**

	Funds remitted into Thailand and reserved for maintaining assets	Retained earnings	Reserves		Balance of inter-office accounts with head office and other branches abroad	Total
			Net unrealised (losses) gains on revaluation of securities	Other reserves		
<b>Balance at 1 January 2008</b>	<b>7,898,604,820</b>	<b>3,456,432,825</b>	<b>17,547,832</b>	<b>33,122,681</b>	<b>697,520,149</b>	<b>12,103,228,307</b>
Unrealised gains on revaluation of securities	-	-	136,521,182	-	-	136,521,182
Other reserves	-	-	-	29,852,022	-	29,852,022
Net income recognised directly in equity	-	-	136,521,182	29,852,022	-	166,373,204
Net income for the year	-	2,236,797,156	-	-	-	2,236,797,156
Total recognised income	-	2,236,797,156	136,521,182	29,852,022	-	2,403,170,360
Profit remittance to head office	-	(2,450,000,000)	-	-	-	(2,450,000,000)
Increase in capital fund	2,450,000,000	-	-	-	-	2,450,000,000
Movement on balance of inter-office accounts with head office and other branches abroad, net	-	-	-	-	249,072,771	249,072,771
<b>Balance at 31 December 2008</b>	<b>10,348,604,820</b>	<b>3,243,229,981</b>	<b>154,069,014</b>	<b>62,974,703</b>	<b>946,592,920</b>	<b>14,755,471,438</b>
Unrealised losses on revaluation of securities	-	-	(200,887,544)	-	-	(200,887,544)
Other reserves	-	-	-	(13,443,758)	-	(13,443,758)
Net income recognised directly in equity	-	-	(200,887,544)	(13,443,758)	-	(214,331,302)
Net income for the year	-	1,159,492,256	-	-	-	1,159,492,256
Total recognised income	-	1,159,492,256	(200,887,544)	(13,443,758)	-	945,160,954
Profit remittance to head office	-	(3,138,229,981)	-	-	-	(3,138,229,981)
Movement on balance of inter-office accounts with head office and other branches abroad, net	-	-	-	-	12,833,620,343	12,833,620,343
<b>Balance at 31 December 2009</b>	<b>10,348,604,820</b>	<b>1,264,492,256</b>	<b>(46,818,530)</b>	<b>49,530,945</b>	<b>13,780,213,263</b>	<b>25,396,022,754</b>

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



# The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch

## Statements of cash flows

For the years ended 31 December 2009 and 2008

	<i>Note</i>	2009	2008
			<i>(in Baht)</i>
<b><i>Cash flows from financing activities</i></b>			
Increase in funds remitted to Thailand for maintaining assets under Section 32 of Financial Institutions Business Act, B.E. 2551		-	2,450,000,000
Profit remitted to head office during year		(3,138,229,981)	(2,450,000,000)
Increase in net balance of inter-office accounts with head office and other branches abroad		12,833,620,343	249,072,771
<b>Net cash provided by financing activities</b>		<b>9,695,390,362</b>	<b>249,072,771</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>26,694,085</b>	<b>(169,304,826)</b>
Cash and cash equivalents at 1 January		110,495,405	279,800,231
<b>Cash and cash equivalents at 31 December</b>		<b>137,189,490</b>	<b>110,495,405</b>

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2009 and 2008**

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**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the financial statements**  
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These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 18 February 2010.

**1 General information**

The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch, “the Branch”, has its registered office at 968 Rama IV Road, Silom, Bangrak, Bangkok 10500.

The Head Office of the Branch is The Hongkong and Shanghai Banking Corporation Limited, which is incorporated in the Hong Kong Special Administrative Region with limited liability.

The principal activities of the Branch are to provide a wide range of banking services to individual and corporate customers.

**2 Basis of preparation of the financial statements**

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards (“TAS”) and Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”), the Bank of Thailand (“BoT”) and with generally accepted accounting principles in Thailand. There is currently no Thai Accounting Standard in force in relation to detailed guidance on the recognition and measurement of financial instruments. In the absence of authoritative guidance from the regulatory authorities governing accounting practices in Thailand, and following HSBC Group accounting policies, the Branch has adopted the International Accounting Standard 39 (“IAS 39”) “Financial Instruments: Recognition and Measurement”.

On 15 May 2009, the FAP announced (Announcement No. 12/2009) the re-numbering of TAS to the same numbers as the International Accounting Standards (“IAS”) on which the TAS/TFRS are based.

The Branch has adopted the following revised TAS/TFRS and accounting guidance which were issued by the FAP during 2008 and 2009 and effective for annual accounting periods beginning on or after 1 January 2009:

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations  
(formerly TAS 54)

Framework for the Preparation and Presentation of Financial Statements (revised 2007)  
(effective on 26 June 2009)

Accounting Guidance about Leasehold Right (effective on 26 June 2009)

The adoption of these revised TAS/TFRS and accounting guidance does not have any material impact on the Branch’s financial statements.

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2009 and 2008**

The FAP has issued during 2009 a number of new and revised TAS/IFRS which are not currently effective and have not been adopted in the preparation of these financial statements. These new and revised TAS/IFRS are disclosed in note 25.

The financial statements are prepared in Thai Baht and rounded to the nearest Baht or million Baht in notes to the financial statements, unless otherwise stated. They are prepared on the historical cost basis except as stated in the accounting policies.

The preparation of financial statements in conformity with TAS and IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised in any future period affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes:

Notes 5	Investments
Notes 7	Allowance for doubtful accounts
Note 17	Contingencies and commitments
Note 24	Fair value

### **3 Significant accounting policies**

#### **(a) Interest income and expense**

Interest income and expense for all interest-bearing financial instruments, except those classified as held for trading or designated at fair value, are recognized in Interest income and Interest expense in the income statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Branch that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### **(b) Cash and cash equivalents**

Cash and cash equivalents are those amounts included in the balance sheet under the caption of cash, which consists of cash on hand and cash on collection.

#### **(c) Loans**

Loans represent loans originated by the Branch, which are not intended to be sold in the short term and have not been classified as held for trading. Loans are recognized when cash is advanced to borrowers. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the financial statements**  
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**(d) Allowance for doubtful accounts**

The Branch provides an allowance for doubtful accounts equal to the estimated losses that may be incurred in the collection of all receivables. The estimated losses are calculated by discounting expected future cash flows (inclusive of the value of security) using a discount rate, which includes a premium for uncertainty of the cash flows.

Bad debt recoveries are presented net of bad debts and doubtful accounts in the statement of income.

**(e) Restructured loans**

Restructured loans are classified as performing when there is appropriate evidence that the restructured terms can be met. At a minimum, restructured terms involving periodic repayments must be met without exception for a three-payment period before a restructured loan can be reclassified.

**(f) Investments**

Investments in securities are classified as either securities held for trading, available-for-sale securities or held to maturity securities

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the statement of income.

Debt securities that the Branch has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost less impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities other than those securities held for trading or intended to be held to maturity, are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in a separate component of Head Office's equity. The exceptions are impairment losses and foreign exchange gains and losses, which are recognized in the statement of income. When these investments are derecognized, the cumulative gain or loss previously recognized directly in a separate component of Head Office's equity is recognized in the statement of income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in the statement of income.

Equity securities which are not marketable are stated at cost less impairment losses.

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the reporting date.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in a separate component of Head Office's equity is recognized in the statement of income.

If the Branch disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
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**(g) Foreign currency transactions**

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of income.

**(h) Equipment**

Equipment is stated at cost less applicable depreciation and impairment losses. Assets are depreciated on a straight-line basis over their estimated useful lives of 3-5 years.

Gain or loss on disposal of equipment is recognized in the statement of income.

**(i) Leasehold right for land and buildings**

Leasehold right for land and buildings and leasehold improvements are stated at cost less amortization and impairment losses. Amortisation is charged to the statement of income on a straight-line basis as follows:

Leasehold right	Over the lease period of 28 years
Leasehold improvement	Between 5 and 8 years

**(j) Properties foreclosed**

Properties acquired through foreclosure are recorded at the lower of the net book value of the loan at the time of foreclosure or the latest market value of the properties foreclosed. Gain or loss on disposal of properties foreclosed is recognized on such properties only when sold. Loss on impairment of properties foreclosed is recognized in the statement of income.

**(k) Financial instruments**

Derivatives are recognized initially at fair value from the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Branch designated certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecast transaction (cash flow hedge). Hedge accounting is applied for derivatives designated as fair value or cash flow hedges, provided certain criteria are met.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used shall be amortised to the income statement over the period to maturity.

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
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*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in a component of Head Office's equity. Any gain or loss relating to an ineffective portion is recognized immediately in the income statement.

Amounts accumulated in Head Office's equity are recycled through the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Head Office's equity at that time remains in Head Office's equity until the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Head Office's equity is immediately transferred to the income statement.

**(l) *Provident fund***

The Branch has established contributory provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 10% of their basic salaries and by the Branch at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager. The fund is independently maintained and is therefore not presented in the balance sheet.

**(m) *Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in a separate component of Head Office's equity.

*Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred tax*

Deferred tax is provided, using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
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**(n) Equity compensation plan**

Where shares of HSBC Holdings Plc are awarded to an employee of the Branch, the cost of shares awarded is amortised over the vesting period from the date the shares are awarded. Shares purchased for such purpose are reported under 'other assets'.

For share options, the compensation expense to be spread over the vesting period is determined by reference to the fair value of the options on grant date, and the impact of any non-market vesting conditions such as option lapses. The compensation expense is recognized on a straight-line basis over the vesting period. Where the Branch is not charged for this by Head Office, the corresponding amount is credited to 'other reserves'.

**(o) Provisions**

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

**(p) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Branch has a legal, enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

**4 Interbank and money market items (assets)**

Interbank and money market items at 31 December 2009 and 2008 consisted of:

	<b>At call</b>	<b>2009 Term</b>	<b>Total</b>	<b>At call</b>	<b>2008 Term</b>	<b>Total</b>
	<i>(in million Baht)</i>					
<b>Domestic</b>						
The Bank of Thailand and Financial Institutions						
Development Fund	290	71,000	71,290	935	42,800	43,735
Commercial banks	253	3,500	3,753	478	-	478
Other financial institutions	-	-	-	100	-	100
Add: accrued interest receivable	-	25	25	-	13	13
Less: allowance for doubtful Accounts	-	-	-	(1)	-	(1)
	<u>543</u>	<u>74,525</u>	<u>75,068</u>	<u>1,512</u>	<u>42,813</u>	<u>44,325</u>
<b>Foreign</b>						
US Dollar	-	-	-	13	-	13
Euro	16	-	16	54	-	54
Other currencies	31	-	31	33	-	33
	<u>47</u>	<u>-</u>	<u>47</u>	<u>100</u>	<u>-</u>	<u>100</u>
<b>Total</b>	<u>590</u>	<u>74,525</u>	<u>75,115</u>	<u>1,612</u>	<u>42,813</u>	<u>44,425</u>

At 31 December 2009 and 2008, all term interbank and money market items of Baht 74,500 million and Baht 42,800 million, respectively had residual maturities within 1 year.

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2009 and 2008**

**5 Investments**

Investments at 31 December 2009 and 2008 consisted of:

	2009		2008	
	Cost/book Value	Market value	Cost/book Value	Market value
<i>(in million Baht)</i>				
<b>Current investments</b>				
<i>Securities held for trading</i>				
Government and state enterprise securities	6,639	6,641	4,052	4,177
Add: unrealised gains on revaluation of securities	2	-	125	-
<b>Total securities held for trading</b>	<b>6,641</b>	<b>6,641</b>	<b>4,177</b>	<b>4,177</b>
<i>Securities available-for-sale</i>				
Government and state enterprise securities	7,265	7,277	4,774	4,820
Marketable securities - equity shares	200	218	200	233
	7,465	7,495	4,974	5,053
Add: unrealised gains on revaluation of securities	30	-	79	-
<b>Total securities available-for-sale</b>	<b>7,495</b>	<b>7,495</b>	<b>5,053</b>	<b>5,053</b>
<b>Total current investments</b>	<b>14,136</b>	<b>14,136</b>	<b>9,230</b>	<b>9,230</b>
<b>Long-term investments</b>				
<i>Securities available-for-sale</i>				
Government and state enterprise securities	12,119	12,144	8,608	8,887
Add: unrealised gains on revaluation of securities	25	-	279	-
<b>Total long-term investments</b>	<b>12,144</b>	<b>12,144</b>	<b>8,887</b>	<b>8,887</b>
<b>Total</b>	<b>26,280</b>	<b>26,280</b>	<b>18,117</b>	<b>18,117</b>

At 31 December 2009 and 2008 debt instruments classified by their remaining maturity were as follows:

	2009			Total
	Within 1 year	1-5 years	Over 5 years	
<b>Maturity Period</b>				
<i>(in million Baht)</i>				
<b>Securities available-for-sale</b>				
Government and state enterprise securities	7,265	12,119	-	19,384
Add: unrealised gains on revaluation of securities	12	25	-	37
<b>Total</b>	<b>7,277</b>	<b>12,144</b>	<b>-</b>	<b>19,421</b>
<b>2008</b>				
<b>Maturity Period</b>				
<i>(in million Baht)</i>				
<b>Securities available-for-sale</b>				
Government and state enterprise securities	4,774	6,258	2,350	13,382
Add: unrealised gains on revaluation of securities	46	70	209	325
<b>Total</b>	<b>4,820</b>	<b>6,328</b>	<b>2,559</b>	<b>13,707</b>

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As at 31 December 2009, investment under available-for-sale with market value of Baht 10,891 million (2008 : Baht 10,967 million) and Baht 1,006 million were maintained as capital fund with the Bank of Thailand and under sale and repurchased agreement, respectively.

For the year ended 31 December 2009 the statement of income included loss of Baht 1.35 million (2008: nil) on sales of available-for-sale securities.

Unrealised gains (losses) on revaluation of securities presented in equity of head office as at 31 December 2009 and 2008 were as follows:

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Unrealised gains on revaluation of securities debt instruments	37	196
Unrealised losses on revaluation of securities debt instruments	(85)	(9)
Unrealised gains on revaluation of equity shares	18	33
	<u>(30)</u>	<u>220</u>
<i>Less: deferred tax</i>	(17)	(66)
<b>Net</b>	<b><u>(47)</u></b>	<b><u>154</u></b>

**6 Loans and accrued interest receivable**

Loans at 31 December 2009 and 2008 were classified as follows:

Classified by type of credit

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Overdrafts	340	380
Loans	35,901	48,043
Bills	4,045	5,798
Private repo	5,357	-
	<u>45,643</u>	<u>54,221</u>
<i>Add: accrued interest receivable</i>	178	319
<i>Less: allowance for doubtful accounts</i>	(1,811)	(1,636)
<b>Total</b>	<b><u>44,010</u></b>	<b><u>52,904</u></b>

Classified by residual maturity of contracts

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Within 1 year	37,058	45,744
Over 1 year	8,585	8,477
<b>Total</b>	<b><u>45,643</u></b>	<b><u>54,221</u></b>

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Classified by currency and residency of debtors

	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	37,328	1	37,329	44,883	-	44,883
US Dollar	7,906	101	8,007	8,283	53	8,336
Other currencies	292	15	307	982	20	1,002
<b>Total</b>	<b>45,526</b>	<b>117</b>	<b>45,643</b>	<b>54,148</b>	<b>73</b>	<b>54,221</b>

Classified by type of business and loan classification

	2009					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and minerals	714	-	-	-	-	714
Industrial and commercial	13,015	1,993	41	102	859	16,010
Property and construction	1,929	-	-	-	8	1,937
Infrastructure and service	14,154	63	-	-	-	14,217
Home mortgages	867	3	-	11	11	892
Other	11,101	432	339	-	1	11,873
<b>Total</b>	<b>41,780</b>	<b>2,491</b>	<b>380</b>	<b>113</b>	<b>879</b>	<b>45,643</b>

	2008					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and minerals	280	165	-	-	68	513
Industrial and commercial	19,681	3,553	43	-	366	23,643
Property and construction	4,867	1	-	1	8	4,877
Infrastructure and service	10,029	215	-	-	-	10,244
Home mortgages	928	2	1	7	31	969
Other	13,093	514	367	-	1	13,975
<b>Total</b>	<b>48,878</b>	<b>4,450</b>	<b>411</b>	<b>8</b>	<b>474</b>	<b>54,221</b>

Loans classified by grade

	Loans and Accrued interest receivable	Amount after net securities	2009 (%)		Actual Provision
			Provision rate as per BoT	Provision as per BoT	
	<i>(in million Baht)</i>				
Pass	41,949	33,280	1	332	614
Special mention	2,500	2,272	2	45	50
Substandard	380	378	100	378	380
Doubtful	113	95	100	95	110
Doubtful of loss	879	487	100	487	657
<b>Total</b>	<b>45,821</b>	<b>36,512</b>		<b>1,337</b>	<b>1,811</b>

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	<b>Loans and Accrued interest receivable</b>	<b>Amount after net securities</b>	<b>2008 (%) Provision rate as per BoT</b>	<b>Provision as per BoT</b>	<b>Actual Provision</b>
			<i>(in million Baht)</i>		
Pass	49,169	43,633	1	436	489
Special mention	4,478	3,519	2	71	342
Substandard	411	370	100	370	410
Doubtful	8	2	100	2	4
Doubtful of loss	474	384	100	384	391
<b>Total</b>	<b>54,540</b>	<b>47,908</b>		<b>1,263</b>	<b>1,636</b>

At 31 December 2009, specific provision of Baht 1,147 million (2008: Baht 805 million) have been provided against the branch's non-performing loans, being those classified as Substandard, Doubtful and Doubtful of loss.

**7 Allowance for doubtful accounts**

Movements in the allowance for doubtful accounts during the years ended 31 December 2009 and 2008 consisted of:

	<b>2009</b>					
	<b>Pass</b>	<b>Special mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Doubtful of loss</b>	<b>Total</b>
			<i>(in million Baht)</i>			
Balance at beginning of the year	489	342	410	4	391	1,636
Doubtful accounts charge	229	(254)	671	105	348	1,099
Bad debts recoveries	-	-	426	-	1	427
Bad debts written off	-	-	(1,264)	-	(65)	(1,329)
Movement in exchange rate	-	-	-	(4)	(18)	(22)
Movement to other grades	(104)	(38)	137	5	-	-
<b>Balance at end of the year</b>	<b>614</b>	<b>50</b>	<b>380</b>	<b>110</b>	<b>657</b>	<b>1,811</b>

  

	<b>2008</b>					
	<b>Pass</b>	<b>Special mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Doubtful of loss</b>	<b>Total</b>
			<i>(in million Baht)</i>			
Balance at beginning of the year	476	407	449	5	713	2,050
Doubtful accounts charge	21	(28)	891	1	53	938
Bad debts recoveries	-	-	302	-	3	305
Bad debts written off	-	-	(1,323)	-	(337)	(1,660)
Movement in exchange rate	-	-	-	-	3	3
Movement to other grades	(8)	(37)	91	(2)	(44)	-
<b>Balance at end of the year</b>	<b>489</b>	<b>342</b>	<b>410</b>	<b>4</b>	<b>391</b>	<b>1,636</b>

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**8 Equipment**

Changes in equipment during the year ended 31 December 2009 were as follows:

	Beginning balance	Change in cost during the year		Ending balance	Change in depreciation/during the year			Ending balance	Book value 31 December 2009
		Additions	Disposals		Beginning Balance	Depreciation	Disposals		
Furniture, fixtures and equipment	601	23	(20)	604	502	47	(18)	531	73
<b>Total</b>	<b>601</b>	<b>23</b>	<b>(20)</b>	<b>604</b>	<b>502</b>	<b>47</b>	<b>(18)</b>	<b>531</b>	<b>73</b>

Changes in equipment during the year ended 31 December 2008 were as follows:

	Beginning balance	Change in cost during the year		Ending balance	Change in depreciation/during the year			Ending balance	Book value 31 December 2008
		Additions	Disposals		Beginning Balance	Depreciation	Disposals		
Furniture, fixtures and equipment	659	29	(87)	601	528	61	(87)	502	99
<b>Total</b>	<b>659</b>	<b>29</b>	<b>(87)</b>	<b>601</b>	<b>528</b>	<b>61</b>	<b>(87)</b>	<b>502</b>	<b>99</b>

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**9 Leasehold right for land and buildings**

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Leasehold right	909	909
Leasehold improvements	317	343
	<u>1,226</u>	<u>1,252</u>
<i>Less: accumulated amortization</i>	<u>(666)</u>	<u>(635)</u>
<b>Net</b>	<b><u>560</u></b>	<b><u>617</u></b>

**10 Deferred tax**

Deferred tax assets and liabilities are included in the balance sheets as follows:

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Deferred tax assets	255	247
Deferred tax liabilities	(131)	(251)
<b>Net</b>	<b><u>124</u></b>	<b><u>(4)</u></b>

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

	<b>At 1 January 2009</b>	<b><i>Charged/(credited) to Statement of income (note 19)</i></b>	<b><i>Equity of Head Office</i></b>	<b>At 31 December 2009</b>
	<i>(in million Baht)</i>			
<b><i>Deferred tax liabilities</i></b>				
Investments	109	(38)	(36)	35
Deferred expenses	86	(41)	-	45
Mark to market of debt instruments	56	(5)	-	51
<b>Total</b>	<b><u>251</u></b>	<b><u>(84)</u></b>	<b><u>(36)</u></b>	<b><u>131</u></b>
<b><i>Deferred tax assets</i></b>				
Investments	6	(1)	13	18
Allowance for doubtful accounts and provision for contingent liabilities	150	(20)	-	130
Other items	91	20	(4)	107
<b>Total</b>	<b><u>247</u></b>	<b><u>(1)</u></b>	<b><u>9</u></b>	<b><u>255</u></b>
<b>Net</b>	<b><u>(4)</u></b>	<b><u>83</u></b>	<b><u>45</u></b>	<b><u>124</u></b>

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	<b>At 1 January 2008</b>	<b>Charged/(credited) to Statement of income (note 19) (in million Baht)</b>	<b>Equity of Head Office</b>	<b>At 31 December 2008</b>
<i>Deferred tax liabilities</i>				
Investments	25	36	48	109
Deferred expenses	95	(9)	-	86
Mark to market of debt instruments	121	(65)	-	56
<b>Total</b>	<b>241</b>	<b>(38)</b>	<b>48</b>	<b>251</b>
<i>Deferred tax assets</i>				
Investments	13	3	(10)	6
Allowance for doubtful accounts	145	5	-	150
Other items	74	11	6	91
<b>Total</b>	<b>232</b>	<b>19</b>	<b>(4)</b>	<b>247</b>
<b>Net</b>	<b>(9)</b>	<b>57</b>	<b>(52)</b>	<b>(4)</b>

## 11 Other assets

At 31 December 2009 and 2008, other assets consisted of:

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Accrued income receivable	137	183
Other receivables	1,049	90
Other	342	556
<b>Total</b>	<b>1,528</b>	<b>829</b>

## 12 Deposits

Deposits at 31 December 2009 and 2008 were classified as follows:

Classified by type of deposits

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Current	5,851	4,480
Saving	48,517	41,721
Term (original maturity)		
- Less than 6 month	17,513	14,713
- More than 6 months but less than 1 year	1,728	1,997
- 1 year and over	293	262
<b>Total</b>	<b>73,902</b>	<b>63,173</b>

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Classified by residual maturity of contracts

	2009 (in million Baht)	2008 (in million Baht)
Within 1 year	73,829	62,917
Over 1 year	73	256
<b>Total</b>	<b><u>73,902</u></b>	<b><u>63,173</u></b>

Classified by currency and residency of depositors

	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	60,687	2,226	62,913	51,915	2,525	54,440
US Dollar	6,924	2,040	8,964	4,913	1,696	6,609
Other currencies	898	1,127	2,025	1,332	792	2,124
<b>Total</b>	<b><u>68,509</u></b>	<b><u>5,393</u></b>	<b><u>73,902</u></b>	<b><u>58,160</u></b>	<b><u>5,013</u></b>	<b><u>63,173</u></b>

### 13 Interbank and money market items (liabilities)

Interbank and money market items at 31 December 2009 and 2008 consisted of:

	2009			2008		
	At call	Term	Total	At call	Term	Total
	<i>(in million Baht)</i>					
<b>Domestic</b>						
Commercial banks	2	6,100	6,102	3	-	3
Finance, securities and credit foncier companies	642	500	1,142	1,811	1,300	3,111
Other financial institutions	239	12,554	12,793	283	14,008	14,291
	<b><u>883</u></b>	<b><u>19,154</u></b>	<b><u>20,037</u></b>	<b><u>2,097</u></b>	<b><u>15,308</u></b>	<b><u>17,405</u></b>
<b>Foreign</b>						
US Dollar	220	-	220	16	-	16
Other currencies	4,150	-	4,150	3,145	-	3,145
	<b><u>4,370</u></b>	<b><u>-</u></b>	<b><u>4,370</u></b>	<b><u>3,161</u></b>	<b><u>-</u></b>	<b><u>3,161</u></b>
<b>Total</b>	<b><u>5,253</u></b>	<b><u>19,154</u></b>	<b><u>24,407</u></b>	<b><u>5,258</u></b>	<b><u>15,308</u></b>	<b><u>20,566</u></b>

### 14 Borrowings

	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Debentures	-	-	-	6,990	-	6,990
Floating rate notes	3,145	-	3,145	1,368	-	1,368
Bills of exchange	18,487	-	18,487	9,923	-	9,923
<b>Total</b>	<b><u>21,632</u></b>	<b><u>-</u></b>	<b><u>21,632</u></b>	<b><u>18,281</u></b>	<b><u>-</u></b>	<b><u>18,281</u></b>

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At 31 December 2009, borrowings of Baht 21,340 million and Baht 292 million had residual maturities within 1 year and over 1 year, respectively. All borrowings were in Thai Baht with interest rates between 0.5% and 1.435%.

At 31 December 2008, borrowings of Baht 16,851 million and Baht 1,430 million had residual maturities within 1 year and over 1 year, respectively. All borrowings were in Thai Baht with interest rates between 1.8% and 4.3%.

**15 Other liabilities**

At 31 December 2009 and 2008, other liabilities consisted of:

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Accrued interest payable	85	211
Accrued expenses payable	519	510
Accrued corporate income tax	470	671
Others	1,040	2,248
<b>Total</b>	<b><u>2,114</u></b>	<b><u>3,640</u></b>

**16 Capital fund**

As at 31 December 2009 and 2008, the capital structure according to Section 32 of the Financial Institutions Business Act, B.E 2551 can be summarized as follow:

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
<b>Assets maintained under Section 32</b>	<b>10,891</b>	<b>10,967</b>
<b>Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts</b>		
Capital for maintenance of assets under Section 32	10,349	10,349
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	13,869	979
<b>Total</b>	<b><u>24,218</u></b>	<b><u>11,328</u></b>
<b>Total Capital Fund</b>	<b>10,349</b>	<b>10,349</b>
<b>Capital adequacy ratio</b>	<b>13.44%</b>	<b>10.54%</b>

Disclosure of capital maintenance information under the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance for Commercial Banks for the period ended 31 December 2009 will be located in our website : [www.hsbc.co.th](http://www.hsbc.co.th) in April 2010.

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**17 Contingencies and commitments**

At 31 December 2009 and 2008, contingencies and commitments were as follows:

	2009			2008		
	Local Currency	Foreign Currency	(in million Baht) Total amount	Local Currency	Foreign Currency	Total amount
Guarantees of loans	1	532	533	-	225	225
Other guarantees	9,999	8,275	18,274	11,879	10,462	22,341
Liabilities under unmatured import bills	48	872	920	1	1,692	1,693
Letters of credit	4	1,349	1,353	89	1,302	1,391
Forward interest rate contracts	1,299,887	165,354	1,465,241	1,042,197	85,608	1,127,805
Forward exchange rate contracts	-	457,477	457,477	43,204	450,211	493,415
Derivative- bond, debenture and equity instruments	890	1,326	2,216	830	1,245	2,075
Unused credit lines of overdrafts and credit facilities	84,885	19,244	104,129	83,495	24,005	107,500
<b>Total</b>	<b>1,395,714</b>	<b>654,429</b>	<b>2,050,143</b>	<b>1,181,695</b>	<b>574,750</b>	<b>1,756,445</b>

The Branch is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and financial guarantees.

The Branch's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit can be cancelled or revoked at any time at the Branch's discretion. Furthermore, the notional amounts do not necessarily reflect future cash requirements as facilities may expire without being drawn upon.

The Branch uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Branch takes collateral where it is considered necessary to support both on and off-balance sheet financial instruments with credit risk. The Branch evaluates each customer's credit worthiness on a case by case basis. The amount of collateral taken, if deemed necessary, is based on management's evaluation of the counterparty. The collateral taken varies but may include cash deposits, real estate, plant and equipment, investments, inventory and receivables.

As at 31 December 2009, the Branch has received a claim in respect of Default on Sale and Purchase Agreement, Bills Torts, Return of Property, and Guarantee totaling Baht 463 million against the Branch. Litigation is currently waiting for the order of the Appeal Court and no provision has been made in the financial statements as the Branch's management does not currently expect that the Branch will incur significant loss from this lawsuit.

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**18 Other expenses**

Other expenses for the years ended 31 December 2009 and 2008 consisted of:

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
Deposit protection premium	224	246
Head office expenses	367	438
Advertising and promotion	337	527
Others	563	452
<b>Total</b>	<b><u>1,491</u></b>	<b><u>1,663</u></b>

**19 Income tax expense**

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
<i>Current tax expense</i>		
Current year	664	1,037
Under provided in prior year	19	52
	<u>683</u>	<u>1,089</u>
<i>Deferred tax expense</i>		
Movements in temporary differences	(83)	(57)
	<u>(83)</u>	<u>(57)</u>
<b>Total</b>	<b><u>600</u></b>	<b><u>1,032</u></b>

*Reconciliation of effective tax rate*

	<b>2009</b>		<b>2008</b>	
	( <b>%</b> )		( <b>%</b> )	
	<b>Rate</b>	<i>(in million Baht)</i>	<b>Rate</b>	<i>(in million Baht)</i>
Income before income tax		<u>1,760</u>		<u>3,269</u>
Income tax using the Thai corporation tax rate	30.0	528	30.0	981
Under provided in prior year		19		52
Expenses not deductible for tax purposes		53		(1)
<b>Total</b>	<b><u>34.1</u></b>	<b><u>600</u></b>	<b><u>31.6</u></b>	<b><u>1,032</u></b>

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**20 Related party transactions and balances**

The Branch engaged in various transactions with other HSBC Group entities on normal commercial terms and conditions. Related party balances receivable or payable are shown on a net basis under the heading of “balance of inter-office accounts with head office and other branches abroad”.

Transactions between related parties during the years ended 31 December 2009 and 2008 are summarized below.

	<b>2009</b>	<b>2008</b>
	<i>(in million Baht)</i>	
<b>Revenues</b>		
Fee and commission income	30	43
<b>Expenses</b>		
Interest expense on inter-office borrowing	5	8
Fee and commission expense	126	51
Head office expenses	582	663
Other expenses	29	26

The Branch enters into certain treasury transactions, including swap, foreign exchange, and option contracts, with other HSBC Group entities for hedging purposes.

**21 Credit risk**

Credit risk is the potential for loss arising from failure of counterparties to meet their contractual obligations to the Branch in a timely manner.

Credit risk arises from lending activities, investing activities and from buying or selling financial instruments to hedge the risks of the Branch and its customers. The Branch manages credit risk by setting prudential limits for exposures to individual transactions, counterparties and portfolios. Credit limits are set by reference to credit ratings established by recognized rating agencies or by methodologies established by the Branch.

**22 Interest rate risk**

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Branch in the current reporting period and future years. Interest rate risk arises from the structure and characteristic of the Branch’s assets, liabilities and equity of head office and other branches abroad, and from the mismatch in repricing dates of its assets and liabilities. The Branch mitigates this risk by using derivative financial instruments, principally interest rate swaps, to manage its exposure to fluctuations in interest rates on specific financial instruments.

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Details of the Branch's interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2009 and 2008 are as follows:

<b>2009</b>							(%)
	3 months or less	3 months to 1 Year	1 to 5 Years	Over 5 years	Non- interest bearing	Total	Weighted average effective interest rate (per annum)
<i>(in million Baht)</i>							
<b>Financial assets</b>							
Cash	-	-	-	-	137	137	-
Interbank and money market items, net	74,500	-	-	-	615	75,115	1.58
Securities held for trading	267	4,629	531	1,214	-	6,641	2.76
Securities available-for-sale	848	6,429	12,144	-	218	19,639	2.32
Loans and accrued interest receivable, net	<u>38,095</u>	<u>4,473</u>	<u>948</u>	<u>258</u>	<u>236</u>	<u>44,010</u>	6.61
<b>Total financial assets</b>	<b><u>113,710</u></b>	<b><u>15,531</u></b>	<b><u>13,623</u></b>	<b><u>1,472</u></b>	<b><u>1,206</u></b>	<b><u>145,542</u></b>	
<b>Financial liabilities</b>							
Deposits	65,030	2,948	73	-	5,851	73,902	0.63
Interbank and money market items	16,212	2,420	2,331	73	3,371	24,407	2.25
Borrowings	19,049	2,291	292	-	-	21,632	1.74
Liabilities payable on demand	-	-	-	-	1,469	1,469	-
<b>Total financial liabilities</b>	<b><u>100,291</u></b>	<b><u>7,659</u></b>	<b><u>2,696</u></b>	<b><u>73</u></b>	<b><u>10,691</u></b>	<b><u>121,410</u></b>	
<b>2008</b>							(%)
	3 months or less	3 months to 1 Year	1 to 5 Years	Over 5 years	Non- interest bearing	Total	Weighted average effective interest rate (per annum)
<i>(in million Baht)</i>							
<b>Financial assets</b>							
Cash	-	-	-	-	110	110	-
Interbank and money market items, net	42,899	-	-	-	1,526	44,425	3.70
Securities held for trading	-	651	1,994	1,532	-	4,177	4.00
Securities available-for-sale	822	4,231	6,328	2,559	-	13,940	3.63
Loans and accrued interest receivable, net	<u>44,931</u>	<u>6,346</u>	<u>967</u>	<u>253</u>	<u>407</u>	<u>52,904</u>	7.65
<b>Total financial assets</b>	<b><u>88,652</u></b>	<b><u>11,228</u></b>	<b><u>9,289</u></b>	<b><u>4,344</u></b>	<b><u>2,043</u></b>	<b><u>115,556</u></b>	
<b>Financial liabilities</b>							
Deposits	55,385	3,052	256	-	4,480	63,173	1.80
Interbank and money market items	11,785	3,914	2,427	82	2,358	20,566	3.39
Borrowings	16,097	2,122	62	-	-	18,281	3.49
Liabilities payable on demand	-	-	-	-	1,416	1,416	-
<b>Total financial liabilities</b>	<b><u>83,267</u></b>	<b><u>9,088</u></b>	<b><u>2,745</u></b>	<b><u>82</u></b>	<b><u>8,254</u></b>	<b><u>103,436</u></b>	

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**23 Liquidity risk**

The Branch monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Branch's operations and to mitigate the effects of fluctuations in cash flows.

**24 Fair value**

The fair value represents the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable and willing parties. Quoted market prices are used as the measure of fair value where available. Where quoted market prices are not available, fair values are based on present value estimates or other methods of valuation.

*On-balance sheet financial instruments*

Fair value information relating to classes of financial assets or financial liabilities that are carried on the balance sheet at other than net fair value is best provided in a way that permits comparison between the carrying amount and the fair value. Accordingly, the fair values of recognized financial assets and financial liabilities are grouped into classes and offset only to the extent that their related carrying amounts are offset.

*Off-balance sheet financial instruments*

Fair values of unrecognized financial assets and financial liabilities are presented in a class or classes separate from recognized items and are offset only to the extent that they meet the offsetting criteria for recognized financial assets and financial liabilities.

The net fair value of off-balance sheet financial instruments is normally determined by estimating the amount that would be paid or received to terminate the contract or replace them at their current market rates, net of estimated transaction costs.

*Estimate market value of financial assets and liabilities*

As at 31 December 2009 and 2008, the financial assets, financial liabilities and off-balance sheet items have fair values that approximate their carrying values at the reporting date.

**25 Thai Accounting Standards (TAS) not yet adopted**

The Branch has not adopted the following new and revised TAS that have been issued as of the reporting date but are not yet effective. The new and revised TAS are anticipated to become effective for annual financial periods beginning on or after 1 January 2011.

TAS 24 (revised 2007)	Related Party Disclosures
TAS 40	Investment Property

The adoption of these revised TAS is not expected to have any material impact on the Branch's financial statements.