



# Our Customers' Success Is Our Success





Our  
Customers'  
Success is  
Our Success.

### Vision

Being government's financial institution for developments to help and support Thai SMEs.

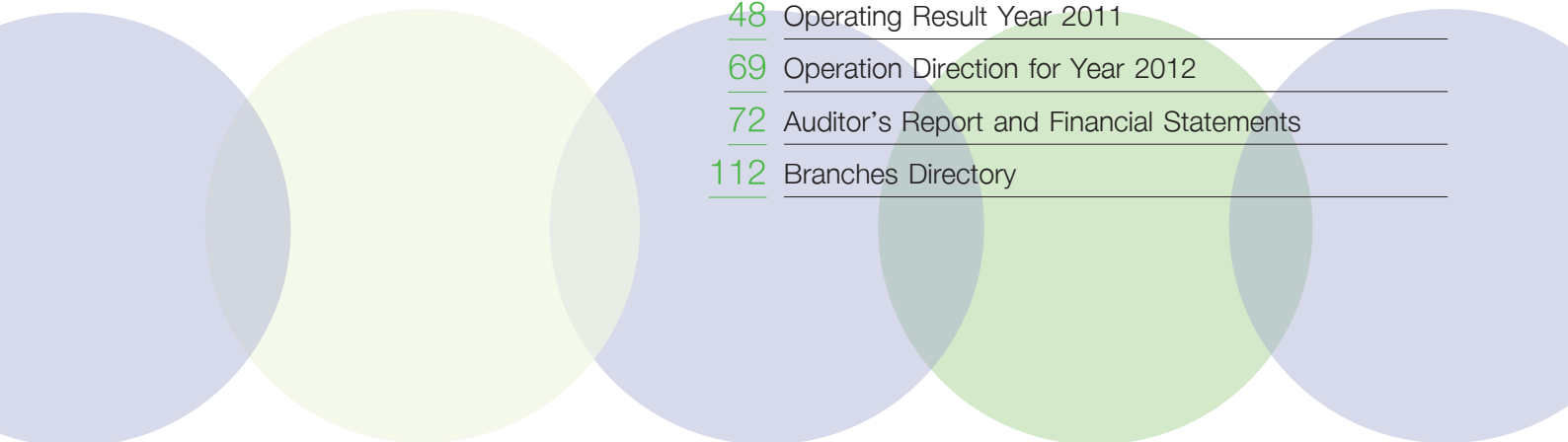
### Mission

- Support government policy in helping and supporting Thai SMEs.
- Provide financial and other services which respond to the demand of Thai SMEs.
- Support and develop Thai SMEs to be competitive in the world market.
- Improve information technology system and management system in the organization for efficiency and good corporate governance.



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## Report by Board of Directors

In the past years, the Thai economy faced with many crises continuously from the Hamburger Crisis in United States of America, political violence, natural disasters specifically the Great Flooding that occurred in 2011, which have caused damages to every sector. Especially the SMEs entrepreneurs who have to face with losses in assets and business opportunities in billions of baht, which caused unemployment problem and the Thai economy is on the decline. Therefore, the government has assigned specific financial institution to drive the economy by giving loans to replace dwindling loans in the system until the economy recovers and commercial banks can provide loans as usual. SME Bank responsible for SMEs entrepreneurs has provided assistance and support through various projects such as smePOWER Loan Project to help flood victims and Debt Moratorium for Disaster Victims Project etc.

Moreover, SME Bank also supports every group of SMEs entrepreneurs to increase their potentials and expand businesses, especially those SMEs entrepreneurs who could not access capital in the system including small entrepreneurs and SMEs entrepreneurs who are prioritized by government as targets for the country development.

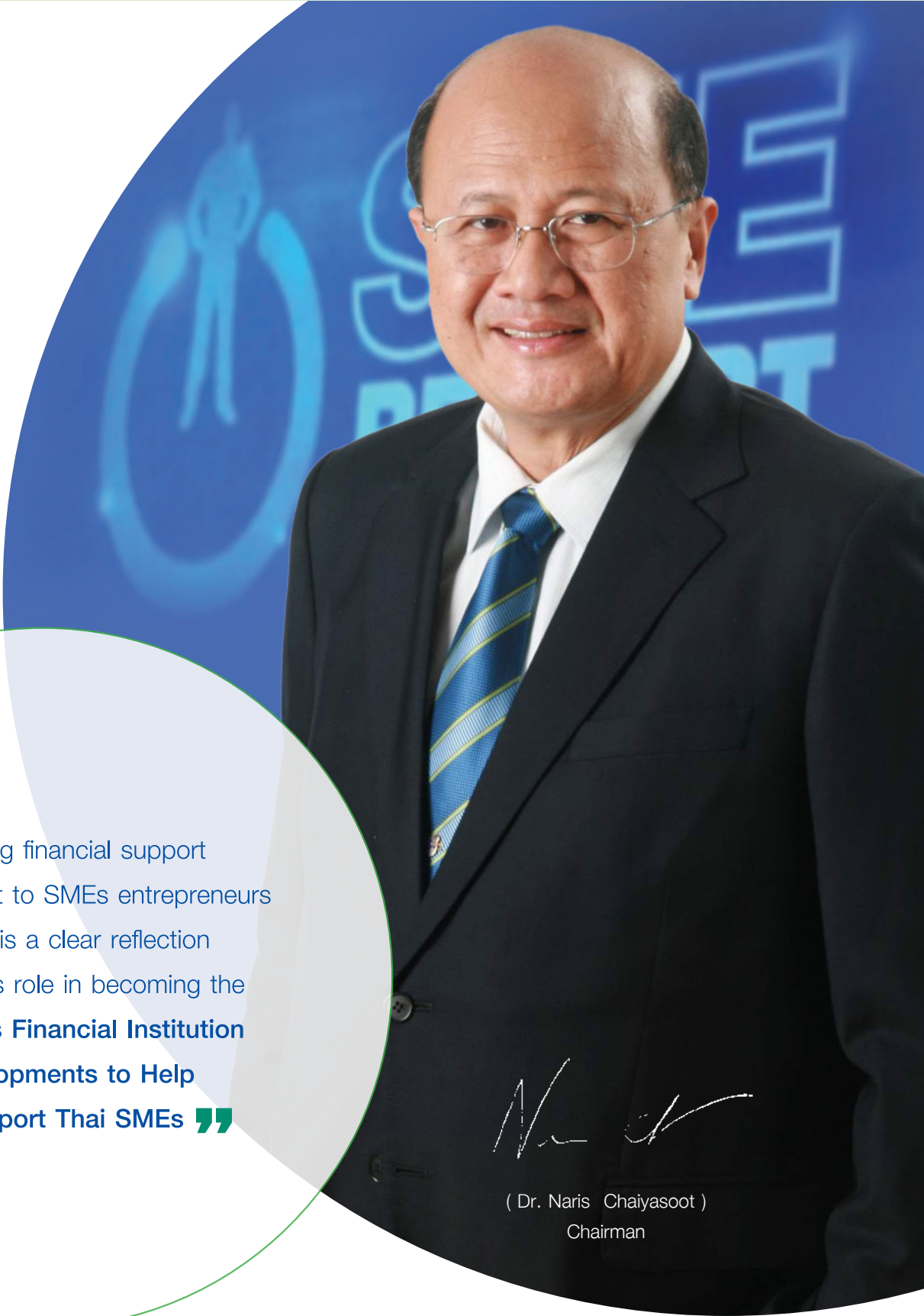
As for improvement to SMEs entrepreneurs, SME Bank continues to assist them by providing consulting and recommendations in loan applications. After loans have been approved, SMEs entrepreneurs would be taken care of and develop business on three sides, which are elevate production standard and economic creativity, management and assistance in marketing in order to strengthen them, so that they are prepared for local and foreign trading especially when ASEAN Economic Community : AEC comes into effect and to take the opportunity to expand businesses into Southeast Asia countries and be ready for higher competition from foreign competitors.

SME Bank has been providing financial support and developing SMEs entrepreneurs all along, which clearly reflects SME Bank's role as **“Government's Financial Institution for Developments to Help and Support Thai SMEs”** based on SME Bank's vision to strengthen SMEs entrepreneurs and be prepared for competition in the new age.

Meanwhile, SME Bank urgently strengthened the organization by increase quality of loans and set aside reserve allowance for doubtful account in accordance to the International Accounting Standard 39th Edition (IAS 39). Moreover, SME Bank also emphasizes on social and environmental responsibilities and implants the conscientious about caring to society and within the organization.

As for the 2012 operations, SME Bank adheres to the mission and vision to be a government's financial institution for developments, so as to create opportunities for SMEs entrepreneurs to fill the void in financial services and to develop SMEs entrepreneurs where commercial banks could not provide as well as relief burden to entrepreneurs in times of crisis. Moreover, SME Bank also provides support to SMEs entrepreneurs, who are strategic groups in accordance to government policy in propelling stable economic growth.

The Board of Directors expresses our gratitude towards the Ministry of Finance and Ministry of Industry for directly overseeing SME Bank and has been providing good support. Thank you for cooperation from alliance organizations, customers and every sector which has been supporting SME Bank all along, including every management and staff who has cooperated to lead the organization to expand steadily. We promise that SME Bank will operate business with transparency under good corporate governance and be the financial institution for government developments and support Thai SMEs entrepreneurs to grow steadily.



“ By providing financial support and development to SMEs entrepreneurs in the past is a clear reflection of SME Bank’s role in becoming the **Government’s Financial Institution for Developments to Help and Support Thai SMEs** ”

( Dr. Naris Chaikasoot )  
Chairman

## Report by Audit Committee



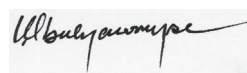
The Audit Committee of SME Bank comprises :

- |                                   |           |
|-----------------------------------|-----------|
| 1. Mr. Vudhibhongse Vibulyawongse | Chairman  |
| 2. Mr. Sukson Tangsasom           | Director  |
| 3. Mr. Taveesak Foongkiatcharoen  | Director  |
| 4. Mr. Vitaya Suriyawong          | Director  |
| 5. Internal Audit Department      | Secretary |

In 2011, the Audit Committee held 8 meetings to consider the matter according to responsibilities and made conclusion to propose to the Board of Directors. Important contents are as follows:-

1. Audit quarterly financial statements and annual financial statements to ascertain that they are correct, complete and true and in accordance to Generally Accepted Accounting Principle.
2. Verify sufficiency and effectiveness of risk management procedure and internal control with internal auditor by considering the Audit Report, which includes strategic, credit, marketing, liquidity and operation risks, so as to ascertain that the internal control system of the Bank is appropriate and sufficient as well as correct any shortcomings to create more operation efficiency.
3. Verify the operation procedure in accordance to related rules, regulations and orders within the Bank and related departments externally.
4. Oversee Internal Audit Department by considering and revising the Charter of the Audit Committee, approving the improvement of the Charter of the Internal Audit Department, internal auditor's ethics, audit procedure standard manual, 3-year long-term strategic audit plan, annual audit plan, budget and personnel of Internal Audit Department.
5. Prosecute Audit Committee's annual self-assessment, as well as consider and approve the Internal Audit Department self-assessment.

The Audit Committee has independently performed the audit procedure as stated in the Audit Committee's Charter, engaged in specific discussions with the Management and gave the opinion that the Bank's Financial Statements present fairly reliable information in all material aspects and in accordance with Generally Accepted Accounting Principles with sufficient internal control, risk management and internal audit, which coincides with current business operations.



**(Mr. Vudhibhongse Vibulyawongse)**  
**Chairman of the Audit Committee**

# Background

The Small and Medium Enterprise Development Bank of Thailand (SME Bank) divides the organizational changes into 3 periods as follows:-

## 1. Small Industry Finance Office (1964 - 1991)

In 1963, the cabinet gave the resolution to establish a loan processing office for small industries under the control and supervision of Department of Industrial Promotion to provide financial support to small industrial business and has changed the name to “Small Industry Finance Office” (SIFO).

## 2. Small Industry Finance Corporation (1991 - 2002)

Due to limitations on funding and financial services of Small Industry Finance Office (SIFO), the Ministry of Industry and Ministry of Finance, therefore, elevated its status to “Small Industry Finance Corporation” (SIFC), so that it can retain the juristic person status in accordance to Civil and Commercial Law.

However, the 1997 Financial Crisis has severely affected various business sectors especially Small and Medium Enterprises, which faced with financial liquidity problems. Therefore, the Ministry of Industry and Ministry



of Finance proposed the concept to elevate as a Bank to be the **Main Financial Institution for SMEs Development.**

## 3. Small and Medium Enterprise Development Bank of Thailand (2002 – Current)

In 2001, the government approved to increase the role and expand operation scope of Small Industry Finance Corporation and established the “Small and Medium Enterprise Development Bank of Thailand” (SME Bank), which the **Ministry of Industry** and **Ministry of Finance** have drafted the Small and Medium Enterprise Development Bank of Thailand Act B.E.2002, **which is effective on 20<sup>th</sup> December 2002**, so this day is considered as the Foundation Day for SME Bank of Thailand.

The objectives of SME Bank’s operations are to “engage in business to develop, promote, assist and support the establishment, operations, expansion or improvement to small and medium-sized enterprises by providing loans, guarantee, joint investments, consulting recommendations or other necessary services.”



## Board of Directors



1

1. Dr. Naris Chaiyasoot  
Chairman

2

2. Mr. Pichai Chunhavajira\*  
Director

3

3. Mr. Witoon Simachokedee  
Director

4

4. Mr. Anusorn Muttaraid\*  
Director

5

5. Mr. Udom Wongviwatchai  
Director





6

6. Mr. Vudhibhongse Vibulyawongse  
Director

7

7. Mr. Sommai Khowkachaporn\*  
Director

8

8. Mrs. Wanee Thasanamontien  
Director

9

9. Mr. Adul Laohapol\*  
Director

10

10. Mr. Jirayut Rungsrithong\*  
Director

11

11. Mr. Soros Sakornvisava  
Director and Secretary

Note : \* Independent directors mean competent bank directors who do not holding a position in any government enterprise or related government unit.

As of 31<sup>st</sup> December, 2011

## Qualifications of Board of Directors



### 1. Dr. Naris Chaiyasoot

Director-General, The Treasury Department

Chairman

Age 56

#### Education

- Ph.D. Economics, University of Hawaii
- M.A. Economics, Thammasat University
- B.A. Economics (Hon.) Thammasat University

#### Training

- Public Director Certification Program, King Prajadhipok's Institute
- Capital Market Academy Leadership Program, (Class 4), Capital Market Academy
- Certificate, National Defense College (Class 39), National Defense College

#### Other in Positions

- Chairman, Deposit Protection Agency
- President, Thailand Special Olympics
- Chairman, National Economics Research Council

#### Experience

- Director-General, Fiscal Policy Office, Ministry of Finance
- Deputy Permanent Secretary, Ministry of Finance
- Chief Inspector-General, Ministry of Finance

### 2. Mr. Pichai Chunhavajira\*

Vice Chairman, Thai Oil Public Company Limited

Director

Age 63

#### Education

- Honorary Degree Doctor of Philosophy (Accounting), Thammasat University, Thailand
- Doctor of Philosophy (Honorable Financial Management), Mahasarakham University, Thailand
- MBA. (Business Administration), Indiana University of Pennsylvania, USA

#### Training

- Director Certification Program (DCP 143/2011), Thai Institute of Directors Association
- Director Accreditation Program (DAP 49/2006), Thai Institute of Directors Association
- Capital Market Academy Leadership Program (Class 5), Capital Market Academy

#### Other in Positions

- Director, PTT Exploration and Production Public Company Limited
- Chairman, Thai Oil Marine Company Limited
- Chairman, Thai Oil Ethanol Company Limited

#### Experience

- Director, PTT Public Company Limited
- Director, IRPC Public Company Limited
- Director, Thai Airways International Public Company Limited



### 3. Mr. Witoon Simachokedee

Permanent Secretary, Ministry of Industry

**Director**

Age 57

#### Education

- Ph.D. ( Public Administration), Ramkhamhaeng University
- Honorary Doctor of Science Degree in Safety Technology and Occupational Health, Suan Sunandha Rajabhat University
- Honorary Doctor of Engineering Degree (Safety Engineering), Kasetsart University

#### Training

- National Defense Course for the Joint State-Private Sector (Class 16), National Defense College of Thailand
- Advanced Certificate Course in Politics and Governance in Democratic Systems for Executive Course (Class 11), King Prajadhipok's Institute
- The Programme of Senior Executives on Justice Administration Batch (Class 13), National Justice Academy Ministry of Justice

#### Other in Positions

- Chairman, The Industrial Estate Authority of Thailand

#### Experience

- Director-General, Department of Industrial Works, Ministry of Industry
- Director-General, Department of Primary Industries and Mines, Ministry of Industry
- Deputy Permanent Secretary, Ministry of Industry



### 4. Mr. Anusorn Muttaraid\*

Executive Director,

Delta Electronics (Thailand) Public Co., Ltd.

**Director**

Age 58

#### Education

- Bachelor of Science (Honors), Kasetsart University

#### Training

- Director Certification Program (DCP 37), Thai Institute of Directors Association

#### Other in Positions

- Chairman of Committee on Indian-Thai Affairs, The Thai Chamber of Commerce
- Director, DET International Holding
- Managing Director, Delta Green Industrial (Thailand) Co., Ltd.

#### Experience

- Director Delta Electronics Components (Thailand) Co., Ltd.
- Director Palo Alto Manufacturing (Thailand) Co., Ltd.
- Director Palo Alto Plastic (Thailand) Co., Ltd.



#### 5. Mr. Udom Wongviwatchai

Chief Inspectors General, Ministry of Industry

Director

Age 56

##### Education

- M.S., (Management Engineering), University of Bridgeport, USA
- Master of Business Administration, Thammasart University
- Bachelor of Engineering (Electrical Engineering), Kasetsart University

##### Training

- Top Executives Program in Commerce and Trade
- National Defense Course for the Joint State-Private Sector (Class 19), National Defense College

##### Other in Positions

- Acting Director-General, Office of Industrial Economics Ministry of Industry

##### Experiences

- Inspectors General, Ministry of Industry
- Deputy Director-General, Office of Industrial Economics
- Director, Marco Industrial Policy Bureau, Office of Industrial Economics

#### 6. Mr. Vudhibhongse Vibulyawongse

Deputy Attorney General

Director

Age 61

##### Education

- M.P.A., National Institute of Development Administration (NIDA)
- Thai Barrister at Laws, (Thai Bar Association)
- Bachelor of Laws, Thammasat University

##### Training

- Senior Crisis Management Seminar, 12-19 October 2007, the American University, Washington D.C., USA
- Advanced Certificate Course in Politics and Governance in Democratic Systems for Executives Course (Class 14), King Prajadhipok's Institute
- Capital Market Academy Leadership Program (Class 12), Capital Market Academy

##### Other in Positions

- Board of Directors, Metropolitan Waterworks Authority
- Board of Director, Bangkok Dock (1957) Co., Ltd.
- Expert Committee on National Standard, Committee on National Standard

##### Experience

- Inspector General
- Director General, Department of the Attorney General Commission
- Director General, Office of Attorney General Region 5



**7. Mr. Sommai Khowkachaporn\***

**Director**

Age 64

**Education**

- Master of Business Administration, Long Island University, New York, USA
- Bachelor of Business Administration, University of the East, Philippines

**Training**

- Audit Committee Program (ACP 62/ 2007), Thai Institute of Director Association
- Audit Committee Program (ACP 4/ 2005), Thai Institute of Director Association
- DCP Refresher (DCP 1/2005), Thai Institute of Director Association

**Other in Positions**

- Director, Thai Lube Base Public Company Limited
- Director, Executive Board of Directors Industrial Estate Authority of Thailand
- Managing Director, Sport Services Alliance Co., Ltd.

**Experience**

- Director PTT Aromatics and Refining Public Company Limited (PTTAR)
- Director PTT Public Company Limited
- Director IRPC Public Company Limited

**8. Mrs. Wanee Thasanamontien**

**Principal Advisor on Strategic Tax Administration (Energy Industry), Revenue Department, Representative of Ministry of Finance**

**Director**

Age 58

**Education**

- Master Degree of Public Administration, Chulalongkorn University
- Bachelor Degree of Accounting, Thammasat University
- Bachelor Degree of Law, Thammasat University

**Training**

- International Financial Fraud and Money Laundering Investigations, USA
- The Management Development Programs, Sasin Graduate Institute of Business Administration of Chulalongkorn University, Executive Development Program, The Wharton School, University of Pennsylvania in Philadelphia, Pennsylvania, USA
- High Level Governor Program, (Nor Por Sor.), Office of The Civil Service Commission

**Other in Positions**

- Director of Wastewater Management

**Experience**

- Principal Advisor on Strategic Tax Administration (Energy Industry), The Revenue Department
- Deputy Director General, The Revenue Department
- Director of Bureau of Central Audit Operations



#### 9. Mr. Adul Laohapol\*

President of Art Business Fair Company

Director

Age 54

##### Education

- Studying DPA at Bangkok Thonburi University
- M.P.A., B.A. Political Science, Chulalongkorn University
- B.B.A., Finance & Banking, Assumption University

##### Training

- Certificate of Top Executive Management Bangkok, (Member of Bangkok Metropolitan Assembly)
- Certificate of Institute of Administration Development
- Certificate : The Institute of International Education (Reengineering Public Service in City Management)

##### Other in Positions

- Lecturer, Bangkok Thonburi University

##### Experience

- Advisor to Chairman Ministry of Industry
- Advisor to Chairman Council of University
- Bangkok Metropolitan Counselor

#### 10. Mr. Jirayut Rungsrithong\*

Director

Age 46

##### Education

- M.S., Operations Research, The George Washington University, USA
- B.Eng., Computer Engineering, King Mongkut's Institute of Technology Ladkrabang

##### Training

- Capital Market Academy Leadership Program (Class 10), Capital Market Academy
- Advanced Management Program (BMA1), Urban Green Development Institute, Bangkok Metropolitan Administration
- Director Certification Program (DCP 60/2005), Thai Institute of Directors Association

##### Other in Positions

- Vice President, The Telecommunications Association of Thailand under the Royal Patronage
- Advisor to the Chairman, The Committee on Monetary, Finance, Banking and Financial Institutions, The House of Representatives

##### Experience

- Chief Executive Officer, CAT Telecom Public Co., Ltd.
- Chief Financial Officer, CAT Telecom Public Co., Ltd.
- Chairman, BFKT Co., Ltd.



#### 11. Mr. Soros Sakornvisava

**President,**  
**Small and Medium Enterprise Development**  
**Bank of Thailand**  
**Director & Secretary**

Age 56

##### Education

- Doctor of Public Administration, Bangkok Thonburi University
- M.ECON., Ramkhamheang University
- B.ECON., Ramkhamheang University

##### Training

- Capital Market Academy Leadership Program (Class 13), Capital Market Academy
- The Programme of Senior Executives on Justice Administration (Batch 15), National Justice Academy
- Advanced Security Management Program (Class 2), National Defense College

##### Other in Positions

- Director, Board of Director National Credit Bureau Co., Ltd.
- Director, Board Committee Globlex Securities Co., Ltd.
- Director, Audit Committee Globlex Securities Co., Ltd.

##### Experience

- Chief Financial Officer SME Bank
- Executive Vice President SME Bank
- Senior Vice President Siam City Bank

## Board of Executive Directors



1

**1. Mr. Pichai Chunhavajira\***  
Chairman

2

**2. Mr. Anusorn Muttaraid\***  
Director

3

**3. Mr. Witoon Simachokedee**  
Director

4

**4. Mr. Adul Laohapol\***  
Director

5

**5. Mr. Soros Sakornvisava**  
Director and Secretary

Note : \* Independent directors mean competent bank directors who do not holding a position in any government enterprise or related government unit.

As of 31<sup>st</sup> December, 2011





## Audit Committee

|                                       |           |
|---------------------------------------|-----------|
| <b>Mr. Vudhibhongse Vibulyawongse</b> | Chairman  |
| <b>Mr. Sukson Tangsasom</b>           | Director  |
| <b>Mr. Taveesak Foongkiatcharoen</b>  | Director  |
| <b>Mr. Vitaya Suriyawong</b>          | Director  |
| <b>Mr. Keree Kerinnonta</b>           | Secretary |

## Risk Management Committee

|                                   |           |
|-----------------------------------|-----------|
| <b>Mr. Anusorn Muttaraid *</b>    | Chairman  |
| <b>Mr. Sommai Khowkachaporn *</b> | Director  |
| <b>Mr. Chawit Chaikittisilpa</b>  | Director  |
| <b>Mr. Sawin Laosethakul</b>      | Director  |
| <b>Mr. Soros Sakornvisava</b>     | Director  |
| <b>Mr. Tawat Jitkraisorn</b>      | Secretary |

Note : \* Independent directors mean competent bank directors who do not holding a position in any government enterprise or related government unit.

As of 31<sup>st</sup> December, 2011

## Employee Relations Committee

**Mr. Adul Laohapol \*** Board of Directors **Chairman**

### Employer

**Mr. Surachai Kampalanonwat** Senior Executive Vice President Responsible for Branch Group **Director**

**Mr. Woramit Krutto** Senior Executive Vice President Responsible for Credit Group **Director**

**Mr. Nopadol Sookajit** Senior Vice President Legal Department **Director**

**Mr. Praves Masawat** Vice President Organization Development and Good Governance Department **Director**

**Mrs. Neeranart Chutiwong** Vice President Human Resources Department **Director**

### Employee

**Mr. Saree Musigerst** Chairman, The State Enterprise Labor Union **Director**

**Mr. Charin Pornratanakavee** Vice Chairman, The State Enterprise Labor Union **Director**

**Mrs. Rapephun Prawatwong** Vice Chairman, The State Enterprise Labor Union **Director**

**Mr. Tassana Phandech** Director, The State Enterprise Labor Union **Director**

**Mr. Pornvisit Ruengdit** Director, The State Enterprise Labor Union **Director**

## Good Corporate Governance and Corporate Social Responsibility Committee (CG & CSR)

**Mrs. Wanee Thasanamontien** Chairman

**Mr. Udom Wongviwachai** Director

**Mr. Chawit Chaikittisilpa** Director

**Mrs. Wallaya Chaovawanich** Director

**Mr. Praves Masawat** Secretary

Note : \* Independent directors mean competent bank directors who do not holding a position in any government enterprise or related government unit.

As of 31<sup>st</sup> December, 2011



## Information Technology Committee

|                                   |           |
|-----------------------------------|-----------|
| <b>Mr. Sommai Khowkachaporn *</b> | Chairman  |
| <b>Mr. Udom Wongviwatchai</b>     | Director  |
| <b>Mr. Chai Chaovawanich</b>      | Director  |
| <b>Mr. Thanarug Issadisai</b>     | Secretary |

## Recruitment and Remuneration Committee

|                                   |                        |
|-----------------------------------|------------------------|
| <b>Mr. Witoon Simachokedee</b>    | Chairman               |
| <b>Mr. Udom Wongviwatchai</b>     | Director               |
| <b>Mr. Adul Laohapol *</b>        | Director               |
| <b>Mr. Aroonchai Phattaranont</b> | Director               |
| <b>Mr. Soros Sakornvisava</b>     | Director and Secretary |
| <b>Mrs. Neeranart Chutiwong</b>   | Assistant Secretary    |

Note : \* Independent directors mean competent bank directors who do not holding a position in any government enterprise or related government unit.

As of 31<sup>st</sup> December, 2011

## SME Bank Executives



1

1. Mr. Soros Sakornvisava  
President

2

2. Mr. Pongsak Chajiamjan  
Senior Executive Vice President

3

3. Mr. Surachai Kampalanonwat  
Senior Executive Vice President



4

**4. Mrs. Intira Phokpoonyarak**  
Senior Executive Vice President

5

**5. Mr. Woramit Krutto**  
Senior Executive Vice President

6

**6. Mr. Somchai Tantitanawat**  
Senior Executive Vice President

7

**7. Mr. Somsak Chaiyadej**  
Senior Executive Vice President



8

8. Miss Kethsiree Piroonmethee  
Executive Vice President

9

9. Mr. Somdul Chatunart  
Executive Vice President

10

10. Mrs. Niracha Phuncharoen  
Executive Vice President

11

11. Miss Parichatara L. Sirivong  
Executive Vice President

12

12. Mr. Kongdacha Chairatana  
Executive Vice President

13

13. Mr. Somboon Ahunai  
Executive Vice President



14

14. Mr. Chatchai Ratanaolarn  
Executive Vice President

15

15. Mr. Smanpong Klienglumyong  
Executive Vice President

16

16. Mrs. Laval Singhamany  
Executive Vice President

17

17. Mr. Phongcharn Samphaengern  
Executive Vice President

18

18. Mr. Tanarug Issadisai  
Executive Vice President

19

19. Mr. Pornchai Viriyatanaskul  
Specialist

## SME Bank Management



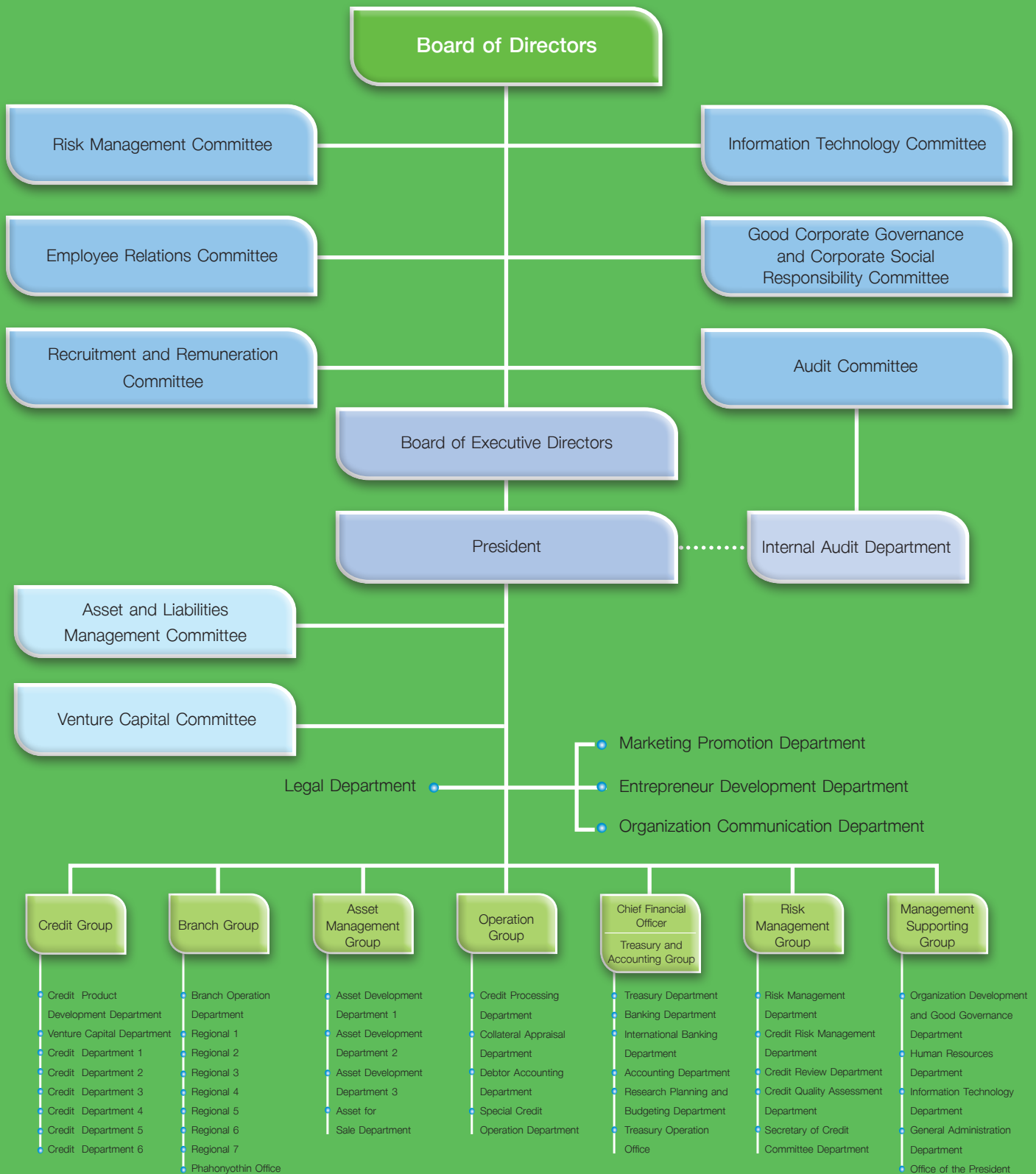
|  |                       |   |
|--|-----------------------|---|
| <b>Mr. Supakit Panchareon</b>          | Senior Vice President | Acting as Assistance to Management<br>Supporting Group Responsibility |
| <b>Mrs. Chongrak Politanont</b>        | Senior Vice President | Acting as Assistance to Risk Management<br>Group Responsibility       |
| <b>Mr. Kantaphon Kaewmanee</b>         | Senior Vice President | Credit Product Development Department                                 |
| <b>Mr. Chongwuth Kwangsuksatit</b>     | Senior Vice President | Venture Capital Department  |
| <b>Mr. Keree Kerinnonta</b>            | Senior Vice President | Internal Audit Department   |
| <b>Mr. Yingyong Athisirikul</b>        | Senior Vice President | Treasury Department   |
| <b>Mr. Tawat Jitkraisorn</b>           | Senior Vice President | Risk Management Department  |
| <b>Mr. Pongprayoon Termtechatipong</b> | Senior Vice President | Credit Processing Department  |
| <b>Mr. Sumeth Anusithsupakarn</b>      | Senior Vice President | Regional 3  |
| <b>Mr. Taweesak Narkdee</b>            | Senior Vice President | Regional 4  |
| <b>Mr. Suriya Chitman</b>              | Senior Vice President | Banking Department  |
| <b>Mr. Sompob Pusayanonda</b>          | Senior Vice President | Asset Development Department 1  |
| <b>Mr. Tiravutti Jirachaisri</b>       | Senior Vice President | Regional 2  |
| <b>Mr. Pichit Mitrawong</b>            | Senior Vice President | Credit Department 5   |
| <b>Mr. Kodchagone Ladchasawee</b>      | Senior Vice President | Regional 5  |
| <b>Miss Nartnaree Rathapat</b>         | Senior Vice President | Office of the President   |
| <b>Miss Malin Wuvanich</b>             | Senior Vice President | Accounting Department   |
| <b>Mr. Jarin Tiasakul</b>              | Senior Vice President | Asset Development Department 2  |
| <b>Mr. Wirin Udomchoke</b>             | Senior Vice President | Credit Department 3   |
| <b>Mr. Somchai Saensinthalai</b>       | Senior Vice President | Credit Department 1   |
| <b>Mr. Amnart Benjasopit</b>           | Senior Vice President | Asset Development Department 3  |





|                                      |                       |   |
|--------------------------------------|-----------------------|---|
| <b>Mr. Nopadol Sookajit</b>          | Senior Vice President | Legal Department  |
| <b>Miss Pornphan Limamphai</b>       | Senior Vice President | Research Planning and Budgeting Department              |
| <b>Miss Nara Saenghirundwathana</b>  | Senior Vice President | Credit Risk Management Department                       |
| <b>Mr. Vitoon Buasakdi</b>           | Vice President        | Secretary of Credit Committee Department                |
| <b>Mr. Jessada Chor. Charoenying</b> | Vice President        | Credit Review Department                                |
| <b>Mr. Suwit Jutiprasert</b>         | Vice President        | Asset for Sale Department                               |
| <b>Mr. Weerawud Rujirakul</b>        | Vice President        | Debtor Accounting Department                            |
| <b>Mr. Arnat Wiboonkanarak</b>       | Vice President        | Credit Department 6                                     |
| <b>Miss Yupin Thanativakul</b>       | Vice President        | Organization Communication Department                   |
| <b>Mr. Praves Masawat</b>            | Vice President        | Organization Development and Good Governance Department |
| <b>Miss Areeya Duanram</b>           | Vice President        | Marketing Promotion Department                          |
| <b>Mrs. Wannipa Vudthivat</b>        | Vice President        | Phahonyothin Office                                     |
| <b>Mr. Piwat Chaiyanukij</b>         | Vice President        | Credit Department 4                                     |
| <b>Mr. Boonsek Phanudom</b>          | Vice President        | Entrepreneur Development Department                     |
| <b>Mr. Cherdchai Ouanmin</b>         | Vice President        | Collateral Appraisal Department                         |
| <b>Mr. Jakkrid Karoonsit</b>         | Vice President        | Information Technology Department                       |
| <b>Mr. Kreingkrai Kerdkokeo</b>      | Vice President        | International Banking Department                        |
| <b>Mr. Thitarat Pootrakull</b>       | Vice President        | Credit Quality Assessment Department                    |
| <b>Mr. Atipol Inswang</b>            | Vice President        | Regional 6  |
| <b>Mrs. Neeranart Chutiwong</b>      | Vice President        | Human Resources Department                              |
| <b>Mr. Charin Hiengkul</b>           | Vice President        | Regional 1  |
| <b>Mr. Sumate Oplod</b>              | Vice President        | Regional 7  |

# Organization Chart



# Shareholders Structure

Small and Medium Enterprise Development Bank of Thailand  
As of 31<sup>st</sup> December 2011



| Shareholders Structure                            | No. of Shares      | Amount                | Percentage      |
|---|--------------------|-----------------------|-----------------|
| <b>Government Sector</b>                          |                    |                       |                 |
| 1. Ministry of Finance                            | 113,750,000        | 11,375,000,000        | 98.0603         |
| 2. Government Savings Bank                        | 550,000            | 55,000,000            | 0.4741          |
| 3. Krung Thai Bank Company Limited                | 222,000            | 22,200,000            | 0.1914          |
| 4. Financial Institutions Development Fund        | 18,000             | 1,800,000             | 0.0156          |
| <b>Total Government Sector</b>                    | <b>114,540,000</b> | <b>11,454,000,000</b> | <b>98.7414</b>  |
| <b>Private Sector</b>                             |                    |                       |                 |
| 1. CPB Equity Company Limited                     | 400,000            | 40,000,000            | 0.3448          |
| 2. Members of Thai Bankers' Association           | 695,911            | 69,591,100            | 0.5999          |
| 3. Members of Finance Corporations Association    | 359,726            | 35,972,600            | 0.3101          |
| 4. Others   | 4,363              | 436,300               | 0.0038          |
| <b>Total Private Sector</b>                       | <b>1,460,000</b>   | <b>146,000,000</b>    | <b>1.2586</b>   |
| <b>Total Government Sector and Private Sector</b> | <b>116,000,000</b> | <b>11,600,000,000</b> | <b>100.0000</b> |

# Financial Information

Small and Medium Enterprise Development Bank of Thailand  
As of December 31, 2011, 2010 and 2009.



| Items  | 2011         |                                    | 2010         |                                    | 2009          |                                    |
|--|--------------|------------------------------------|--------------|------------------------------------|---------------|------------------------------------|
|  | Amount       | Growth (Reduction) Rate Percentage | Amount       | Growth (Reduction) Rate Percentage | Amount        | Growth (Reduction) Rate Percentage |
| <b>Financial Status (Unit : millions baht)</b> |              |                                    |              |                                    |               |                                    |
| Interbank and Money Market Items               | 14,812.04    | 153.94                             | 5,832.86     | (19.71)                            | 7,264.95      | (36.72)                            |
| Net Investments                                | 8,615.44     | 77.69                              | 4,848.61     | 104.47                             | 2,371.33      | 13.85                              |
| Loan to debtors and Net Interest Receivable    | 89,190.68    | 18.10                              | 75,520.28    | 44.90                              | 52,118.73     | 38.91                              |
| Total Assets                                   | 115,440.50   | 30.26                              | 88,620.45    | 39.43                              | 63,558.71     | 20.59                              |
| Deposits                                       | 91,933.04    | 53.09                              | 60,050.42    | 97.60                              | 30,389.36     | 31.52                              |
| Interbank and Money Market Items               | 2,946.43     | (74.66)                            | 11,625.91    | (37.62)                            | 18,637.82     | (3.81)                             |
| Borrowings                                     | 10,694.88    | 96.70                              | 5,437.18     | 63.90                              | 3,317.40      | (12.91)                            |
| Total Liabilities                              | 109,450.09   | 32.30                              | 82,731.28    | 43.60                              | 57,613.65     | 16.63                              |
| Issued and Fully Paid-up Capital               | 11,600.00    | -                                  | 11,600.00    | -                                  | 11,600.00     | 27.47                              |
| Shareholders' Equity                           | 5,990.41     | 1.72                               | 5,889.17     | (0.94)                             | 5,945.06      | 79.92                              |
| <b>Operating Result (Unit : million baht)</b>  |              |                                    |              |                                    |               |                                    |
| Interest Income                                | 4,820.36     | 46.73                              | 3,285.29     | 48.21                              | 2,216.65      | 0.26                               |
| Non-interest Income                            | 2,684.84     | 669.86                             | 348.74       | 1.97                               | 341.99        | 325.52                             |
| Total Income                                   | 7,505.20     | 106.53                             | 3,634.03     | 42.03                              | 2,558.64      | 11.66                              |
| Interest Expense                               | 2,564.06     | 138.81                             | 1,073.70     | (15.14)                            | 1,265.26      | (28.34)                            |
| Non-interest Expense                           | 1,749.29     | 10.98                              | 1,576.16     | (41.09)                            | 2,675.74      | 23.35                              |
| Total Expenses                                 | 4,313.35     | 62.78                              | 2,649.86     | (32.76)                            | 3,941.00      | 0.15                               |
| Gross Profit (Loss) before Doubtful Account    | 3,191.85     | 224.32                             | 984.17       | (171.19)                           | (1,382.36)    | (15.89)                            |
| Doubtful Accounts                              | 2,969.44     | 247.02                             | 855.69       | (156.55)                           | (1,513.13)    | (242.12)                           |
| Net Profit (Loss)                              | 222.41       | 73.11                              | 128.48       | (1.75)                             | 130.77        | -                                  |
| Earnings per share (baht)                      | 1.92         | 72.97                              | 1.11         | (17.16)                            | 1.34          | -                                  |
| <b>Capital Adequacy (BIS Ratio)</b>            | <b>6.78%</b> |                                    | <b>7.56%</b> |                                    | <b>10.28%</b> |                                    |

Kon Fai Shop, Jatujak Sunday Market, Bangkok

Supported by : Marketing Promotion



“ SME Bank teaches us to trade through the Website..... It is very very effective. We used to have only local customers but now we also sell to foreign markets. If SME Bank did not give suggestions to my Kon Fai Shop, my business would not be good until today ”

Khun Chalernpol Yanaso

Business owner : Hand-woven Cotton Cloth

## Good Corporate Governance

The Small and Medium Enterprise Development Bank of Thailand (SME Bank) is a state's specialized financial institution that aims to develop, promote, and assist mid-sized and small business operators in their business establishment, operation, and expansion through loans, guarantees, joint venture, financial consultations, and other relating services that complete a legal financial service according to The Small and Medium Enterprise Development Bank of Thailand Act 2002 (B.E.2545). The Bank determines to drive the sustainable of Thai economics under the socially responsible management, good corporate governance, while upholding the utmost morals and ethics of the Bank.

### The Management and the Social Responsibility of the Bank

SME Bank operates business efficiently with responsibility and integrity under good corporate governance and excellent management, to enhance shareholders' benefits and aware about those with interests in the Bank. SME Bank operates business with integrity, transparency and verifiable, which are main factors in strengthening organizational efficiency. SME Bank as an economic mechanism of the government

in supporting small and medium enterprises, thus determines basic principles to understand and implant conscientious in management and employees, so that they understand their roles and duties, as a guideline in supporting good political and social management system for the benefits of the Bank as follows:-

1. The rule of law: the Bank's rules, requirements, and conditions are uniform and unprejudiced. They are accepted and equally apply in practicality.

2. Ethical practices: the Bank is committed to integrity and has urged its employees to follow the Bank's ethical standards and to perform their duties with honesty, diligence, patience, and disciplines.

3. Transparency: the Bank is committed to the disclosure of accurate information that will bring trust among all related parties. The Bank has improved its operational system to be transparent through the disclosure of adequate and useful facts that clients can verify the accuracy of the information.

4. Participation and Involvement: the Bank allows involved parties to participate and voice their opinions in the Bank's major decision-making through comments, public hearings, and public opinions.

5. Responsibility and Accountability: the Bank is aware of its role and duties that are the responsibilities to take care of its clients enthusiastically, to accept the results of its performance and operations, and to be ready for the assessment and reviews.

6. Cost-effectiveness: the Bank is committed to maximizing its limited resources to ensure the utmost benefits to the public. The Bank has urged its employees to be economical, be protective of the Bank's interests, be mindful of the production cost and values and be ready to perform the quality and competitive services while conserving the natural resources for the true sustainability.

7. Good governance: the Bank has placed high values on its management and human resources by upholding the utmost sense of equality and unity among executives and employees.





In the year 2011, SME Bank has focused on the following stakeholders:

**Shareholder Relations:** SME Bank treats every shareholder equally in terms of information dissemination that is adequate, fair, and transparent. The Bank also has established a clear guideline in regards to the shareholder's right to vote and has operated efficiently to be a viable organization and be able to reward its shareholders with appropriate returns. In additions, the Bank has been successful in organizing shareholders' meetings in which they all have an equal chance to voice their opinions and suggestion.

**Customer Relations:** SME Bank treats its clients and the public with honesty and fairness. It determines to protect every client's benefit equally through quality services and strong commitment to its promises. SME bank will not use the client's information for its own good and will not over-promise in things that cannot be done. It will protect the client's interest and disclose adequate and useful information to assure the client's satisfactory.

**Employee Relations:** SME Bank is committed to reward its employees with incomes and benefits that are appropriate to their performance, duty, and responsibility. It is committed to create a working environment and a workplace that is safe and sanitary. SME Bank also determines to supply its employees with knowledge and skills that will help develop and maximize their potentials

**Business and Competitor Relations:** This includes relationship with other financial institutions and competitors. The Bank operates under the strong belief in fair market and fair competition. It is committed to the disclosure of unclassified information and the support of activities that promote an understanding and good relationship.

**Social Relations:** SME Bank is committed to the well being of the nation and society and is supportive of capital mobilization of the development funds. The Bank is not political biased and will strictly maintain its impartiality. The Bank will not support or co-operate with any illegal business, harmful activity, or threats to social/national security and will continue to support and collaborate with the government policy and appropriate social activities.

The Bank is aware that the concept of the good governance is a critical element for a successful operation. The Board of Directors play a vital role and responsible for the outcome of their duties and operation that have to take all the interest groups into the consideration. The Bank will not use any mean or do anything illegal, against its own rules and regulations, or immoral to fulfill its goal.

Seven important directions or a practical framework to become an organization with check and balance under the concept of good corporate governance for the Bank's executive and employees are as follows:

1. Accountability
2. Responsibility
3. Integrity and Fairness
4. Transparency
5. Creation of Long-term Value of all Stakeholders
6. Promotion of the Excellent Practices
7. Social and Environmental Responsibility

### The Principles of Good Corporate Governance

The Board of Directors is aware about the importance of good corporate governance, so as to operate business with transparency, integrity, honesty and verifiable. Therefore, the Good Corporate Governance and Corporate Social Responsibility Committee (CG&CSR) was appointed to determine good corporate governance in business operations of SME Bank to enhance effectiveness and increase efficiency, supervise and support bank operations so as to conform to good corporate governance principle as well as give recommendations to the management.

In 2011, SME Bank provided continuous trainings to executives of the Bank, organize activities to educate and implant conscientious in employees, review and keep updated with regulations, orders and formats of the Bank and law. SME Bank opens the P.O.Box 345 Good Governance to be a channel for customers or public to file their complaints about employees' services or give suggestions at all times. News information about good governance is also disseminated to employees throughout the year.

The Bank determines to continue to promote the practice of the Good Corporate Governance with the hope that its board of directors, executives, and employees will help raise the Good Governance practice up to the global standard which will increase the Bank's competitiveness and the ability to become a critical mechanism that solve and drive the economy to the sustainable state.

### Morality and Ethics

Throughout 2011, SME Bank provided trainings and encouraged morality and ethics for employees at all levels, emphasized instillation of good values from day one of working at the Bank and distributed the Bank's Morality and Ethics Code Manual to every new employee. Explain the principles and provide counseling on matter related to morality and ethics of SME Bank to them as the Bank is confident that the Morality and Ethics Code of SME Bank is a guideline beneficial to organizational management.

### The Board of Directors

The Small and Medium Enterprise Development Bank of Thailand Act 2002 (B.E.2545) stated that there shall be a Board of Directors, called "the Board of Directors of the Small and Medium Enterprise Development Bank of Thailand." Comprising of one chairman and not more than nine other directors, all of whom must be elected at a shareholders' meeting. The president of the Bank is to assume a director position and the total membership of this Board is 11 individuals.

The director position is a three-year term. The ones who have served one term maybe re-elected again but no one shall be in the position more than two terms consecutively.

### The Qualifications of the Board of Directors

The Board of Directors must consist of individuals who are highly knowledgeable and experienced in various fields that would be beneficial to organization. These individuals must hold the qualification stated in the Standard Qualification for Directors and Employees of the Public Enterprise Act 1975 (B.E.2518) and its updated version, along with The Small and Medium Enterprise Development Bank of Thailand Act 2002 (B.E.2545).

### Authorities, Duties, and Responsibilities

1. To lay down the policies and oversee the Bank's operation under the objective of developing, promoting, assisting and supporting the establishment, operation, expansion or the improvement of small and medium businesses through loans, loan guarantees, joint venture, financial consultation, knowledge and know-how, production development, marketing, management and provide them with financial, management, or other technical services needed.

2. To appoint the Board of Executive Directors consisting of chairman, and no more than three executive directors and the president, and to evaluate their performances to ensure that the Bank has an efficient evaluation process for the executive assessment.

3. To assess and discuss strategies proposed by the management team along with giving the approval needed for all critical financial policies.

4. To assess and approve the annual business plan, budgets, cost expenses and objectives of the operation proposed by the management team.

5. To oversee and evaluate the objective balance in short and long term.

6. To follow up the Bank's operation and track the progress of each objective and to ensure that the operation is in accordance with the policies, rules, regulations, and related laws.

7. To follow up with the risk management and track the success of internal risk control.

8. To approve for all vital innovation.

9. To ensure that there is an appropriate and effective communication system between the interest groups and general public.

10. To establish rules and regulations.

10.1 Regulations in relations to the Bank's shares.

10.2 Regulations in relations to loans, collaterals, the sale of bonds to other financial institutions, pledges mortgages, and other businesses of the Bank.

10.3 Regulations in relations to management and operation of the Bank.





|  | Dr.Naris Chaiyasoot<br>Chairman |             | Mr. Pichai Chunhavajira<br>Director |             | Mr. Witoon Simachokedee<br>Director |             | Mr. Anusorn Muttraid<br>Director |             | Mr. Udom Wongviwatchai<br>Director |             | Mr. Vudhibhongse Vibulyawongse<br>Director |             | Mr. Sommai Khowkachaporn<br>Director |             | Mrs.Wanee Thasanamontien<br>Director |             | Mr. Adul Laohapol<br>Director |             | Mr. Jirayut Rungsrihong<br>Director |             | Mr. Soros Sakornvisava<br>Director & Secretary |             |
|--|---------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|----------------------------------|-------------|------------------------------------|-------------|--|-------------|--------------------------------------|-------------|--------------------------------------|-------------|-------------------------------|-------------|-------------------------------------|-------------|--|-------------|
|  | Related                         | Non Related | Related                             | Non Related | Related                             | Non Related | Related                          | Non Related | Related                            | Non Related | Related                                    | Non Related | Related                              | Non Related | Related                              | Non Related | Related                       | Non Related | Related                             | Non Related | Related  | Non Related |
| 11. Thai Umaporn Textile Co., Ltd.     |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 12. A.P.Z Corporation Co., Ltd.        |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 13. Power and Saving Intania Co., Ltd. |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 14. Manee Taming Co., Ltd.             |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 15. Stang Holding Co., Ltd.            |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 16. National Credit Bureau Co., Ltd.   |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 17. Autowood (Thailand) Co., Ltd.      |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |
| 18. Bi-tech Coolblock Co., Ltd.        |                                 | X           |                                     | X           |                                     | X           |                                  | X           |                                    | X           |  | X           |                                      | X           |                                      | X           |                               | X           |                                     | X           |  | X           |

Note: The Small and Medium Enterprise Development Bank of Thailand (SME Bank) became shareholders in 18 companies (Information from the Venture Capital Department).

## Other Committees appointed by the Board of Directors

### 1. The Board of Executive Directors

Elements of the Boards: the Small and Medium Enterprise Development Bank of Thailand Act 2002 (B.E.2545) mandated that the Board of Executive Directors are appointed by the Board of Directors and must be comprised of a chairman, no more than three executive directors, and the president of the Bank must be a member of the board by position. The Board of Executive Directors is a two-year term.

#### Authorities, Duties, and Responsibilities

1) To lay out the operation plan for the Bank according to the policies and objectives set forth by the Board of Directors, which state in Section 25 that it cannot interfere with the authorities and duties of president of the Bank.

2) To report quarterly to the Board of Directors.

3) To approve the request to change the internal budget as per the Bank's regulations and report the change to the Board of Directors.

4) To approve the update in the organizational structure and responsibilities of departments under the supervision of vice president and report the change to the Board of Directors.

5) To set the strategies and principles needed to solve the NPL problems and report to the Board of Directors.

6) To set the annual bonus rate and special payment and then submit the information to the Board of Directors for approval.

7) To set the salary increase rate annually and then submit the information to the Board of Directors for approval.

8) To hire, appoint, promote, and set the salary base of vice president level and then submit that to the Board of Directors for approval.

9) To appoint members and officers of a subcommittee or a work task to work under the duties and responsibilities granted.

10) To approve the procurement/ rental of inventory from 20 million baht but not exceed 50 million baht.

11) To approve non-employee of the Bank working aboard.

12) To perform other duties as assigned by the Board of Directors.

#### The Board of Executive Directors' Authority in Regards to the Loan Approval

1) To approve or renew the credit line that is over 50 million baht but no more than 500 million baht and to approve the loans with inadequate or lack of collaterals or to post an exception in regards to collaterals in the total credit line that is less than 500 million baht.

2) To establish policies, requirements, and procedures that involve the credit consideration and approval of the loans stated in No.1.

3) To approve the request for leniency or the request to change the terms and conditions of the approved loans stated in No.1 in the following areas:

3.1 To expand or reduce the loan payment period.

3.2 To change the debt structure from short to long term, or vice versa.



3.3 To increase or decrease the grace period, principal payment, and interest payment in each interest cycle.

3.4 To increase the credit limit as necessary but not over the maximum amount allowed.

3.5 To re-structure the loans without going over the maximum amount allowed.

3.6 To decrease or post an exception on outstanding interests, fines, penalty interest rates and other fees, only when they have not be posted as revenues in the profit/ loss accounting according to the rules set forth by the Bank of Thailand.

The authorities in No. 3.1-3.6 must not affect the result of profit/ loss accounting according to the Bank of Thailand's regulations in regards to reported revenues.

4) To approve the loans re-structuring within the limitation of No. 1 in the following areas:

4.1 To expand or reduce the loan payment period.

4.2 To change the debt structure from short to long term, or vice versa.

4.3 To increase or decrease the grace period, principal payment, and interest payment in each interest cycle.

4.4 To increase the credit limit as necessary but not over the maximum amount allowed.

4.5 To re-structure the loans without going over the maximum amount allowed.

4.6 To decrease or post an exception on outstanding interests, fines, penalty interest rates and other fees, only when they have not be posted as revenues in the profit/ loss accounting according to the rules set forth by the Bank of Thailand.

The authorities in No.4.1-4.6 must not affect the result of profit/ loss accounting according to the Bank of Thailand's regulations in regards to reported revenues.

5) To appoint an expert or a consultant as appropriate.

6) To assign an individual or a team of individuals to be a representative that can perform the authorization, and duties on behalf of the Board of Executive Directors.

7) To assign its executive directors and secretary to sign on the Board of Executive Directors' resolutions in regards to credit consideration.

## 2. Audit Committee

### Authorities, Duties, and Responsibilities

To oversee operations and ascertain that they conform to the law, rules, regulations of related cabinet, by adhering to rules and procedure of the Audit Committee in state enterprises, increase operation efficiency, add value to the organization, build up trust and confidence in operations, discreet supervision with transparency and fairness. The authorities and duties are stated in the Charter of the Audit Committee. The Audit Committee then reports about the performance to the Board of Directors.

## 3. Risk Management Committee

### Authorities, Duties, and Responsibilities

1) To set the policies, strategies, and operational framework in regards to risk management that go with the general strategies of the Bank and present to the Board of Directors to consider the overall risk management covering major types of risks and assure that it goes in line with existing indicators and benchmarks and is adopted by the compliance unit and involving parties in both aspects of general administration and information technology thus supporting good corporate governance.

2) To screen the master plan of risk management, policies, strategic plans, operational plans of risk management in order to identify the risk, measurement tools, indication criteria, results, the follow up mechanism, reports, and to control that risk so it maintain in the acceptable level.

3) To review the adequacy of policies, strategic plans, operational plans and risk management system along with the efficiency and effectiveness of the operation system and the operation under predetermined risk management policies by consider from the objective of risk rating, risk monitor procedure, risk protection, risk control and appropriate report.

4) To launch the risk management project that is consistent and appropriate to the operational procedures and the organizational structure of the Bank.

5) To monitor and ensure that the operation has followed the risk management master plan, policies, strategic plans, operational plans, and to at least quarterly review the result by comparing it with the plan or objective set forth.

6) To approve all non-derivative products and to review and screen the derivative products before submitting to the Board of Directors for approval.

7) To establish and review the risk management guideline and to approve the risk indication tools and other procedures use to assess and control the risks and to review the adequacy of risk management resources.

8) To approve the business continuity management along with the business continuity plan of every department in order to be ready to implement when needed.

9) To approve operational projects relating to risk management to ensure the success according to the risk management master plan, policies, strategic plans, and operational plans.

10) To report to the Board of Directors with things need to be corrected and improved for the benefit of the whole organization's risk management in the form of better integrated and up to the standards set forth by the Ministry of Finance, the Bank of Thailand, the Securities and Exchange Commission and the global standards.

11) To set the risk management level under the assessment criteria of private enterprise and ensure that it is credible to all interest groups.

12) To perform other duties assigned by the Board of Directors.

#### 4. Employee Relations Committee

##### Authorities, Duties, and Responsibilities

1) To review and offer the recommendations of how to improve the operational effectiveness of the Bank and to promote and develop the employee relations.

2) To compromise and prevent the labor disputes that may occur internally.

3) To review and improve the rules and regulations that will benefit the employers, the employees and the Bank.

4) To discuss and solve the concerning issues raised by an employee or the labor union including petitions in regards to behaviour punishment.

5) To discuss, review and improve the hiring condition.

#### 5. The Good Corporate Governance and Corporate Social Responsibility Committee

##### Authorities, Duties, and Responsibilities

1) To establish the requirements for the good governance and the social and environmental responsibilities that will result in an effective and efficient operation by improving and promoting the understandings and practices that conform to the principles of good governance and the social and environmental responsibilities towards all employees.

2) To monitor, promote, and ensure that the Bank's operation is consistent with the principles of good governance and the social and environmental responsibilities.

3) To evaluate and review the policies in regards to the good governance and the social and environmental responsibilities to ensure the consistency with the global standard and the suggestions by the Ministry of Finance.

4) To generate suggestions in relations to the operation of the Bank to management and the board members who are involved in using the principles of good governance and the social and environmental responsibilities.

5) To consider and appoint a sub-committee to support the good governance and the social and environmental responsibilities.

6) To perform other duties as assigned.

#### 6. Information Technology Committee

##### Authorities, Duties, and Responsibilities

1) To plan and implement IT relating to banks to SME Bank, so that it is efficient and competitive with other banks.

2) To plan information technology development plan, provide suggestions and consultation in making IT prototype of SME Bank, so as to conform to the Bank's business plan and IT trends about banks.

3) To participate with Board of Directors of SME Bank in screening, sourcing and system developments

as well as organize basic IT structure in conformity to IT prototype and business plan of SME Bank, and be aware that system integration and IT security must comply with the International Standard.

4) The Information Technology Committee can recruit IT specialists to give recommendations and consultation towards committee's operation.

5) To monitor progress and give suggestions on development of IT system implementation and report periodically to Board of Directors of SME Bank.

### 7. Recruitment and Remuneration Committee Authorities, Duties, and Responsibilities

1) To determine policies, regulations and recruitment methods for employees level 14 and up.

2) To recruit personnel matching with requirements, create guideline for the recruitment of employees level 14 and up and propose to Board of Directors for approval.

3) To set forth guidelines for operation assessment and define remuneration or other benefits adjustments for employees level 14 and up each year.

4) To consider criteria and employee recruitments from level 11 to level 13 in accordance to the president's proposal.

5) To engage in other activities related with recruitment and stipulate remunerations as assigned by Board of Directors.

### Summary Table: Frequency of Participations at Meetings and Remunerations of Board of Directors for Meeting Attendance in 2011 (January 1, 2011 – October 16, 2011)

| Order | Name  | Committee                    |                                |                   |                  |                    |   |                        |                              |
|-------|---|------------------------------|--------------------------------|-------------------|------------------|--------------------|---|------------------------|------------------------------|
|       |   | Board of Directors           | Board of Executive Directors   | Audit             | Risk Management  | Employee Relations | Good Corporate Governance and Social Responsibility | Information Technology | Recruitment and Remuneration |
| 1     | Mr. Pongpanu Svetarundra                                  | Chairman (9/9)               |                                |                   |                  |                    |   |                        |                              |
| 2     | Mr. Poonnis Sakuntanaga                                   | Director (9/9)               | Chairman (20/20)               |                   |                  |                    |   |                        |                              |
| 3     | Mr. Vudhibongse Vibulyawongse                             | Director (7/9)               | Director (12/20)               |                   |                  |                    |   |                        |                              |
| 4     | Dr. Sakarindr Bhumiratana                                 | Director (6/9)               |                                | Director (3/7)    |                  |                    |   |                        |                              |
| 5     | Dr. Tanit Sorat   | Director (7/9)               |                                | Chairman (7/7)    |                  |                    |   |                        |                              |
| 6     | Mr. Pramode Vidtayasuk                                    | Director (9/9)               | Director (17/20)               |                   |                  |                    |   |                        |                              |
| 7     | Mrs. Wanee Thasanamontien                                 | Director (3/3)               |                                |                   |                  |                    |   |                        |                              |
| 8     | Mr. Adul Laohapol   | Director (9/9)               | Director (19/20)               |                   |                  | Chairman (8/8)     |   |                        |                              |
| 9     | Mr. Boonsak Chiempricha                                   | Director (6/9)               |                                | Director (7/7)    |                  |                    | Chairman (3/3)                                      |                        |                              |
| 10    | Mr. Soros Sakornvisava                                    | Director and Secretary (9/9) | Director and Secretary (20/20) |                   | Chairman (13/13) |                    | Director -  | Chairman (5/5)         |                              |
|       | <b>Board of Directors' Remuneration for 2011 Meetings</b> | <b>670,000.00</b>            | <b>472,500.00</b>              | <b>292,500.00</b> | <b>-</b>         | <b>-</b>           | <b>-</b>  | <b>-</b>               | <b>-</b>                     |

Notes : 1. Remuneration paid to Board of Directors based on Memorandum of State Enterprise Policy Office (SEPO), Memo No. Gor Kor 0805/1630 Lor Wor. May 24, 2004  
2. Mrs. Wanee Thasanamontien was appointed as director of SME Bank on June 27, 2011

**Summary Table: Frequency of Participations at Meetings and Remunerations of Board of Directors for Meeting Attendance in 2011 (October 17, 2011 – December 31, 2011)**

| Order | Name  | Committee                    |                              |                  |                 |                    |   |                        |                              |
|-------|---|------------------------------|------------------------------|------------------|-----------------|--------------------|---|------------------------|------------------------------|
|       |   | Board of Directors           | Board of Executive Directors | Audit            | Risk Management | Employee Relations | Good Corporate Governance and Social Responsibility | Information Technology | Recruitment and Remuneration |
| 1     | Dr. Naris Chaiyasoot                                      | Chairman (3/3)               |                              |                  |                 |                    |   |                        |                              |
| 2     | Mr. Pichai Chunhavajira                                   | Director (3/3)               | Chairman (5/5)               |                  |                 |                    |   |                        |                              |
| 3     | Mr. Witoon Simachokedee                                   | Director (3/3)               | Director (5/5)               |                  |                 |                    |   |                        | Chairman                     |
| 4     | Mr. Anusorn Muttaraid                                     | Director (3/3)               | Director (5/5)               |                  | Chairman (2/2)  |                    |   |                        |                              |
| 5     | Mr. Udom Wongviwatchai                                    | Director (3/3)               |                              |                  |                 |                    | Director (1/1)                                      | Director (1/1)         | Director                     |
| 6     | Mr. Vudhibhongse Vibulyawongse                            | Director (3/3)               |                              | Chairman (1/1)   |                 |                    |   |                        |                              |
| 7     | Mr. Sommai Khowkachaporn                                  | Director (3/3)               |                              |                  | Director (1/2)  |                    |   | Chairman (1/1)         |                              |
| 8     | Mrs. Wanee Thasanamontien                                 | Director (2/3)               |                              |                  |                 |                    | Chairman (1/1)                                      |                        |                              |
| 9     | Mr. Adul Laohapol   | Director (3/3)               | Director (5/5)               |                  |                 | Chairman (2/2)     |   |                        | Director                     |
| 10    | Mr. Jirayut Rungsrithong                                  | Director                     |                              |                  |                 |                    |   |                        |                              |
| 11    | Mr. Soros Sakornvisava                                    | Director and Secretary (3/3) | Director and Secretary (5/5) |                  | Director (2/2)  |                    |   |                        | Director and Secretary       |
|       | <b>Board of Directors' Remuneration for 2011 Meetings</b> | <b>297,500.00</b>            | <b>105,000.00</b>            | <b>12,500.00</b> | <b>-</b>        | <b>-</b>           | <b>-</b>  | <b>-</b>               | <b>-</b>                     |

- Notes :
1. Remuneration paid to Board of Directors based on Memorandum of State Enterprise Policy Office (SEPO), Memo No. Gor Kor 0805/1630 Lor Wor. May 24, 2004
  2. Board of Directors of SME Bank took up position since October 17, 2011
  3. Mr. Jirayut Rungsrithong was appointed as director of SME Bank at the Board of Directors' Meeting 12/2011 and took up position since December 22, 2011

### Internal Audit and Control

The Board of Directors places high values on having an effective internal audit system. The Board appoint the Audit Committee to direct the Internal Audit Department. The Internal Audit Department will monitor, assess the internal audit and coordinate with external auditors and has independence to operate check and balance system. The performance of the Internal Audit Department will be directly reported and assessed by the Audit Committee.

The Internal Audit Department helps create confidence of the Audit Committee in relations to the accuracy of financial reports, the adequacy and transparency of the information, the internal audit, and risk management. The review and evaluation is to focus on the critical risks affecting the Bank's strategic objectives and other major changes affecting the risk environment of the Bank. The Internal Audit Department is also responsible for preventing corruptions through reviewing, and assessing the adequacy and effectiveness of the internal



audit. Additionally, the Internal Audit Department also plays a vital role in offering recommendations and consultations to other departments and sharing the experiences, knowledge, and effective operational directions regarding the assessment on risk management and control with the audited departments. They are also responsible to complying surveys and comments from the audited departments involving in the operation and integrate the comments into the improved and continual internal audit operation by using the risk-based approach according to The Bank of Thailand's guideline to internal audit, and other international standards. The Bank has a risk assessment program and has evaluated all the risk management across departments. The Bank has also reviewed the adequacy and appropriateness of the internal audit system under the standards and elements of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and has planned the assessment of the strategic plans in order to accomplish the objectives of the internal audit as follows:

1. To create an effective and efficient operation (Operational Objective)
2. To establish a credibility on financial reports (Financial Report Objective)
3. To comply with laws, rules and regulations, instructions, policies, and relating contracts (Compliance Objective)

The Internal Audit Department has also been evaluated the quality of the audit by the department being audited to lay a direction to improve the potentials and capabilities of the internal auditors. The Internal Audit Department has set a standard of knowledge development and operational skills by stating that each internal auditor must undergo at least 40 hours of training annually in order to remain up-to-date and be ready for any future changes.

### Follow up and Assessment

In the year 2011, the Board of Directors agree to schedule a meeting on every last Monday of January to September and on every Wednesday of October to December, at least

once a month. The Board of Directors ensures that they will have enough time to present and discuss issues or problems and encourages discussion and participation from every director. The management places a high value on proper documentation in terms of contents and forms to ensure that information is adequate to make a decision. Information is to be sent to the members of the Board seven days in advance to allow the Board members enough time to study the issue before hand.

On the meeting day, more than half of the Board members need to be present in order for the meeting to continue. If the chairman is not present, or is not able to assume the responsibility, the Board members need to elect one director to be a chairman during the meeting.

### Self-Assessment and Self-Development of the Directors

The Board of Directors requires at least once a year self-assessment in the forms of individual evaluation, cross evaluation, and group evaluation. The evaluation is to be reported in a meeting and the results are used to improve the operations in relations to internal audit and control.

### Financial and Management Report

The Board of Directors declares their responsibilities of the operational outcome as stated in the annual report and the financial report by stating the annual profit or loss, balance sheet, and statement of income that the Office of the Auditor General of Thailand, as the auditor, has certified to the Minister of Finance, before presenting it to the Cabinet of Ministers and the Parliaments annually.

In the year 2011, the Board of Directors requires the Audit Committee and the Risk Management Committee present their facts and findings bi-monthly.

## Compliance with the Official Information Act (1997)

SME Bank has ensured the continuity and adequacy in public disclosure of the Bank's information for the general population to be able to obtain the useful information as guided by the Official Information Act (1997). The evidence of such conformations can be summarized as follows:

1. The appointment of SME Bank's Information Management Committee to establish protocols and manuals regarding different information types in terms of management, systems establishment, and information dissemination, to ensure the dissemination of relevant information to public is conformed to the Official Information Act (1997).

2. The assurance that information in relation to SME Bank's organization structure, its Board of Directors and management team members, and their duties and responsibilities, as established by the Small and Medium Enterprise Development Bank of Thailand Act (2002) is published for public viewing on [www.smebank.co.th](http://www.smebank.co.th)

3. The information, in relation to bidding, cancellation and bidding result is to be published on SME Bank's website and the main bulletin board at SME Bank Head Office, SME Bank Tower.

4. The establishment of Call Center 1357 as a communication channel that the Bank's customers and public can directly access information regarding SME Bank's activities and services.

5. The regular reports of the operations conforming with the Official Information Act (1997) to Office of the Official Information and the Ministry of Finance yearly.

6. The information disclosure of SME Bank and its clients inquired by third parties both public and private sectors can be done under the laws and requirements set forth by the Bank as follows:

1) The lawfully authorized offices with the abilities to request to review any information, to subpoena any information as evidence, or to subpoena a Bank's personnel to become a witness are courts, the Legal Execution Department, the Revenue Department, the Department of Special Investigation, the Royal Thai Police, The Office of the Consumer Protection Board, the Social Security Office, the Securities and Exchange Commission, The National Anti-Corruption Commission, The Anti-Money Laundering Office (AMLO), Office of the Narcotics Control Board, Office of the Auditor General of Thailand, The Inspector General of the Ministry of Finance, Office of the Ombudsman Thailand, and the Bank of Thailand.

2) Unauthorized offices and individuals beyond the above group including private and government offices and the general population, with request that most deals with personal information that The Bank is unable to disclose due to the section 24 of the Official Information Act (1997) that states, "any government agencies may not disclose any personal information under their supervision to other government offices or third parties without a prior or immediate consent from the lawfully owner.



## ICE AGE Bangkok

Supported by : Loan for Liquidity



“ When our business had problem with liquidity, SME Bank has helped us and more than 20 employees not to become unemployed. Moreover, sales for Ice Age ice-cream business also grew. SME Bank is really dependable. ”

**Khun Kittikorn Nantanon**

Business owner : Producer of Ice-cream

## Risk Management

The Small and Medium Enterprise Development Bank of Thailand realizes that risk management and systematic risk control throughout the organization are vital in business operations. The Bank can operate efficiently and achieve organizational targets in terms of business and support national development based on government policy as well as create risk management as a part of organizational culture. The Bank operates based on **Enterprise Risk Management Principle : ERM** in accordance to risk management framework of **The Committee of Sponsoring Organizations of the Treadway Commission or COSO** and in accordance to guidelines of Bank of Thailand. Prepare risk management policy in each field to determine the proper risk management framework that conform to government's regulations such as strategic risk management policy, credit risk management policy, marketing risk management policy, liquidity risk management policy, operation risk management policy and rules adherence risk management policy as well as prepare SME Bank Risk Management Manual to be guideline in execute risk management and manage bank's risks by Key Risk Indicators, follow-up and control. The Bank divides risks into 6 types: strategic risk, credit risk, market risk, liquidity risk, operational risk and rules adherence risk. The Bank has summarized and assessed every type of risk management which seems significant based on Bank of Thailand's guideline and report to Risk Management Committee on a monthly basis, and to Board of Directors on a quarterly basis.

Summarize risk management of the Bank based on types of risks as follows:-

### Strategic Risk

Strategic risk means risks occurred from improper setting and implementation of strategic plans as well as inconformity with policies, targets, strategies, organizational structure, competitive environment, resources, implementation of plan and environment, which affect income and funds of SME Bank.

As for strategic risk management, the Bank prepares risk management plan annually based on the requirement

of State Enterprise Policy Office (SEPO) and prepares strategic risk status reports to propose to related management and Committees.

**Preparation of Risk Management Plan** The Bank has prepared risk management plan annually. The main point is to connect risk management procedure, risk factors and risk management with strategic targets and business opportunities of the Bank. This risk management is integrated throughout the organization. The Bank specify risks and risk factors, which may affect target business plan of the Bank and determine the Key Risk Indicators : (KRI), the Risk Appetite and Risk Tolerance, which conform to Risk Factors and causes of risks as well as prepare Risk Map for 2011 to show risk level and relationship between risk factors/ causes, so as to assess and contemplate the suitable risk management method and plan in accordance to risk factors/ causes. The objective is to reduce risk to acceptable level and achieve the Bank's target. Nonetheless, reports on risk management follow-up will be given to Risk Management Committee on a quarterly basis. Risk management plan is reviewed during the year to ascertain that risk management is appropriately executed.

**Strategic Risk Status Report** SME Bank prepares reports on actual performance to compare with the main target of SME Bank and gives to the Risk Management Committee on a monthly basis and to the Board of Directors on a quarterly basis, in order to improve or determine the guideline in business operations so as to achieve the required target.

### Market Risk

Market risk means risk which can cause damage to the Bank due to changes in interest rates, foreign exchange rates and prices of debt instruments in capital markets and consumers markets, which may negatively affect bank income and fund.

#### ● Interest Rates Risk

The Bank controls interest rates risk by appointing the Assets and Liabilities Management Committee: ALCO, who determines interest rates risk management guideline and interest rate risk limit in the Banking Book, due to mismatch



between interest rate structures of assets and liabilities of the Bank. The Bank implements Gap Analysis to assess and analyze the difference in the interest rate of assets and liabilities which will be evaluated, monitored and reported monthly to Assets and Liabilities Management Committee (ALCO) by Risk Management Department that work independently from the units that create risks.

In 2011, the Bank has developed marketing risk assessment tools such as DV01, Duration of debt instruments and fund calculation to handle market risk based on Standardized Approach. Report to Assets and Liabilities Management Committee (ALCO) and Risk Management Committee on a monthly basis.

- **Exchange Rates Risk**

In managing exchange rates risk, SME Bank will purchase/sell derivatives to prevent risks from exchange rates risk and reduce risk from exchange rates fluctuations as required by SME Bank policy. Moreover, the Bank also controls foreign exchange transactions, which include immediate and advanced purchase/sell. Most of the transactions are mainly for businesses of the Bank. The Bank has determined the Risk Limit to control foreign exchange transactions of the Bank such as FX Net Open Position Limit, which determines the risk limit for total currency as well as individual currency by measuring and following upon foreign currency daily and report to related management, Assets and Liabilities Management Committee (ALCO) and Risk Management Committee on a monthly basis. Besides, the Bank evaluate the value of mark to market, foreign exchange transactions (FX) daily on working days.

### Liquidity Risk

Liquidity risk means the chance of not being able to pay debt as due, because the Bank cannot convert asset into cash or could not source out sufficient fund on time.

Nevertheless, the Treasury Department will manage the Bank's liquidity properly and conform to business operations, economic situation and in accordance to Bank of Thailand's regulations. Moreover, the Bank has drawn up emergency plan to handle liquidity crisis in advance. This will be the guideline

if liquidity crisis actually occurs. Meanwhile, the Asset and Liabilities Committee (ALCO) will oversee, supervise and control liquidity risk. The Bank also determines limit for various kinds of risks, which is monitored and controlled by the Risk Management Department such as retain liquidity of assets, top ten depositors / lenders concentration etc.

### Operational Risk

Operational risk means risk which causes damage due to lack of good corporate governance or lack of ethics in the organization and lack of proper control, which may be related to internal operation procedure, people, work system or external factors that may negatively affect the Bank's income and fund.

In operational risk management, the Board of Directors has assigned the Risk Management Committee to determine operational risk policy and guideline of SME Bank to conform to the operation guideline of regulating government bodies such as Office of the Auditor General of Thailand, Bank of Thailand etc. Moreover, the Bank also requires that risk management is the responsibility of every department within the Bank. The Risk Management Department must improve tools to specify, assess and report risks, follow up on risks according to risk management policy of the Bank and good conduct. The Internal Audit Department has the duty to verify risk management process and is an independent unit which reports directly to the Risk Management Committee.

The Bank requires that every department must prepare Control Self Assessment annually, prepare plans to reduce operational risks, improve current written operation manual. Consequently, every department within the Bank can regularly review operation procedure, which can reduce mistakes in operations and determine control guideline to reduce risk. Related departments must sign and agree before propose to authorized board for approval.

In 2011, the Bank has issued a policy to receive service from outside personnel. The objective is as a guideline to consider, select, oversee and supervise about using services from service provider outside. This method is for the best

interest of the Bank as it reduces operation cost or increase versatility in business operation by depending on the outside service provider's expertise to support the Bank's operations and use limited resources with maximum efficiency.

The Bank is also prepared for risks due to external factors and force majeure events by applying business continuity management plan to handle each situation and also conducts plan testing consistently. This is reflected in the Great Flooding Crisis that the Bank still could continuously provide services to stakeholders.

### Credit Risk

Credit Risk means risks occurred due to financial institutions' customers are not able to pay back loans according to the payment contracts, which causes the customers to be downgraded and that may affect the Bank's income and funds.

The credit risk management of SME Bank is under the guideline of Bank of Thailand. The Bank is aware about the role of being a Bank to assist and improve small and medium entrepreneurs (SMEs). In 2011, the Bank has reviewed the loan policy, credit risk management policy and prepared credit risk management manual in order to keep up with the ever changing situations and business environment. The Bank also emphasizes on good quality loans, therefore, SME Bank develop loan procedure to meet the Bank's standard. The Bank emphasizes on good quality loan management therefore the development of loan procedure to meet the Bank's standard was executed in order to reduce the chance of non-performing loans from the pre-approved process that address loan analysis and risk management in main business as determined by business expansion and government policies, increasing loan quality analysis role so as to reach out to more customers by screening customers who restructure their debts, implementing loan analysis system in accordance to requirements of Bank of Thailand, which must be independent from loan approval procedure and organizing training and tests about loans and credit risk analysis, so that employees understand and beware about being a part in risk management procedure in the organization.

In 2011, the Bank has employed a consulting company to give recommendations on testing the credibility of credit risk assessment tools, so that they can reflect the actual ability of debtors to pay back the debts. Check the accuracy of debtors quality assessment tools in the Credit Risk Rating System and improve risk assessment tools by making new model to conform to such studies.

The Bank prepares long term credit risk management plan in term of measurement tool to measure the profitability of business department in portfolio risk management. The Bank has determined the loan limit as primary framework for juristic person, individual and industrial sector to connect the risk level based quality of debtors and review the loan limit level to control risk in the industrial sector so that it balances with demand for loans and strategic plan of the Bank. In 2011, the Bank authorized loans in various industries so as not to concentrate on specific industry only. The top three highest loans capture 71% of outstanding balance consists of manufacturing (28%), trading (25%), hotels and restaurants (18%). In 2011, the Bank provided loans to finance SMEs entrepreneurs in many business projects, including the one that support government policy projects and cabinet's resolution on policy.

In managing non-performing loans, SME Bank has organized the process systematically by appointing the Loan Restructuring Committee to manage low quality loans. There is also a separate unit from the loan department, which is responsible for solving non-performing loans in each group. The Bank has also review loan restructuring regulation to conform to customers' ability in loan payments. In addition, the Bank has established operation procedure clearly, as well as appointed Legal Department and Credit Quality Assessment Department to express opinion about loans restructuring before proposing to Loans Restructure Committee as of December 31, 2011 Non-performing loans at SME Bank consist of 15.7% of total outstanding balance, decreased by 20% which the Bank has set reserve for doubtful accounts based on Bank of Thailand's requirements. The Ministry of Finance gives allowance to abide to the International Finance and Accounting Standard No. 39 until 2012.

## Convergent Inter-Freight Company Limited, Bangkok

**Supported by** : Loan to purchase asset to be location for business.



“ We have been renting a room to be the office for many year already. Now, we use the loan from SME Bank to buy the business place. Today, I have my own office. ”

**Khun Subanpot Rakchobsanti**

Business owner : Representative  
for International Freight

# Outstanding Activities

## Finance

### Revival from Disaster

Provide loans to revive SME entrepreneurs after the 2011 Disaster and help them to revive their businesses, which were affected by the crisis to improve, repair or as circulating capital in their businesses, to relieve SME entrepreneurs' burden nationwide.



### Increase Liquidity for Small Entrepreneurs

March forward to provide loans to small entrepreneurs with special interest rate without having to pay principle for 1 year as well as provide loans to purchase asset as business place with low interest rate and long loan period of 15 years. Thus SMEs can access funding and establish themselves towards the bright future.



### Support OTOP to March Forward

Provide funds for One District, One Product (OTOP) entrepreneurs with special OTOP interest rate with 1 year grace period. This project strengthens communities and encourages them to create Thai OTOP towards sustainable future.





## Entrepreneur Development

### Upgrade Production Standard

Cooperate with alliance organizations such as Thai-Japanese Technology Promotion Association which introduces the “Shindan” System to analyze customers’ business places, help to develop quality of standard such as Food and Drug standard / ISO 9001:2008 / GMP / HACCP and TCDC which help develop outstanding product designs for customers to be ready for international markets.



### Systematic Business Management

Organize practical training seminars for entrepreneurs so as to strengthen their management and have been very successful such as 1 day training for cost accounting / Inventory management / Production Line Defective Reduction which help to decrease expenses and increase income systematically.



### Increase Marketing Expansion Opportunities

Business expansion and increase marketing opportunities for SMEs to expand local and foreign markets such as bring customers to set up product exhibition booths, help design logos and name cards, organize training to make Social Network Marketing website and help advertise and publicize customers’ businesses through media network.



## Social Responsibility

### Religion Preservation

Organize a variety of activities to preserve Buddhism such as the End of Buddhist Lent Celebration at Kao Khaew Temple, Payuhakiri District, Nakhon Sawan Province, Alms Unity at Pa Ban Jan Temple, Chiang Yuen District, Mahasarakham Province and help build the Sermon Hall at Ultraram Temple, Yangsisuraj District, Mahasarakham Province.



### Support National Education

Support education continuously such as build libraries, computer centers for education, give out education funds and educational equipment to schools in the countryside, give Britannica Encyclopedia, Thai edition to schools and libraries in the royal projects of Princess Chakri Sirindhorn.



### Charity to the Society

The Bank is aware about importance of helping SMEs and disaster victims. The management and staff have visited areas nationwide to donate rice, dried foods, drinking water and money as well as give encouragement to them continuously and rapidly.





## Biomed Healthcare Products Company Limited Lak Si, Bangkok

Supported by : Mass Media Public Relations Service for Customers Project



“ SME Bank brought various media to interview and help with public relations. As a result, biomed products are widely known. Our products unbelievable have become popular. I cannot believe that there is a bank that can help customers this much. ”

**Khun Chitchanok Benjavitvilai**

Business owner : Producer and Distributor  
of Wellbeing Shoe

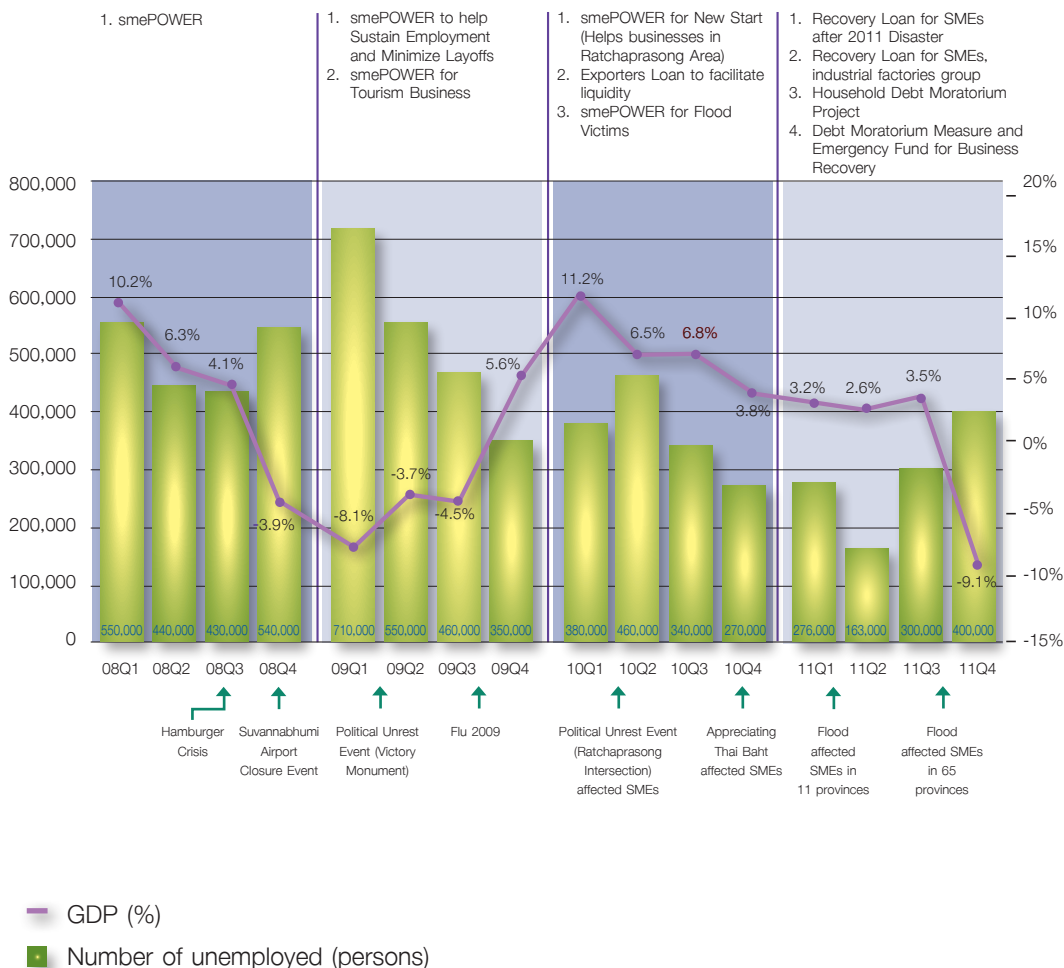
# Operating Result Year 2011

## Role of SME Bank

Since the Hamburger Crisis in USA until the airport closure during end of year 2008, the economic sank into recession especially the export and tourism sectors, which are important sources of income and employment for Thai economy. As a result, production capacity decreased while investments in the business sector slowed down due to weak financial liquidity. These factors directly affected employment and loans approval in the system.

Consequently, the government sector assigns specific financial institution to proper the economy by providing loans to replace dwindling loans approval in the system until the economy recovers and commercial banks return to provide normal loans. From 2009 until 2010, SME entrepreneurs still have to face crisis continuously from political unrests, 2009 flu, baht appreciation and slower economic growth.

## SME Bank Loans during Crisis Situation





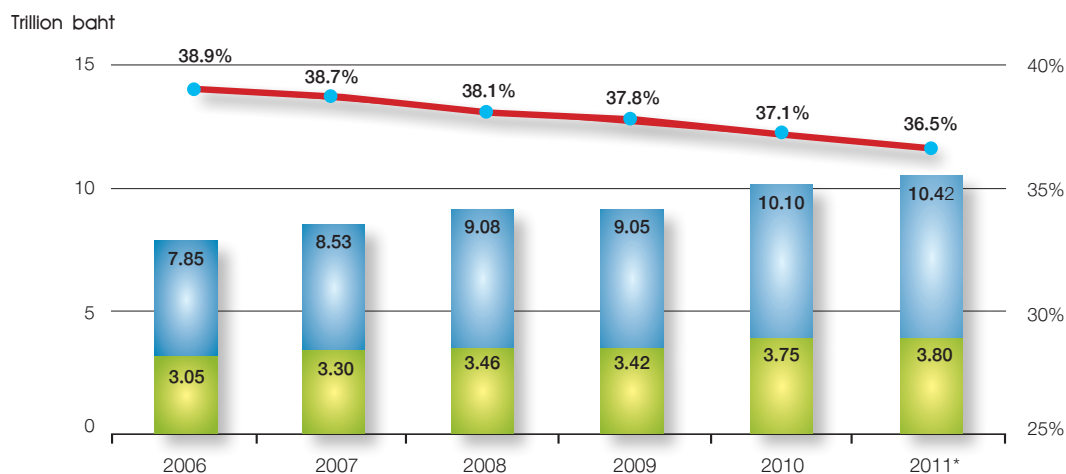
Up until 2011, the Thai economy was severely affected by internal and external factors from political unrests in the middle east, which pushed up crude oil price by 30%. As a result, in 2011, the inflation rate increased by 3% and 4% in the 1<sup>st</sup> and 2<sup>nd</sup> quarter respectively. The Japanese earthquake also affected production lines in the industrial sector. In early 2011, disaster occurred in the south region until end of 2011 when the “Great Flooding Year 2011” occurred and spread to many areas widely, which affected people and SME entrepreneurs nationwide. The production sector, export and internal consumption grew by only 0.1% from

the forecast number of 4.5%. Therefore, SME Bank was assigned by the government to assist SME entrepreneurs that faced with disaster. The Bank has launched smePOWER Loan Project to help flood victims and Debt Moratorium Project for flood victims customers. There are 13,161 SME entrepreneurs who applied for the Project.

Due to the crisis which occurred in 2011, it is forecasted that the GDP of SME entrepreneurs will not increase from 2010. In 2011, the GDP of large business grew by 0.5%, while the GDP of SMEs to total GDP reduced to 36.5% from the highest level at 38.9% in 2006.

| %GDP Growth    | 2006 | 2007 | 2008 | 2009  | 2010 | 2011  |
|----------------|------|------|------|-------|------|-------|
| Total GDP      | 5.1% | 4.9% | 2.5% | -2.2% | 7.8% | 0.1%  |
| Large business | 5.3% | 5.9% | 2.8% | -2.8% | 9.5% | 0.5%* |
| SMEs           | 5.3% | 4.8% | 2.0% | -2.4% | 7.9% | 0.0%* |

### Ratio of SMEs GDP to Total GDP



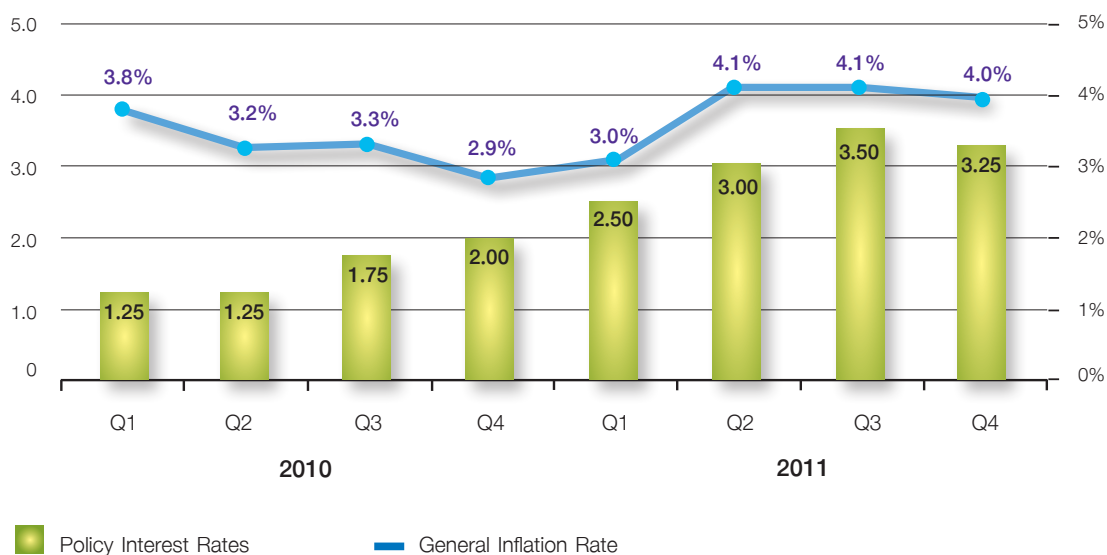
\* Forecast Figures

■ Total GDP      ■ SMEs GDP      — Ratio of SMEs GDP to Total GDP

From the mentioned above, SME Bank has been performing as a specific financial institution of the government by providing financial services to fill in the void where commercial banks could not fully provide, help relieve burden for SME entrepreneurs, who still face with crisis and be the mechanism to propel economic growth based on government policy. In regards to these roles, SME Bank plays a part in pushing the GDP of Thai SMEs to expand by providing support or fill in the void for SME entrepreneurs in terms of funding and knowledge as shown in the vision of SME Bank “Government’s Financial Institution for Developments to Help and Support Thai SMEs”.

**As for the funding mission to SME entrepreneurs,** SME Bank remains determined to carry out operations in accordance to establishment objective, which is not for maximum profit but be a bank for the benefits of society

and nation in accordance to designated mission. In 2011, the inflation rate rose steadily, interest rate rose from 2% in early 2011 to 3.50% in 3<sup>rd</sup> Quarter of 2011. Until the end of 2011, effects from the Great Flooding cause the Bank of Thailand to implement financial policy in order to stimulate the economy by reducing the interest rate to 3.25% as of year ended 2011. Nevertheless, the rising of interest rates throughout 2011, pushed up operation cost for entrepreneurs. The Minimum Retail Rate (MRR) of large commercial banks increased by 1.38% to 8.05% as of year ended 2011. Therefore, SME Bank tries to retain the Minimum Loan Rate (MLR) to relieve burden for SME entrepreneurs who are SME Bank’s customers. Until October 1, 2011, SME Bank made announcement to increase the Minimum Loan Rate (MLR) to 7.25% to conform to actual cost.



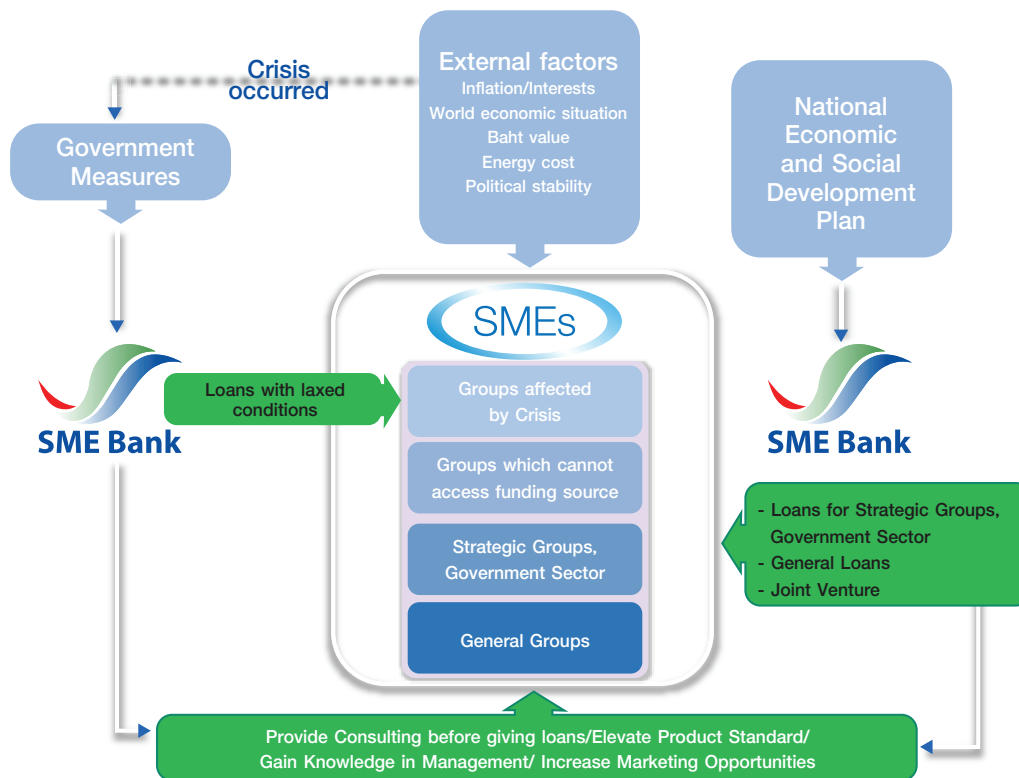
**The other important mission of SME Bank is “Entrepreneurs Development”,** the Bank continues to provide consulting before loan applications and after loans

approval, SME entrepreneurs will be taken care and develop on three business sides: elevate product standard, assistance in business management and marketing opportunities.

The objective is to strengthen SMEs to prepare them for local and foreign trading, especially when free

trade occurs and when ASEAN Economic Community: AEC is implemented.

### Government's Financial Institution for Developments to Help and Support Thai SME Entrepreneurs



The role of SME Bank is clearly reflected, when it provided funding and assistance to SME entrepreneurs who were affected by various crisis, as a “Government’s Financial Institution for Developments to Help and Support Thai SME Entrepreneurs” and is an important mechanism of the government to drive the economy. The government assigns SME Bank to relief the burden of SMEs, who were affected, so that they can carry on their normal businesses.

SMEs, who are vital in the economic system also lack abilities and need to receive funding and educational support. Therefore, SME Bank divides operations by customer target groups as follows:-

- 1) **Government Policy Loan**
- 1.1) **SME Entrepreneurs in Crisis**

In the past 3 years, many crisis occurred, which

severely affected SME entrepreneurs, from political violence, appreciation of Thai baht and especially the Great Flooding in 2011, which affected many SMEs. Many of them have to close their business temporarily until recovery from damages. SME Bank proceeded to help SMEs, who were affected from the flood since early 2011 when flooding occurred in the South Region, by providing loans with special interest rates and conditions for entrepreneurs under **the smePOWER Loan Project, to help SMEs, who were affected by the floods, hurricanes and mud slides in 2011**, so that they can use the fund to improve, repair and revive their businesses and/or as working capital, because their business premises are in the disaster areas. The loan limit is not more than 1 million baht per entrepreneur. Later, SME Bank has launched another loan project with loan limit of not over 10 million baht per entrepreneur.

During end of 2011, the flooding crisis has expanded to cover many areas, which caused a lot of damages to the public and SMEs. SME Bank was thus assigned by the government to relief their burden by launching **“Debt Moratorium for Customers who were affected by Flooding Disaster in 2011”**.

They live in the affected areas and have been declared as disaster areas in times of emergency to help and relief the burden of SMEs, who are good customers of SME Bank, so that they can recover their businesses, have sufficient working capital for business operations and prevent non-performing loans (NPLs). There are 13,161 SMEs, who applied for the project. After that, the Bank also launched the **SMEs Recovery Loan Project after the 2011 Disaster** to help SMEs, who have been affected by the disaster in 2011 to be able to access funding and carry on their businesses.

## 1.2) SME Entrepreneurs according to Government Strategy

The government emphasizes on this group with the objective of developing the country. Thus, SME Bank launched **loans for SME operators strategically targeted by the government**.

### - smePOWER Thai Strong Program

Support small and medium enterprises to access funding so as to conform with government policy on Thai Strong Program. The objective is to create jobs and occupations, retain or expand employment, in order to build up the Bank’s image and marketing competition.

### - Loans for Logistics

This is a continuous project from 2010, with the objective to provide financial assistance to Thai logistics entrepreneurs, who have been affected by rising energy costs that directly affected their operation cost and reduce their operating result, so that they can access funding source and have higher financial liquidity.

### - Loans for Franchises and Direct Sales Businesses under Loans for Logistics

To create jobs and occupations for those who want to have their own businesses. New entrepreneurs who need funding and/or those owners who need working capital for expansion or improve businesses can access funding source more easily.

### - Public Debt Control Project (Informal Debts)

is a loan project to support government policy in order to urgently and decisively solve public debt’s



problems through financial institution under government’s supervision. Provide loans to target groups in motorcycle hiring service and peddlers under the “Loans to Strengthen Thai Occupations” Project.

**1.3) SME Entrepreneurs who cannot access to a systematic funding source.**

This is another group of entrepreneurs, which SME Bank must provide assistance based on government policy.

**- Loans for Small Business Operators**

This project provides loans to entrepreneurs based on government policy with credit line not over 500,000 baht.

**- Loans for Asset Purchase as Working**

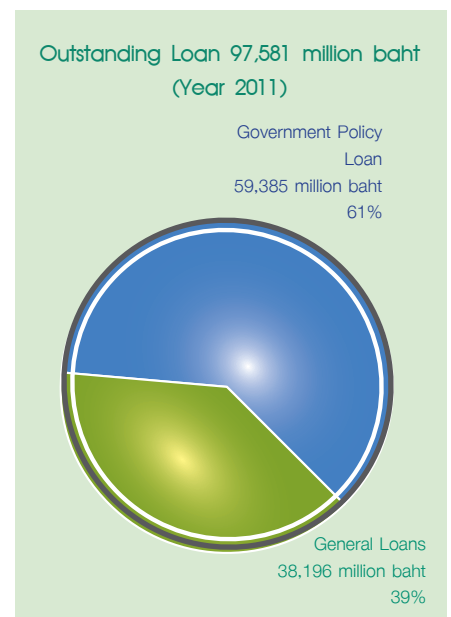
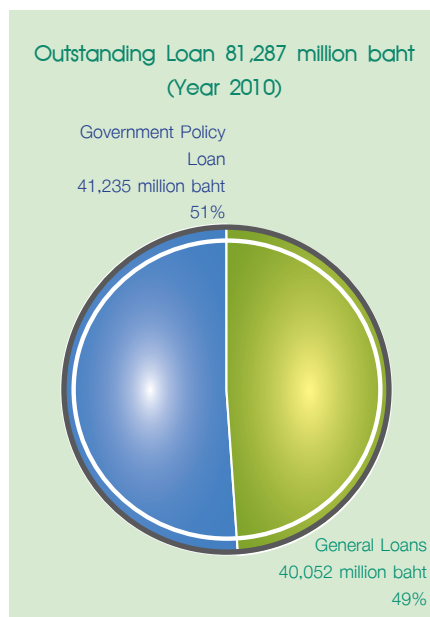
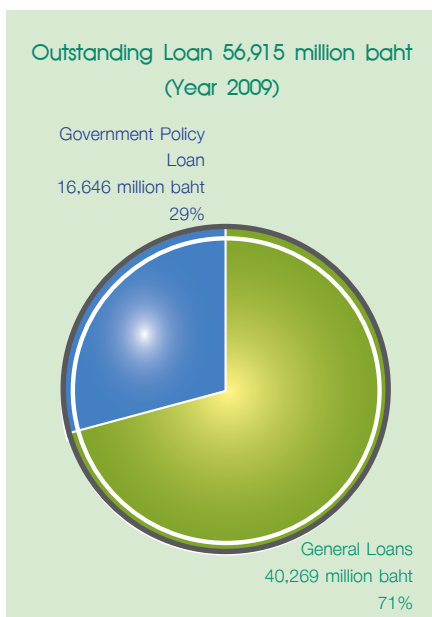
**Premises**

Provide service to SMEs, who want to buy assets and refinance assets to be working premises.

**2) General Loans**

SME Bank provides financial liquidity and funding to SMEs to improve/ expand businesses and provide loans to them, so as to create business opportunities and be a part to strengthen the economic sector.

In 2011, SME Bank provided additional loans based on government policy in total amount of 24,028.82 million baht, with outstanding loan of 59,385.44 million baht, the ratio of the general loans to total loan is 61%, increased by 51% and 29% in 2010 and 2009 respectively.



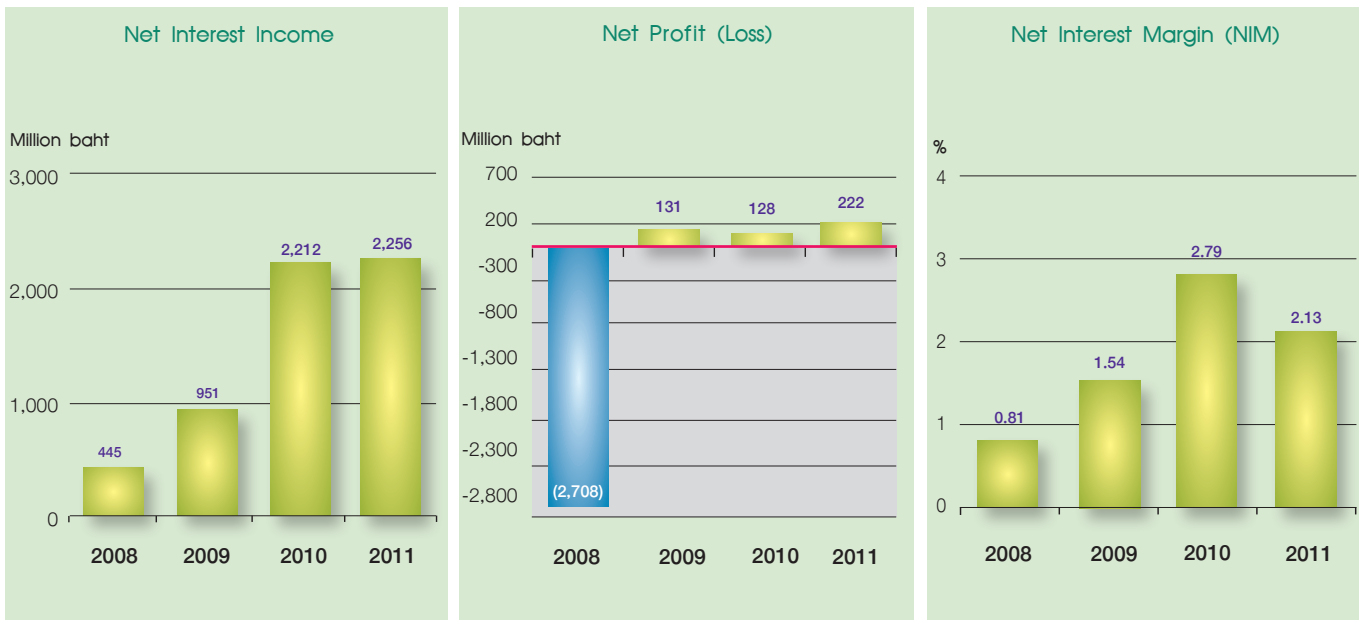
Note : Government policy loan means loans which SME Bank provides to support SMEs in times of crisis, entrepreneurs based on the strategy of the government sector and SMEs who cannot access funding source in the system.

## 1. Operating Result Year 2011

In 2011, SME Bank provided loans in total amount of 39,047.54 million baht to 40,665 entrepreneurs. The outstanding loan is 97,581.04 million baht, increased by 16,294.54 million baht from last year. This added to economic value by 43,380.55 million baht and retain employment in the economic system for 112,826 persons. Meanwhile, the total amount of non-performing loans (NPLs) as of the year ended 2011 is 15,347.03 million baht,

decreased by 1,162.60 million baht from 2010. In 2011, the ratio of non-performing loans (NPLs) to outstanding loan is 15.73% decreased from 20.31% in 2010. In 2011, SME Bank has set aside allowance for doubtful account in accordance to IAS39 Regulation completely. Therefore, the allowance for doubtful account is higher than that of last year by 2,969.44 million baht. Nevertheless, the net profit of SME Bank is 222.41 million baht, rising from 2010 by 93.93 million baht.

### 1.1 Finance



#### (1) Net Interest Income

The net interest income of SME Bank for 2011 is 2,256.29 million baht, increased by 44.70 million baht from 2010, or 2.02%, due to the following reasons:

- **In 2011, the Interest Income and Dividend** is 4,820.36 million baht, increased by 1,535.07 million baht from 2010, or increased by 46.73%. Loan interest income is 4,342.76 million baht, equaled to 90.09% of total interest income, increased from 2010 by 1,287.61 million

baht or 42.15%, due to outstanding loan growth in 2011 increased by 16,294.53 million baht or 20.05%.

- **Interest Expense** is 2,564.06 million baht, increased from last year by 1,490.36 million baht or 138.81%, because of the rising of interest rate adjustment policy by 1.25%.

In 2011, the Net Interest Margin for SME Bank is equivalent to 2.13%.





**(2) Non-Interest Income**

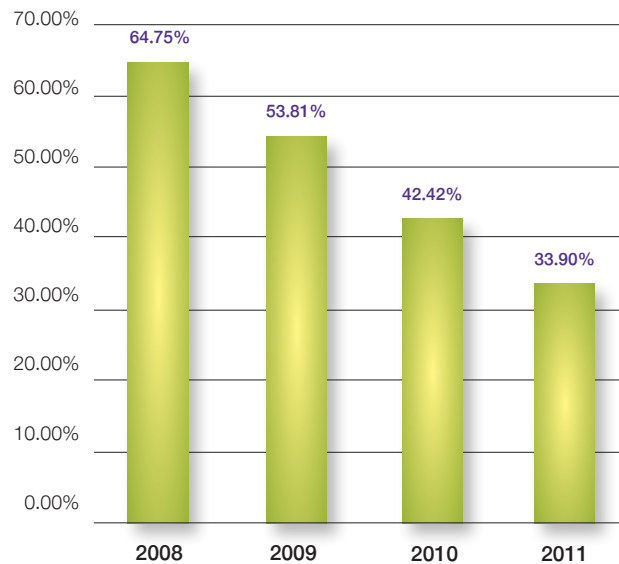
In 2011, the non-interest income of SME Bank equaled to 2,684.84 million baht, increased from 2010 by 2,336.10 million baht or 669.86%, which is gained from money exchange transaction by 2,345.00 million baht due to debt payment to FRCD matured in August 2011.

operation efficiency, therefore, non-interest expense in 2011 is 1,749.29 million baht, the ratio of non-interest expense to total income equaled to 23.31%, decreased from 42.42% in 2010. (If not include gains on money exchange transaction, the ratio of non-interest expense to total income is 33.90%), this reflects additional efficiency in expense management from last year.

**(3) Non-Interest Expense**

SME Bank controls expenses and increases

Total Expense to Income Ratio



Note : In 2011, Non-Interest Income not include gains on money exchange transaction.

**(4) Reserve for Doubtful Accounts**

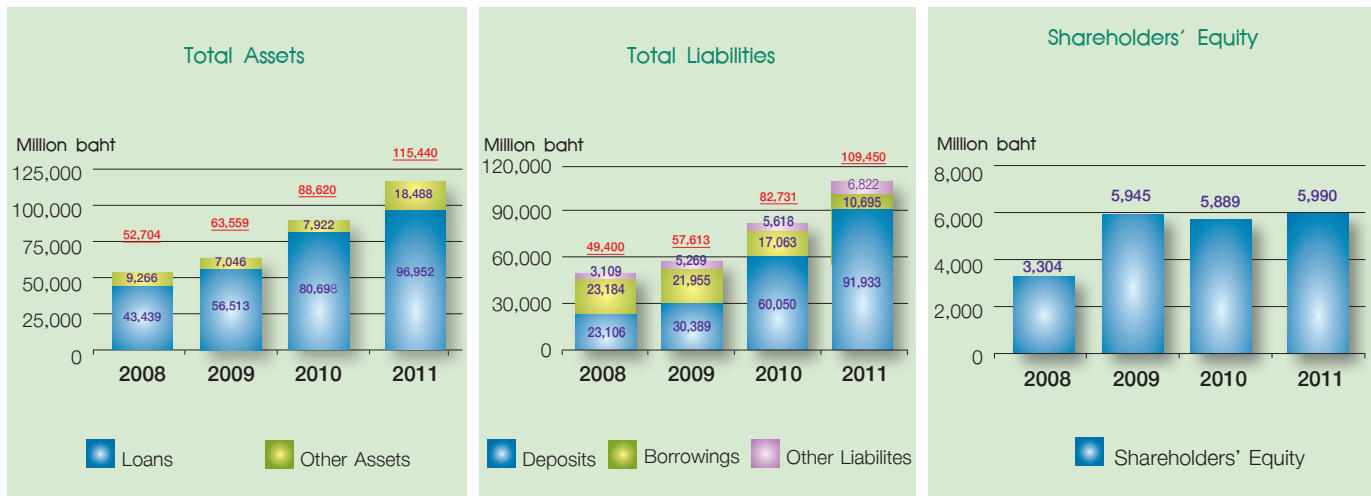
In 2011, SME Bank set reserve for doubtful accounts in complete compliance to IAS39 Regulation before the deadline of 2012 as conceded by Ministry of Finance. Reserve for doubtful accounts in 2011 increased by 2,969.44 million baht and doubtful account equaled to 8,377.06 million baht as of December 31, 2011. Meanwhile, the non-performing loan (NPLs) in 2011

is 15,347.03 million baht, decreased by 1,162.60 million baht from 2010.

**(5) Net Profit**

The net profit of SME Bank is 222.41 million baht, increased by 93.93 million baht or 73.11% from last year. This net profit is based on after setting aside reserve for doubtful accounts as set forth in IAS39 Regulation.

## 1.2 Financial Status



### (1) Assets

As of December 31, 2011 the assets of SME Bank is valued at 115,440.50 million baht, increased by 26,820.05 million baht from last year or 30.26% due to loan growth by 16,253.79 million baht or increased by 20.15%. Meanwhile, the ratio of non-performing loan to total loan is 15.73%, decreased from 2010 which was at 20.31%.

### (2) Liabilities and Shareholders' Equity

The liabilities of SME Bank is 109,450.09 million baht, increased by 26,718.81 million baht from 2010 or 32.30% due to growth in deposits.

The shareholders' Equity of SME Bank is valued at 5,990.41 million baht, increased from last year by 101.24 million baht or 1.72%.

### (3) Fund to Risk Asset Ratio

As of December 31, 2011, the fund of SME Bank is 6,143.03 million baht and risk asset is 90,604.55 million baht, the ratio of fund to risk asset is 6.78%, due to increased loan of 16,294.53 million baht. Most

of the loans are to relieve the burden of SMEs, who were affected by the crisis.

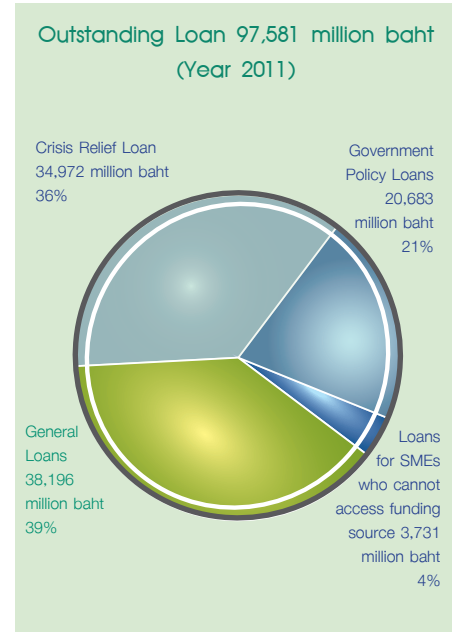
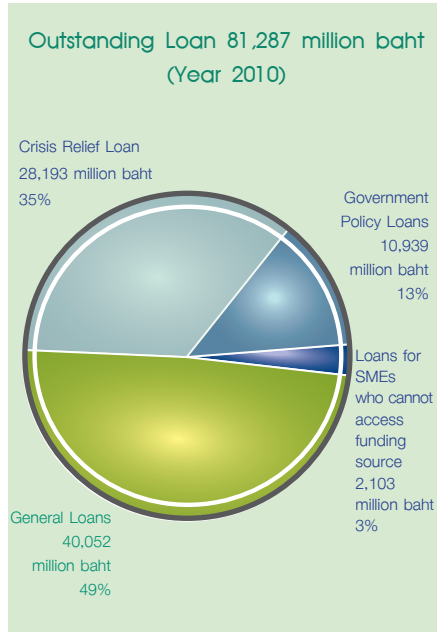
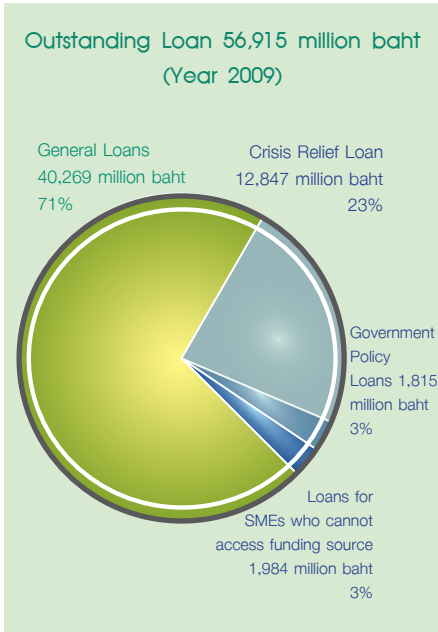
### 1.3 Loans

In 2011, SME Bank provided loans in total amount of 39,047.54 million baht to 40,665 entrepreneurs. As of the year ended 2011, the outstanding loan is 97,581.04 million baht from 70,100 entrepreneurs, divided into:

- General loan equivalent to 15,018.72 million baht and outstanding loan of 38,195.60 million baht.
- Loans according to government policy equivalent to 24,028.82 million baht and outstanding loan of 59,385.44 million baht.

*Note :* Government policy loan is Loan Project to support SMEs in times of crisis, SMEs group based on government strategy and SMEs who cannot access funds in the system.

In 2011, the ratio of government policy loan to total loan is 60.86%, while in 2010 it was at 50.72%.

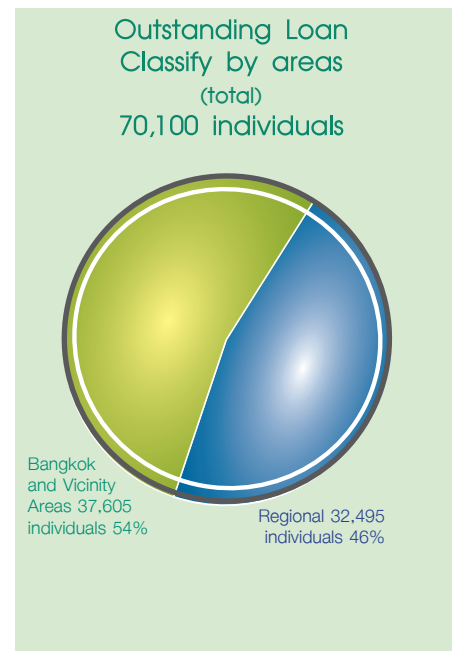
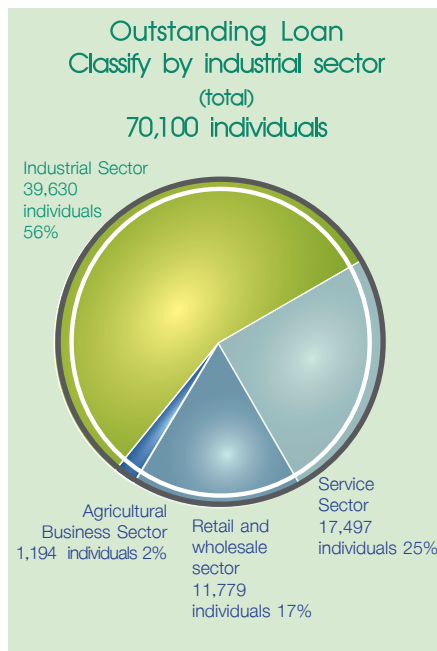
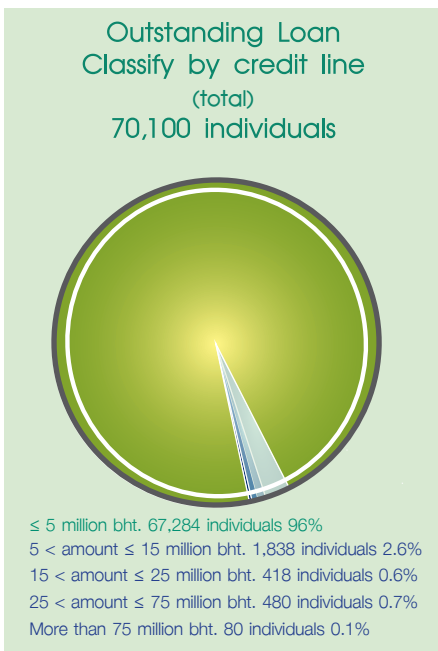


- The percentage of entrepreneurs with credit line less than 5 million baht is the highest, equivalent to 95.98% of all entrepreneurs as increased from 94.13% in 2010.

- The percentage of entrepreneurs in the industrial sector is 56.53%, service sector is

24.96%, retail and wholesale sector is 16.80% and agricultural sector is 1.70%.

- Divided loans to entrepreneurs in Bangkok and vicinity areas 53.64% and in the Regions 46.39%.

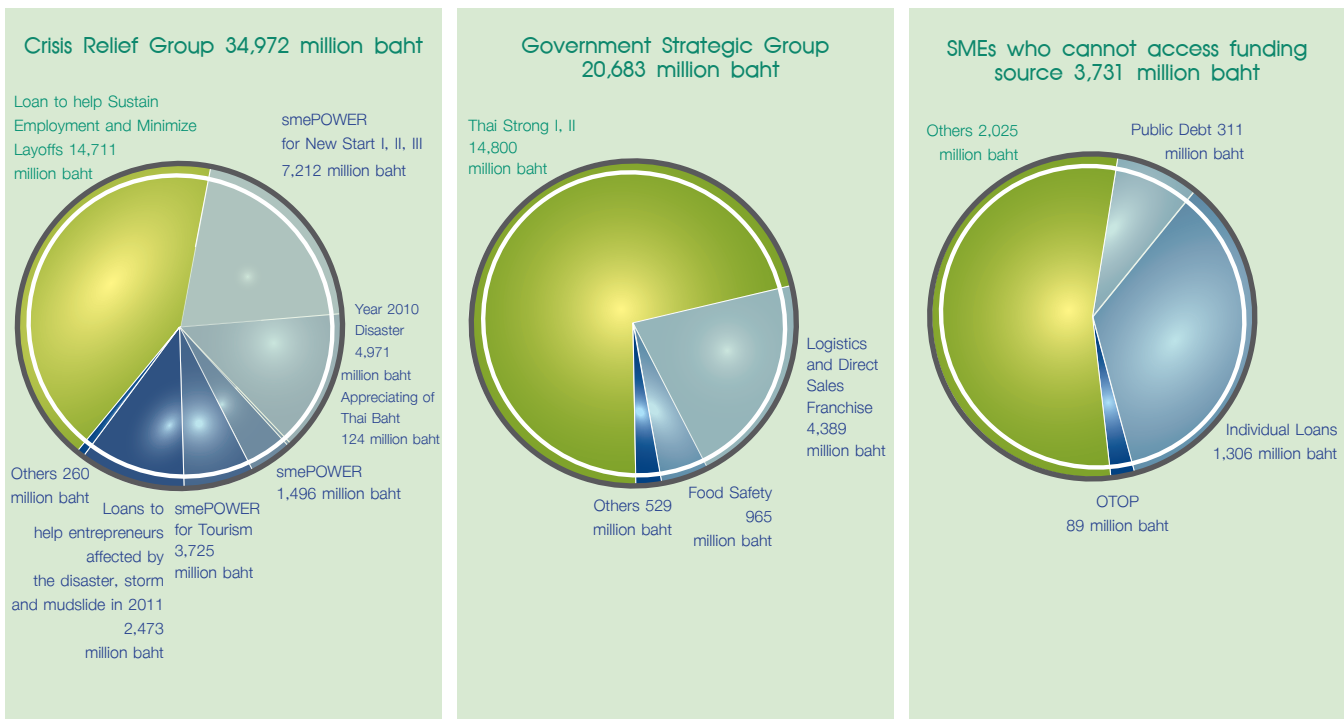


### 1.3.1 Loans based on Government Policies

In 2011, loans based on government policies equaled to 24,028.82 million baht and have been given to

28,160 entrepreneurs, and outstanding loan of 59,385.44 million baht with total amount of 55,357 entrepreneurs, which can be categorized into 3 groups as follows:-

#### Government Policy Outstanding Loan as of year ended 2011



**(1) Provide relief for SMEs who met with crisis.** In 2011, SME Bank provided loans to 19,316 entrepreneurs in the amount of 9,401.94 million baht, and had overall total loan amount of 34,971.81 million baht for 39,203 entrepreneurs, equivalent to 58.68% of total government policy outstanding loan.

**- smePOWER Loan Project to help SMEs, who were affected by flooding, hurricanes and mud slides disasters in 2011.** Help SMEs who were affected by flooding, hurricanes and mud slides disasters in 14 provinces in the South Region. In 2011, SME Bank provided loans to 5,106 entrepreneurs, total amount of 2,483.63 million baht with outstanding loan of 2,472.68 million baht for 5,097 entrepreneurs.

**- SMEs Affected by 2010 Disaster Loan Project.** To provide assistance to victims from disaster that occurred in October 2010 in improving, repairing and reviving businesses and add liquidity to business operations. In 2011, SME Bank provided loans to 12,014 entrepreneurs, total amount of 3,834.11 million baht, outstanding loan of 4,970.93 million baht for 15,313 entrepreneurs.

**- Loan Project to provide liquidity to SMEs in Bangkok who were affected by the political unrests (smePOWER for New Start).** SME Bank helps entrepreneurs by providing liquidity to business operations. The Bank also assisted entrepreneurs whose businesses were burnt and have insurance policies, but have not



received any compensation from insurance companies. In 2011, SME Bank provided loans to 1,484 entrepreneurs total amount of 1,121.34 million baht, with outstanding loan of 7,211.77 million baht for 14,667 entrepreneurs.

Moreover, SME Bank provides loans to entrepreneurs in other projects such as smePOWER for Tourism, Loans to Enhance Business Liquidity for Exporters Affected by Baht Appreciation etc.

## (2) SMEs Group based on Government

**Strategy** In 2011, SME Bank provided loans to 3,733 entrepreneurs in a total amount of 13,176.92 million baht, with outstanding loan of 20,682.59 million baht for 3,599 entrepreneurs, equivalent to 34.70% of total government policy outstanding loan. Important loans projects are as follows:-

### - smePOWER Thai Strong Programs

**1 and 2** This smePOWER Thai Strong Programs 1 and 2 were launched to strengthen the Thai economy, with the objective to create jobs and occupations. In 2011, SME Bank has provided loans to 916 entrepreneurs in total amount of 9,801.10 million baht, with outstanding loan of 14,800.12 million baht for 1,233 entrepreneurs.

### - Loans for Logistics Project

This project provides financial assistance to Thai logistics entrepreneurs, who are affected by world and local economic crisis. In 2011, SME Bank provided loans to 959 entrepreneurs in total amount of 2,777.64 million baht, with outstanding loan of 4,348.77 million baht for 1,634 entrepreneurs.

### - Loans to Franchises and Direct

**Sales Businesses Project** This project provides financial assistance to franchise and direct sales businesses, which need funding and want to have their own business.

In 2011, SME Bank provided loans to 62 entrepreneurs in total amount of 40.96 million baht, with outstanding loan of 40.07 million baht for 60 entrepreneurs.

Besides the important Loan Projects as mentioned above, SME Bank also provides loans to entrepreneurs in other loan projects such as Hire-Purchasing NGV Cars Project, Hire-Purchasing NGV Air-conditioned Bus Project, NGV Gas Stations Project and Thai Kitchen to the World Project etc.

## (3) SME entrepreneurs who cannot

**access systematic funding source.** In 2011, SME Bank provided loans to 5,111 entrepreneurs in total amount of 1,449.96 million baht and provided overall total loan amount of 3,731.04 million baht to 12,555 entrepreneurs, which is 6.28% of total government policy outstanding loan. Important loans Projects are as follows:-

### - Small Entrepreneurs Loan Project

This project provides loans to entrepreneurs based on government policy with credit line not over 500,000 baht. In 2011, SME Bank has provided loans to 4,624 entrepreneurs in total amount of 1,240.54 million baht and outstanding loan of 1,305.62 million baht to 5,205 entrepreneurs.

Besides the above mentioned projects, SME Bank also provided loans for entrepreneurs in other loan projects such as **Loans to Help Solve Informal Debt Project, OTOP Loan Project,** Loans for Intellectual Property Conversion to Capital Project, Thai Taxi Development Project etc.

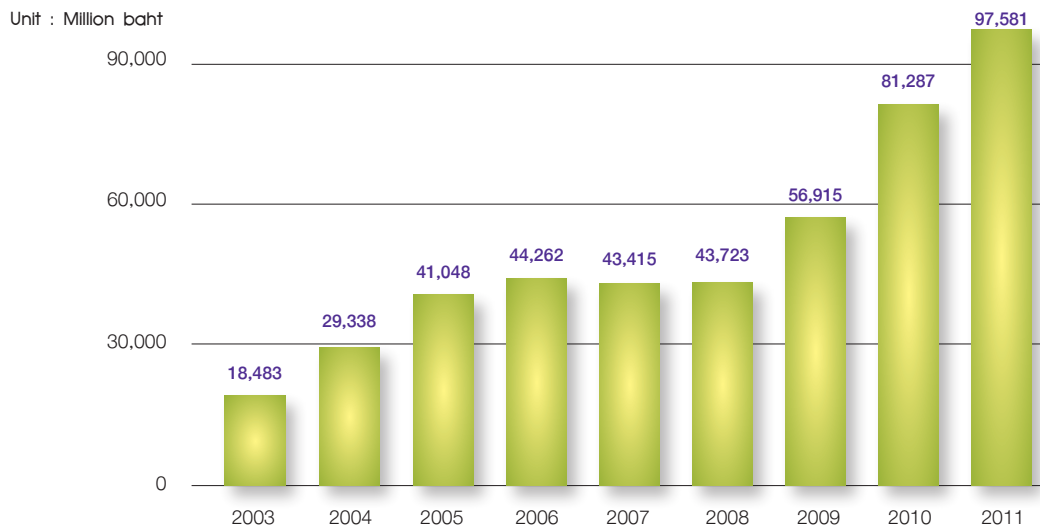
### 1.3.2 Provide General Loans

Provide general loans to existing and general customers. In 2011, provided loans to 12,505 entrepreneurs in total amount of 15,018.72 million baht, Outstanding loan of 38,195.60 million baht to 14,743 entrepreneurs.

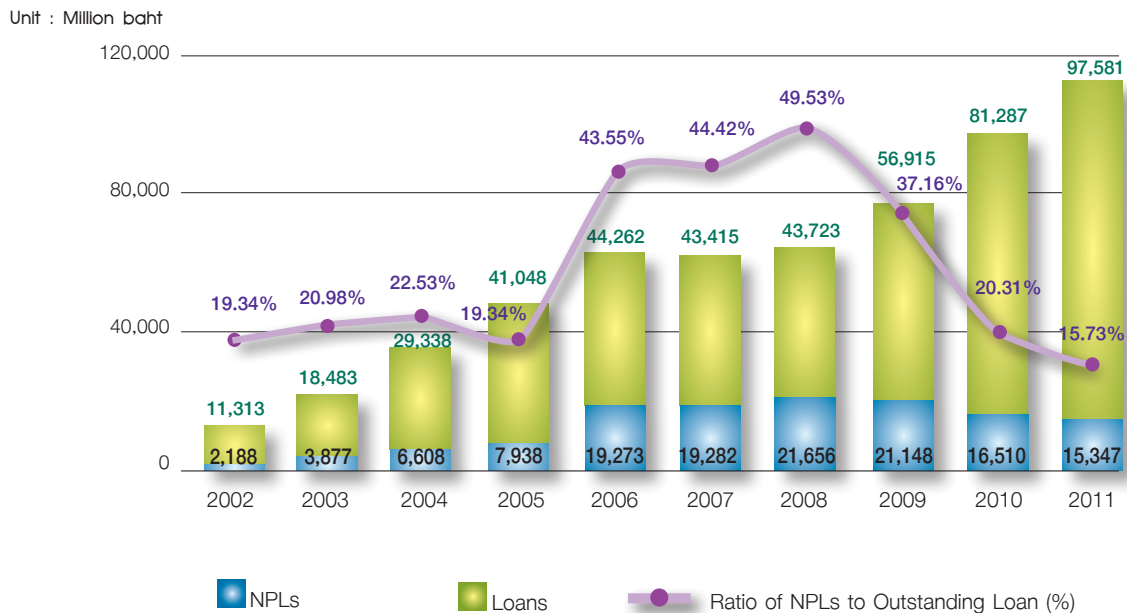
As a result of loan approvals and credit line withdrawals throughout 2011, outstanding loan at SME Bank is equaled to 97,581.04 million baht, and accounted to 70,100 entrepreneurs, rising by 16,294.54 million baht

or 20.05% from 2010. This is divided into general outstanding loan 37,983.44 million baht and government policy outstanding loan to 59,957.60 million baht, as compared to total outstanding loan ratio of 39:61.

### Loan Growth



### 1.4 Management of Non-performing Loans (NPLs)





In 2011, even though SMEs have to face with internal and external factors, non-performing loans of SME Bank decreases by 1,162.60 million baht, because the Bank closely monitors and presses for NPLs management. As of December 31, 2011 the net NPLs of SME Bank is 15,347.03 million baht, or 15.73% of outstanding loan 97,581.04 million baht, which decreased from 20.31% in 2010

### 1.5 Entrepreneur Development in 2011

One of the main missions in SME Bank policy is to develop entrepreneurs by providing assistance to SMEs from preparation before loan application until loan approval. After their loans are approved, the Bank continues to support and develop them by emphasizing on strengthening management for steady growth and stay competitive. In 2011, the Entrepreneur Development Department has launched “Entrepreneur Development” Project to develop SMEs’ potentials before and after their loans have been approved by SME Bank. There are two related activities as follows:-

**(1) Activity to prepare and access funding resource (Pre Loan),** so that interested SMEs can apply for loans with SME Bank. They have received information and are prepared before submitting loan applications. This activity also creates opportunities for them to access funding more easily, conveniently and rapidly, as well as help SME Bank to screen SMEs with potentials before their loans are approved by the Bank. **The target customer group whose loans have been approved after SME Bank helps to develop is at least 80%.**

SME Bank has organized various activities to achieve targets and index indicators of the organization.

Organize financial mobile units to give coaching to entrepreneurs at their working premises. Organize training to prepare them to access funding sources. Join with alliance organizations to setup exhibition booths and provide consultations, prepare related documents to loan applications as well as improve business plans for easier and faster loan approval. Moreover, SME Bank has joined with its branches to organize Coaching Dream Team activity to close cases. Through these activities, there are **769 SMEs** nationwide who applied for loans with the Bank. In 2011, **663** entrepreneurs received loan approval, or **86.22%** of those who have been developed and the approved loan in total amount of **857.25 million baht.**

**(2) Strengthen Bank’s Customers Activity (Post Loan).** The objective is to assist SMEs after the Bank approved their loans, so that they have sufficient information, build up their potentials and are prepared to manage their business for sustainable growth. **The target number of customers under the management strengthening policy and has obtained positive result is 600.** Customer developments consist of 4 main points as follows:-

**(2.1) Entrepreneurs Analysis and Development.** Cooperation with Technology Promotion Association (Thailand-Japan) to use the “Shindan” System to provide analysis service at business premises, give suggestions and studies on actual problems of businesses, analyze problems and summarize the points, provide consultations, give recommendations on business improvements on all 4 sides from production process, marketing, organization management, finance and accounting. Summarize and prepare Entrepreneur Analysis and Development Reports for each business as well as follow up on counseling

outcome. Summarize report about overall picture of activities. Carry out activities with two main groups of customers based on the Bank's policy. They are:-

1. Potential customers screened from CQC with a credit line of 10-15 million baht and above and
2. NPLs Group rated in A\* Group

The objective is to focus on better outcome in management at various matters such as reduce production cost, continuous promotion of products, reduce production wastes etc. A total of 103 bank customers participated in the activity.

### **(2.2) Improvement towards Quality**

**Standard.** Organized activity to visit companies and enquire about improving quality of products/ services to obtain quality standard, as well as study problems, analyze troubled situation, send expertise for counseling to achieve quality standard and encourage customers to join the process to achieve quality standard. Summarize reports about progress towards achieving the quality standard system periodically. Follow up the outcome continuously on an individual business basis, until they are certified by related organizations and publicize their success. In 2011, There were 6 customers who had been monitored from 2010, received certification with standard quality such as Food and Drug Administration Standard, ISO 9001:2008 Standard, GMP Product Standard, Wastes Reduction from Production Process as preparation towards GMP/HACCP/ Productivity Improvement. In 2011, a total of 31 customers received the service to develop themselves to achieve quality standard and the follow up will be carried out continuously until the customers receive certification in the following year.

### **(2.3) Trainings/Seminars for Entrepreneurs.**

Invite customers of SME Bank to participate in seminars with practical training so that they understand and

gain management skills in every aspect of business management, with the objective to apply these knowledge in their businesses for steady growth and have competitive edge over their competitors. The Bank organizes 2 courses of training, then evaluate, follow-up, summarize and prepare reports on the outcome of customers' performance after training.

1. "Inventory Management System Course": 258 participants
2. "Cost Accounting in a Day" Course: 390 participants

**Total number of customers who received training equivalent to 648.**

### **(2.4) Send customers of SME Bank to receive services from alliance units.**

Cooperated with Thailand Creative Design Center (TCDC) to organize academic and workshop training in product design with economic creativity. There are 2 courses: "Provide Intellectual Weapon to SMEs on Economic Creativity Stage" course and "March to New Start with Creativity" course. The targeted group of customers is the smePOWER for New Start, who have their own products and ready for product design developments. A total of 100 participants received the trainings. Coordinate with alliance units and send customers to participate in their activities. Evaluate and follow-up on the operators' performance after training.

**A total of 170 customers received service from other alliance unit. The total number of customers who have received service from alliance units is 270.**

### **• Summarize the Outcome of Customers after Activities**

Through the "Strengthening Banks' Customers" activity, with the objective to strengthen business management in every way from marketing, production





management, accounting as well as employ technology in management, the total number of participated customers is **1,052**. Moreover, SME Bank focuses on providing marketing knowledge to customers continuously. The Entrepreneur Development Department cooperates with Marketing Promotion Department to organize activities to support customers to expand their marketing channels by organizing the training courses “Create Logo, Create Income, Create Marketable Business” and “Social Network Marketing for SMEs” to advertise products and cooperate with Bank’s allies to organize “Increase Sales, Expand Markets with Internet Marketing Online Project” and “Marketing Channels Expansion with Airports of Thailand Association and Thailand Post Project”. There are **1,360** customers of SME Bank who receive the service. **The total of 2,412** customers participate in the Bank’s activities.

SME Bank has designed questionnaires and follow-up on results by telephone interviews and go to areas to monitor progress. The objective is to find out every customer’s achievements after participating in Bank’s activities. Total number of customers who answered the questionnaires is **1,206 or 50%**. It is discovered that **956** customers in Management Strengthening Project of the Bank have achieved better results. The positive results for customers include having better accounting system, own brand names, new product developments, inventory management, minimize production cost, developments towards quality standard system by introducing IT system in business management and export more products.

### **1.6 Corporate Social Responsibility: CSR**

In 2011, SME Bank clearly and continuously determines policy and strategy on Corporate Social Responsibility or CSR, because of the determination

to be responsible towards society. There are short-term as well as long-term operation plans, so that activities for 4 main points are well organized and coordinated. Emphasize on building joint forces for personnel in the organization from Board of Directors, management, employees and external personnel in society to participate in beneficial social activities. Educate and implant conscientious in employees at every level, so that they care about society inside and outside of the organization. Corporate Social Activities in 4 areas are as follows:

#### **(1) Educational Development Dimension**

The Bank agrees “Education” is an important tool and necessary for developing knowledge, ideas, viewpoints, values and build up morality for youth, who will be vital force in national developments in the future. Therefore, it is crucial to support and develop these youths, so that they have sufficient knowledge and opportunities to access standard education system, with modern educational equipment as schools in the cities such as:

(1) Established 4 SME Bank Computer Centers for schools in remote areas of Surin, Rayong, Singburi and Nakhon Sithammarat Provinces with a budget of 2,000,000 baht.

(2) Built SME Bank library for Banyang Sukwat School, Vachirabaramee District, Phichit Province with a budget of 400,000 baht.

(3) Provide budget of 1,800,000 baht to build food canteens for Mae Fa Luang Mountain Tribes Learning Centers under the royal patronage of H.R.H Princess Maha Chakri Sirindhorn in Tak province for 9 schools.

(4) Give 75 education funds, 2,000 baht each, with budget of 150,000 baht to students in Payuha

Wittaya School, Nakhon Sawan Province, Jantraram School (Ta Soong), Uthai Thani Province and Poonpin Wittayakom School, Surat Thani Province who were affected by the flood disasters.

5) Organize youth camps for employees' children to enhance their life experiences and environmental conservation at Chulachomklao Royal Military Academy, Nakhon Nayok Province.

6) Provide a budget of 200,000 baht to prepare educational media in IT for 4 schools in Phichit Province under the Bank's patronage.

### **(2) Preserve Religion Dimension**

The Bank supports and instills conscientious in employees to follow buddhist's teachings by organizing activities for employees and families to practice dharma and meditate, so as to practice the mind and heart. Preserve buddhism in various ways for the benefits of monks and those who live in the communities to have better lives such as:

1) Alms Unity Activity to support and build Dharma Center and Sermon Hall.

- Gave 700,000 baht in alms to Pa Baan Jan Temple, Chiang Yuen District, Mahasarakham Province.

- Gave 400,000 baht in alms to Uttraram Temple, Yansrisuraj District, Mahasarakham Province.

2) The End of Buddhist Lent Celebration Activity to build canteen for Khao Khaew Temple, Payuhakiri District, Nakhon Sawan Province, total Kathin donated 1,400,000 baht.

3) Organize activity for employees to participate in 12<sup>th</sup> August, 79 Years Pattanajit Chalermprakiat Project and Pattanajit Chalermprakiat Honoring Father of Land Project at Vipassanatura Studies Center, Buddha Viharn, Nakhon Nayok Province.

### **(3) Social and Environment Development Dimension**

SME Bank develops society and environment in parallel with main business operations of the Bank, to develop SMEs for smooth and continuous coordination.

Organize activities such as:

1) Provide budget of 200,000 baht to participate in the Joint Hands and Hearts to Fight against the Coldness Project. In 2011, SME Bank cooperated with Ruammue Ruamjai Company Limited to donate blankets and organized medical mobile units to help victims from coldness in three districts, Lampang Province.

2) Provide budget of 100,000 baht to participate in Heart Surgery Project worldwide to honor the King 84<sup>th</sup> Anniversary. Income is used to carry out heart operations for sick monks locally and abroad, total of 84 monks.

3) Provide budget of 50,000 baht to make footpath bridge at mangrove forests, Ban Laem Sai, Chaiya District, Surat Thani Province, in accordance to mangrove forests conservation and ecology studies project by youth.

4) Provide budget of 30,000 baht to Children and Families Development and Recovery Foundation in the Kitchen for Children, Do Good for Mom Project, in order to improve kitchen of the Foundation in accordance to hygienic standard of Ministry of Public Health.

### **(4) Employees Participation Dimension**

SME Bank promotes and encourages employees to participate in activities in team groups. Train and develop employees to maximize their potentials. Present awards to outstanding employees; arrange benefits in various fields appropriately. Organize sports and entertainment clubs for relaxation



and good health. Preserve beautiful Thai culture through activities such as

1) SME Bank Volunteer Spirit: Donate consumer goods to flood disaster victims in various areas in Bangkok, Nonthaburi and Nakhon Pathom.

2) Established a center to help 850 employees who were affected by the flood disaster such as donated life-saving bags, clothing, sleeping bags/ blankets, money, life jackets and cleaning equipment for household after flood receded etc.

3) Organize activity to preserve beautiful Thai culture such as Songkran Day, important Buddhism Religious Days, National Mother's Day, National Father's Day and Colleagues Activity.

4) Organize sports event to build up good relationships between management and employees as well as outside departments such as sports competition events in various clubs, state enterprise sports competition and sports competitions among banks etc.

## 2. Cooperation with Other Organizations and Departments

### 2.1 Cooperation with International Organizations

1) **ADFIAP (Association of Development Financing Institutions in Asia and the Pacific)** SME Bank as a member of ADFIAP Association has participated in the meeting as follows:-

- SME Bank has participated in ADFIAP International Seminar – Workshop on Institutionalizing Responsible Corporate Citizenship in Manila, Republic of the Philippines on July 4-8, 2011.

- SME Bank was the host with ADFIAP Association in organizing workshop seminar training ADFIAP: National Seminar Workshop on Institutionalizing Corporate Citizenship in Financial Institutions in Thailand. The purpose is to carry out studies on member countries (Asia-Pacific) in Bangkok, the Kingdom of Thailand on

September 26-28, 2011.

- SME Bank participated in the 8<sup>th</sup> International Forum for Chief Executive Officer of Development Finance Institutions Meeting (ADFIAP CEO Forum VIII) at Thimphu, the Kingdom of Bhutan on December 5-7, 2011

## **2) APEC (Asia-Pacific Economic Cooperation)**

SME Bank as a member of SME Financial APEC participated in the 8<sup>th</sup> Annual Meeting and Conference of APEC Financial Institutions Dealing with SMEs at Nuevo Vallarta City, Mexico on July 20-22, 2011 so as to promote and exchange opinions among member countries in the group.

## **3) JTEPA (Japan–Thailand Economic Partnership Agreement)**

SME Bank as a Thai-Japan Joint Sub-Committee participated in the Sub-Committee on Enhancement of Business Environment Meeting on February 23, 2011 at Shangrila hotel. The meeting resolution is to promote business environment for both countries.

## **4) JICA (Japan International Cooperation Agency)**

SME Bank is a supervisor for Strengthening Mechanisms for the Regional SME Promotion and Consultancy Services Quality Development Project, which is a cooperation project between JICA and Department of Industrial Promotion, a continuous project to develop the Shindan System for developing small and medium enterprises in the Regions on March 4, 2011

at Department of Industrial Promotion.

## **5) JETRO (Japan External Trade Organization)**

SME Bank has coordinated with JETRO in Thailand throughout 2011. Provide consultations and assistance to Thai-Japan small and medium enterprises under JETRO's supervision.

## **6) Welcome groups who visited and observed SME Bank's Business**

SME Bank has cooperated with international organizations and facilitated representative groups from various countries in visiting and exchanging experiences in the area of SMEs development as well as brought them to visit businesses of SME Bank's customers at several branches.

- Vice Minister of Ministry of Trading and Industry, Republic of Botswana, brought representatives from Local Enterprise Authority (LEA) and Citizen Entrepreneurial Development Agency (CEDA), Botswana to study operations and compare small and medium enterprises developments.

- Turkish Charge d'Affaires, Republic of Turkey met and discussed with president and management of the Bank about cooperation with Republic of Turkey.

- Management of Bangladesh Bank, People's Republic of Bangladesh, studied and exchanged experiences about SMEs development.

- Japan Finance Corporation (JFC-SME Unit), the state of Japan, met with management of the Bank to discuss and introduce new representative.

- JETRO, the State of Japan, expert in Shindan participated in interviews and analyze businesses



with SME Bank.

- China Development Bank (CDB) Group from People's Republic of China, studied SME Bank's business and visited SME Bank's customers in Samutsongkhram Province.

- JFC from the State of Japan came to discuss to prepare for business matching project between Thai and Japanese entrepreneurs.

- The representatives of Thai-American Chamber of Commerce, California, USA, exchanged ideas in providing news information, recommendations and promote business relationship network.

- Representatives from Bogor Agricultural University and State Pawnshop Operators in Indonesia visited SME Bank's business and exchanged ideas about accessing funding sources and promotion of small and medium enterprises (SMEs) at the local level.

- Institute for Small-Scale Industries University of the Philippines, the Kingdom of Bhutan

visited and studied SME Bank's business.

- JICA, the State of Japan met with the Bank's president to discuss about flooding situation and recovery plan of SME Bank.

## 2.2 Cooperation with Domestic Organizations

- SME Bank participated in One Stop Export Service Center: OSEC Meeting with the Export Promotion Department, Ministry of Commerce and sent staff at exhibition booth to give recommendations in export and access to funding sources. Arrange for lecturers to narrate and inform about foreign services for exports of SME Bank at Product Exhibitions in Bangkok and up countries throughout 2011.

- SME Bank was invited to participate in seminar organized by alliance organizations and departments such as Export Promotion Department, Department of Trade Negotiations, Ministry of Commerce, Ministry of Foreign Affairs, and Ministry of Industry etc.

Designed by Nuch, Bangkok

Supported by: Logo design



“ SME Bank did not only provide money, but help design shop logo and new name card. Customers then remember my shop very well and my sales has been rising ever since. Without SME Bank that day, our business certainly could not have grown until today. ”

**Khun Radasa Sukpasamai**

Business owner : House Decorations

## Operation Direction for Year 2012



As for the operation direction for 2012, SME Bank adheres to the mission and vision of the Bank in being the specific financial institution to create opportunities for SMEs by filling the void in financial services where commercial banks could not provide, in parallel with developing SMEs' potentials. The objective is to relieve the burden of entrepreneurs who face with crisis, support SMEs who are strategic groups of the country in accordance to government policy. The plan is to expand customer base for retail entrepreneurs, because there are many SMEs nationwide, who still cannot access funds in the system. Besides retail entrepreneurs, the Bank also focus on SMEs who are strategic groups based on government policy, as well as assist and develop them to grow steadily. The vision of SME Bank is being a government's financial institution for developments to help and support Thai SMEs. Important targets and strategies are as follows:-

### 4 Organizational Strategies

#### 1. Expand customers base along with increasing quality of loans.

The strategy to expand customers base conforms to system development plan policy of specific financial institution, which is to fill in the void where customers cannot access funding sources in the system as well as SME Bank's duty in being a mechanism to propel economic growth and assist SMEs in accordance to government policy. Therefore, SME Bank has four major groups of customers as follows:-

First Group : SMEs who met with crisis and the government sector assigns SME Bank to provide relief aids.

Second Group : SMEs in the strategic group as defined by government policy, which the government foresees as future of the country such as tourism, food, energy and logistics etc.

Third Group : Many small entrepreneurs in the system, who mostly cannot access funding sources in the system. Thus this group has to borrow from outside of the system, which in turn increases their operation costs. Most of them need working capital for trading. If this group can access funds in the system, then their cost will be cheaper than borrowing from outside of the system. Consequently, more small businesses can survive.

Fourth Group : Existing customers of SME Bank who want to improve their products or expand their businesses.

As for non-performing loan management (NPLs), immediate actions must be taken from preventing loans to become NPLs or restructuring debts quickly when they have become NPLs.

#### 2. Strategy to elevate and strengthen SMEs customers so that they are competitive in the world stage.

SME Bank moves forward from 2011 in assisting and developing SMEs before and after loans approval and are more precise about preparing entrepreneurs in 3 areas in Asean trading: elevate production standard, creative economy, management and assistance in marketing.

Besides this, SME Bank cooperates with alliance organizations locally and abroad who are experts in each field such as cooperation with Thailand Creative

& Design Center (TCDC) in design development and cooperates with National Science and Technology Development Agency (NSTDA), an expert in reducing wastes in the production process etc.

### **3. Strategy to manage operation cost to achieve SME Bank's missions.**

Manage funding source, balance cost and loans. Source out interbank loans both committed line and uncommitted line, foreign exchange rates credit line, SWAP with commercial banks to expand transactions for trade finance loans and reserve in times of emergency.

Moreover, determine operations strategy by separating social strategy based on government policy from normal operations of SME Bank, in order to propose to receive compensation, funding sources support and compensation for projects that SME Bank must assist entrepreneurs in accordance to government policy.

### **4. Strategy to increase business operation efficiency and organizational management**

SME Bank adjusted the loan approval process to be faster by reducing document procedure and introduce IT system by connecting all network system to support business expansion to the regions, so as to provide services to customers in the areas instantly. SME Bank started to expand work to branches or district offices such as credit bureau checking, assessment of collaterals, making contracts etc. under the determined rules, regulations, responsibilities and authority with internal control system and audit system. With these operations, SME Bank will be able to provide faster services and continuously increase employees' efficiency.





## OTOP 5 Stars 4 Regions, Bangkok

Support by : OTOP Loan and Marketing Promotion



“ Today, my business runs smoothly, because SME Bank has helped me with working capital. The staff are professional and helpful, they helped with product development and looking for marketing channels. Now I am not afraid of any problem at all. ”

### **Khun Karnchana Ngaosawat**

Business owner : Producer and Distributor  
of OTOP Product 5 Stars  
4 Regions

## Auditor's Report



### TO: THE SHAREHOLDERS OF THE SMALL AND MEDIUM ENTERPRISE DEVELOPMENT BANK OF THAILAND

The Office of the Auditor General of Thailand has audited the balance sheets of the Small and Medium Enterprise Development Bank of Thailand as at December 31, 2011, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on financial statements based on the audits.

The Office of the Auditor General of Thailand conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General of Thailand 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. The Office of the Auditor General of Thailand believes that the audits provide a reasonable basis for the opinion.

According to the Note on the financial statements No. 5.5 in regard to the Allowance for Doubtful Accounts, the provisioning to be set by the Bank has not been completely performed, on the basis of Bank of Thailand (BOT), in the amount of 1,741.04 million baht, as conceded by the Ministry of Finance not later than 2012 (B.E.2555). As a result, loans as at December 31, 2010 are higher by 1,741.04 million baht. If the Bank set the provisioning on the above basis of BOT, the Allowance for Doubtful Accounts as at December 31, 2010, net profit of 128.48 million baht will become net loss of 1,612.56 million baht.

As at December 31, 2011, the Bank has set provisioning of Allowance for Doubtful Accounts in full amount according to Bank of Thailand. However, the Bank did not adjust its financial statement of December 31, 2010. Therefore, the comparison according to generally accepted auditing standard between the year end 2011 and 2010 shown the lower net profit of 1,741.04 million baht at the end of December 31, 2011.

In the opinion of the Office of the Auditor General of Thailand, except for the effects of financial statements referred to paragraphs three and four, the financial statements has showed the financial position as at December 31, 2011 and 2010, including the statements of income and cash flows for the year then ended of the Small and Medium Enterprise Development Bank of Thailand's management for correctness, in accordance with generally accepted accounting standards.



As explained in Notes to financial statements No.2.2 and No.2.3 for the year ended at December 31, 2011 the Bank has implemented Accounting Standard and Financial Report Standard newly issued by Federation of Accounting Professions and Bank of Thailand's Announcement on: Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies, which are parent companies of financial business group, which is effective from the accounting period on or after January 1, 2011 onwards. The purpose is to prepare and present financial statements as of year ended December 31, 2010 and compare in new table format, to coincide with financial statements as year ended December 31, 2011.

(Signed) Yupin Chalanonniwat  
(Yupin Chalanonniwat)  
Director of Audit Office

(Signed) Pithada Rothakit  
(Pithada Rothakit)  
Auditor-in-charge

# Balance Sheets

Small and Medium Enterprise Development Bank of Thailand  
As at December 31, 2011 and 2010

Unit : Baht

|  | Notes       | 2011                      | 2010                     |
|--|-------------|---------------------------|--------------------------|
| <b>Assets</b>  |             |                           |                          |
| Cash   |             | 1,043,887.67              | 904,640.52               |
| Interbank and Money Market Items                         | 5.2         | 14,812,040,655.50         | 5,832,864,199.64         |
| Net Investment   | 2.4.7 5.3   | 8,615,444,839.56          | 4,848,605,592.57         |
| Loans and Accrued Interest Receivable                    | 2.4.4 5.4   |                           |                          |
| Loans  |             | 97,581,041,794.13         | 81,286,505,684.73        |
| Accrued Interest Receivable                              |             | 615,673,956.72            | 229,641,786.16           |
| <b>Total Loans and Accrued Interest Receivable</b>       |             | <b>98,196,715,750.85</b>  | <b>81,516,147,470.89</b> |
| <u>Less</u> Accrued Income                               |             | 628,976,629.49            | 588,241,710.23           |
| <u>Less</u> Allowance for Doubtful Accounts              | 2.4.5 5.5   | 8,377,059,476.50          | 5,407,621,182.89         |
| <b>Total Loans and Accrued Interest Receivable - Net</b> |             | <b>89,190,679,644.86</b>  | <b>75,520,284,577.77</b> |
| Properties Foreclosed - Net                              | 2.4.11 5.6  | 1,280,178,454.52          | 926,367,879.28           |
| Premises and Equipment - Net                             | 2.4.9 5.7   | 757,037,469.24            | 769,750,884.52           |
| Assets in Process  | 5.8         | 392,020,356.56            | 324,362,915.58           |
| Advance for Legal Costs - Net                            | 5.9         | 0.00                      | 0.00                     |
| Intangible Assets - Net                                  | 2.4.10 5.10 | 47,490,505.23             | 47,857,045.60            |
| Other Assets - Net                                       | 5.11        | 344,567,124.07            | 349,453,047.76           |
| <b>Total Assets</b>                                      |             | <b>115,440,502,937.21</b> | <b>88,620,450,783.24</b> |

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

## Balance Sheets (Continued)

Small and Medium Enterprise Development Bank of Thailand  
As at December 31, 2011 and 2010

|  |       | Unit : Baht               |                          |
|--|-------|---------------------------|--------------------------|
|  | Notes | 2011                      | 2010                     |
| <b>Liabilities and Shareholders' Equity</b>                              |       |                           |                          |
| Deposits in Baht   | 5.12  | 91,933,044,523.85         | 60,050,420,057.65        |
| Interbank and Money Market Items   | 5.13  | 2,946,433,537.16          | 11,625,907,100.00        |
| Liabilities Payable on Demand  |       | 26,908,131.75             | 223,606,704.32           |
| Issued Debt Securities and Borrowings                                    | 5.14  | 10,694,877,721.56         | 5,437,184,403.41         |
| Contingent Liabilities   | 5.17  | 2,190,446,190.48          | 2,032,747,877.39         |
| Accrued Interest Payable   |       | 865,576,243.61            | 312,131,176.74           |
| Support Fund from the Assets Capitalization Bureau                       | 5.15  | 3,474,087.52              | 3,474,087.52             |
| Support Fund from the Operation Center for Resolving Debts of the Public | 5.16  | 2,564,973.88              | 2,564,973.88             |
| Difference on Revaluation - Cross Currency Swap                          | 5.18  | 59,523,775.80             | 2,330,235,790.93         |
| Other Liabilities  | 5.19  | 727,245,003.83            | 713,006,793.21           |
| <b>Total Liabilities</b>   |       | <b>109,450,094,189.44</b> | <b>82,731,278,965.05</b> |

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

## Balance Sheets (Continued)

Small and Medium Enterprise Development Bank of Thailand  
As at December 31, 2011 and 2010

Unit : Baht

|   | Notes | 2011                      | 2010                      |
|---|-------|---------------------------|---------------------------|
| <b>Liabilities and Shareholders' Equity</b>       |       |                           |                           |
| Shareholders' Equity                              |       |                           |                           |
| Share Capital                                     | 5.20  |                           |                           |
| Authorized  |       |                           |                           |
| 116,000,000 Ordinary Shares of Baht 100 each      |       | 11,600,000,000.00         | 11,600,000,000.00         |
| Issued and Fully Paid-up                          |       |                           |                           |
| 116,000,000 Ordinary Shares of Baht 100 each      |       | 11,600,000,000.00         | 11,600,000,000.00         |
| Other Components of Shareholders' Equity          | 5.21  | 95,845,130.91             | 88,789,490.69             |
| Retained Earnings                                 |       |                           |                           |
| Appropriated                                      |       |                           |                           |
| Legal Reserve                                     |       | 43,291,423.63             | 43,291,423.63             |
| Others  |       | 216,457,118.20            | 216,457,118.20            |
| Unappropriated                                    |       | (5,965,184,924.97)        | (6,059,366,214.33)        |
| <b>Total Retained Earnings</b>                    |       | <b>(5,705,436,383.14)</b> | <b>(5,799,617,672.50)</b> |
| <b>Total Shareholders' Equity</b>                 |       | <b>5,990,408,747.77</b>   | <b>5,889,171,818.19</b>   |
| <b>Total Liabilities and Shareholders' Equity</b> |       | <b>115,440,502,937.21</b> | <b>88,620,450,783.24</b>  |

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

(Signed) Naris Chaiyasoot  
(Mr. Naris Chaiyasoot)  
Chairman

(Signed) Soros Sakornvisava  
(Mr. Soros Sakornvisava)  
President

# Statements of Income

Small and Medium Enterprise Development Bank of Thailand  
For the years ended December 31, 2011 and 2010

Unit : Baht

|  | Notes  | 2011                    | 2010                    |
|--|--------|-------------------------|-------------------------|
| Interest Income                                | 5.25   | 4,820,357,905.33        | 3,285,291,503.35        |
| Interest Expense                               | 5.26   | 2,564,064,413.13        | 1,073,700,363.11        |
| <b>Interest Income - Net</b>                   |        | <b>2,256,293,492.20</b> | <b>2,211,591,140.24</b> |
| Fees and Service Income                        |        | 272,142,289.47          | 318,031,545.91          |
| Fees and Service Expenses                      |        | 35,196,155.02           | 43,304,408.70           |
| <b>Fees and Service Income - Net</b>           | 5.27   | <b>236,946,134.45</b>   | <b>274,727,137.21</b>   |
| Gains on Exchanges                             | 5.28   | 2,346,978,345.93        | 1,506,017.59            |
| Gains on Financial Liabilities with Fair Value | 5.29   | 1,813,883.56            | 5,271,599.12            |
| Net Losses on Investment                       | 5.30   | (29,909,121.93)         | (33,933,019.84)         |
| Other Income                                   |        | 93,818,734.64           | 57,866,140.95           |
| <b>Total Non-Interest Income</b>               |        | <b>4,905,941,468.85</b> | <b>2,517,029,015.27</b> |
| Other Operations Expenses                      |        |                         |                         |
| Personnel Expenses                             |        | 1,108,371,105.08        | 912,785,337.79          |
| Directors' Remuneration                        |        | 3,931,500.00            | 2,982,000.00            |
| Premises and Equipment Expenses                |        | 377,321,181.05          | 402,907,212.56          |
| Tax Expenses                                   |        | 42,936.00               | 41,328.00               |
| Derivatives Expenses                           |        | -                       | 34,734,700.49           |
| Other Expenses                                 |        | 224,420,889.28          | 179,408,791.70          |
| <b>Total Non-Interest Expenses</b>             |        | <b>1,714,087,611.41</b> | <b>1,532,859,370.54</b> |
| <b>Doubtful Accounts</b>                       | 5.5    | <b>2,969,438,293.61</b> | <b>855,689,999.98</b>   |
| Net Profit                                     |        | 222,415,563.83          | 128,479,644.75          |
| Other Profit (Loss)                            |        |                         |                         |
| Gains (Losses) on Investments                  |        | 4,475,640.22            | (800,509.31)            |
| <b>Net Profit</b>                              |        | <b>226,891,204.05</b>   | <b>127,679,135.44</b>   |
| Basic Earnings per Share                       | 2.4.18 | 1.92                    | 1.11                    |

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

(Signed) Naris Chaiyasoot  
(Mr. Naris Chaiyasoot)  
Chairman

(Signed) Soros Sakornvisava  
(Mr. Soros Sakornvisava)  
President

# Statements of Changes in Shareholders' Equity

Small and Medium Enterprise Development Bank of Thailand  
For the years ended December 31, 2011 and 2010

Unit : Baht

|  | Issued and Paid Up<br>Share Capital | Other Components<br>of Shareholders'<br>Equity | Government<br>Support fund for<br>Investment | Retained Earnings   |                                  |                        | Total            |                |
|--|-------------------------------------|--|--|---|----------------------------------|------------------------|------------------|----------------|
|  |                                     |  |  | Excess (lower)<br>Capital from Change<br>in Investment<br>Value | Appropriated<br>Legal<br>Reserve | Appropriated<br>Others |                  | Unappropriated |
|  |                                     |  |  |   |                                  |                        |                  |                |
| <b>Opening Balance at January 1, 2010</b>      | 11,600,000,000.00                   | 79,610,000.00                                  | 193,550,000.00                               | 43,291,423.63   | 216,457,118.20                   | (6,187,845,859.08)     | 5,945,062,682.75 |                |
| Government Support Fund for Investment         | -                                   | -  | (193,550,000.00)                             | -   | -                                | -                      | (193,550,000.00) |                |
| Excess Capital from Change in Investment Value | -                                   | 9,980,000.00                                   | -  | -   | -                                | -                      | 9,980,000.00     |                |
| Net Profit (Loss)                              | -                                   | (800,509.31)                                   | -  | -   | -                                | 128,479,644.75         | 127,679,135.44   |                |
| <b>Closing Balance at December 31, 2010</b>    | 11,600,000,000.00                   | 88,789,490.69                                  | -  | 43,291,423.63   | 216,457,118.20                   | (6,059,366,214.33)     | 5,889,171,818.19 |                |
| Effects on Changes in Accounting               |                                     |  |  |   |                                  |                        |                  |                |
| Policy on Employees Benefits                   | -                                   | -  | -  | -   | -                                | (128,234,274.47)       | (128,234,274.47) |                |
| Excess Capital from Change in Investment Value | -                                   | 2,580,000.00                                   | -  | -   | -                                | -                      | 2,580,000.00     |                |
| Net Profit                                     | -                                   | 4,475,640.22                                   | -  | -   | -                                | 222,415,563.83         | 226,891,204.05   |                |
| <b>Closing Balance at December 31, 2011</b>    | 11,600,000,000.00                   | 95,845,130.91                                  | -  | 43,291,423.63   | 216,457,118.20                   | (5,965,184,924.97)     | 5,990,408,747.77 |                |

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

(Signed) Naris Chaiyasoot  
(Mr. Naris Chaiyasoot)  
Chairman

(Signed) Soros Sakornvisava  
(Mr. Soros Sakornvisava)  
President



# Statement of Cash Flows

Small and Medium Enterprise Development Bank of Thailand  
For the years ended December 31, 2011 and 2010

Unit : Baht

|  | 2011                      | 2010                    |
|--|---------------------------|-------------------------|
| <b>Cash Flows from Operating Activities</b>  |                           |                         |
| Net Profit from Operations   | 222,415,563.83            | 128,479,644.75          |
| Items to Reconcile Net Profit (Losses) to Net Cash Provided by (Used in ) Operating Activities |                           |                         |
| Depreciation and Amortization  | 64,010,942.68             | 128,013,743.06          |
| Doubtful Accounts  | 2,939,554,135.03          | 860,868,688.91          |
| Loss (Gains) from Sale of Assets   | 20,462.69                 | (6,030.59)              |
| Loss from Sale of Investments  | -                         | 10,409,108.05           |
| Increase in Accrued Expenses   | 24,058,855.52             | 109,968,591.45          |
| Increase in Loans Forecast   | 29,464,038.62             | -                       |
| Loss from Depreciation of Capital  | 29,040,458.15             | 23,523,911.79           |
| Loss from Depreciation of Properties Foreclosed  | 10,478,298.00             | 1,647,943.00            |
| Lower than the value of financial investment   | (14,331,655.54)           | (7,562,971.59)          |
| The excess of investment value from the reversed   | 882,440.10                | 509.48                  |
| Income from Properties Foreclosed  | -                         | (15,990.01)             |
| Adjusted loss on Assets Sale to expenses in the current period                                 | 328,977.26                | -                       |
| Adjusted the Assets in Process of the previous period to the expenses in the current period    | 5,413,600.00              | -                       |
| Adjusted the Assets in Process of the previous period to other assets in the current period    | -                         | 32,699,200.00           |
|  | 3,311,336,116.34          | 1,288,026,348.30        |
| Net Interest Income  | (2,256,293,492.20)        | (2,211,591,140.24)      |
| Cash Received Interest and Dividend  | 4,434,325,734.77          | 3,213,484,613.51        |
| Cash Paid Interest Expense   | (2,010,619,346.26)        | (1,020,431,782.06)      |
| <b>Profit from Operations before Changes in Operating Assets and Liabilities</b>               | <b>3,478,749,012.65</b>   | <b>1,269,488,039.51</b> |
| (Increase) Decrease in Operating Assets  |                           |                         |
| Interbank and Money Markets Items  | (9,012,104,470.72)        | 1,389,834,650.30        |
| Loans  | (16,253,801,190.14)       | (24,185,440,009.00)     |
| Properties Foreclosed  | (415,188,916.24)          | (486,577,859.46)        |
| Other Assets   | 29,770,082.27             | (131,834,521.69)        |
| Increase (Decrease) in Operating Liabilities   |                           |                         |
| Cash Deposits in Baht  | 31,882,624,466.20         | 29,661,062,126.65       |
| Interbank and Money Markets Items  | (8,679,473,562.84)        | (7,011,915,500.00)      |
| Liabilities Payable on Demand  | (196,698,572.57)          | 180,450,444.40          |
| Government support fund for investment   | -                         | (193,550,000.00)        |
| Other Liabilities  | (2,280,532,660.03)        | 5,009,058.16            |
| <b>Net Cash Provided by (used in ) Operating Activities</b>                                    | <b>(1,446,655,811.42)</b> | <b>496,526,428.87</b>   |

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

## Statement of Cash Flows (Continued)

Small and Medium Enterprise Development Bank of Thailand  
For the years ended December 31, 2011 and 2010

Unit : Baht

|   | 2011                      | 2010                      |
|---|---------------------------|---------------------------|
| <b>Cash Flows from Investment Activities</b>        |                           |                           |
| Decrease in Time Deposits                           | 32,928,014.86             | 42,249,591.09             |
| Cash Paid for Securities Investment                 | (13,708,104,310.79)       | (9,632,381,361.45)        |
| Cash Paid for Purchase of Premises and Equipment    | (7,437,719.09)            | (3,082,358.61)            |
| Cash Paid for Purchase of Intangible Assets         | (1,857,000.00)            | -                         |
| Cash Paid for Purchase of Assets in Process         | (59,183,735.87)           | (160,264,125.39)          |
| Cash Received from Premises and Equipment           | 27,030.00                 | 7,500.00                  |
| Cash Received from Securities Investment            | 9,932,729,461.31          | 7,137,910,925.16          |
| <b>Net Cash used in Investment Activities</b>       | <b>(3,810,898,259.58)</b> | <b>(2,615,559,829.20)</b> |
| <b>Cash Flows from Financing Activities</b>         |                           |                           |
| Cash Paid for Repayment of Borrowings               | (40,687,242.85)           | (54,156,884.00)           |
| Cash Received from Borrowings                       | 5,298,380,561.00          | 2,173,942,367.85          |
| <b>Net Cash used in Financing Activities</b>        | <b>5,257,693,318.15</b>   | <b>2,119,785,483.85</b>   |
| Net Increase in Cash and Cash Equivalents           | 139,247.15                | 752,083.52                |
| Opening Balance of Cash and Cash Equivalents        | 904,640.52                | 152,557.00                |
| <b>Closing Balance of Cash and Cash Equivalents</b> | <b>1,043,887.67</b>       | <b>904,640.52</b>         |

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

# Notes to Financial Statements

Small and Medium Enterprise Development Bank of Thailand  
For the years ended December 31, 2011 and 2010

## 1. Establishment Objectives and Operations

The Small and Medium Enterprise Development Bank of Thailand was established as juristic person in accordance to Small and Medium Enterprise Development Bank of Thailand Act B.E. 2545 (2002), which effectively came into force since December 20, 2002. The Bank is mandated to conduct business with the aim to develop, promote and assist small and medium enterprise in the establishment, operation, expansion or improvement of their businesses through the provision of loans, guarantees, venture capital, counseling and other necessary services as prescribed by the Act.

The entire business, assets, liabilities, retained earnings, reserves and all rights and accountabilities of the Small Industry Finance Corporation as existed on the day which this Act came into force, were transferred to SME Bank.

The Bank's head office is located at 310 SME Bank Tower, Phahonyothin Road, Sam Sen Nai District, Phayathai, Bangkok. The Bank has branch offices located throughout all regions of Thailand.

## 2. Basis of Presentation and Significant Accounting Policies

### 2.1 Basis of Presentations of Financial Statements

The Bank has prepared the financial statements disclosed items as specified in the announcement of Bank of Thailand Ref.Sor.Nor.Sor. 11/2010 dated December 3, 2010 regarding the presentation and announcement of financial statements for Commercial Banks, including the holding company of financial business group, according to accounting standards as prescribed in the Accounting Act B.E.2543 (2000).

### 2.2 Revised Accounting Standard and Financial Reporting Standard

#### 2.2.1 Compliance to Revised Accounting Standard

As of the year ended December 31, 2011, the SME Bank has conformed to new or revised Accounting Standard or Financial Reporting Standard as follows:-

#### Accounting Standard

|        |  |
|--------|--|
| No. 1  | The Presentation of Financial Statements (revised 2009)                      |
| No. 7  | The Statements of Cash Flows (revised 2009)                                  |
| No. 8  | The Accounting Policies, the Change of Estimated Account (revised 2009)      |
| No. 10 | The Events after Reporting Periods (revised 2009)                            |
| No. 16 | Land, Premises and Equipment (revised 2009)                                  |
| No. 17 | The Leasing Contracts (revised 2009)   |
| No. 18 | Income (revised 2009)  |
| No. 19 | Benefits for Employees   |
| No. 23 | The Cost of Loans and Borrowings (revised 2009)                              |
| No. 24 | The Disclosure of Personal Information and Business concerned (revised 2009) |
| No. 26 | Accounting and Reporting for various benefits for employees when resigned    |
| No. 33 | Earnings per Share (revised 2009)  |
| No. 34 | The Interim Financial Statements (revised 2009)                              |

### **Accounting Standard**

- No. 36 The Depreciation of Assets (revised 2009)
- No. 37 The Estimated Liabilities, Contingent Liabilities and Assets (revised 2009)
- No. 38 The Intangible Assets (revised 2009)

### **Financial Reporting Standard**

- No. 5 The non-current Assets held for Sale and Discontinued Operations (revised 2009)

The compliance to new Accounting Standard and Financial Reporting Standard as mentioned above caused important changes as follows:-

1. Accounting Standard No.1: The presentation of Financial Statements under new Accounting Standard. Financial Statements consist of Balance Sheet, the Statement of Income, Changes in Shareholders' Equity, and the Statements of Cash Flows.
2. Accounting Standard No. 19: Benefits for Employees

The Bank estimates cost as at December 31, 2010 is 128.23 million baht. Adjust accumulated profit at the beginning of the accounting period 2011, based on urgent memorandum from the Ministry of Finance, State Enterprise Policy Board Office at Gor Kor 0805.1/Wor.95 dated October 20, 2011 about: Compliance to New Financial Report. As of December 31, 2011, the Bank recognized service cost of employees as employees expense in the Statements of Income amount 29.47 million baht. Liabilities from service cost in the past as at December 31, 2010 is 128.23 million baht. The current service cost is 29.47 million baht, total 157.70 million baht in the Balance Sheet. (Note: 5.17.1)

**2.2.2** In 2010, the Professional Association has issued Accounting Standard No. 20, which is not effective yet within or after January 1, 2013: Accounting for Government Grants and Disclosure of Government Assistance (revised 2009).

The Bank estimated the implementation of the above Accounting Standard would have no significant effect, upon the financial statements of the Bank when adopting it.

The financial statements have been made in both Thai and English version so as to facilitate the foreign readers. As for the No.12 Accounting Standard to be implemented: Income Taxes and No. 21: Effects from Changes in Foreign Exchanges Rates. The management is considering about the impact on financial statements of the Bank, if this Accounting Standard is implemented.

### **2.3 Reclassify Transactions Classification**

New formats are introduced for the financial statements as of year ended December 31, 2010, in concordantly to financial statements as of year ended December 31, 2011.

### **2.4 Summary of Significant Accounting Policies**

#### **2.4.1 Cash and Cash Equivalents**

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



## 2.4.2 Recognition of Income

### - Interest Income

The Bank recognizes interest income on loans on an accruals basis using the effective interest rate method, except for interest on loans classified as delinquent over 3 months which is recognized on a cash basis.

The Bank reverses accrued interest income on loans classified as delinquent over 3 months since the first date of overdue accordance with the Bank of Thailand regulation.

### - Fees and Services Income

The Bank recognizes fees and services income from loans approval on cash basis, except for fees and services income from issuance of guarantee letter is recognized on rights basis.

## 2.4.3 Recognition of Interest Expense

Interest expense on deposits and borrowings is recognized on an accrual basis using the effective interest rate method.

## 2.4.4 Loans

Loans represent the outstanding principle amount, which accrued interest receivables presented as a separate item. Unearned discounts are presented as a deduction from the loans.

## 2.4.5 Allowance for Doubtful Accounts

The Bank set allowance for doubtful account according to Bank of Thailand (BOT) Ref. Sor.Nor.Sor. 31/2008 relating to the basis of assets classification and provisioning of financial institutes dated August 3, 2008. Comply with Bank of Thailand's policy on: Evaluation of Assets Foreclosed, obtained from debt payments by Financial Institution dated December 9, 2009. It can be summarized as follows:-

1) The Bank set the provision for non-performing loans at the rate of 100% of the debt value after deducting for the collaterals of current cash value after being sold based on Bank of Thailand's regulation.

2) Foreclosed assets calculated based on current cash value include immovable property, movable property and lease rights. As for other types of assets, use the value as specified by Bank of Thailand.

3) The Bank assesses collaterals based on Bank of Thailand's Regulation on collaterals, assessment methods, and frequency in assessment, collateral value which the Bank can deduct before setting the provision by estimation or appraisal. After the Bank accepted as collaterals in loan provision, appraise collateral every 3 year.

The Bank set the provision based on amount of debtors, analysis of each debtor and their debt payments ability, existing collateral values, nonetheless, the Bank has set provision more than the Provision of Financial Institution Regulation. In 2011, the SME Bank set provision greater by 643.32 million baht.

In 2010, the Bank set provision for doubtful accounts to conform to Ministry of Finance's policy International Accounting Standard No. 39 not later than 2012. The Bank set provision for doubtful accounts at the rate of 100% of the debt value after deducting for the collaterals at the rate of 62% for the substandard assets and assets classified as doubtful as set forth by Bank of Thailand.

#### **2.4.6 Troubled Debt Restructuring**

The Bank considers debtors deemed able to pay their debts if terms and conditions are eased from normal standards without incurring any loss in book value. The Bank uses banking practice regarding troubled debt restructuring to resolve problem of troubled debts, such as asset transfer to repay debt, change of repayment conditions and other forms of troubled debt restructuring as specified in Bank of Thailand's Announcement at Ref. Sor. Nor. Sor. 31/2008 on: Classification and Provision of Financial Institution Regulation dated August 3, 2008.

#### **2.4.7 Investments**

The Bank's investments comprise debt securities as trading securities, available-for-sale securities, held-to-maturity debt securities and general investment securities which are presented separately as net current investments and net long-term investments.

Investment in marketable investment units which are available-for-sale investments is presented in terms of fair value with their net assets value.

Those debt securities which the Bank intends and is able to hold to maturity are classified as held-to-maturity securities which are presented at cost value written off. Their surplus or deficit value will be held to maturity and adjusted to interest receivables at the end of each month on a straight-line method. The interest income from held-to-maturity debt securities are recorded on an accrual basis using the effective rate method.

Investments other than marketable securities are stated at cost less allowance for investment impairment (if any). Loss on impairment of investment are recognized as the expense in the statement of income.

#### **2.4.8 Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies, including forward foreign exchange contracts, are translated into Thai Baht at the rates of exchange prevailing at the transaction dates. Balances of assets and liabilities denominated in foreign currencies, including forward foreign exchange contracts are translated into Thai Baht at the reference rates announced by the BOT at the date of Balance Sheet. Exchange gains or losses on translation are recognized as income or expenses in the period.

#### **2.4.9 Premises and Equipment - Net**

Premises and equipment are stated at cost less accumulated depreciation and allowance for asset impairment (if any). Depreciation of premises and equipment is calculated on a straight-line method over their estimated useful lives, for building, 20 years and for equipment, 5-10 years. Equipment which cost not more than 2,000 Baht per unit, are stated as expenses in the accounting period of their purchase.

#### **2.4.10 Intangible Assets - Net comprising of**

The installation of computer system including the expenses for upgrading the core banking system are stated at cost less accumulated amortization, calculated on a straight-line method over the estimated 5-10% per year and recognized as expenses in the statement of income.

The rights to rent are stated at cost less accumulated amortization, calculated on a straight-line method, according to the remaining maturity of rental contracts and recognized as the expenses in the statement of income.

#### **2.4.11 Properties Foreclosed - Net**

These comprise land and buildings debtors used as collateral and ordered by a court of law to be sold at auction which the Bank purchased with the intention to resell later on.



Properties foreclosed are stated at debt settlement cost or at their auction value and recorded as receipt of partial debt repayment less allowance for asset impairment (if any). The assets are valued by comparison with their market value as assessed by a third party. Losses on impairment are recognized as non-interest expenses in the statements of income. Depreciation of buildings are not calculated or deducted as profit or loss when sold and after remaining debt is repaid.

#### **2.4.12 Derivatives**

The Bank uses derivative financial instruments as a risk management tool. For assets and liabilities, the derivative financial instrument used to manage their credit risk will recognize accrued profit or loss according to any change in fair value in a corresponding time periods.

A derivative is a financial instrument used to protect assets and liabilities against risks will also recognize accrued interest payable and receivable in corresponding time periods.

#### **2.4.13 Provident Fund for Staff**

The Bank established and registered the Provident Fund in accordance with the Act of Provident Fund of 1987, with the approval from the Ministry of Finance on November 29, 1996. By Krung Thai Asset Management Public Company Limited, the Fund Manager.

According to the regulations of Provident Fund, the staff hired by the Bank as permanent employees, are entitled to subscribe to this Fund as its member. The staff contributed to the Fund at the rate of 3-9% according to the length of service of each staff and the Bank contributed money to this Fund with the rate of 5-10% according to the length of service for staff as well. And the Bank staff will be reimbursed the said benefit when resigned according to the length of their seniority.

The Bank contributed money to the Provident Fund for staff, charge to expense for staff in the statement of income.

#### **2.4.14 Benefits for Employees Project**

The Accounting Standard No.19: Benefits for Employees, which states to recognize employees' benefits as expense after employment. Evaluate and record liabilities about employees' benefits due to retirement by insurance mathematical calculation. Formerly, the Bank recognized such benefits to employees when transaction occurred.

The Bank arranges benefits for retired employees by estimating the liabilities of employees' benefits by paying retired employees with current value by forecasting the benefits which employees will receive when they retire. Use forecast technique of insurance mathematical calculation to calculate remuneration which employees may receive when they retire by using information about their salaries, resignation rate, death rate, employment period and other factors. Reduce the remuneration estimation as current cash flow value of benefits to be paid in the future by returns on Thai government bonds, publicized by Thai Debt Instruments Association.

#### **2.4.15 Rented Assets**

For the leasing contracts, the Bank has classified them as assets in process in recognition of the expenses, not the interest in the statement of income for monthly payment, according to the remaining maturity of leasehold right.

#### **2.4.16 Legal Reserve**

The Bank sets aside at least 5% of previous year's net profit as a legal reserve, appropriation until said reserve is not less than 10% of authorized share capital.

#### **2.4.17 Reserve for Investment**

The Bank sets aside 25% of previous year's net profit as reserve for investment in new projects.

#### **2.4.18 Basic Earnings/ (Loss) Per Share**

Basic Earnings (loss) per share is computed by dividing the net profit by the weighted average number of fully paid up ordinary shares at the year ended.

### **3. Risk Management**

#### **3.1 Information about Bank's Risks**

##### **Credit Risk**

Credit Risk means risks occurred due to financial institutions' customers are not able to pay back loans according to the payment contracts, which causes the customers to be downgraded and that may affect the Bank's income and funds.

The credit risk management of SME Bank is under the guideline of Bank of Thailand. The Bank is aware about the role of being a Bank to assist and improve small and medium entrepreneurs (SMEs). In 2011, the Bank has reviewed the loan policy, credit risk management policy and prepared credit risk management manual in order to keep up with the ever changing situations and business environment. The Bank also emphasizes on good quality loans, therefore, SME Bank develop loan procedure to meet the Bank's standard. The Bank emphasizes on good quality loan management therefore the development of loan procedure to meet the Bank's standard was executed in order to reduce the chance of non-performing loans from the pre-approved process that address loan analysis and risk management in main business as determined by business expansion and government policies, increasing loan quality analysis role so as to reach out to more customers by screening customers who restructure their debts, implementing loan analysis system in accordance to requirements of Bank of Thailand, which must be independent from loan approval procedure and organizing training and tests about loans and credit risk analysis, so that employees understand and beware about being a part in risk management procedure in the organization.

In 2011, the Bank has employed a consulting company to give recommendations on testing the credibility of credit risk assessment tools, so that they can reflect the actual ability of debtors to pay back the debts. Check the accuracy of debtors quality assessment tools in the Credit Risk Rating System and improve risk assessment tools by making new model to conform to such studies.

The Bank prepares long term credit risk management plan in term of measurement tool to measure the profitability of business department in portfolio risk management. The Bank has determined the loan limit as primary framework for juristic person, individual and industrial sector to connect the risk level based quality of debtors and review the loan limit level to control risk in the industrial sector so that it balances with demand for loans and strategic plan of the Bank. In 2011, the Bank authorized loans in various industries so as not to concentrate on specific industry only. The top three highest loans capture 71% of outstanding balance consists of manufacturing (28%), trading (25%), hotels and restaurants (18%). In 2011, the Bank provided loans to finance SMEs entrepreneurs in many business projects, including the one that support government policy projects and cabinet's resolution on policy.





In managing non-performing loans, SME Bank has organized the process systematically by appointing the Loan Restructuring Committee to manage low quality loans. There is also a separate unit from the loan department, which is responsible for solving non-performing loans in each group. The Bank has also review loan restructuring regulation to conform to customers' ability in loan payments. In addition, the Bank has established operation procedure clearly, as well as appointed Legal Department and Credit Quality Assessment Department to express opinion about loans restructuring before proposing to Loans Restructure Committee as of December 31, 2011. Non-performing loans at SME Bank consist of 15.7% of total outstanding balance, decreased by 20% which the Bank has set reserve for doubtful accounts based on Bank of Thailand's requirements. The Ministry of Finance gives allowance to abide to the International Finance and Accounting Standard No. 39 until 2012.

#### **Interest Rates Risk**

The Bank controls interest rates risk by appointing the Assets and Liabilities Management Committee: ALCO, who determines interest rates risk management guideline and interest rate risk limit in the Banking Book, due to mismatch between interest rate structures of assets and liabilities of the Bank. The Bank implements Gap Analysis to assess and analyze the difference in the interest rate of assets and liabilities which will be evaluated, monitored and reported monthly to Assets and Liabilities Management Committee (ALCO) by Risk Management Department that work independently from the units that create risks.

#### **Exchange Rates Risk**

In managing exchange rates risk, SME Bank will purchase/sell derivatives to prevent risks from exchange rates risk and reduce risk from exchange rates fluctuations as required by SME Bank policy. Moreover, the Bank also controls foreign exchange transactions, which include immediate and advanced purchase / sell. Most of the transactions are mainly for businesses of the Bank. The Bank has determined the Risk Limit to control foreign exchange transactions of the Bank such as FX Net Open Position Limit, which determines the risk limit for total currency as well as individual currency by measuring and following upon foreign currency daily and report to related management, Assets and Liabilities Management Committee (ALCO) and Risk Management Committee on a monthly basis. Besides, the Bank evaluate the value of mark to market, foreign exchange transactions (FX) daily on working days.

#### **Liquidity Risk**

Liquidity risk means the chance of not being able to pay debt as due, because the Bank cannot convert asset into cash or could not source out sufficient fund on time.

Nevertheless, the Treasury Department will manage the Bank's liquidity properly and conform to business operations, economic situation and in accordance to Bank of Thailand's regulations. Moreover, the Bank has drawn up emergency plan to handle liquidity crisis in advance. This will be the guideline if liquidity crisis actually occurs. Meanwhile, the Asset and Liabilities Committee (ALCO) will oversee, supervise and control liquidity risk. The Bank also determines limit for various kinds of risks, which is monitored and controlled by the Risk Management Department such as retain liquidity of assets, top ten depositors / lenders concentration etc.

### 3.2 Fair Value of Financial Instruments

Unit : Million Baht

| Types of Debt Instruments              | 2011              |                   | 2010             |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | Accounting Value  | Fair Value        | Accounting Value | Fair Value       |
| <b>Financial Assets</b>                |                   |                   |                  |                  |
| Cash                                   | 1.04              | 1.04              | 0.90             | 0.90             |
| Interbank and money market items - net | 14,812.04         | 14,812.04         | 5,832.86         | 5,832.86         |
| Net investments                        | 8,615.45          | 8,615.45          | 4,848.61         | 4,848.61         |
| Loans to debtors - net                 | 89,190.68         | 89,190.68         | 75,520.29        | 75,520.29        |
| <b>Total</b>                           | <b>112,619.21</b> | <b>112,619.21</b> | <b>86,202.66</b> | <b>86,202.66</b> |
| <b>Financial Liabilities</b>           |                   |                   |                  |                  |
| Deposits                               | 91,933.04         | 91,933.04         | 60,050.42        | 60,050.42        |
| Interbank and money market items - net | 2,946.43          | 2,946.43          | 11,625.91        | 11,625.91        |
| Liabilities payable on demand          | 26.91             | 26.91             | 223.61           | 223.61           |
| Issued Debt Securities and Borrowings  | 10,694.88         | 10,694.88         | 5,437.19         | 5,437.19         |
| <b>Total</b>                           | <b>105,601.26</b> | <b>105,601.26</b> | <b>77,337.12</b> | <b>77,337.12</b> |

### 3.3 Funds

Unit : Million Baht

|  | 2011            | 2010            |
|--|-----------------|-----------------|
| <b>Fund Level 1</b>  |                 |                 |
| Paid-up capital  | 11,600.00       | 11,600.00       |
| Legal reserve  | 43.29           | 43.29           |
| Investment reserve   | 216.46          | 216.46          |
| Unappropriated retained earnings                           | (5,965.19)      | (6,059.37)      |
| <b>Total fund level 1</b>                                  | <b>5,894.56</b> | <b>5,800.38</b> |
| <b>Fund Level 2</b>  |                 |                 |
| Provision for classification of normal assets (Note 5.4.4) | 248.46          | 161.96          |
| <b>Total fund level 2</b>                                  | <b>248.46</b>   | <b>161.96</b>   |
| <b>Total fund</b>  | <b>6,143.02</b> | <b>5,962.34</b> |

### 3.3 Funds (Continued)

The Bank has calculated fund based on Ministerial Law about Small and Medium Enterprise Development Bank of Thailand B.E.2549 (2006) dated January 24, 2006 by the Announcement of Government Gazette, Book 123, Section 10 Kor, page 4-7 dated January 31, 2006.

The above Ministerial Law states that fund to result ratio must not be lower than 8.5% and ratio of fund level 1 to result must not be less than 4.25%. As of December 31, 2011 and 2010, the ratios of fund to result of the Bank which must be achieved are as follows:-

|                  | Percentage |      |
|------------------|------------|------|
|                  | 2011       | 2010 |
| Total funds      | 6.78       | 7.56 |
| First level fund | 6.51       | 7.35 |

## 4. Forecast and Hypothesis

In preparing financial statements in accordance to Financial Report Standard, the management must forecast and use a variety of hypothesis, which may affect policies and reports about assets, liabilities, income and expenses, the actual figures may differ from the forecast.

Revise the forecast and hypothesis continuously, adjust accounting forecast which will be recorded in accounting period being revised. In the future, the effects of uncertain forecast and important hypothesis in determining accounting policy will affect revenue recognition in financial statements.

## 5. Additional Information

### 5.1 Additional Information about Cash Flows

Non-cash items as of year ended December 31, 2011 and 2010 are as follows:-

|   | Unit : Million Baht |               |
|---|---------------------|---------------|
|   | 2011                | 2010          |
| Excess (lower) than capital from changes in investment value<br>of shareholders' equity increased (decreased) | 7.06                | 9.18          |
| Additional foreclosed assets  | 102.19              | 139.05        |
| <b>Total</b>  | <b>109.25</b>       | <b>148.23</b> |

## 5.2 Interbank and Money Market Items (Assets)

Unit : Million Baht

|                                    | 2011         |              |           | 2010         |              |          |
|------------------------------------|--------------|--------------|-----------|--------------|--------------|----------|
|                                    | When Request | Time Periods | Total     | When Request | Time Periods | Total    |
| <b>Domestic Items</b>              |              |              |           |              |              |          |
| Bank of Thailand                   | 78.88        | 4,940.00     | 5,018.88  | 19.13        | 1,850.00     | 1,869.13 |
| Commercial banks                   | 509.29       | 6,000.00     | 6,509.29  | 689.19       | 1,500.00     | 2,189.19 |
| Specialized financial institutions | 47.48        | 3,223.70     | 3,271.18  | 13.25        | 1,756.63     | 1,769.88 |
| Total                              | 635.65       | 14,163.70    | 14,799.35 | 721.57       | 5,106.63     | 5,828.20 |
| Add Accrued interest receivable    | -            | 1.04         | 1.04      | -            | 0.49         | 0.49     |
| Total domestic items               | 635.65       | 14,164.74    | 14,800.39 | 721.57       | 5,107.12     | 5,828.69 |
| <b>Foreign Items</b>               |              |              |           |              |              |          |
| US dollars                         | 10.82        | -            | 10.82     | 1.61         | -            | 1.61     |
| Euro                               | 0.68         | -            | 0.68      | 2.00         | -            | 2.00     |
| Yen                                | 0.15         | -            | 0.15      | 0.56         | -            | 0.56     |
| Total foreign items                | 11.65        | -            | 11.65     | 4.17         | -            | 4.17     |
| Total Domestic and Foreign Items   | 647.30       | 14,164.74    | 14,812.04 | 725.74       | 5,107.12     | 5,832.86 |

As of December 31, 2011 and 2010, deposits at domestic Specialized Financial Institution are 223.70 million baht and 256.63 million baht respectively. Guaranteed housing loans for bank employees.

## 5.3 Net Investments

Unit : Million Baht

|  | 2011       | 2010       |
|--|------------|------------|
|  | Fair Value | Fair Value |
| <b>5.3.1 Marketable Securities</b>             |            |            |
| Securities of government and state enterprises | 1,200.38   | 100.45     |
| Add (deduct) Allowance for revaluation         | 3.68       | (0.80)     |
| Total  | 1,204.06   | 99.65      |

### 5.3 Net Investments (Continued)

|  | Unit : Million Baht        |                            |
|--|----------------------------|----------------------------|
|  | 2011                       | 2010                       |
|  | Cost/price<br>Amortization | Cost/price<br>Amortization |
| <b>5.3.2 Debt Securities held-to-maturity</b>  |                            |                            |
| Securities of government and state enterprises | 7,230.34                   | 3,972.17                   |
| Debt securities private sector                 | - .                        | 500.29                     |
| Total  | 7,230.34                   | 4,472.46                   |
| Add Allowance for revaluation                  | 92.17                      | 89.59                      |
| Total  | 7,322.51                   | 4,562.05                   |

|                                  | Unit : Million Baht |          |
|----------------------------------|---------------------|----------|
|                                  | 2011                | 2010     |
|                                  | Cost                | Cost     |
| <b>5.3.3 General Investments</b> |                     |          |
| Non-marketable securities        | 320.78              | 389.77   |
| Less Allowance for revaluation   | (231.90)            | (202.86) |
| Total                            | 88.88               | 186.91   |
| Total net investments            | 8,615.45            | 4,848.61 |

As of December 31, 2011 and 2010, the allowance for revaluation of investments (other components of shareholders' equity: excess (lower) capital from changes in investment value) totaled 95.85 million baht and 88.79 million baht respectively.

## 5.4 Loans to Debtors and Accrued Interest Receivable

### 5.4.1 Classification of Loans

|   | Unit : Million Baht |                  |
|---|---------------------|------------------|
|   | 2011                | 2010             |
| Loans to debtors  | 93,745.43           | 77,768.50        |
| Debtors based on lease contracts (Note 5.4.6)                 | 3,694.28            | 3,391.87         |
| Debtors - benefits  | 141.33              | 126.14           |
| <b>Total</b>  | <b>97,581.04</b>    | <b>81,286.51</b> |
| <u>Less</u> Deferred income                                   | (628.97)            | (588.24)         |
| Total net loans from deferred income                          | 96,952.07           | 80,698.27        |
| <u>Add</u> Interest receivable                                | 615.67              | 229.64           |
| Total net loans from deferred income plus interest receivable | 97,567.74           | 80,927.91        |
| <u>Less</u> Allowance for doubtful accounts                   |                     |                  |
| 1. Minimum reserve based on Bank of Thailand' s requirement   | (7,733.74)          | (5,407.62)       |
| 2. Excess reserve   | (643.32)            | -                |
| <b>Total loans to debtors - net</b>                           | <b>89,190.68</b>    | <b>75,520.29</b> |

### 5.4.2 Classify based on Currencies and Debtors' Locations

|              | Unit : Million Baht |                  |
|--------------|---------------------|------------------|
|              | 2011                | 2010             |
| Baht value   | 97,561.04           | 81,286.51        |
| US Dollars   | 20.00               | -                |
| <b>Total</b> | <b>97,581.04</b>    | <b>81,286.51</b> |

## 5.4 Loans to Debtors and Accrued Interest Receivable (Continued)

### 5.4.3 Classify by Business Types and Loan Classification

Unit : Million Baht

| 2011  |                  |                        |                        |                 |                     |                  |
|---|------------------|------------------------|------------------------|-----------------|---------------------|------------------|
|   | Normal           | Specially<br>Mentioned | Lower than<br>Standard | Doubtful        | Doubtful<br>of Loss | Total            |
| Agriculture and mines                       | 3,881.45         | 164.92                 | 6.53                   | 33.69           | 618.93              | 4,705.52         |
| Production industry and commerce            | 41,187.66        | 1,540.46               | 66.43                  | 871.70          | 8,761.64            | 52,427.89        |
| Real estate and construction business       | 2,695.52         | 172.45                 | 14.33                  | 59.91           | 819.88              | 3,762.09         |
| Public utilities and services               | 31,201.16        | 1,249.05               | 37.77                  | 825.70          | 3,230.53            | 36,544.21        |
| Housing loans                               | 141.33           | -                      | -                      | -               | -                   | 141.33           |
| <b>Total</b>                                | <b>79,107.12</b> | <b>3,126.88</b>        | <b>125.06</b>          | <b>1,791.00</b> | <b>13,430.98</b>    | <b>97,581.04</b> |
| Less Deferred income                        |                  |                        |                        |                 |                     | (628.97)         |
| <b>Total net loans from deferred income</b> |                  |                        |                        |                 |                     | <b>96,952.07</b> |

Unit : Million Baht

| 2010  |                  |                        |                        |               |                     |                  |
|---|------------------|------------------------|------------------------|---------------|---------------------|------------------|
|   | Normal           | Specially<br>Mentioned | Lower than<br>Standard | Doubtful      | Doubtful<br>of Loss | Total            |
| Agriculture and mines                       | 3,479.80         | 186.09                 | 50.02                  | 95.58         | 777.16              | 4,588.65         |
| Production industry and commerce            | 32,665.21        | 1,274.10               | 630.04                 | 508.81        | 9,519.04            | 44,597.20        |
| Real estate and construction business       | 2,404.08         | 78.13                  | 24.98                  | 20.27         | 863.94              | 3,391.40         |
| Public utilities and services               | 23,612.71        | 950.61                 | 203.37                 | 313.51        | 3,502.92            | 28,583.12        |
| Housing loans                               | 126.14           | -                      | -                      | -             | -                   | 126.14           |
| <b>Total</b>                                | <b>62,287.94</b> | <b>2,488.93</b>        | <b>908.41</b>          | <b>938.17</b> | <b>14,663.06</b>    | <b>81,286.51</b> |
| Less Deferred income                        |                  |                        |                        |               |                     | (588.24)         |
| <b>Total net loans from deferred income</b> |                  |                        |                        |               |                     | <b>80,698.27</b> |

## 5.4 Loans to Debtors and Accrued Interest Receivable (Continued)

### 5.4.4 Classify based on Classification Levels

Unit : Million Baht

|  | 2011   |  |  |                                       |
|--|--|--|--|---------------------------------------|
|  | Loans and<br>Accrued<br>Interest<br>Receivable | Net Amount for<br>Provision<br>of Doubtful<br>Accounts | Provision of<br>Doubtful<br>Accounts<br>Rate | Provision<br>for Doubtful<br>Accounts |
| 1. Minimum Requirement based on                  |  |  |  |                                       |
| Bank of Thailand's Regulation                    |  |  |  |                                       |
| Pass   | 79,694.54                                      | 25,718.64  | 1  | 257.19                                |
| Special mention                                  | 3,149.60                                       | 607.70   | 2  | 12.15                                 |
| Substandard                                      | 125.21   | 85.97  | 100  | 85.97                                 |
| Doubtful   | 1,794.72                                       | 609.78   | 100  | 609.78                                |
| Doubtful of Loss                                 | 13,432.64                                      | 6,768.65   | 100  | 6,768.65                              |
| Total  | 98,196.71                                      | 33,790.74  |  | 7,733.74                              |
| Less Unearned discounts                          | (628.97)                                       |  |  |                                       |
| Loans and accrued interest receivable            | 97,567.74                                      |  |  |                                       |
| Less Allowance for doubtful accounts (Notes 5.5) | (8,377.06)                                     |  |  |                                       |
| Loans and accrued interest receivable - net      | 89,190.68                                      |  |  |                                       |
| 2. Excess Provision                              |  |  |  | 643.32                                |
| Total  |  |  |  | 8,377.06                              |

As of December 31, 2011, the Bank has set provision for doubtful accounts as set forth by Bank of Thailand's Announcement at Sor Nor Sor.31/2008 dated August 3, 2008 on: Classification and Set Provision of Financial Institutions Regulation (based on International Financial Accounting Standard IAS No. 39).



## 5.4 Loans to Debtors and Accrued Interest Receivable (Continued)

### 5.4.4 Classify based on Classification Levels

Unit : Million Baht

|   | 2010   |  |  |                                       |
|---|--|--|--|---------------------------------------|
|   | Loans and<br>Accrued<br>Interest<br>Receivable | Net Amount for<br>Provision<br>of Doubtful<br>Accounts | Provision of<br>Doubtful<br>Accounts<br>Rate | Provision<br>for Doubtful<br>Accounts |
| 1. Minimum Requirement based on                         |  |  |  |                                       |
| Bank of Thailand's Regulation                           |  |  |  |                                       |
| Pass  | 62,483.05                                      | 16,196.42  | 1  | 161.96                                |
| Special mention   | 2,511.18                                       | 245.18   | 2  | 4.90                                  |
| Substandard   | 908.57   | 212.82   | 100  | 212.82                                |
| Doubtful  | 938.59   | 229.38   | 100  | 229.38                                |
| Doubtful of Loss  | 14,674.76                                      | 4,798.56*  | 100  | 4,798.56                              |
| <b>Total</b>  | <b>81,516.15</b>                               | <b>21,682.36</b>                                       |  | <b>5,407.62</b>                       |
| <u>Less</u> Unearned discounts                          | (588.24)                                       |  |  |                                       |
| Loans and accrued interest receivable                   | 80,927.91                                      |  |  |                                       |
| <u>Less</u> Allowance for doubtful accounts (Notes 5.5) | (5,407.62)                                     |  |  |                                       |
| Loans and accrued interest receivable - net             | 75,520.29                                      |  |  |                                       |
| 2. Excess Provision                                     |  |  |  |                                       |
| <b>Total</b>  |  |  |  | <b>5,407.62</b>                       |

\*The Bank uses 90% of collateral value, but the Bank of Thailand's regulation states that use market value of foreclosed assets.

As of December 31, 2011 and 2010, the loans which the Bank did not recognize as revenue totaled 15,347.03 million baht and 16,509.63 million baht, 15.63% and 20.25% of loans and accrued interest receivable respectively.

The Bank has classified debtors based on interest or principle payables according to conditions or time periods as stated in the Contracts or as requested by the Bank or make claims to pay back, whichever date is earlier. Restructure debts based on Debts Restructure of Financial Institutions as required by Bank of Thailand's Regulation and based on BOT Announcement at Sor Nor Sor.31/2008 dated August 3, 2008 about Classification and Set Aside Reserve of Financial Institutions Regulation.

As for normal debtors or specially acclaimed, who have been affected by the disaster since October 2011, to help and relief their burden based on bank measures to suspend principle and/or interest payment for 6 months. Retain debt classification as before the disaster for 10,496 cases as announced by Bank of Thailand at Tor Por Tor. For Nor Sor.(23) Wor. 1564/2011 dated October 19, 2011 : Practice understanding on measures to help those affected by the disaster.

## 5.4 Loans to Debtors and Accrued Interest Receivable (Continued)

### 5.4.5 Troubled Debts Restructuring

Details to troubled debts restructuring as of year ended December 31, 2011 and 2010 as follows:-

Unit : Million Baht

| 2011                          |              |                            |                           |                    |            |
|-------------------------------|--------------|----------------------------|---------------------------|--------------------|------------|
| Debt Restructuring Method     | Cases        | Debts on Account           |                           | Assets Transferred |            |
|                               |              | Before Debts Restructuring | After Debts Restructuring | Types of Assets    | Fair Value |
| Changes in debt payment terms | 8,872        | 25,184.96                  | 22,900.59                 | -                  | -          |
| Transfer of assets            | 468          | 2,581.83                   | 1,700.25                  | Land and Buildings | 881.58     |
| <b>Total</b>                  | <b>9,340</b> | <b>27,766.79</b>           | <b>24,600.84</b>          |                    |            |

Unit : Million Baht

| 2010                          |              |                            |                           |                    |            |
|-------------------------------|--------------|----------------------------|---------------------------|--------------------|------------|
| Debt Restructuring Method     | Cases        | Debts on Account           |                           | Assets Transferred |            |
|                               |              | Before Debts Restructuring | After Debts Restructuring | Types of Assets    | Fair Value |
| Changes in debt payment terms | 8,065        | 24,554.99                  | 22,550.07                 | -                  | -          |
| Transfer of assets            | 329          | 1,672.22                   | 1,004.00                  | Land and Buildings | 668.22     |
| <b>Total</b>                  | <b>8,394</b> | <b>26,227.21</b>           | <b>23,554.07</b>          |                    |            |

## 5.4 Loans to Debtors and Accrued Interest Receivable (Continued)

### 5.4.6 Debtors based on Financial Lease Contracts: debtors based on lease contracts (Note 5.4.1)

Unit : Million Baht

| 2011  |                                |                 |             |          |
|---|--------------------------------|-----------------|-------------|----------|
|   | Amounts Due based on Contracts |                 |             | Total    |
|   | Not over 1 yr                  | Over 1 - 5 yrs. | Over 5 yrs. |          |
| Primary investment based on lease contracts                               | 375.55                         | 2,133.11        | 1,185.62    | 3,694.28 |
| Less Accrued income   |                                |                 |             | (599.27) |
| Current value of minimum value which debtors pay based on lease contracts |                                |                 |             | 3,095.01 |
| Allowance for doubtful accounts   |                                |                 |             | (710.04) |
| Debtors based on lease contracts - net                                    |                                |                 |             | 2,384.97 |

Unit : Million Baht

| 2010  |                                |                 |             |          |
|---|--------------------------------|-----------------|-------------|----------|
|   | Amounts Due based on Contracts |                 |             | Total    |
|   | Not over 1 yr                  | Over 1 - 5 yrs. | Over 5 yrs. |          |
| Primary investment based on lease contracts                               | 424.27                         | 2,316.40        | 651.20      | 3,391.87 |
| Less Accrued income   |                                |                 |             | (562.15) |
| Current value of minimum value which debtors pay based on lease contracts |                                |                 |             | 2,829.72 |
| Allowance for doubtful accounts   |                                |                 |             | (602.98) |
| Debtors based on lease contracts - net                                    |                                |                 |             | 2,226.74 |

## 5.5 Allowance for Doubtful Accounts

Unit : Million Baht

| 2011              |                 |                    |             |          |                     |                     |          |
|-------------------|-----------------|--------------------|-------------|----------|---------------------|---------------------|----------|
|                   | Pass            | Special<br>Mention | Substandard | Doubtful | Doubtful<br>of Loss | Excess<br>Provision | Total    |
|                   | Opening balance | 161.96             | 4.90        | 212.82   | 229.38              | 4,798.56            | -        |
| Doubtful accounts | 95.23           | 7.25               | (126.85)    | 380.40   | 1,970.09            | 643.32              | 2,969.44 |
| Closing balance   | 257.19          | 12.15              | 85.97       | 609.78   | 6,768.65            | 643.32              | 8,377.06 |

### 5.5 Allowance for Doubtful Accounts (Continued)

Unit : Million Baht

|                   | 2010   |                    |             |          |                     |                     | Total    |
|-------------------|--------|--------------------|-------------|----------|---------------------|---------------------|----------|
|                   | Pass   | Special<br>Mention | Substandard | Doubtful | Doubtful<br>of Loss | Excess<br>Provision |          |
| Opening balance   | 54.52  | 3.66               | 30.93       | 105.78   | 4,357.04            | -                   | 4,551.93 |
| Doubtful accounts | 107.44 | 1.24               | 181.89      | 123.60   | 441.52              | -                   | 855.69   |
| Closing balance   | 161.96 | 4.90               | 212.82      | 229.38   | 4,798.56            | -                   | 5,407.62 |

Calculation for Allowance for Doubtful Accounts Table (Note: 5.4.4)

As of December 31, 2011, the Bank set allowance for doubtful accounts as set forth by Bank of Thailand's Announcement at Sor Nor Sor. 31/2008 dated August 3, 2008 on Classification and Provision of Financial Institutions Regulation (based on International Financial Accounting Standard IAS No.39) amount 7,733.74 million baht. The Bank set allowance for doubtful account higher than the Provision of Financial Institutions Regulation by 643.32 million baht.

### 5.6 Assets Foreclosed

Unit : Million Baht

|                                      | 2011               |          |          | Closing<br>Balance |
|--------------------------------------|--------------------|----------|----------|--------------------|
|                                      | Opening<br>Balance | Increase | Sold     |                    |
| <b>Acquired from debt settlement</b> |                    |          |          |                    |
| Immovable assets                     | 920.44             | 524.12   | (171.33) | 1,273.23           |
| Movable assets                       | 32.73              | 21.61    | (17.66)  | 36.68              |
| Total                                | 953.17             | 545.73   | (188.99) | 1,309.91           |
| Less Allowance for devaluation       | (26.80)            | (10.48)  | 7.55     | (29.73)            |
| Total assets foreclosed              | 926.37             | 535.25   | (181.44) | 1,280.18           |

## 5.6 Assets Foreclosed (Continued)

Unit : Million Baht

|                                      | 2010            |               |                |                 |
|--------------------------------------|-----------------|---------------|----------------|-----------------|
|                                      | Opening Balance | Increase      | Sold           | Closing Balance |
| <b>Acquired from debt settlement</b> |                 |               |                |                 |
| Immovable assets                     | 434.00          | 570.56        | (84.12)        | 920.44          |
| Movable assets                       | 32.73           | -             | -              | 32.73           |
| Total                                | 466.73          | 570.56        | (84.12)        | 953.17          |
| Less Allowance for devaluation       | (25.29)         | (1.65)        | 0.14           | (26.80)         |
| <b>Total assets foreclosed</b>       | <b>441.44</b>   | <b>568.91</b> | <b>(83.98)</b> | <b>926.37</b>   |

As of December 31, 2011, the Bank has complied to Bank of Thailand's Regulation in using the existing assessment price not more than 1 year since the due date that requires using new assessment price in accordance to Bank of Thailand's Announcement Tor Por Tor.For Nor Sor.(23) Wor.1564/2011 dated October 19, 2011 on: Practice understanding about measures to help debtors who were affected by the disaster.

## 5.7 Land, Buildings and Equipments - Net

Unit : Million Baht

|                         | 2011            |              |                 |                                  |                 |                      |                 |                 | Land, Buildings and Equip-ment (Net) |
|-------------------------|-----------------|--------------|-----------------|----------------------------------|-----------------|----------------------|-----------------|-----------------|--------------------------------------|
|                         | Cost Price      |              |                 | Accumulated Depreciation Expense |                 |                      |                 |                 |                                      |
|                         | Opening Balance | Increase     | Sold            | Closing Balance                  | Opening Balance | Depreciation Expense | Sold            | Closing Balance |                                      |
| Land                    | 264.76          | 29.22        | -               | 293.98                           | -               | -                    | -               | -               | 293.98                               |
| Buildings               | 506.71          | 0.08         | -               | 506.79                           | 68.31           | 25.33                | -               | 93.64           | 413.15                               |
| Office equipment        | 309.17          | 9.27         | (110.66)        | 207.78                           | 247.85          | 22.85                | (110.32)        | 160.38          | 47.40                                |
| Decorations on building | 243.17          | 0.76         | (171.96)        | 71.97                            | 238.67          | 3.16                 | (171.92)        | 69.91           | 2.06                                 |
| Vehicles                | 2.85            | 0.07         | (0.24)          | 2.68                             | 2.08            | 0.39                 | (0.24)          | 2.23            | 0.45                                 |
| <b>Total</b>            | <b>1,326.66</b> | <b>39.40</b> | <b>(282.86)</b> | <b>1,083.20</b>                  | <b>556.91</b>   | <b>51.73</b>         | <b>(282.48)</b> | <b>326.16</b>   | <b>757.04</b>                        |

Building amount of 506.79 million baht consists of head office building 497.49 million baht and branch office 9.30 million baht.

As of December 31, 2011, the cost of assets which has deducted all depreciation expense totaled 4,312 items, remaining accounting value is 4,194 baht.

## 5.7 Land, Buildings and Equipments - Net (Continued)

Unit : Million Baht

|                         | 2010            |             |               |                                  |                 |                      |               |                 |                                     |
|-------------------------|-----------------|-------------|---------------|----------------------------------|-----------------|----------------------|---------------|-----------------|-------------------------------------|
|                         | Cost Price      |             |               | Accumulated Depreciation Expense |                 |                      |               |                 | Land, Buildings and Equipment (Net) |
|                         | Opening Balance | Increase    | Sold          | Closing Balance                  | Opening Balance | Depreciation Expense | Sold          | Closing Balance |                                     |
| Land                    | 264.76          | -           | -             | 264.76                           | -               | -                    | -             | -               | 264.76                              |
| Buildings               | 506.71          | -           | -             | 506.71                           | 44.08           | 24.23                | -             | 68.31           | 438.40                              |
| Office equipment        | 306.74          | 2.57        | (0.14)        | 309.17                           | 221.38          | 26.61                | (0.14)        | 247.85          | 61.32                               |
| Decorations on building | 242.65          | 0.52        | -             | 243.17                           | 172.77          | 65.90                | -             | 238.67          | 4.50                                |
| Vehicles                | 2.85            | -           | -             | 2.85                             | 1.65            | 0.43                 | -             | 2.08            | 0.77                                |
| <b>Total</b>            | <b>1,323.71</b> | <b>3.09</b> | <b>(0.14)</b> | <b>1,326.66</b>                  | <b>439.88</b>   | <b>117.17</b>        | <b>(0.14)</b> | <b>556.91</b>   | <b>769.75</b>                       |

Buildings amount of 506.71 million baht consists of head office 497.49 million baht and branch office 9.22 million baht.

## 5.8 Assets In Process - Net

Unit : Million Baht

|                                | 2011            |              |               |                 |
|--------------------------------|-----------------|--------------|---------------|-----------------|
|                                | Opening Balance | Increase     | Sold          | Closing Balance |
| Improvement to office building | 313.80          | 21.68        | -             | 335.48          |
| Office equipment               | 1.59            | 0.84         | (1.59)        | 0.84            |
| Computer system                | 6.32            | 4.89         | (5.56)        | 5.65            |
| Computers                      | 0.95            | 0.20         | (0.95)        | 0.20            |
| Accessories                    | 1.70            | 48.35        | (0.20)        | 49.85           |
| <b>Total</b>                   | <b>324.36</b>   | <b>75.96</b> | <b>(8.30)</b> | <b>392.02</b>   |

### 5.8 Assets In Process - Net (Continued)

Unit : Million Baht

|                                | 2010            |               |                |                 |
|--------------------------------|-----------------|---------------|----------------|-----------------|
|                                | Opening Balance | Increase      | Sold           | Closing Balance |
| Improvement to office building | 158.13          | 155.67        | -              | 313.80          |
| Office equipment               | -               | 1.59          | -              | 1.59            |
| Computer system                | 37.25           | 1.77          | (32.70)        | 6.32            |
| Computers                      | 0.95            | -             | -              | 0.95            |
| Accessories                    | 0.46            | 1.24          | -              | 1.70            |
| <b>Total</b>                   | <b>196.79</b>   | <b>160.27</b> | <b>(32.70)</b> | <b>324.36</b>   |

In 2010, the computer system amount of 32.70 million baht of Core Banking System was transferred to Other Assets due to cancellation of Sales Contract and Installation of Core Banking System by the resolution of Small and Medium Enterprise Development Bank of Thailand's 6/2010 Meeting on May 26, 2010.

### 5.9 Advance for Legal Costs - Net

Unit : Million Baht

|                                      | 2011        | 2010        |
|--------------------------------------|-------------|-------------|
| Advance for legal costs              | 125.66      | 126.15      |
| Less Allowance for doubtful accounts | (125.66)    | (126.15)    |
| <b>Advance for legal costs - net</b> | <b>0.00</b> | <b>0.00</b> |

### 5.10 Other Intangible Assets - Net

Unit : Million Baht

|                 | 2011            |              |          |                          |                 |              |          |                 |              |
|-----------------|-----------------|--------------|----------|--------------------------|-----------------|--------------|----------|-----------------|--------------|
|                 | Cost            |              |          | Accumulated Amortization |                 |              |          |                 |              |
|                 | Opening Balance | Increase     | Decrease | Closing Balance          | Opening Balance | Increase     | Decrease | Closing Balance | Net Price    |
| Rental rights   | 0.20            | 5.00         | -        | 5.20                     | 0.15            | 0.18         | -        | 0.33            | 4.87         |
| Computer system | 100.95          | 6.91         | -        | 107.86                   | 53.14           | 12.10        | -        | 65.24           | 42.62        |
| <b>Total</b>    | <b>101.15</b>   | <b>11.91</b> | <b>-</b> | <b>113.06</b>            | <b>53.29</b>    | <b>12.28</b> | <b>-</b> | <b>65.57</b>    | <b>47.49</b> |

### 5.10 Other Intangible Assets - Net (Continued)

Unit : Million Baht

|                 | 2010               |          |          |                          |                    |              |          |                    |              |
|-----------------|--------------------|----------|----------|--------------------------|--------------------|--------------|----------|--------------------|--------------|
|                 | Cost               |          |          | Accumulated Amortization |                    |              |          |                    |              |
|                 | Opening<br>Balance | Increase | Decrease | Closing<br>Balance       | Opening<br>Balance | Increase     | Decrease | Closing<br>Balance | Net<br>Price |
| Rental rights   | 0.20               | -        | -        | 0.20                     | 0.12               | 0.03         | -        | 0.15               | 0.05         |
| Computer system | 100.95             | -        | -        | 100.95                   | 42.33              | 10.81        | -        | 53.14              | 47.81        |
| <b>Total</b>    | <b>101.15</b>      | <b>-</b> | <b>-</b> | <b>101.15</b>            | <b>42.45</b>       | <b>10.84</b> | <b>-</b> | <b>53.29</b>       | <b>47.86</b> |

### 5.11 Other Assets - Net

Unit : Million Baht

|  | 2011          | 2010          |
|--|---------------|---------------|
| Accrued interest receivables                                   | 56.96         | 63.20         |
| Prepaid expense  | 6.39          | 12.59         |
| Accounts receivable - Revenue Department                       | 111.07        | 113.63        |
| Insurance premium refundable and loan guarantee fee refundable | 150.34        | 167.12        |
| Other account receivables and miscellaneous asset              | 127.06        | 129.55        |
|  | 451.82        | 486.09        |
| Less Allowance for doubtful accounts                           | (107.25)      | (136.64)      |
| <b>Total</b>   | <b>344.57</b> | <b>349.45</b> |

The Bank set provisions Allowance for Doubtful Accounts - Insurance Premiums Refundable and Loan Guarantee Fees Refundable at the same rate as the debt's classification.

### 5.12 Deposits in Baht

#### 5.12.1 Classified by Type of Deposits

Unit : Million Baht

|                  | 2011             | 2010             |
|------------------|------------------|------------------|
| <b>Products</b>  |                  |                  |
| Savings deposits | 2,467.47         | 298.64           |
| Time deposits    | 89,465.57        | 59,751.78        |
| <b>Total</b>     | <b>91,933.04</b> | <b>60,050.42</b> |



## 5.12 Deposits in Baht (Continued)

### 5.12.2 Classified by Currencies and Residence of Deposits

Unit : Million Baht

|              | 2010             |          |                  | 2011             |          |                  |
|--------------|------------------|----------|------------------|------------------|----------|------------------|
|              | Domestic         | Foreign  | Total            | Domestic         | Foreign  | Total            |
| Thai Baht    | 91,933.04        | -        | 91,933.04        | 60,050.42        | -        | 60,050.42        |
| <b>Total</b> | <b>91,933.04</b> | <b>-</b> | <b>91,933.04</b> | <b>60,050.42</b> | <b>-</b> | <b>60,050.42</b> |

## 5.13 Interbank and Money Markets Items (Liabilities)

These are promissory notes and bills of exchange issued to financial institutions as at December 31, 2011 and 2010, for the total amount of 2,946.43 million baht and 11,625.90 million baht respectively, with interest rates of 0.01 - 5.20% per year.

### 5.13.1 Domestic Items

#### 5.13.1.1 Short-term

Unit : Million Baht

|                                    | 2010     |                 |                 | 2011     |                 |                 |
|------------------------------------|----------|-----------------|-----------------|----------|-----------------|-----------------|
|                                    | Demand   | Time            | Total           | Demand   | Time            | Total           |
| Bank of Thailand                   | -        | -               | -               | -        | 151.63          | 151.63          |
| Specialized financial institutions | -        | 584.72          | 584.72          | -        | 1,000.00        | 1,000.00        |
| Other financial institutions       | -        | 1,295.00        | 1,295.00        | -        | -               | -               |
| <b>Total</b>                       | <b>-</b> | <b>1,879.72</b> | <b>1,879.72</b> | <b>-</b> | <b>1,151.63</b> | <b>1,151.63</b> |

#### 5.13.1.2 Long-term

|                              |          |                 |                 |          |                 |                 |
|------------------------------|----------|-----------------|-----------------|----------|-----------------|-----------------|
| Other financial institutions | -        | -               | -               | -        | 1,295.00        | 1,295.00        |
| <b>Total</b>                 | <b>-</b> | <b>-</b>        | <b>-</b>        | <b>-</b> | <b>1,295.00</b> | <b>1,295.00</b> |
| <b>Total domestic items</b>  | <b>-</b> | <b>1,879.72</b> | <b>1,879.72</b> | <b>-</b> | <b>2,446.63</b> | <b>2,446.63</b> |

### 5.13 Interbank and Money Markets (Liabilities) (Continued)

#### 5.13.2 Foreign Long-term

Unit : Million Baht

|                                  | 2011   |          |          | 2010   |           |           |
|----------------------------------|--------|----------|----------|--------|-----------|-----------|
|                                  | Demand | Time     | Total    | Demand | Time      | Total     |
| US Dollar                        | -      | -        | -        | -      | 8,140.85  | 8,140.85  |
| EURO                             | -      | 1,066.71 | 1,066.71 | -      | 1,038.42  | 1,038.42  |
| Total foreign items              | -      | 1,066.71 | 1,066.71 | -      | 9,179.27  | 9,179.27  |
| Total domestic and foreign items | -      | 2,946.43 | 2,946.43 | -      | 11,625.90 | 11,625.90 |

### 5.14 Debts Securities Issued and Borrowings

Unit : Million Baht

|                       | 2011      |         |           | 2010     |         |          |
|-----------------------|-----------|---------|-----------|----------|---------|----------|
|                       | Domestic  | Foreign | Total     | Domestic | Foreign | Total    |
| Short-term borrowings | 10,519.43 | -       | 10,519.43 | 5,256.74 | -       | 5,256.74 |
| Long-term borrowings  | 175.45    | -       | 175.45    | 180.45   | -       | 180.45   |
| Total                 | 10,694.88 | -       | 10,694.88 | 5,437.19 | -       | 5,437.19 |

Short-term Borrowings as at December 31, 2011 and 2010 totaled 10,519.43 million baht and 5,256.74 million baht respectively, borrowings from individuals, juristic persons, state-enterprises and government affairs issued as promissory notes respectively with interest rates of 0.25 - 5.20% per year. Maturity is within 1 year. Interest payment dates are as indicated on the promissory notes.

Long-term Borrowings as at December 31, 2010 is 180.45 million baht, consists of borrowings from Ministry of Finance, due to transfer of business from Small Industry Finance Office, Department of Industrial Promotion, at 1992. On October 21, 1992, after deduction of 75 million baht for subscription of 750,000 shares at 100 Baht per share to the Small Industry Finance Corporation, the balance of 175.45 million baht was lent to the Bank. Loan from a juristic person with the promissory note of 5 million baht, interest rate at 5.20% per year, matured on January 27, 2012.

For the period of March 31, 2011, the Bank has transferred long-term loan based on promissory note amount 5 million baht to short-term loan. The remaining long-term loan as of December 31, 2011 is 175.45 million baht.



### 5.15 Support Fund from the Assets Capitalization Bureau

As of December 31, 2011 and 2010, the subsidy remained at 3.47 million baht. This support fund aimed to stimulate and increase the efficiency and the opportunities to reach the financial sources for the small owners or small business with the budget of 510.55 million baht within the operation period of 4 years and 2 months (ended as of September 2008). It was not determined to reimburse to Ministry of Finance by end of project.

### 5.16 Support Fund from the Operation Center for Resolving Debts of the Public

In 2011 and 2010, the subsidy remained at 2.56 million baht. The Bank received the budget to resolve integrally social problems and poverty from the Operation Center for Resolving Debts of the Public with the amount of 6.20 million baht within the operational period since April 2004.

### 5.17 Contingent Liabilities

Liabilities as at December 31, 2011 and 2010 totaled 2,190.45 million baht and 2,032.75 million baht respectively, which consist of:

#### 5.17.1 Benefits for Employees

The Bank forecasted debts due to benefit payments to employees after they have retired. This is based on insurance mathematical calculation with financial hypothesis such as reduction rate, employees' salaries and other factors including population estimation on death rate, resignation rate. The remuneration for service cost in the past as of the year ended December 31, 2010 totaled 128.23 million baht. The Bank adjusted accumulated profit at the beginning of the accounting period in 2011 according to Most Urgent Memorandum from Ministry of Finance, State Enterprise Policy Office at Gor Kor 0805.1/Wor.95 dated October 20, 2011 on: Compliance to New Financial Reporting Standard.

As of the year ended December 31, 2011, the Bank set aside provision for employees' benefits when they retire as service cost for past employment. The service cost in the current period amount 157.70 million baht.

Main hypothesis to forecast benefits of retired employees are as follows:-

|                          |               |
|--------------------------|---------------|
| Salary adjustment rate   | 6.5%          |
| Average Resignation rate | 3.0%          |
| Reduction rate           | 2.38% - 4.27% |

#### 5.17.2 Provision for Derivatives

In 2011 and 2010, provision for derivatives expenses is 2,032.75 million baht (Note: 5.22.2).

### 5.18 Difference on Revaluation Derivative

Unit : Million Baht

|  | 2011   |        |        | 2010   |          |          |
|--|--------|--------|--------|--------|----------|----------|
|  | Demand | Time   | Total  | Demand | Time     | Total    |
| <b>Cross Currency Rate Swap Contract</b> |        |        |        |        |          |          |
| US Dollars                               | -      | -      | -      | -      | 2,240.65 | 2,240.65 |
| EURO                                     | -      | 59.87  | 59.87  | -      | 88.16    | 88.16    |
| Total                                    | -      | 59.87  | 59.87  | -      | 2,328.81 | 2,328.81 |
| <b>Forward Contract</b>                  |        |        |        |        |          |          |
| US Dollars                               | -      | (0.35) | (0.35) | -      | 1.44     | 1.44     |
| EURO                                     | -      | -      | -      | -      | (0.01)   | (0.01)   |
| Total                                    | -      | (0.35) | (0.35) | -      | 1.43     | 1.43     |
| Total foreign items                      | -      | 59.52  | 59.52  | -      | 2,330.24 | 2,330.24 |

### 5.19 Other Liabilities

Unit : Million Baht

|                           | 2011   | 2010   |
|---------------------------|--------|--------|
| Accrued expenses          | 228.61 | 204.54 |
| Other creditors           | 276.82 | 277.26 |
| Bonds                     | 202.70 | 192.03 |
| Miscellaneous liabilities | 19.12  | 39.17  |
| Total                     | 727.25 | 713.00 |

### 5.20 Share Capital

The Bank was established in accordance to the Act of Small and Medium Enterprise Development Bank of Thailand B.E.2002, which was enacted since December 20, 2002. It has received 28 million shares transfer from Small Industry Finance Corporation, at 100 baht per share, totaled 2,800 million baht.

As of December 31, 2011 and 2010, the registered and paid-up capital of the Bank is 116 million shares, par value at 100 baht per share, totaled 11,600 million baht. The Ministry of Finance holds 98.06% of shares.

## 5.21 Other Components of Shareholders Equity

Unit : Million Baht

|  | 2011            |                       |                 | 2010            |                       |                 |
|--|-----------------|-----------------------|-----------------|-----------------|-----------------------|-----------------|
|  | Opening Balance | Changes during Period | Closing Balance | Opening Balance | Changes during Period | Closing Balance |
| Excess (lower) capital from investment revaluation | 88.79           | 7.06                  | 95.85           | 79.61           | 9.18                  | 88.79           |
| <b>Total</b>                                       | <b>88.79</b>    | <b>7.06</b>           | <b>95.85</b>    | <b>79.61</b>    | <b>9.18</b>           | <b>88.79</b>    |

## 5.22 Contingent Liabilities and Liabilities

### 5.22.1 Liabilities

Unit : Million Baht

|                                   | 2011            | 2010             |
|-----------------------------------|-----------------|------------------|
| Letter of credit                  | 30.30           | 1.80             |
| Other liabilities                 |                 |                  |
| Other guarantee                   | 1,077.08        | 983.49           |
| Cross currency rate swap contract |                 |                  |
| - Purchase contract               | 1,188.44        | 11,638.33        |
| - Sales contract                  | 90.60           | 110.29           |
| <b>Total other liabilities</b>    | <b>2,356.12</b> | <b>12,732.11</b> |
| <b>Total</b>                      | <b>2,386.42</b> | <b>12,733.91</b> |

### 5.22.2 Lawsuits

As of December 31, 2011, the Bank has imminent debts and outside personnel have filed charge against the Bank to the court to claim for damage, however, this damage amount cannot be clearly determined. There are 41 cases, with a capital of 1,670.56 million baht and US\$135.74 million. When the lawsuits are finalized, they should not affect the financial status and operating result of the Bank.

The Bank has estimated the amount of debts which may occur (Note: 5.17.2)

### 5.23 Remuneration for Important Management

Remunerations for important management are benefits paid to directors and management of the Bank, which consist of remuneration to management in the form of money such as salaries and related benefits, which include benefits binding in the retirement project and remuneration to directors.

Unit : Million Baht

|                            | 2011         | 2010         |
|----------------------------|--------------|--------------|
| Short-term benefits        |              |              |
| Remuneration to management | 50.94        | 43.87        |
| Remuneration to directors  | 3.93         | 2.98         |
| Benefits after resignation | 10.09        | -            |
| <b>Total</b>               | <b>64.96</b> | <b>46.85</b> |

### 5.24 Long-term Lease Contract consists of

**5.24.1 Operation Lease Contract:** The Bank has made lease contracts to lease land/ building as branch offices and many car and equipment lease contracts. The Bank is binding to pay lease fee in the future as follows:-

Unit : Million Baht

| 2011                             |               |                  |                   |               |
|----------------------------------|---------------|------------------|-------------------|---------------|
| Types                            | within 1 year | over 1 - 5 years | over 5 years & up | Total         |
| Land/building lease contract     | 25.74         | 15.91            | -                 | 41.65         |
| Car lease contract               | 66.70         | 129.38           | -                 | 196.08        |
| Office equipment rental contract | 70.54         | 14.68            | -                 | 85.22         |
| <b>Total</b>                     | <b>162.98</b> | <b>159.97</b>    | <b>-</b>          | <b>322.95</b> |

Unit : Million Baht

| 2010                             |               |                  |                   |               |
|----------------------------------|---------------|------------------|-------------------|---------------|
| Types                            | within 1 year | over 1 - 5 years | over 5 years & up | Total         |
| Land/building lease contract     | 29.77         | 19.38            | -                 | 49.15         |
| Car lease contract               | 62.57         | 166.33           | -                 | 228.90        |
| Office equipment rental contract | 70.02         | 84.18            | -                 | 154.20        |
| <b>Total</b>                     | <b>162.36</b> | <b>269.89</b>    | <b>-</b>          | <b>432.25</b> |

## 5.24 Long-term Lease Contract (Continued)

**5.24.2 Service Contract:** The Bank has made service contract as of December 31, 2011 and 2010 as follows:-

Unit : Million Baht

| 2011             |               |                  |                   |               |
|------------------|---------------|------------------|-------------------|---------------|
| Types            | within 1 year | over 1 - 5 years | over 5 years & up | Total         |
| Service contract | 65.10         | 142.81           | -                 | 207.91        |
| <b>Total</b>     | <b>65.10</b>  | <b>142.81</b>    | <b>-</b>          | <b>207.91</b> |

Unit : Million Baht

| 2010             |               |                  |                   |               |
|------------------|---------------|------------------|-------------------|---------------|
| Types            | within 1 year | over 1 - 5 years | over 5 years & up | Total         |
| Service contract | 59.71         | 202.51           | -                 | 262.22        |
| <b>Total</b>     | <b>59.71</b>  | <b>202.51</b>    | <b>-</b>          | <b>262.22</b> |

## 5.25 Interest Income

Interest income as of year ended December 31, 2011 and 2010 are as follows:-

Unit : Million Baht

|                                  | 2011            | 2010            |
|----------------------------------|-----------------|-----------------|
| Interbank and money market items | 280.08          | 76.90           |
| Investments                      | 197.52          | 153.24          |
| Loans                            | 4,179.03        | 2,924.64        |
| Lease                            | 163.73          | 130.51          |
| <b>Total interest income</b>     | <b>4,820.36</b> | <b>3,285.29</b> |

## 5.26 Interest Expense

Interest expense as of year ended December 31, 2011 and 2010 are as follows:-

Unit : Million Baht

|                                  | 2011            | 2010            |
|----------------------------------|-----------------|-----------------|
| Deposits                         | 2,211.09        | 704.30          |
| Interbank and money market items | 133.04          | 282.12          |
| Loans                            | 218.11          | 83.43           |
| Loan fee                         | 1.82            | 3.85            |
| <b>Total interest expense</b>    | <b>2,564.06</b> | <b>1,073.70</b> |

### 5.27 Fee and Service Income - Net

Fee and service income -net as at December 31, 2011 and 2010 are as follows:-

|                                     | Unit : Million Baht |               |
|-------------------------------------|---------------------|---------------|
|                                     | 2011                | 2010          |
| Fee and Service Income              |                     |               |
| - Guarantee, aval and warranty      | 21.32               | 21.16         |
| - Others                            | 250.82              | 296.87        |
| <b>Total fee and service income</b> | <b>272.14</b>       | <b>318.03</b> |
| Fee and service expense             | (35.20)             | (43.30)       |
| <b>Net fee and service income</b>   | <b>236.94</b>       | <b>274.73</b> |

### 5.28 Gains (Loss) from foreign exchange transactions

Gains (Loss) from foreign exchange transactions as of year ended December 31, 2011 and 2010 are as follows:-

|   | Unit : Million Baht |             |
|---|---------------------|-------------|
|   | 2011                | 2010        |
| Gains (Loss) from foreign exchange transactions |                     |             |
| - Gains (Loss) from exchanges                   | 2,346.98            | 1.51        |
| <b>Total</b>                                    | <b>2,346.98</b>     | <b>1.51</b> |

### 5.29 Net Profit (Loss) from financial debts show with Fair Value as of year ended December 31, 2011 and 2010 are as follows:-

|                             | Unit : Million Baht |             |
|-----------------------------|---------------------|-------------|
|                             | 2011                | 2010        |
| Changes in Fair Value (net) |                     |             |
| - Loans                     | 0.04                | 6.99        |
| - Other liabilities         | 1.78                | (1.72)      |
| <b>Total</b>                | <b>1.82</b>         | <b>5.27</b> |



### 5.30 Net Profit (Loss) from Investments

Net Profit (Loss) from investments as of year ended December 31, 2011 and 2010 are as follows:-

Unit : Million Baht

|                          | 2011           | 2010           |
|--------------------------|----------------|----------------|
| Profit (Loss) from sales |                |                |
| - Investments for sale   | (0.87)         | (0.41)         |
| - General investments    | -              | (10.00)        |
| <b>Total</b>             | <b>(0.87)</b>  | <b>(10.41)</b> |
| Loss on devaluation      |                |                |
| - General investments    | (29.04)        | (23.52)        |
| <b>Total</b>             | <b>(29.04)</b> | <b>(23.52)</b> |
| <b>Grand total</b>       | <b>(29.91)</b> | <b>(33.93)</b> |

### 5.31 Approval of Financial Statements

On April 5, 2012, the president of the Bank, authorized person, has approved to issue these financial statements.

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78 Tewa Phiban Rd., Nai Muang,  
Muang, Roi Et 45000  
Tel. 0 4351 1100, 0 4351 4666,  
0 4351 4775  
Fax. 0 4351 4535  
E-mail : Roi Et@smebank.co.th

**Chaiyaphum Branch**

69/23-24 Niwedrut Rd., Nai Muang,  
Muang, Chaiyaphum 36000  
Tel. 0 4481 3334-6  
Fax. 0 4481 3337  
E-mail : Chaiyaphumi@smebank.co.th

**Regional 4**

751/10-11 Mittraphap Rd., Nai Muang,  
Muang, Nakhon Ratchasima 30000

**Zone Office 7**

756/4 Chayangkul Rd., Nai Muang,  
Muang, Ubon Ratchathani 34000  
Tel. 0 4531 4716, 0 4531 4718  
Fax. 0 4531 4720  
E-mail : Ubonratchathani@smebank.co.th

**Ubon Ratchathani Branch**

756/4 Chayangkul Rd., Nai Muang,  
Muang, Ubon Ratchathani 34000  
Tel. 0 4528 4403, 0 4531 7124-5  
Fax. 0 4528 4404  
E-mail : Ubonratchathani@smebank.co.th

**Si Sa Ket Branch**

1416/16-18 Ubon Rd., Muang Tai,  
Muang, Si Sa Ket 33000  
Tel. 0 4561 7880-2  
Fax. 0 4561 7883  
E-mail : Sisaket@smebank.co.th

**Det Udom Branch**

439 Mu 5, Muangdet, Detudom,  
Ubon Ratchathani 34160  
Tel. 0 4536 2460, 0 4536 1870  
Fax. 0 4536 1240  
E-mail : Detudom@smebank.co.th

**Amnat Charoen Branch**

76 Mu 12 Aunpraserd Rd., Bung,  
Muang, Amnat Charoen 37000  
Tel. 0 4545 2526-8  
Fax. 0 4545 2529  
E-mail : Amnatcharoen@smebank.co.th

**Yasothon Branch**

85/3-4 Rattana Khet Rd., Nai Muang,  
Muang, Yasothon 35000  
Tel. 0 4571 5551-3  
Fax. 0 4571 5554  
E-mail : Yasotorn@smebank.co.th

**Mukdahan Branch**

199/1 Pitak Phanom Khet Rd.,  
Mukdahan, Muang, Mukdahan 49000  
Tel. 0 4263 0928-30  
Fax. 0 4261 2889  
E-mail : Mukdahan@smebank.co.th

**Surin Branch**

297/4 Tessaban 3 Rd., Nai Muang,  
Muang, Surin 32000  
Tel. 0 4471 3141-2, 0 4471 3725-6  
Fax. 0 4471 3143  
E-mail : Surin@smebank.co.th

**Zone Office 8**

751/10-11 Mittraphap Rd., Nai Muang,  
Muang, Nakhon Ratchasima 30000  
Tel. 0 4435 3206-8  
Fax. 0 4435 3966

**Nakhon Ratchasima Branch**

751/10-11 Mittraphap Rd., Nai Muang,  
Muang, Nakhon Ratchasima 30000  
Tel. 0 4426 2418-20, 0 4425 1050-51  
Fax. 0 4426 2418 Ext. 18  
E-mail : Nakhonratchasima@smebank.co.th

**Buri Ram Branch**

37/41-42 Thani Rd., Nai Muang,  
Muang, Buriram 31000  
Tel. 0 4462 5536-8  
Fax. 0 4462 5535  
E-mail : Burirum@smebank.co.th

**Pak Chong Branch**

199 Mittraphap Rd., Pakchong,  
Pakchong, Nakhon Ratchasima 30130  
Tel. 0 4431 3142, 0 4431 3555  
Fax. 0 4431 3546  
E-mail : Pakchong@smebank.co.th

**Saraburi Branch**

88/24 Sudbuntud Rd., Muang,  
Saraburi 18000  
Tel. 0 3622 1142, 0 3622 1112  
Fax. 0 3622 1254  
E-mail : Saraburi@smebank.co.th

**Nakhon Nayok Branch**

2-251/27-28 Nakhonnayok-Rangsit Rd.,  
Nakhonnayok, Nakhonnayok,  
Nakhonnayok 26000  
Tel. 0 3731 6161-3, 0 3731 5659-60  
Fax. 0 3731 6164  
E-mail : Nakhonnayok@smebank.co.th

**Phrachin Buri Branch**

47 Prachin Takam Rd., Nha Muang,  
Muang, Prachinburi 25000  
Tel. 0 3721 6818-9  
Fax. 0 3721 6820  
E-mail : Prachinburi@smebank.co.th

**Sa Kaeo Branch**

318, 320 Suwan Sorn Rd., Sa Kaeo,  
Muang, Sa Kaeo 27000  
Tel. 0 3742 1974-6  
Fax. 0 3742 1977  
E-mail : Srakaw@smebank.co.th

**Regional 5**

5/74-75, Phibun Songkhram Rd.,  
Suan Yai, Muang, Nonthaburi 11000

**Zone Office 9**

51/32 Mu 3, Thapma, Muang,  
Rayong 21000  
Tel. 0 3861 7219  
Fax. 0 3861 7220

**Rayong Branch**

51/32 Mu 3, Thapma, Muang,  
Rayong 21000  
Tel. 0 3862 2367, 0 3862 2221, 0 3862 2258  
Fax. 0 3862 1191  
E-mail : Rayong@smebank.co.th

**Chon Buri Branch**

51/15-16 Mu 2, Sukhumvit Rd.,  
Samet, Muang, Chonburi 20000  
Tel. 0 3878 4171, 0 3828 5630-1  
Fax. 0 3878 4172  
E-mail : Chonburi@smebank.co.th

**Chanthaburi Branch**

35/119 Mu 7, Chanthanimit, Muang,  
Chanthaburi 22000  
Tel. 0 3931 3216, 0 3932 4563  
Fax. 0 3932 4562  
E-mail : Chanthaburi@smebank.co.th

**Trat Branch**

87/1-2 Wiwattana Rd., Wang Kra Jea,  
Muang, Trat 23000  
Tel. 0 3952 3244, 0 3952 3162, 0 3952 3686  
Fax. 0 3952 3656  
E-mail : Trat@smebank.co.th

**Pattaya Branch**

245/155-156 Pattaya Sai 3 Rd.,  
Nongplue, Banglamung, Chonburi 20150  
Tel. 0 3841 6805-7  
Fax. 0 3841 6808  
E-mail : pattaya@smebank.co.th

**Chachoengsao Branch**

182-184 Chachoengsao-Bangpakong Rd.,  
Nha Muang, Muang, Chachoengsao 24000  
Tel. 0 3853 5915, 0 3881 2642-3, 0 3851 3363  
Fax. 0 3853 5082  
E-mail : Chachoengsao@smebank.co.th

**Zone Office 10**

5/74-75, Phibun Songkhram Rd.,  
Suan Yai, Muang, Nonthaburi 11000

Tel. 0 2525 2002  
Fax. 0 2525 2002

**Nonthaburi Branch**

5/74-75, Phibun Songkhram Rd.,  
Suan Yai, Muang, Nonthaburi 11000  
Tel. 0 2525 1991-2, 0 2525 1948  
Fax. 0 2525 1949  
E-mail : Nonthaburi@smebank.co.th

**Pathum Thani Branch**

40/40-42 Soi Somprasong,  
Bangkok-Pathumthani Rd., Bangprot,  
Muang, Pathumthani 12000  
Tel. 0 2581 7100-2, 0 2581 2914  
Fax. 0 2581 7103  
E-mail : Pathumthani@smebank.co.th

**Bang Bua Thong Branch**

88/12-13 Mu 4, Bang Kruai - Sai Noi Rd.,  
Sano Loi, Bangbua Thong,  
Nonthaburi 11110  
Tel. 0 2571 2335, 0 2571 2342  
Fax. 0 2571 2343  
E-mail : Bangbua Thong@smebank.co.th

**Rang Sit Branch**

132/15-17 Lam Lukka Rd., Kukod,  
Lam Lukka, Pathumthani 12130  
Tel. 0 2900 7244-6  
Fax. 0 2900 7247  
E-mail : Rangsit@smebank.co.th

**Phra Pradaeng Branch**

105/11 Mu 10, Suk Sa Wat Rd., Bang Phung,  
Phra Pradaeng, Samut Prakan 10130  
Tel. 0 2462 8433-5  
Fax. 0 2462 8436  
E-mail : Prapradang@smebank.co.th

**Samut Prakan Branch**

458/14-15 Sukhumvit Rd., Paknum,  
Muang, Samut Prakan 10270  
Tel. 0 2702 5830-2  
Fax. 0 2702 5833  
E-mail : Samutprakan@smebank.co.th

**Samut Sakhon Branch**

927/302-303 Settakit 1 Rd., Maha Chai,  
Muang, Samut Sakhon 74000  
Tel. 0 3481 1478-80, 0 3481 1386-7  
Fax. 0 3481 1481  
E-mail : Samutsakhon@smebank.co.th

**Aom Noi Branch**

219/1277-1278 Mu 12, Phetkasem Rd.,  
Aom Noi, Kratumban,  
Samut Sakhon 74130  
Tel. 0 2812 8785-6  
Fax. 0 2812 8787  
E-mail : Aomnoi@smebank.co.th

**Regional 6**

60/4-6 Mu 2, Sri Wichai Rd., Makhom Tear,  
Muang, Surat Thani 84000

**Zone Office 11**

260 Si Suriya Wong Rd., Nha Muang,  
Muang, Ratchaburi 70000  
Tel. 0 3224 4410  
Fax. 0 3224 4410

**Ratchaburi Branch**

260 Si Suriya Wong Rd., Nha Muang,  
Muang, Ratchaburi 70000  
Tel. 0 3231 1142-3, 0 3233 8958  
Fax. 0 3231 1090  
E-mail : Ratchaburi@smebank.co.th

**Phetchaburi Branch**

45, 47 Chee Sa In Rd., Klong Kra Sang,  
Muang, Phetchaburi 76000  
Tel. 0 3241 0301-2, 0 3241 0880-1  
Fax. 0 3241 0303  
E-mail : Phetchaburi@smebank.co.th

**Nakhon Pathom Branch**

28/29-30 Yingpao Rd., Sa Nham Chan,  
Muang, Nakhon Pathom 73000  
Tel. 0 3425 8405-6, 0 3421 8661-2  
Fax. 0 3421 8663  
E-mail : Nakhonpathom@smebank.co.th

**Kanchanaburi Branch**

130,132 Seangchuto Rd., Bantai,  
Muang, Kanchanaburi 71000  
Tel. 0 3451 4092-3  
Fax. 0 3451 4102  
E-mail : Kanchanaburi@smebank.co.th

**Ban Pong Branch**

178-180 Songphol Rd., Banpong,  
Banpong, Ratchaburi 70110  
Tel. 0 3222 2820-2  
Fax. 0 3221 0789  
E-mail : banpong@smebank.co.th

**Samut Songkhram Branch**

129/11-12 Thang Khao Muang Rd.,  
Mae Klong, Muang Samut Songkhram 75000  
Tel. 0 3472 3661-2, 0 3471 3085  
Fax. 0 3472 3663  
E-mail : Samutsongkhram@smebank.co.th

**Hua Hin Branch**

22/52-53 Phetkasem Rd., Huahin,  
Huahin, Prachaupkhirikhan 77110  
Tel. 0 3251 6690-2  
Fax. 0 3251 6693  
E-mail : huahin@smebank.co.th

**Prachuap Khiri Khan Branch**

197 Prachuap Khiri Khan Rd., Prachuap Khiri  
Khan, Muang, Prachuap Khiri Khan 77000  
Tel. 0 3260 4431-3  
Fax. 0 3260 4434  
E-mail : Prachaubkhirikhan@smebank.co.th

**Zone Office 12**

60/4-6 Sri Wichai Rd., Makham Tear,  
Muang, Surat Thani 84000  
Tel. 0 7727 5500  
Fax. 0 7727 5501

**Surat Thani Branch**

60/4-6 Sri Wichai Rd., Makham Tear,  
Muang, Surat Thani 84000  
Tel. 0 7722 1627-8, 0 7727 5791  
Fax. 0 7727 5792  
E-mail : Suratthani@smebank.co.th

**Ko Samui Branch**

115/25-26 Mu 6, Borphud,  
Koh-Samui, Surat Thani 84320  
Tel. 0 7742 7286-7  
Fax. 0 7742 7446  
E-mail : Koh-samui@smebank.co.th

**Nakhon Si Thammarat Branch**

70/34-35 Pak Nakhon Rd., Klang,  
Muang, Nakhon Si Thammarat 80000  
Tel. 0 7535 7301-3  
Fax. 0 7535 7304  
E-mail : Nakhonsithammarat@smebank.co.th

**Chumphon Branch**

25/46-47 Grom Luang Chumphon Rd.,  
Tha Ta Pao, Muang, Chumphon 86000  
Tel. 0 7750 1645-6  
Fax. 0 7750 6880  
E-mail : Chumphon@smebank.co.th

**Thung Song Branch**

47/1 Mu 2, Thungsong-Surat Rd., Chamai,  
Thungsong, Nakhon Si Thammarat 80110  
Tel. 0 7542 4300-2  
Fax. 0 7542 4303  
E-mail : Thungsong@smebank.co.th

**Regional 7**

32/175-176 Phoolphol Rd., Taladnua,  
Muang, Phuket 83000

**Zone Office 13**

32/175-176 Phoolphol Rd., Taladnua,  
Muang, Phuket 83000  
Tel. 0 7621 5757-8  
Fax. 0 7621 5755

**Phuket Branch**

32/175-176 Phoolphol Rd., Taladnua,  
Muang, Phuket 83000  
Tel. 0 7621 7009, 0 7621 8268  
Fax. 0 7635 5929  
E-mail : Phuket@smebank.co.th

**Phang-nga Branch**

68/9-10 Mu 3 Phangnga-Tabpud Rd.,  
Thamnamphud, Muang, Phangnga 82000  
Tel. 0 7646 0777-9  
Fax. 0 7646 0780  
E-mail : Phangnga@smebank.co.th

**Krabi Branch**

50/6-7 Krabi-Kao Thong Rd.,  
Pak Num, Muang, Krabi 81000  
Tel. 0 7562 1076, 0 7563 2450, 0 7563 2470  
Fax. 0 7562 1102  
E-mail : Krabi@smebank.co.th

**Trang Branch**

3/9 Visetkul Rd., Tub Tiang,  
Muang, Trang 92000  
Tel. 0 7521 7911-2  
Fax. 0 7521 7913  
E-mail : Trang@smebank.co.th

**Ranong Branch**

2/81-82 Mu 1, Phetkasem Rd., Bangrin,  
Muang, Ranong 85000  
Tel. 0 7783 4882-4  
Fax. 0 7783 4885  
E-mail : Ranong@smebank.co.th

**Zone Office 14**

434 Suppasarnrangsarn Rd., Hat Yai,  
Hat Yai, Songkhla 90110  
Tel. 0 7424 7712-3  
Fax. 0 7424 7714

**Hat Yai Branch**

434 Suppasarnrangsarn Rd., Hat Yai,  
Hat Yai, Songkhla 90110  
Tel. 0 7424 7712-3  
Fax. 0 7424 7714  
E-mail : hatyai@smebank.co.th

**Songkhla Branch**

20/60-61 Mu 2, Khaorubchang,  
Muang, Songkhla 90000  
Tel. 0 7438 0333, 0 7438 0033, 0 7438 0035  
Fax. 0 7438 0071  
E-mail : Songkhla@smebank.co.th

**Narathiwat Branch**

153/8-9 Suriyapradit Rd., Bangnak,  
Muang, Narathiwat 96000  
Tel. 0 7353 2752-5  
Fax. 0 7353 2751 Ext. 18  
E-mail : Narathiwat@smebank.co.th

**Pattani Branch**

400/22-23 Mu 4, Nhong Jik Rd.,  
Rusamilear, Muang, Pattani 94000  
Tel. 0 7345 0801, 0 7345 0803-4  
Fax. 0 7345 0802  
E-mail : Pattani@smebank.co.th

**Yala Branch**

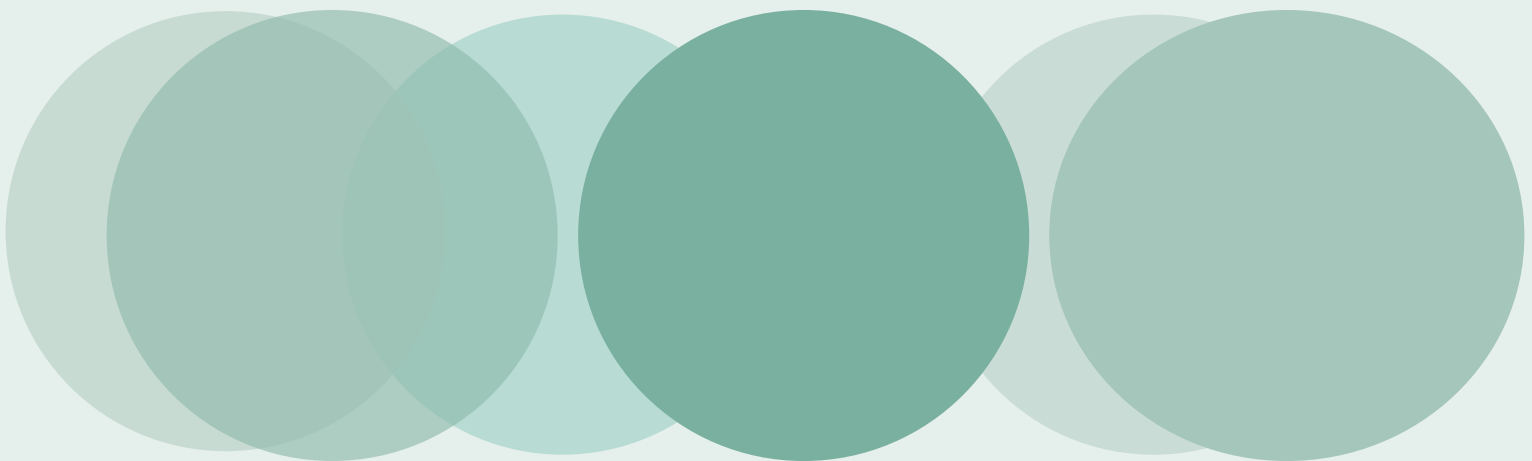
277-279 Premjit-Suraphan Rd.,  
Sateng, Muang, Yala 95000  
Tel. 0 7322 4458-9  
Fax. 0 7322 4460  
E-mail : Yala@smebank.co.th

**Satun Branch**

483/1-2 Mu 7, Yontrakarn Kamthon Rd.,  
Klongkhut, Muang, Satun 91000  
Tel. 0 7472 5190-2  
Fax. 0 7472 5193  
E-mail : Satun@smebank.co.th

**Phattalung Branch**

284/7-8 Rames Rd., Kuhasawan,  
Muang, Phattalung 93000  
Tel. 0 7461 6214-5, 0 7461 6253  
Fax. 0 7461 6254  
E-mail : Phattalung@smebank.co.th







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**Small and Medium Enterprise Development Bank of Thailand**

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