

Citibank, N.A. Bangkok Branch

Financial statements for the year ended
31 December 2012
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.

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Independent Auditor's Report

To the Management of Citibank, N.A. Bangkok Branch

I have audited the accompanying financial statements of Citibank, N.A. Bangkok Branch ("the Bangkok Branch") which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Bangkok Branch is an operating segment of Citibank, N.A. but is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Bangkok Branch and reflect only transactions recorded locally.

Management's Responsibility for the Financial Statements

Management of the Bangkok Branch is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bangkok Branch's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bangkok Branch's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



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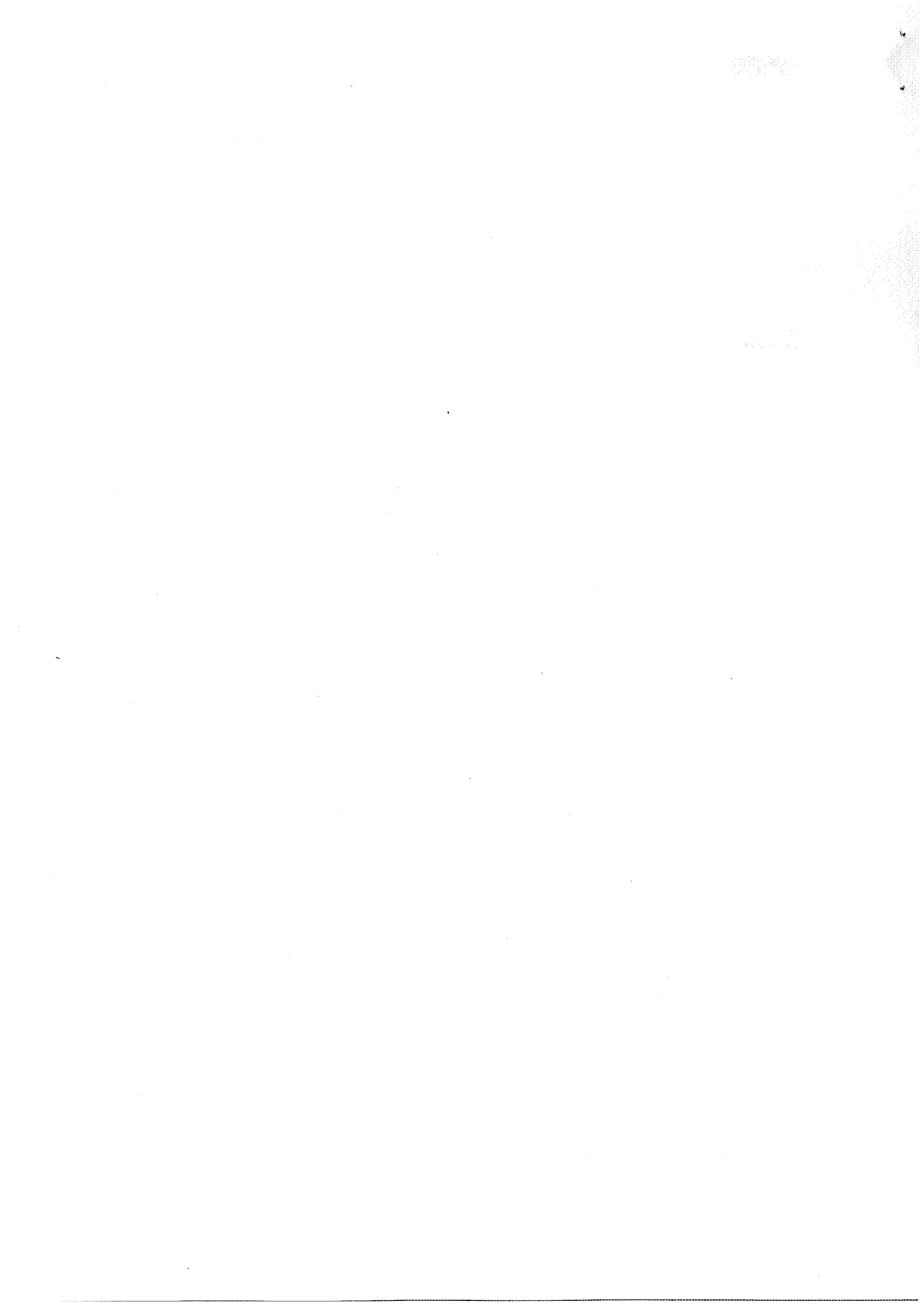
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets used in, and liabilities arising out of Citibank, N.A. Bangkok Branch, as at 31 December 2012, and the financial performance and cash flows of the Bangkok Branch for the year then ended of Citibank, N.A. Bangkok Branch, in accordance with Thai Financial Reporting Standards.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
29 April 2013



Citibank, N.A. Bangkok Branch

Statement of financial position

Assets	Note	31 December	
		2012	2011
		<i>(in thousand Baht)</i>	
Cash		201,343	211,709
Interbank and money market items, net	5.4, 5.33	44,606,901	21,276,812
Derivative assets	5.5	18,228,565	22,279,015
Investments, net	5.6, 5.21	75,958,138	82,364,883
Loans to customers and accrued interest receivable, net	5.7, 5.9, 5.33		
Loans to customers		79,928,158	74,503,451
Accrued interest receivable		149,000	143,673
Total loans to customers and accrued interest receivable		80,077,158	74,647,124
Less deferred revenue		(12,313)	(19,241)
Less allowance for doubtful accounts	5.7.4, 5.10	(2,605,104)	(2,591,667)
Less revaluation allowance for debt restructuring	5.7.4, 5.11	(482,143)	(757,246)
Total loans to customers and accrued interest receivable, net		76,977,598	71,278,970
Leasehold building improvements and equipment, net	5.12	848,166	967,012
Deferred tax assets, net	5.13	195,485	198,571
Other assets, net	5.14, 5.33	7,011,021	4,804,780
Total assets		224,027,217	203,381,752

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

Citibank, N.A. Bangkok Branch

Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person	Note	31 December	
		2012	2011
		<i>(in thousand Baht)</i>	
Liabilities			
Deposits	5.15, 5.33	137,355,368	118,313,033
Interbank and money market items	5.16, 5.33	18,363,508	9,084,679
Liabilities payable on demand		5,976,725	4,185,410
Financial liabilities designated at fair value through profit and loss	5.17	1,143,971	3,119,482
Derivative liabilities	5.5, 5.33	19,442,031	22,899,371
Debt issued and borrowings	5.18	1,047,560	11,369,425
Employee benefit obligations	5.19	344,187	368,374
Accrued expenses	5.33	2,816,025	2,868,567
Other liabilities	5.20, 5.33	8,759,836	5,768,183
Total liabilities		195,249,211	177,976,524
Accounts with head office and other branches of the same juristic person			
Funds brought into maintain assets under the Act	5.3	17,753,450	17,753,450
Balance of inter-office accounts with head office and other branches of the same juristic person, net	5.3, 5.33	2,338,122	1,369,670
Other components of accounts with head office and other branches of the same juristic person	5.6	55,268	(2,120)
Retained earnings		8,631,166	6,284,228
Total accounts with head office and other branches of the same juristic person		28,778,006	25,405,228
Total liabilities and accounts with head office and other branches of the same juristic person		224,027,217	203,381,752

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

Citibank, N.A. Bangkok Branch
Statement of comprehensive income

	Note	For the year ended 31 December	
		2012	2011
		<i>(in thousand Baht)</i>	
Interest income	5.24, 5.33	11,277,731	11,007,852
Interest expense	5.25, 5.33	<u>2,372,395</u>	<u>2,101,618</u>
Net interest income		8,905,336	8,906,234
Fees and service income		4,537,856	4,282,127
Fees and service expenses		<u>1,685,055</u>	<u>1,650,968</u>
Net fees and service income	5.26, 5.33	2,852,801	2,631,159
Gains on trading and foreign exchange transactions	5.27	1,791,488	1,660,671
Net gain (loss) gain from financial liabilities designated at fair value		(28,792)	29,090
Net gain from investments	5.28	257,473	136,350
Other operating income		<u>1,185,795</u>	<u>1,131,422</u>
Total operating income		14,964,101	14,494,926
Other operating expenses			
Employee expenses	5.30	2,662,344	2,558,902
Premises and equipment expenses		783,148	688,278
Taxes and duties		489,490	474,368
Expenses allocated from head office	5.33	509,102	495,292
Others	5.31, 5.33	<u>3,157,081</u>	<u>2,842,068</u>
Total other operating expenses		7,601,165	7,058,908
Bad debts, allowance for doubtful accounts and impairment loss	5.29	<u>1,650,679</u>	<u>1,598,228</u>
Operating profit before income tax expense		5,712,257	5,837,790
Income tax expense	5.32	<u>1,407,906</u>	<u>2,037,454</u>
Net profit		4,304,351	3,800,336
Other comprehensive income			
Gains on remeasuring of available-for-sale investments	5.6	71,838	306,472
Actuarial gains (losses)	5.19	54,705	(15,277)
Income tax for other comprehensive income	5.32	<u>(25,581)</u>	<u>(113,198)</u>
Total other comprehensive income, net		100,962	177,997
Total comprehensive income		4,405,313	3,978,333

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

Citibank, N.A. Bangkok Branch

Statement of changes in accounts with head office and other branches of the same juristic person

	Note	Funds brought into maintenance of assets under the Act	Balance of inter-office accounts with head office and other branches of the same juristic person, net	Gain (losses) on remeasuring of available-for-sale investments (in thousand Baht)	Retained earnings	Total
Balance at 1 January 2011		17,753,450	1,643,733	(216,457)	4,905,232	24,085,958
Other comprehensive income for the year						
Net profit		-	-	-	3,800,336	3,800,336
Other comprehensive income, net of income tax		-	-	-	-	-
Gains on remeasuring of available-for-sale investments	5.32	-	-	214,337	-	214,337
Actuarial losses	5.32	-	-	-	(36,340)	(36,340)
Total other comprehensive income, net of income tax		-	-	214,337	(36,340)	177,997
Total comprehensive income		-	-	214,337	3,763,996	3,978,333
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net		-	(274,063)	-	-	(274,063)
Profit remitted to head office	5.33	-	-	-	(2,146,500)	(2,146,500)
Income tax on remitted profits	5.33	-	-	-	(238,500)	(238,500)
Balances as at 31 December 2011 and 1 January 2012		17,753,450	1,369,670	(2,120)	6,284,228	25,405,228
Other comprehensive income for the year						
Net profit		-	-	-	4,304,351	4,304,351
Other comprehensive income, net of income tax		-	-	-	-	-
Gains on remeasuring of available-for-sale investments	5.32	-	-	57,388	-	57,388
Actuarial gains	5.32	-	-	-	43,574	43,574
Total other comprehensive income, net of income tax		-	-	57,388	43,574	100,962
Total comprehensive income		-	-	57,388	4,347,925	4,405,313
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net		-	968,452	-	-	968,452
Profit remitted to head office	5.33	-	-	-	(1,800,890)	(1,800,890)
Income tax on remitted profits	5.33	-	-	-	(200,097)	(200,097)
Balance as at 31 December 2012		17,753,450	2,338,122	55,268	8,631,166	28,778,006

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

Citibank, N.A. Bangkok Branch

Statement of cash flows

For the year ended 31 December

2012 2011

(in thousand Baht)

Cash flows from operating activities

Operating profit before income tax expenses	5,712,257	5,837,790
Adjustments to reconcile operating profit before income tax expense to cash received (paid) from operating activities		
Depreciation and amortisation	227,918	217,804
Bad debts, allowance for doubtful accounts and impairment loss	1,651,926	1,600,500
Net gain from investments	(257,473)	(136,350)
Written off leasehold building improvements and equipments	2,447	7,788
Unrealized losses (gains) on forward and derivatives contracts, net	593,113	(2,696,512)
Losses (gains) on translation of foreign currencies	(3,729,565)	48,763
Provision for employee benefits	44,290	38,454
Net interest income	(8,905,336)	(8,906,234)
Interest received	11,210,765	10,859,713
Employee benefit obligation paid	(13,773)	(285)
Interest paid	(2,748,159)	(1,554,618)
Income tax paid	(1,841,705)	(1,341,664)
Operating profit before changes in operating assets and liabilities	1,946,705	3,975,149

Decrease (increase) in operating assets

Interbank and money market items	(23,572,589)	4,739,357
Investments in securities held for trading	5,097,443	(8,070,878)
Loans to customers	(7,323,384)	356,910
Other assets	(7,201,512)	2,777,964

Increase (decrease) in operating liabilities

Deposits	19,487,910	7,876,788
Interbank and money market items	9,278,828	(3,736,869)
Financial liabilities designated at fair value through profit and loss	-	332,611
Liabilities payable on demand	1,791,314	(1,075,310)
Debts issued and borrowings	(10,320,509)	(1,257,880)
Other liabilities	12,257,991	(3,487,543)
Net cash provided by operating activities	1,442,197	2,430,299

Cash flows from investing activities

Proceeds from sale of available-for-sale investments	1,638,357	445,011
Purchases of equipment	(119,515)	(139,567)
Proceeds from sales of equipment	7,995	-
Net cash provided by investing activities	1,526,837	305,444

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

Citibank, N.A. Bangkok Branch

Statement of cash flows

	For the year ended 31 December	
	2012	2011
	<i>(in thousand Baht)</i>	
<i>Cash flows from financing activities</i>		
Debts issued and borrowings	(1,975,511)	(93,596)
Profit remitted to head office	(1,800,891)	(2,146,500)
Income tax paid on profit remitted to head office	(200,099)	(238,500)
Increase (decrease) in balance of inter-office accounts with head office and other branches of the same juristic person, net	<u>997,101</u>	<u>(275,300)</u>
Net cash used in financing activities	<u>(2,979,400)</u>	<u>(2,753,896)</u>
Net decrease in cash	(10,366)	(18,153)
Cash at 1 January	<u>211,709</u>	<u>229,862</u>
Cash at 31 December	<u>201,343</u>	<u>211,709</u>

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

Citibank, N.A. Bangkok Branch
Notes to the financial statements

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Change in accounting policy
4	Significant accounting policies
5	Supplementary information
6	Thai Financial Reporting Standards (TFRS) not yet adopted

Citibank, N.A. Bangkok Branch

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from Thai language statutory financial statements, and were approved and authorised for issue by the management of Citibank, N.A. Bangkok Branch ("the Branch") on 29 April 2013.

1 General information

The Branch was granted a licence by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a license to undertake its commercial banking business in September 1985.

The Branch has its registered office at 399, Interchange 21 Building Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok.

2 Basis of preparation of the financial statements

The Branch is a segment of Citibank, N.A. and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRS") and guidelines promulgated by the Federation of Accounting Professions ("FAP") and with the Bank of Thailand ("BoT") notification number Sor Nor Sor 11/2553, directive dated 3 December 2010, regarding "The preparation and announcement of the Financial statements of commercial banks and holding companies which are parent company of group of companies offering financial services".

As at 31 December 2012, the FAP has issued a number of new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements, except for Thai Accounting Standard No.12 Income Taxes (TAS12) which has been early adopted. These new and revised TFRS are disclosed in Note 6.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- derivative financial instruments are measured at fair value
- trading and available-for-sale financial assets are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- present value of the defined benefit obligation

(c) *Presentation currency*

The financial statements are prepared and presented in thousand Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand, unless otherwise stated.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

(d) Use of estimates and judgements

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

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

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

Note 5.2	Fair value of financial instruments
Note 5.5	Derivatives
Note 5.6	Investments, net
Note 5.9	Troubled debt restructuring
Note 5.10	Allowance for doubtful accounts
Note 5.19	Employee benefit obligations
Note 5.32	Income tax

3 Change in accounting policy

The Branch has changed its accounting policy with regard to deferred taxes by applying Thai Accounting Standard No.12 "Income Taxes" which is considered as an early adoption of the new TFRS which has been issued but is not currently effective for financial statements for the year ended 31 December 2012.

Previously, the Branch has recognised deferred tax in accordance with the Statement of Financial Accounting Standards No.109 "Accounting for Income Taxes" issued by the Financial Accounting Standards Board of U.S.A. The adoption of TAS 12 with effect from 1 January 2012 did not have a significant impact on the Branch's financial statements.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policy.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

(b) Cash

Cash comprises cash on hand and cash on collection.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

(c) Investments

Investments in debt securities and equity securities

Debt securities and marketable equity securities held for trading are classified as trading securities and stated at fair value, with any resultant gain or loss recognised in profit or loss.

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

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as being available-for-sale investments. Available-for-sale investments are subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in the accounts with head office and other branches of the same juristic person. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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

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

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in the accounts with head office and other branches of the same juristic person is recognised in profit or loss.

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

(d) Loans to customers

Loans to customers are presented using the outstanding principal amount, except for overdrafts which include accrued interest receivable. Bills purchased at a discount are stated at the face value of the bills, net of unearned discount.

(e) Allowance for doubtful accounts

The Branch provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of loans and receivables. The estimated losses are based on historical collection experience and a review of the current status of the loans and receivables.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of financing in conjunction with the consideration of collateral valuation. Financing classifications are based principally on the period that a financing is past due. The Branch has set up the allowance for doubtful accounts according to the BoT regulations.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

With reference to the BoT's directive, the Branch has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cashflows expected to be received or the expected proceeds from the disposal of collateral, in accordance with BoT criteria.

The allowance for doubtful accounts established during the year is charged as an expense in profit or loss.

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

(f) *Troubled debt restructuring*

Losses on troubled debt restructuring resulting from the reduction of principal and accrued interest and other restructuring concessions including modification of terms are recognised as expenses in profit or loss.

In case the troubled debt restructuring modifies the terms of payment, the Branch complies with the BoT's criteria requiring the Branch to choose between the collateral method by which a loss amount is to be estimated and/or the net present value method which represents expected cash flow in the future and applying the interest rate on the restructuring date for discounting purposes to calculate fair value. Losses from such debt restructuring are recognised in profit or loss.

Subsequent to the troubled debt restructuring, the Branch recalculates fair value of restructured debt based on the aforementioned discount rates as of the reporting date and makes an adjustment for the valuation on the restructured debt, if the fair value has changed. The recalculation made to the financial statements is in accordance with the aforementioned BoT criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed the investment value of restructured debt.

(g) *Leasehold building improvements and equipment*

Recognition and measurement

Owned assets

Leasehold building improvements and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold building improvements and equipment have different useful lives, they are accounted for as separate items of leasehold improvements and equipment.

Gains and losses on disposal of an item of leasehold building improvements and equipment are determined by difference between the proceeds from disposal and the carrying amount of leasehold building improvements and equipment, and are recognised within other income in profit or loss.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

Subsequent costs

The cost of replacing a part of an item of leasehold building improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or replacement cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Leasehold building improvements	5 - 15 years
Furniture, fixtures and equipment	2 - 10 years
Vehicles	5 years

No depreciation is provided on assets under work in progress.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Impairment

The carrying amounts of the Branch's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses revaluation credited to account with the accounts with head office and other branches of the same juristic person, in case of impairment which case it is charged to the accounts with head office and other branches of the same juristic person.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the accounts with head office and other branches of the same juristic person and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial assets is the greater of the assets' value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Branch would receive or pay to terminate the swap at the reporting date, taking into account current interest rates.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The Branch records forward exchange and currency swap contract transactions as off-financial reporting items and calculates gains or losses on remeasurement by adjusting to market value.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

Deposit and borrowing transactions with embedded derivatives

Deposit and borrowing transactions with embedded derivatives are carried at fair value, consistent with FASB 155 "Accounting for Certain Hybrid Financial Instruments" and FASB 159 "The Fair Value Option for Financial Assets and Financial Liabilities" issued by the Financial Accounting Standards Board of U.S.A. The Branch adopts FASB 155 for deposits and borrowings transactions with embedded derivatives that are not interest rate linked and FASB 159 for deposits and borrowings transactions with embedded derivatives that contain interest rate derivatives. The change in fair value is recognised in profit or loss.

Hedging

Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

Discontinuing hedge accounting

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument existing in the accounts with head office and other branches of same juristic person is retained in the accounts with head office and other branches of same juristic person and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the accounts with head office and other branches of same juristic person is recognised in profit or loss immediately.

(j) Employee benefits

Post employment benefits

The Branch operates a number of employee benefit plans as follows:

Define contribution plan

A defined contribution plan is a post-employment benefit plan under which the Branch pays fixed contributions into a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Branch's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Branch's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by an actuary using the projected unit credit method.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

The Branch recognises all actuarial gains and losses in other comprehensive income.

Other Long-term employee benefits - Share-based payment

The Branch participates in equity-settled share based compensation plans for its employees that are offered by the ultimate parent company of the Group, Citigroup Inc. The fair value of the services received in exchange for the grant of the stock options is recognized as an expense in the profit or loss over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options grants, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Branch revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the profit or loss.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(k) Provisions

A provision is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision for merchandise redemption

The Branch provides for merchandise redemption for local credit card customers in accordance with the "Citibank Rewards Program". The provision is calculated based on accumulated points that local credit card members earned from using their cards, estimating the percentage of points used for merchandise redemption and the cost of merchandise per one point. The estimate is derived from historical information. The Branch records expenses for merchandise redemption in profit or loss and records the provision for merchandise redemption under liabilities in the statement of financial position.

Asset retirement obligations

The Branch estimates and recognises a liability for costs associated with the retirement or removal of an asset from service, regardless of the uncertainty of timing or whether performance will be required. For the Branch, this applies to certain real estate restoration activities in the office space, which are rented under lease agreements.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

(l) *Interest income recognition*

The Branch recognises interest income on loans to customer as income on an accruals basis, except for interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears more than three months overdue, regardless of whether it is covered by collateral is reversed from profit or loss. Interest income on deposits and investments is recognised on an accruals basis. Discounts received on the purchase of debt securities are recognised on a straight-line basis over the period to maturity.

(m) *Interest expense recognition*

The Branch recognises interest expenses on an accruals basis.

(n) *Income tax*

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in the accounts with head office and other branches of the same juristic person or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Branch to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Citibank, N.A. Bangkok Branch

Notes to the financial statements

(o) *Loan origination costs*

The Branch follows the Statement of Financial Accounting Standards No.91 of the Financial Accounting Standards Board of U.S.A, in deferring the incremental direct origination costs of certain loans, to be amortised over the maturities of the related loans.

(p) *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Branch has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

5 Supplementary information

5.1 Financial risk management

The Branch uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are common to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

5.1.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Branch. The Branch has adopted a policy of dealing with credit worthy counterparts and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial losses from defaults.

In respect of recognized financial assets, the carrying amount of the assets recorded in the statements of financial position, net of allowance for doubtful accounts, represents the Branch's exposure to credit loss.

The Branch's exposure to credit loss in case of non-performance by a counterparty to the financial instruments is represented by the contractual notional amount of those instruments.

Credit risk also arises from the possibility that a counterparty to off-financial reporting financial instruments will not adhere to the terms of the contract with the Branch when settlement becomes due.

Off-financial reporting financial instruments classified by type and at regulatory credit equivalent values as at 31 December 2012 and 2011 were as follows:

	2012	2011
	<i>(in million Baht)</i>	
Forward exchange contracts	7,601	7,494
Forward interest rate contracts	4,721	4,443
Commodity option	3,731	4,356
Equity option	18	82
Credit default swap	-	330

Citibank, N.A. Bangkok Branch

Notes to the financial statements

5.12 Market risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, foreign exchange rates and equity prices), the correlations among them and their levels of volatility.

The Branch is party to financial instruments in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in foreign exchange rates and interest rates. These financial instruments include commitments to extend credit, standby letters of credit, financial guarantees, options, forwards and swap contracts. These instruments involve, to varying degrees, elements of credit, foreign exchange and interest in excess of the amount recognized in the financial statements. The contract or notional amounts of those instruments reflect the extent of the Branch's involvement in particular classes of financial instruments.

The Branch does not engage in speculation with derivative financial instruments.

The Branch enters into options, forwards and swap contracts as part of its risk management strategy primarily to manage market risk arising from the Branch's underlying assets and liabilities and to offset risk created by its customers. The utilization of options, forwards and swap contracts for these purposes is governed by the Risk Management Committee's approved guidelines and monitored by a risk manager.

(a) Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Branch in the current reporting period, and in future years. Interest rate risk arises from the structure and characteristics of the Branch's assets, liabilities and accounts with head office and other branches of the same juristic person, and in the mismatch in repricing dates of its assets and liabilities.

An analysis of loans to customers at fixed and floating interest rates as at 31 December 2012 and 2011 is as follows:

	2012	2011
	<i>(in million Baht)</i>	
Fixed interest rate	66,272	63,684
Floating interest rate	13,644	10,800
Total loans	79,916	74,484

Citibank, N.A. Bangkok Branch
Notes to the financial statements

2011

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years <i>(in thousand Baht)</i>	Non-interest bearing	Non-accrual Loans	Total	Average interest rate <i>(% per annum)</i>
Financial assets									
Cash	-	-	-	-	-	211,709	-	211,709	-
Interbank and money market items* (before allowance for doubtful accounts)	8,096	17,765,704	114,893	-	-	3,497,938	-	21,386,631	3.21
Derivative assets	-	-	-	-	-	22,279,015	-	22,279,015	-
Investments, net	-	7,085,580	41,087,387	33,632,094	559,607	215	-	82,364,883	2.44
Loans to customers and accrued interest receivable ** (less deferred revenue)	8,691,486	12,779,500	49,226,856	1,536,697	50,606	143,673	2,199,065	74,627,883	11.45
Total financial assets	8,699,582	37,630,784	90,429,136	35,168,791	610,213	26,132,550	2,199,065	200,870,121	
Financial liabilities									
Deposits	89,526,103	14,717,136	4,895,752	1,033,711	-	8,140,331	-	118,313,033	1.07
Interbank and money market items	5,393,667	1,400,000	-	-	-	2,291,012	-	9,084,679	3.19
Liabilities payable on demand	4,185,410	-	-	-	-	-	-	4,185,410	-
Financial liabilities designated at fair value through profit and loss	-	571,817	2,258,857	288,808	-	-	-	3,119,482	3.02
Derivative liabilities	-	-	-	-	-	22,899,371	-	22,899,371	-
Debt issued and borrowings	-	6,190,707	5,158,896	19,822	-	-	-	11,369,425	2.71
Total financial liabilities	99,105,180	22,879,660	12,313,505	1,342,341	-	33,330,714	-	168,971,400	
On-financial reporting items	(90,405,598)	14,751,124	78,115,631	33,826,450	610,213	(7,198,164)	2,199,065	31,898,721	

* Excluding allowance for doubtful accounts amounting to Baht 109.8 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 2,591.7 million and revaluation allowance for debt restructuring amounting to Baht amounting to 757.2 million.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

(b) Foreign currency risk

Foreign exchange rate risk is the risk that occurs from changes in exchange rates which may affect the value of the Branch's financial instruments. The Branch is exposed to foreign exchange risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at each reporting date.

As at 31 December 2012 and 2011, financial assets and liabilities denominated in the various currencies in Baht equivalent were as follows:

	THB	USD	2012			Total
			EURO	Japanese Yen	Others	
			<i>(in thousand Baht)</i>			
Financial assets						
Cash	194,821	2,546	110	14	3,852	201,343
Interbank and money market items*	20,303,571	24,261,089	162,225	-	65,726	44,792,611
Derivative assets	5,782,592	11,387,546	463,210	524,977	70,240	18,228,565
Investments, net	75,958,138	-	-	-	-	75,958,138
Loans to customers and accrued interest receivable**	78,668,004	1,245,695	900	162,559	-	80,077,158
Other assets	6,222,054	328,188	1	38	-	6,550,281
Total financial assets	187,129,180	37,225,064	626,446	687,588	139,818	225,808,096
Financial liabilities						
Deposits	108,245,674	28,696,150	213,215	56,506	143,823	137,355,368
Interbank and money market items	18,348,285	8,763	-	6,360	100	18,363,508
Liabilities payable demand	5,976,725	-	-	-	-	5,976,725
Financial liabilities designated at fair value through profit and loss	1,090,457	53,514	-	-	-	1,143,971
Derivative liabilities	5,451,581	12,406,560	346,077	991,689	246,124	19,442,031
Debt issued and borrowings	1,047,560	-	-	-	-	1,047,560
Other liabilities	8,144,163	322,429	674	44	54	8,467,364
Total financial liabilities	148,304,445	41,487,416	559,966	1,054,599	390,101	191,796,527
On-financial reporting items, net	38,824,735	(4,262,352)	66,480	(367,011)	(250,283)	34,011,569
Off-financial reporting items, net	1,180,294,827	686,729,756	27,270,669	19,065,373	33,069,341	1,946,429,966

* Excluding allowance for doubtful accounts amounting to Baht 185.7 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 2,605.1 million and revaluation allowance for debt restructuring amounting to Baht 482.1 million.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

	2011					Total
	THB	USD	EURO	Japanese Yen	Others	
	<i>(in thousand Baht)</i>					
Financial assets						
Cash	199,952	9,204	-	-	2,553	211,709
Interbank and money market items*	13,390,324	7,512,966	377,461	33,284	72,596	21,386,631
Derivative assets	7,345,304	13,164,405	281,335	1,366,402	121,569	22,279,015
Investments, net	82,364,883	-	-	-	-	82,364,883
Loans to customers and accrued interest receivable**	72,696,314	1,399,184	9,555	535,009	7,062	74,647,124
Other assets	4,350,843	70,352	-	121	-	4,421,316
Total financial assets	180,347,620	22,156,111	668,351	1,934,816	203,780	205,310,678
Financial liabilities						
Deposits	104,936,601	12,822,041	333,152	77,597	143,642	118,313,033
Interbank and money market items	9,032,792	51,887	-	-	-	9,084,679
Liabilities payable demand	4,185,410	-	-	-	-	4,185,410
Financial liabilities designated at fair value through profit and loss	3,078,925	40,557	-	-	-	3,119,482
Derivative liabilities	6,907,315	14,977,079	470,226	513,251	31,500	22,899,371
Debt issued and borrowings	11,369,425	-	-	-	-	11,369,425
Other liabilities	5,159,409	291,558	2,059	194	9,776	5,462,996
Total financial liabilities	144,669,877	28,183,122	805,437	591,042	184,918	174,434,396
On-financial reporting items, net	35,677,743	(6,027,011)	(137,086)	1,343,774	18,862	30,876,282
Off-financial reporting items, net	1,126,276,699	736,160,691	23,688,522	23,552,415	5,710,048	1,915,388,375

* Excluding allowance for doubtful accounts amounting to Baht 109.8 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 2,591.7 million and revaluation allowance for debt restructuring amounting to Baht 757.2 million.

Liquidity risk

Liquidity risk is the risk that the Branch either does not have sufficient financial resources available to meet the obligations as they fall due, or can only access these financial resources at excessive cost.

The Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. The Treasury Department is responsible for managing the Branch's liquidity position by providing short-term and long-term funding sources as well as investing in highly liquid assets in both Thai Baht and foreign currencies. The Branch also ensures that its liquidity position is suitable and sufficient for the current and foreseeable market conditions. The Assets and Liabilities Management Subcommittee supervises management of liquidity risk.

Liquidity risk management ensures the protection of the Branch's solvency and the ability to support asset portfolios with funding of appropriate term and at reasonable cost.

The Branch monitors liquidity risk for each currency. An internal system used for cash flow monitoring captures future expected cash flows, both by day and by currency. The monitoring process also includes the ongoing assessment of the ability to sell liquid assets, mostly trading securities.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

Details of the maturities of financial assets and liabilities as at 31 December 2012 and 2011 were as follows:

	At call	Less than 3 months	3 months to 1 year	2012 1 to 5 years	over 5 years	No Maturity	Total
	<i>(in thousand Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	201,343	201,343
Interbank and money market items*	1,720,687	15,289	43,056,636	-	-	-	44,792,612
Derivative assets	-	-	8,464,595	6,932,619	2,831,351	-	18,228,565
Investments, net	-	15,173,273	25,112,720	34,789,098	882,794	252	75,958,137
Loans to customers and accrued interest receivable**	12,171,327	6,844,880	53,440,581	5,059,339	2,561,031	-	80,077,158
Other assets	-	6,550,281	-	-	-	-	6,550,281
Total financial assets	13,892,014	28,583,723	130,074,532	46,781,056	6,275,176	201,595	225,808,096
Financial liabilities							
Deposits	103,689,631	15,512,965	4,846,061	680,551	-	12,626,160	137,355,368
Interbank and money market items	11,643,508	6,720,000	-	-	-	-	18,363,508
Liabilities payable on demand	5,976,725	-	-	-	-	-	5,976,725
Financial liabilities designated at fair value through profit and loss	-	146,650	197,321	-	800,000	-	1,143,971
Derivative liabilities	-	-	8,566,685	8,012,327	2,863,019	-	19,442,031
Debt issued and borrowings	-	1,047,560	-	-	-	-	1,047,560
Other liabilities	-	8,467,364	-	-	-	-	8,467,364
Total financial liabilities	121,309,864	31,894,539	13,610,067	8,692,878	3,663,019	12,626,160	191,796,527
Net liquidity gap	(107,417,850)	(3,310,816)	116,464,465	38,088,178	2,612,157	(12,424,565)	34,011,569

* Excluding allowance for doubtful accounts amounting to Baht 185.7 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 2,605.1 million and revaluation allowance for debt restructuring amounting to Baht 482.1 million.

	At call	Less than 3 months	3 months to 1 year	2011 1 to 5 years	over 5 years	No Maturity	Total
	<i>(in thousand Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	211,709	211,709
Interbank and money market items*	8,096	17,765,704	114,893	-	-	3,497,938	21,386,631
Derivative assets	-	-	11,321,375	7,581,765	3,375,875	-	22,279,015
Investments, net	-	7,085,580	41,087,387	33,632,093	559,608	215	82,364,883
Loans to customers and accrued interest receivable**	10,673,227	7,746,119	48,571,233	7,605,939	50,606	-	74,647,124
Other assets	-	4,421,316	-	-	-	-	4,421,316
Total financial assets	10,681,323	37,018,719	101,094,888	48,819,797	3,986,089	3,709,862	205,310,678

Citibank, N.A. Bangkok Branch

Notes to the financial statements

	At call	Less than 3 months	3 months to 1 year	2011			Total
				1 to 5 years	over 5 years	No Maturity	
<i>(in thousand Baht)</i>							
Financial liabilities							
Deposits	89,526,103	14,717,136	4,895,752	1,033,711	-	8,140,331	118,313,033
Interbank and money market items	5,393,667	1,400,000	-	-	-	2,291,012	9,084,679
Liabilities payable on demand	4,185,410	-	-	-	-	-	4,185,410
Financial liabilities designated at fair value through profit and loss							
Derivative liabilities	-	571,817	2,258,857	288,808	-	-	3,119,482
Debt issued and borrowings	-	-	10,458,507	8,284,469	4,156,395	-	22,899,371
Other Liabilities	-	6,190,707	5,158,896	19,822	-	-	11,369,425
	-	5,462,996	-	-	-	-	5,462,996
Total financial liabilities	99,105,180	28,342,656	22,772,012	9,626,810	4,156,395	10,431,343	174,434,396
Net liquidity gap	(88,423,857)	8,676,063	78,322,876	39,192,987	(170,306)	(6,721,481)	30,876,282

* Excluding allowance for doubtful accounts amounting to Baht 109.8 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 2,591.7 million and revaluation allowance for debt restructuring amounting to Baht amounting to 757.2 million.

5.2 Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Branch takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

The fair values of financial instruments have been estimated by the Branch using available market information and appropriate valuation methodologies.

The carrying value and estimated fair values of financial instruments as at 31 December 2012 and 2011 were as follows:

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
<i>(in thousand Baht)</i>				
Financial assets				
Cash	201,343	201,343	211,709	211,709
Interbank and money market items*	44,792,611	44,792,611	21,386,631	21,386,631
Derivative assets	18,228,565	18,228,565	22,279,015	22,279,015
Investments, net	75,958,138	75,958,138	82,364,883	82,364,883
Loans to customers and accrued interest receivable**	80,077,158	80,077,158	74,647,124	74,647,124
Financial liabilities				
Deposits	137,355,368	137,355,368	118,313,033	118,313,033
Interbank and money market items	18,363,508	18,363,508	9,084,679	9,084,679
Liabilities payable on demand	5,976,725	5,976,725	4,185,410	4,185,410
Financial liabilities designated at fair value through profit and loss	1,143,971	1,143,971	3,119,482	3,119,482
Derivatives liabilities	19,442,031	19,442,031	22,899,371	22,899,371
Debt issued and borrowings	1,047,560	1,047,560	11,369,425	11,369,425

* Excluding allowance for doubtful accounts amounting to Baht 185.7 million (2011: Baht 109.8 million).

** Including non-performing loans excluding deferred revenue Baht 12.3 million (2011: Baht 19.2 million), allowance for doubtful accounts amounting to Baht 2,605.1 million (2011: Baht 2,591.7 million) and revaluation allowance for debt restructuring amounting to Baht 482.1 million (2011: Baht 757.2 million).

Citibank, N.A. Bangkok Branch

Notes to the financial statements

The following methods and assumptions are used by the Branch in estimating fair values of financial assets and liabilities as disclosed herein:

On-financial reporting financial instruments

The fair values of cash, interbank and money market items (assets and liabilities), deposits, liabilities payable on demand and borrowings approximate the carrying values at which they are stated in the statement of financial position, as these predominantly carry market variable rates of interest and are short term.

Derivatives, investments and financial liabilities designated at fair value are stated according to the Branch's accounting policies mentioned in Note 4.

The fair values of loans to customers and accrued interest receivables are considered to be materially consistent with carrying values as these are short term and are at market rates of interest, and the allowance for doubtful debts is considered to materially reflect the credit risk inherent in the portfolio at the statement of financial position date.

Off-financial reporting financial instruments

Unrecognised financial instruments are presented in a class or classes separate from recognised items and are offset only to the extent that they meet the offsetting criteria.

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

5.3 Maintenance of capital funds

The Branch maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act, B.E. 2551 by maintaining its capital fund as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2012 and 2011, can be summarised as follows:

	2012 <i>(in thousand Baht)</i>	2011
Government bonds	17,753,450	17,753,450
Total	<u>17,753,450</u>	<u>17,753,450</u>

As at 31 December 2012 and 2011, the Branch's capital fund can be summarised as follow:

	2012 <i>(in thousand Baht)</i>	2011
Assets maintained under Section 32	<u>17,753,450</u>	<u>17,753,450</u>
Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts		
Capital for maintenance of assets under Section 32	17,753,450	17,753,450
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	2,338,389	1,369,670
Total	<u>20,091,839</u>	<u>19,123,120</u>
Capital Fund <i>(in thousand Baht)</i>	17,753,450	17,753,450
Capital Adequacy Ratio (%)	13.53	14.10

Citibank, N.A. Bangkok Branch

Notes to the financial statements

As at 31 December 2012 and 2011, the Branch adopted the Standardised Approach for credit risk and operational risk and the Combined Approach between Standardised and Internal Models for market risk as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification to calculate minimum capital requirements.

As at 31 December 2012 and 2011, the Branch met the minimum capital ratio requirements set down by the Bank of Thailand for total capital of 7.5%.

In accordance with the Bank of Thailand Notification No. Sor.Nor.Sor. 25/2552 dated 14 December 2009, Re: "Public Disclosure of Capital Maintenance for Commercial Banks", the Branch intends to disclose Capital Maintenance information as of 31 December 2012 within four months after the year end date as indicated in the notification through the Branch's website www.citibank.co.th.

5.4 Interbank and money market items, net (assets)

	At call	2012 Term (in thousand Baht)	Total
<i>Domestic items</i>			
Bank of Thailand	335,360	-	335,360
Commercial banks	1,382,750	16,571,044	17,953,794
Other Financial Institution*	-	2,000,000	2,000,000
Total	1,718,110	18,571,044	20,289,154
Add accrued interest receivable	-	14,417	14,417
Less allowance for doubtful accounts	-	(185,710)	(185,710)
Total domestic items	1,718,110	18,399,751	20,117,861
<i>Foreign items</i>			
US Dollar	22,728,647	1,531,578	24,260,225
Euro	162,225	-	162,225
Other currencies	65,717	-	65,717
Total	22,956,589	1,531,578	24,488,167
Add accrued interest receivable	-	873	873
Total foreign items	22,956,589	1,532,451	24,489,040
Total domestic and foreign items	24,674,699	19,932,202	44,606,901

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	At call	2011 Term (in thousand Baht)	Total
Domestic items			
Bank of Thailand	2,219,824	-	2,219,824
Commercial banks	1,247,958	9,914,915	11,162,873
Total	3,467,782	9,914,915	13,382,697
<i>Add</i> accrued interest receivable	-	7,628	7,628
<i>Less</i> allowance for doubtful accounts	-	(109,149)	(109,149)
Total domestic items	3,467,782	9,813,394	13,281,176
Foreign items			
US Dollar	-	7,512,636	7,512,636
Japanese Yen	33,284	-	33,284
Euro	-	377,452	377,452
Other currencies	4,968	67,614	72,582
Total	38,252	7,957,702	7,995,954
<i>Add</i> accrued interest receivable	-	352	352
<i>Less</i> allowance for doubtful accounts	-	(670)	(670)
Total foreign items	38,252	7,957,384	7,995,636
Total domestic and foreign items	3,506,034	17,770,778	21,276,812

* Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League of Thailand Limited

5.5 Derivatives

As at 31 December 2012 and 2011, the fair value and notional amount of derivatives classified by type of risk are as follows;

5.5.1 Trading derivatives

Type of risk	Fair value		2012 Notional amount		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Over 1 year	
Forward exchange contracts	6,437,974	7,486,662	529,260,117	56,371,931	585,632,048
Forward interest rate contracts	9,562,620	9,780,914	348,669,099	807,570,400	1,156,239,499
Commodity option	2,174,455	2,174,455	35,776,775	1,280,555	37,057,330
Equity option	53,516	-	307,315	-	307,315
Total	18,228,565	19,442,031	914,013,306	865,222,886	1,779,236,192

Citibank, N.A. Bangkok Branch
Notes to the financial statements

Type of risk	Fair value		2011		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over 1 year	
Forward exchange contracts	10,242,368	10,754,274	529,500,097	50,433,697	579,933,794
Forward interest rate contracts	10,724,825	10,889,671	423,062,211	722,182,197	1,145,244,408
Commodity option	1,254,004	1,252,091	42,760,434	1,805,474	44,565,908
Credit default swap	19,174	3,335	3,295,904	-	3,295,904
Equity option	38,644	-	938,705	317,945	1,256,650
Total	22,279,015	22,899,371	999,557,351	774,739,313	1,774,296,664

As at 31 December 2012 and 2011, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	2012	2011
Counterparties		(%)
Financial institutions	90.57	88.55
Third parties	9.43	11.45
Total	100.00	100.00

5.6 Investments, net

5.6.1 Classification of investment in securities

	2012 Fair value (in thousand Baht)	2011 Fair value (in thousand Baht)
Trading investments		
Government and state enterprise securities	7,801,285	12,855,362
Unrealised gains on revaluation of investments	4,179	6,040
Total	7,805,464	12,861,402
Available-for-sale investments		
Government and state enterprise securities	68,083,337	69,506,018
Unrealised gains (losses) on revaluation of investments	69,085	(2,753)
Total	68,152,422	69,503,265
	Cost/ Amortised cost (in thousand Baht)	Cost/ Amortised cost
Held-to-maturity debt instruments	1,505	2,034
Less allowance for impairment	(1,505)	(2,034)
Net	-	-
	Cost (in thousand Baht)	Cost
General investments		
Non-marketable equity securities	1,000	1,000
Less allowance for impairment	(748)	(784)
Net	252	216
Total investments, net	75,958,138	82,364,883

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.6.2 Unrealised gains (losses) on revaluation of investments in available-for-sale securities, as followed

	2012 <i>(in thousand Baht)</i>	2011
Unrealised gains on revaluation of investments in debt instruments	85,443	167,927
Unrealised losses on revaluation of investments in debt Instruments	<u>(16,358)</u>	<u>(170,680)</u>
Total	69,085	(2,753)
Less Deferred income tax	<u>(13,817)</u>	633
Net	<u>55,268</u>	<u>(2,120)</u>

5.6.3 Debt instruments classified by the remaining contractual maturity period

	2012		
	Maturity year		
	Within 1 year	Over 1 year 5 years <i>(in thousand Baht)</i>	Total
Available-for-sale investments			
Government and state enterprise bonds	<u>36,903,474</u>	<u>31,179,863</u>	<u>68,083,337</u>
Total	36,903,474	31,179,863	68,083,337
Unrealised gains on revaluation of investments	12,874	56,211	69,085
Total	<u>36,916,348</u>	<u>31,236,074</u>	<u>68,152,422</u>
	2011		
	Maturity year		
	Within 1 year	Over 1 year 5 years <i>(in thousand Baht)</i>	Total
Available-for-sale investments			
Government and state enterprise bonds	<u>38,221,091</u>	<u>31,284,927</u>	<u>69,506,018</u>
Total	38,221,091	31,284,927	69,506,018
Unrealised gains (losses) on revaluation of investments	<u>(30,226)</u>	<u>27,473</u>	<u>(2,753)</u>
Total	<u>38,190,865</u>	<u>31,312,400</u>	<u>69,503,265</u>

Trading securities have contractual maturities of 2 to 3 years. However these are expected to be liquidated on a short term basis.

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.7 Loans to customers and accrued interest receivable, net

5.7.1 Classified by type of loans

	2012	2011
	<i>(in thousand Baht)</i>	
Overdrafts	571,509	853,536
Loans	77,822,095	71,935,561
Bills	1,534,554	1,714,354
Less deferred revenue	<u>(12,313)</u>	<u>(19,241)</u>
Total loans net from deferred revenue	79,915,845	74,484,210
Add accrued interest receivable	<u>149,000</u>	<u>143,673</u>
Total loans net from deferred revenue and accrued interest receivable	80,064,845	74,627,883
Less allowance for doubtful accounts		
- BoT's minimum requirement		
- individual approach	(1,628,436)	(1,804,852)
- collective approach	(696,589)	(659,778)
- Allowance in excess	(280,079)	(127,037)
Less revaluation allowance for debt restructuring	<u>(482,143)</u>	<u>(757,246)</u>
Total loans to customers and accrued interest receivable, net	<u>76,977,598</u>	<u>71,278,970</u>

5.7.2 Classified by currency and residency of debtors

	2012			2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	<i>(in thousand Baht)</i>					
Baht	78,509,468	-	78,509,468	72,538,872	3	72,538,875
US Dollar	1,042,650	200,541	1,243,191	1,338,898	55,701	1,394,599
Other currencies	<u>107,837</u>	<u>55,349</u>	<u>163,186</u>	<u>300,093</u>	<u>250,643</u>	<u>550,736</u>
Total*	<u>79,659,955</u>	<u>255,890</u>	<u>79,915,845</u>	<u>74,177,863</u>	<u>306,347</u>	<u>74,484,210</u>

* Loans to customers net of deferred revenue

5.7.3 Classified by type of business and loan classification

	2012					Total
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	
	<i>(in thousand Baht)</i>					
Agriculture and Mining	3,776	-	-	-	-	3,776
Manufacturing and Commerce	14,137,074	3,409,716	258	357	827,806	18,375,211
Property development and construction	140,005	70,000	-	-	-	210,005
Infrastructure and Services	1,486,793	12,356	-	1,693	13,413	1,514,255
Housing loans	537,069	-	-	-	658	537,727
Others**	<u>56,941,186</u>	<u>1,161,789</u>	<u>958,655</u>	<u>69,387</u>	<u>143,854</u>	<u>59,274,871</u>
Total*	<u>73,245,903</u>	<u>4,653,861</u>	<u>958,913</u>	<u>71,437</u>	<u>985,731</u>	<u>79,915,845</u>

* Loans to customers net of deferred revenue

** Others predominantly consist of credit cards and other retail lendings.

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	2011					Total
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	
	<i>(in thousand Baht)</i>					
Agriculture and Mining	633,824	-	-	-	-	633,824
Manufacturing and Commerce	13,336,156	4,006,865	3,188	177,440	718,929	18,242,578
Property development and construction	277,870	-	-	-	19,450	297,320
Infrastructure and Services	1,080,732	698	2,534	-	13,413	1,097,377
Housing loans	56,013	486	33	444	841	57,817
Others**	<u>51,619,383</u>	<u>1,273,118</u>	<u>988,995</u>	<u>102,378</u>	<u>171,420</u>	<u>54,155,294</u>
Total*	<u>67,003,978</u>	<u>5,281,167</u>	<u>994,750</u>	<u>280,262</u>	<u>924,053</u>	<u>74,484,210</u>

* Loans to customers net of deferred revenue

** Others predominantly consist of credit cards and other retail lendings.

5.7.4 Classified by loan classification

	2012			
	Loans to customers and accrued interest receivable <i>(in thousand Baht)</i>	Net amount for set-up allowance for doubtful accounts	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts <i>(in thousand Baht)</i>
Allowance as per BoT's minimum requirements				
-Pass	73,381,103	71,720,266	1	816,286
-Special mention	4,667,660	4,504,380	2	133,526
-Substandard	958,913	806,449	100	806,449
-Doubtful	71,437	70,562	100	70,562
-Doubtful of loss	985,732	980,345	100	980,345
Total				2,807,168
Allowance in excess				280,079
Total*	<u>80,064,845</u>	<u>78,082,002</u>		<u>3,087,247</u>

*Loans to customers net of deferred revenue and interest receivable

	2011			
	Loans to customers and accrued interest receivable <i>(in thousand Baht)</i>	Debts Net amount for set-up allowance for doubtful accounts <i>(in thousand Baht)</i>	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts <i>(in thousand Baht)</i>
Allowance as per BoT's minimum requirements				
-Pass	67,131,261	65,786,277	1	1,051,789
-Special mention	5,297,556	5,163,970	2	250,905
-Substandard	994,751	642,142	100	739,830
-Doubtful	280,262	228,155	100	281,722
-Doubtful of loss	924,053	897,373	100	897,630
Total				3,221,876
Allowance in excess				127,037
Total*	<u>74,627,883</u>	<u>72,717,917</u>		<u>3,348,913</u>

*Loans to customers net of deferred revenue and interest receivable

Citibank, N.A. Bangkok Branch

Notes to the financial statements

5.7.5 Non-performing loans

As of 31 December 2012 and 2011 the Branch has non-performing loans (NPL Gross) on accrual basis (including financial institutions) based on the BoT notification are as follows:

	2012	2011
<i>Non-performing loans, gross</i>		
Non-performing loans, gross (in thousand Baht)	2,016,082	2,199,065
Total loans used for NPL ratio calculation ⁽¹⁾ (in thousand Baht)	98,486,884	84,432,638
Percentage of total loans ⁽²⁾ (%)	2.05	2.60

(1) Total loans used for NPL ratio calculation are loans to customers as presented in the statement of financial position and loans to financial institutions as included in inter-bank and money market items.

(2) The ratio of NPL Gross to total loans before allowance for doubtful accounts of non-performing loans.

As of 31 December 2012 and 2011 non-performing loans net (including financial institutions) based on the BoT notification are as follows:

	2012	2011
<i>Non-performing loans, net</i>		
Non-performing loans, net (in thousand Baht)	158,529	417,113
Total loans used for NPL net ratio calculation ⁽¹⁾ (in thousand Baht)	95,213,928	80,973,906
Percentage of total loans ⁽²⁾ (%)	0.17	0.52

(1) Total loans used for NPL ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions, as included in inter-bank and money market items, after allowance for doubtful accounts of non-performing loans.

(2) The ratio of NPL net to total loans after allowance for doubtful accounts of non-performing loans.

5.8 Classified assets

As of 31 December 2012 and 2011, assets of the Branch, were categorised by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

	Investments	2012		Total
		Loans to customers and accrued interest receivables		
		Interbank and money market	Customers	
		(in thousand Baht)		
Pass	-	18,585,462	73,381,103	91,966,565
Special mention	-	-	4,667,660	4,667,660
Sub-Standard	-	-	958,913	958,913
Doubtful	-	-	71,437	71,437
Doubtful of loss	19,213	-	985,732	1,004,945
	<u>19,213</u>	<u>18,585,462</u>	<u>80,064,845</u>	<u>98,669,520</u>

Citibank, N.A. Bangkok Branch
Notes to the financial statements

2011				
Loans to customers and accrued interest receivables				
	Investments	Interbank and money market (in thousand Baht)	Customers	Total
Pass	-	8,922,365	67,131,261	76,053,626
Special mention	-	1,033,888	5,297,556	6,331,444
Sub-Standard	-	-	994,751	994,751
Doubtful	-	-	280,262	280,262
Doubtful of loss	182,705	-	924,053	1,106,758
	182,705	9,956,253	74,627,883	84,766,841

5.9 Troubled debt restructuring

For the years ended 31 December 2012 and 2011, the Branch engaged in debt restructuring contracts as follows:

	2012		2011	
	Cases	Total Outstanding Debt Before Restructuring (in thousand Baht)	Cases	Total Outstanding Debt Before Restructuring (in thousand Baht)
Debt restructuring contracts that incurred losses	6,783	696,782	8,342	835,234
Total	6,783	696,782	8,342	835,234

Losses on debt restructuring for the year ended 31 December 2012 and 2011 were as follows:

2012				
Outstanding debt				
Types of Restructuring	Cases*	Before restructuring	After restructuring (in thousand Baht)	Loss on debt restructuring
Changes of repayment conditions	6,783	696,782	552,188	50,070
Total	6,783	696,782	552,188	50,070
2011				
Outstanding debt				
Types of Restructuring	Cases*	Before restructuring	After restructuring (in thousand Baht)	Loss on debt restructuring
Changes of repayment conditions	8,342	835,234	669,417	172,802
Total	8,342	835,234	669,417	172,802

*incurred during the year

Citibank, N.A. Bangkok Branch
Notes to the financial statements

As at 31 December 2012 and 2011, the Branch has balances of restructured loans as follows;

	2012		2011
	Total Outstanding Debt Before Restructuring (in thousand Baht)	Cases	Total Outstanding Debt Before Restructuring (in thousand Baht)
Restructured loans which are classified as NPL	322,546		451,813
Restructured loans which are not classified as NPL	1,237,369		1,581,379
Total	31,187	36,728	2,033,192

The Branch recognised interest income from debt restructuring for the years ended 31 December 2012 and 2011 as follows:

	2012	2011
	(in thousand Baht)	
Debt restructuring contacts that incurred losses	181,503	268,348
Total	181,503	268,348

5.10 Allowance for doubtful accounts

	2012						
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess of allowance over minimum requirement	Total
	(in thousand Baht)						
Beginning balance	645,053	94,472	607,713	237,960	879,432	127,037	2,591,667
Doubtful accounts	61,497	(10,806)	(44,283)	(184,596)	1,845,238	153,041	1,820,091
Recovery	-	-	(1,027)	(40,973)	(668,868)	-	(710,868)
Bad debts written off	-	-	-	-	(1,091,300)	-	(1,091,300)
Others	-	-	-	-	(4,486)	-	(4,486)
Ending balance	706,550	83,666	562,403	12,391	960,016	280,078	2,605,104

	2011						
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess of allowance over minimum requirement	Total
	(in thousand Baht)						
Beginning balance	680,339	55,720	624,482	233,727	893,177	284,087	2,771,532
Doubtful accounts	(35,286)	38,752	(16,769)	4,233	1,362,753	(157,050)	1,196,633
Recovery	-	-	-	-	(49,414)	-	(49,414)
Bad debts written off	-	-	-	-	(1,327,084)	-	(1,327,084)
Ending balance	645,053	94,472	607,713	237,960	879,432	127,037	2,591,667

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.11 Revaluation allowance for debt restructuring

	2012	2011
	<i>(in thousand Baht)</i>	
Beginning balance	757,246	1,135,543
Decrease	(180,887)	(131,057)
Amortisation of interest income	(181,503)	(268,348)
Others	87,287	21,108
Ending balance	482,143	757,246

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.13 Deferred tax assets, net

Deferred tax assets and liabilities determined after netting off are included in the statements of financial position as follows:

	Assets	
	2012	2011
	<i>(in thousand Baht)</i>	
Deferred tax assets	225,694	232,907
Deferred tax liabilities	(30,209)	(34,336)
Net	<u>195,485</u>	<u>198,571</u>

Movements in deferred tax assets and liabilities during the year ended 31 December 2012 and 2011 are as follows:

	At 1 January 2012	(Charged)/credited to:		At 31 December 2012
		Profit or loss <i>(Note 5.32)</i>	Other comprehensive income	
	<i>(in thousand Baht)</i>			
<i>Deferred tax assets</i>				
Interest income	24,164	(14,194)	-	9,970
Allowance for doubtful accounts	819	(519)	-	300
Provision for employee and the program of reward redemption	207,111	16,004	(11,131)	211,984
Unrealised loss on revaluation of available-for-sale securities	633	-	(633)	-
Others	180	3,260	-	3,440
Total	<u>232,907</u>	<u>4,551</u>	<u>(11,764)</u>	<u>225,694</u>
<i>Deferred tax liabilities</i>				
Equipment depreciation	19,052	(3,546)	-	15,506
Gain from trading securities	12,420	(11,601)	-	819
Unrealised gain on revaluation of available-for-sale securities	-	-	13,817	13,817
Others	2,864	(2,797)	-	67
Total	<u>34,336</u>	<u>(17,944)</u>	<u>13,817</u>	<u>30,209</u>
Net	<u>198,571</u>	<u>22,495</u>	<u>(25,581)</u>	<u>195,485</u>

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	At 1 January 2011	(Charged)/credited to:		At 31 December 2011
		Profit or loss (Note 5.32)	Other comprehensive income	
	(in thousand Baht)			
<i>Deferred tax assets</i>				
Equipment depreciation	12,197	(12,197)	-	-
Interest income	146,974	(122,810)	-	24,164
Allowance for doubtful accounts	12,840	(12,021)	-	819
Provision for employee and the program of reward redemption	240,093	(11,919)	(21,063)	207,111
Gain from trading securities	13,727	(13,727)	-	-
Unrealised loss on revaluation of available-for-sale securities	92,767	-	(92,134)	633
Others	233	(53)	-	180
Total	518,831	(172,727)	(113,197)	232,907
<i>Deferred tax liabilities</i>				
Equipment depreciation	-	19,052	-	19,052
Gain from trading securities	-	12,420	-	12,420
Others	18,537	(15,673)	-	2,864
Total	18,537	15,799	-	34,336
Net	500,294	(188,526)	(113,197)	198,571

5.14 Other assets, net

	2012	2011
	(in thousand Baht)	
Other accounts receivable	5,684,423	3,930,279
Accrued income	538,202	477,095
Margin call - derivatives	306,042	-
Prepaid expenses and deferred expenses	271,416	272,853
Refundable deposits	21,597	24,162
Others	189,341	100,391
Total	7,011,021	4,804,780

5.15 Deposits

5.15.1 Classified by type of deposits

	2012	2011
	(in thousand Baht)	
Current	12,626,160	8,140,331
Savings	103,689,630	89,526,103
Term		
- Less than 6 months	10,890,551	12,255,829
- More than 6 months but less than 1 year	8,232,549	4,546,253
- 1 year and over	1,916,478	3,844,517
Total	137,355,368	118,313,033

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.15.2 Classified by currency and residency of depositors

	2012			2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	<i>(in thousand Baht)</i>					
Baht	102,875,944	5,369,730	108,245,674	100,625,511	4,311,090	104,936,601
US Dollar	27,760,697	935,453	28,696,150	12,414,260	407,781	12,822,041
Other currencies	403,629	9,915	413,544	545,145	9,246	554,391
Total	131,040,270	6,315,098	137,355,368	113,584,916	4,728,117	118,313,033

5.16 Interbank and money market items (liabilities)

	At call	2012	Total
		Term <i>(in thousand Baht)</i>	
Domestic items			
Commercial banks	313	6,720,008	6,720,321
Other financial institutions*	6,768,780	-	6,768,780
Total domestic items	6,769,093	6,720,008	13,489,101
Foreign items			
Baht	4,859,184	-	4,859,184
JPY	6,360	-	6,360
US Dollar	8,763	-	8,763
Others	100	-	100
Total foreign items	4,874,407	-	4,874,407
Total domestic and foreign items	11,643,500	6,720,008	18,363,508
	At call	2011	Total
		Term <i>(in thousand Baht)</i>	
Domestic items			
Commercial banks	1,443	-	1,443
Other financial institutions*	5,258,100	1,400,000	6,658,100
Total domestic items	5,259,543	1,400,000	6,659,543
Foreign items			
Baht	2,421,924	-	2,421,924
US Dollar	3,212	-	3,212
Total foreign items	2,425,136	-	2,425,136
Total domestic and foreign items	7,684,679	1,400,000	9,084,679

* Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League.

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.17 Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value as of 31 December 2012 and 2011 consisted of:

	2012 <i>(in thousand Baht)</i>	2011
Borrowings	<u>1,143,971</u>	<u>3,119,482</u>

Proportion of transactions classified by the contract parties based on the amount of the contract as of 31 December 2012 and 2011 consisted of:

	2012 Proportion (%)	2011
Counterparties		
Financial institutions	100	96
Third parties	-	4
Total	<u>100</u>	<u>100</u>

5.18 Debt issued and borrowings

	Maturity	2012 <i>(in thousand Baht)</i>	2011
Domestic			
Bills of exchange	Within 1 year	1,047,560	10,629,233
Bills of exchange	After 1 year	-	19,822
Structured deposits	Within 1 year	-	718,370
Total - domestic		<u>1,047,560</u>	<u>11,367,425</u>
Foreign			
Bills of exchange	Within 1 year	-	2,000
Total - foreign		<u>-</u>	<u>2,000</u>
Total		<u>1,047,560</u>	<u>11,369,425</u>

At 31 December 2012, debt issued and borrowings of Baht 1,048 million (2011 : Baht 11,369 million) are structured deposits and bills of exchange issued by the Branch in Thai Baht and have interest rates 2.40%-3.58% per annum (2011: 2%-4.30% per annum).

5.19 Employee benefit obligations

	2012 <i>(in thousand Baht)</i>	2011
Statement of financial position obligation for:		
Defined benefit plan		
- Post-employment benefits (Legal Severance Payment Plan)	344,187	368,374
- Other long-term employee benefits*	53,022	50,104
Total	<u>397,209</u>	<u>418,478</u>

*Other long-term employee benefits are included under other liabilities in the statement of financial position.

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	2012	2011
	<i>(in thousand Baht)</i>	
Statement of comprehensive income:		
Recognised in profit and loss		
Defined benefit plan		
- Post-employment benefits (Legal Severance Payment Plan)	44,290	38,454
- Other long-term employee benefits	1,018	1,076
Total	<u>45,308</u>	<u>39,530</u>
Recognised in other comprehensive income		
Actuarial losses (gains) recognised during the year	(54,705)	15,277
Total	<u>(9,397)</u>	<u>54,807</u>

Movement in the present value of defined benefit obligations - post-employment benefits (Legal Severance Payment Plan):

	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	368,374	314,928
Current service cost	28,139	25,344
Interest cost	16,151	13,110
Benefits paid	(13,772)	(285)
Actuarial losses (gains) recognised in other comprehensive income	(54,705)	15,277
At 31 December	<u>344,187</u>	<u>368,374</u>

Movement in the present value of defined benefit plan - other long-term employee benefit:

	2012	2011
	<i>(in thousand Baht)</i>	
As at 1 January	50,104	41,923
Provision made for the years	2,918	8,181
As at 31 December	<u>53,022</u>	<u>50,104</u>

Recognised in personnel expense in profit or loss:

	2012	2011
	<i>(in thousand Baht)</i>	
Post-employee benefit		
-Current service cost	28,139	25,344
-Interest cost	16,151	13,110
Other long-term benefit	2,918	8,181
Total	<u>47,208</u>	<u>46,635</u>

Citibank, N.A. Bangkok Branch
Notes to the financial statements

Actuarial loss recognised in other comprehensive income (net of deferred tax):

	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	206,497	170,157
Recognised during the year	(43,764)	36,340
At 31 December	<u>162,733</u>	<u>206,497</u>

Principal actuarial assumptions

	2012	2011
Discount rate (%)	3.70	4.50
Future salary increase (%)	4-7	4-7
Retirement age (<i>years old</i>)	55-60	55-60

Assumptions regarding future mortality are based on published statistics and Thailand Mortality Ordinary 2008 (2010: TMO 1997).

5.20 Other liabilities

	2012	2011
	<i>(in thousand Baht)</i>	
Other accounts payable	8,269,749	5,255,466
Unearned income	199,192	191,165
Withholding tax payable	30,329	38,921
VAT payable	47,096	75,107
Asset retirement obligations	17,858	15,649
Others	195,612	191,875
Total	<u>8,759,836</u>	<u>5,768,183</u>

5.21 Assets pledged as collateral

	2012	2011
	<i>(in thousand Baht)</i>	
Government bonds (at face value)	<u>16,200</u>	<u>16,200</u>

5.22 Contingencies and comonitments

5.22.1 Lease and service agreement

At 31 December 2012 and 2011, the Branch had 12 year lease and service agreements in respect of new office premises and utilities. Under the terms of the above agreements, the Branch has committed to pay annual rental and service fees are as follows:

	2012	2011
	<i>(in million Baht)</i>	
Within one year	202	156
After one year but within five years	545	768
After five years	817	868
Total	<u>1,564</u>	<u>1,792</u>

Citibank, N.A. Bangkok Branch

Notes to the financial statements

5.22.2 Capital commitments

As at 31 December 2012 and 2011, the Branch had the following outstanding capital commitments approved and contracted but not provided for in the statements of position:

	2012	2011
	<i>(in thousand Baht)</i>	
Capital commitments with non-related parties		
Contracted but not provided for		
Furniture, fixtures and office equipment	-	3,509
Total	-	3,509

5.22.3 As at 31 December 2012 and 2011, contingencies of the Branch are as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Loan guarantees	1,044,944	524,682
Other guarantees	8,301,643	9,179,403
Liabilities under unmatured import bills	506,825	2,238,450
Letters of credit	1,583,186	1,524,687
Unused credit lines of overdraft	12,089,292	10,454,163
Total	23,525,890	23,921,385

In 1998 a local financial institution sued the Branch to pay the net amount of certain forward contracts. The court of first instance found for the plaintiffs and ordered the Branch to pay the plaintiff Baht 192.2 million, plus interest at 7.5% (not exceeding Baht 168 million). The case was referred to the Court of Appeal, who made a decision in favour of the Branch. The plaintiff has now been granted the right to appeal the case at the Supreme Court. The case is currently under the consideration of the Supreme Court and a ruling is expected in approximately 3 years. No provision has been recorded as management and the Branch's external legal counsel believe that the Branch is expected to win in this case.

5.23 The financial position and results of operations classified by domestic and foreign business

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only one domestic business in Thailand.

5.24 Interest income

	2012	2011
	<i>(in thousand Baht)</i>	
Loans	8,139,621	8,224,855
Interbank and money market items	728,486	1,210,003
Hire purchase	6,205	12,398
Investment in debt securities	2,403,419	1,560,596
Total	11,277,731	11,007,852

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.25 Interest expense

	2012	2011
	<i>(in thousand Baht)</i>	
Deposits	1,320,825	1,093,790
Interbank and money market items	208,257	253,905
Borrowings	258,376	307,522
Contribution to Deposit Protection Agency	584,937	446,401
Total	<u>2,372,395</u>	<u>2,101,618</u>

5.26 Fees and service income, net

	2012	2011
	<i>(in thousand Baht)</i>	
Fees and service income		
-Acceptances, aval and guarantees	64,840	72,038
-Credit card, ATM and others	2,523,195	2,332,463
-Others	1,949,821	1,877,626
-Total fees and service income	<u>4,537,856</u>	<u>4,282,127</u>
Fees and service expense		
-Fees from related parties	382,016	376,343
-Others	1,303,039	1,274,625
Fees and service income, net	<u>2,852,801</u>	<u>2,631,159</u>

5.27 Gains on trading and foreign exchange transactions

	2012	2011
	<i>(in thousand Baht)</i>	
Gains (losses) on trading and foreign exchange transactions		
- Foreign exchange currency and foreign currency related derivatives	1,810,923	1,800,135
- Interest rate related derivatives	(35,681)	(108,084)
- Equity securities	31,840	(9,277)
- Others	(15,594)	(22,103)
Total	<u>1,791,488</u>	<u>1,660,671</u>

5.28 Net gains (losses) from investment

	2012	2011
	<i>(in thousand Baht)</i>	
Gain from sale of available for sale investment	215,933	53,080
Gain from sale of trading securities	43,248	29,279
Valuation of fair value on trading securities	(1,744)	53,998
Valuation on General investment	36	(7)
Total	<u>257,473</u>	<u>136,350</u>

5.29 Bad debts, allowance for doubtful accounts and impairment loss

	2012	2011
	<i>(in thousand Baht)</i>	
Bad debts and doubtful accounts	1,633,685	1,271,670
Loss on troubled debt restructuring	16,994	326,558
Total	<u>1,650,679</u>	<u>1,598,228</u>

Citibank, N.A. Bangkok Branch
Notes to the financial statements

5.30 Employee expenses

	<i>Note</i>	2012 <i>(in thousand Baht)</i>	2011
Wages, salaries and bonus		1,897,829	1,908,378
Post employment benefit - defined benefit plans	5.19	44,290	38,454
Post employment benefit - defined contribution plans		235,354	113,564
Others		484,871	498,506
Total		<u>2,662,344</u>	<u>2,558,902</u>

Provident fund

The defined contribution plan comprises a provident fund established by the Branch for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 10% of their basic salaries and by the Branch at rates ranging from 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

5.31 Other expenses

	2012 <i>(in thousand Baht)</i>	2011
Sales and marketing expenses	1,411,129	1,316,286
Amortisation for acquisition cost	341,183	348,802
Others	1,404,769	1,176,980
Total	<u>3,157,081</u>	<u>2,842,068</u>

5.32 Income tax

Income tax recognised in profit or loss

	<i>Note</i>	2012 <i>(in thousand Baht)</i>	2011
<i>Current tax expense</i>			
Current year		1,432,913	1,854,250
Adjustments for prior year		(2,512)	(5,323)
		<u>1,430,401</u>	<u>1,848,927</u>
<i>Deferred tax expense</i>			
Movements in temporary differences	5.13	(51,719)	136,283
Income tax rate reduction		29,224	52,244
Total		<u>1,407,906</u>	<u>2,037,454</u>

Citibank, N.A. Bangkok Branch
Notes to the financial statements

Income tax recognised in other comprehensive income

	Before tax	2012 Tax (expense) benefit	Net of tax (in thousand Baht)	Before tax	2011 Tax (expense) benefit	Net of tax
Available-for-sale financial assets	71,838	(14,450)	57,388	306,472	(92,135)	214,337
Actuarial gains (losses)	54,705	(11,131)	43,574	(15,277)	(21,063)	(36,340)
Total	126,543	(25,581)	100,962	291,195	(113,198)	177,997

Reconciliation of effective tax rate

	Rate (%)	2012 (in thousand Baht)	Rate (%)	2011 (in thousand Baht)
Profit before tax		5,712,257		5,837,790
Income tax using the Thai corporation tax rate	23.00	1,313,819	30.00	1,751,337
Income tax reduction - deferred	0.51	29,224	0.89	52,244
Expenses not deductible for tax purposes	1.35	77,364	1.76	102,913
Adjustment for prior year-deferred	(0.26)	(14,591)	2.33	136,283
Adjustments for prior year in current year tax	(0.04)	(2,512)	(0.09)	(5,323)
Others	0.08	4,602	-	-
Total	24.64	1,407,906	34.89	2,037,454

Income tax reduction - deferred

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

5.33 Related parties

For the purposes of these financial statements, parties are considered to be related to the Branch if the Branch has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or entities that had joint executives and /or shareholders with the Branch, or where the Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Citibank, N.A. Bangkok Branch

Notes to the financial statements

Relationships with related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai/ Foreigners	Persons having authority and responsibilities for planning, directing and controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of the Bank
Citigroup Inc.	United States of America	Ultimate parent of the Group
Citibank Oversea Investment Corporation	United States of America	Parent, 99.99 % shareholding and subsidiary of Citigroup Inc.
Citibank, N.A. New York	United States of America	Head office of the Branch
Citicorp Securities (Thailand) Limited	Thailand	The same major shareholder which is Citibank Overseas Investment Corporation
Citicorp Leasing (Thailand) Ltd.	Thailand	The same major shareholder which is Citibank Overseas Investment Corporation
Citi Consumer Products (Thailand) Ltd.	Thailand	The same major shareholder which is Citibank Overseas Investment Corporation
B.E.S. Limited.	Thailand	The same major shareholder which is Citibank Overseas Investment Corporation
Citigroup Global Markets Limited	England	Subsidiaries of Citigroup Inc.
Citigroup Global Markets Inc.	United States of America	Subsidiaries of Citigroup Inc.
Citigroup Global Markets Financial Products LLC	United States of America	Company in subsidiaries of Citigroup Inc.
Citibank, N.A. Hong Kong	United States of America	Subsidiaries of Citigroup Inc.
Citi (Nominees) Limited	United States of America	Subsidiaries of Citigroup Inc.
Citigroup N.A. Singapore	Singapore	Subsidiaries of Citigroup Inc.
Citicorp Investment Bank Singapore	Singapore	Subsidiaries of Citigroup Inc.
Citibank Channel Island Limited	United States of America	Subsidiaries of Citigroup Inc.

Citibank, N.A. Bangkok Branch
Notes to the financial statements

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Income	
Loans	Market rate
Fees and service income	Market rate
Interest income	Market rate
Expense	
Fees and service expenses	Contractually agreed price
Rental expenses	Contractually agreed price
Other expenses	Contractually agreed price

Significant related parties transactions for the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Related companies		
Interest income		
Citigroup N.A. New York	143,489	159,550
Citicorp Leasing (Thailand) Limited	68,701	52,011
Citicorp Consumer Products (Thailand) Limited	25,993	23,753
Others	94	163
Total	238,277	235,477
Fees and service income		
B.E.S. Co., Ltd.	135,424	141,474
Citicorp Leasing (Thailand) Limited	106,740	82,538
Citicorp Consumer Products (Thailand) Limited	63,819	78,954
Others	29,372	29,656
Total	335,355	332,622
Interest expense		
Citicorp Securities (Thailand) Limited	49,736	36,798
Others	4,802	11,806
Total	54,538	48,604
Fees and services expenses		
Citicorp Consumer Products (Thailand)	373,982	371,970
Citigroup N.A. Singapore	49,808	88,983
Citibank, N.A. Hong Kong	15,089	-
Citigroup N.A. New York	10,245	7,101
Citicorp Leasing (Thailand) Limited	8,034	4,373
Others	248	1,226
Total	457,406	473,653

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	2012	2011
	<i>(in thousand Baht)</i>	
Other expenses		
B.E.S. Co., Ltd.	405,162	440,158
Citicorp Leasing (Thailand) Limited	25,266	2,310
Citibank, N.A. Hong Kong	20,238	-
Citibank N.A. Singapore	205,563	-
Others	9,894	2,154
Total	<u>666,123</u>	<u>444,622</u>
Expense allocated from Head office/Branch	<u>509,102</u>	<u>495,292</u>
Profit remitted		
Citibank, N.A. New York	<u>2,000,989</u>	<u>2,385,000</u>

Key management personnel compensation

The Branch's directors and management levels from manager or vice president upwards including other equivalent positions shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments of a company in the group of its major shareholder as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Key management personnel compensation		
Short-term employee benefits	257,386	253,936
Post-employment benefits	6,595	6,841
Other long-term benefits	22,664	47,473
Total key management personnel compensation	<u>286,645</u>	<u>308,250</u>

Loans to key management personnel are as follows;

	2012	2011
	<i>(in thousand Baht)</i>	
Loans		
Balance as at 31 December	<u>2,561</u>	<u>2,593</u>

Balances as at 31 December 2012 and 2011 with related parties were as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Assets		
Interbank and money market items		
Citicorp Investment Bank Singapore	24,294,769	7,479,123
Citicorp Leasing (Thailand) Limited	2,100,000	1,980,000
Citicorp Consumer Products (Thailand) Limited	730,000	850,000
Citibank Channel Island Limited	162,225	377,451
Citibank, N.A. Hong Kong	141,908	-
Citibank, N.A. New York	15,904	-
Citicorp International Limited	28,598	67,614
Total	<u>27,473,404</u>	<u>10,754,188</u>

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	2012	2011
	<i>(in thousand Baht)</i>	
Accrued interest receivable		
Citicorp Leasing (Thailand) Limited	30,231	32,588
Others	9,710	13,950
Total	39,941	46,538

	2012	2011
	<i>(in thousand Baht)</i>	
Other assets		
Citicorp Leasing (Thailand) Limited	242,391	529,304
Citigroup Global Market Ltd.	1,103,070	460,207
Citigroup Inc.	6,581	144,022
Others	3,064	8,149
Total	1,355,106	1,141,682

	2012	2011
	<i>(in thousand Baht)</i>	
Liabilities		
Deposits		
Citicorp Leasing (Thailand) Limited	745,041	1,659,256
B.E.S. Co., Ltd.	255,072	649,336
Citicorp Securities (Thailand) Limited	2,149,867	485,043
Citigroup Global Market Ltd.	4,048	254,124
Citicorp Consumer Products (Thailand) Limited	198,227	216,122
Citigroup Global Market Financial Product	-	91,811
Citigroup Global Market Inc.	33,508	52,100
Citigroup Inc.	47,534	47,865
Citibank, N.A. New York	46,385	-
Citibank (Nominees) Limited	106,311	-
Total	3,585,993	3,455,657

Interbank and money market items		
Citicorp Securities (Thailand) Limited	-	1,400,000

Accrued interest expense		
Citicorp Securities (Thailand) Limited	2,898	11,752
Citibank, N.A. Hong Kong	10,089	-
Others	305	1,935
Total	13,292	13,687

Derivative liabilities		
Citicorp leasing (Thailand) Limited	92,129	746,381
Citigroup Global Market Ltd.	311,121	575,765
Citigroup Inc.	457,556	479,617
Citigroup Investment Bank Singapore	45,906	-
Other	14,960	-
Total	921,672	1,801,763

Citibank, N.A. Bangkok Branch
Notes to the financial statements

	2012	2011
	<i>(in thousand Baht)</i>	
Other liabilities		
Citicorp Consumer Products (Thailand) Limited	49,549	77,918
B.E.S. Co., Ltd.	69,954	38,555
Others	20,117	-
Total	139,620	116,473
Commitments		
Citicorp Leasing (Thailand) Limited	23,466,456	32,145,144
Citigroup Inc.	12,735,897	12,951,608
Citigroup Global Market Ltd.	7,126,536	12,592,116
Citigroup Global Market Inc.	728,123	107,549
Citicorp Consumer Products (Thailand) Limited	-	93,030
Citibank, N.A. Hong Kong	1,383,991	-
Citibank (Nominees) Limited	141,039	-
Others	-	3,566
Total	45,582,042	57,893,013

	2012	2011
	<i>(in thousand Baht)</i>	
Significant balances of inter-office accounts with head office and other branches of same juristic person		
Citibank, N.A. New York	1,967,615	617,351
Citibank, N.A. Hong Kong	10,331	443,101
Citibank (Nominees) Limited	106,311	181,639
Others	253,865	127,579
Total	2,338,122	1,369,670

As at 31 December 2012, loans to related parties were due to mature on 30 July 2013 and 30 July 2014 (2011: 30 July 2013) and carried interest at 3.13%-3.39% per annum (2011: 3.83%-3.84% per annum).

As at 31 December 2011, borrowings from related parties were due to mature on 10 January - 21 February 2012 and carried interest at 3.25%-3.50% per annum

Commitments to related parties comprise the notional amounts of derivatives assets and liabilities disclosed under note 5.5.

As at 31 December 2012, commitments with related parties were due to mature on 2 January 2013 - 4 April 2017 (2011: 4 January 2012 - 4 April 2017).

6 Thai Financial Reporting Standards (TFRS) not yet adopted

The Branch has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year effective
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TFRS 8	Operating Segments	2013

Citibank, N.A. Bangkok Branch

Notes to the financial statements

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the Bank's financial statements of those new standards, as follows:

TAS 21 (revised 2009) - The effects of changes in foreign exchange rates

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the Branch's functional currency.

Management has determined that the functional currency of the Branch is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 is not expected to have a significant impact on the Branch reported assets, liabilities and retained earnings.

TFRS 8 - Operating Segments

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Branch's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no significant impact on the Branch's financial statements.

Management is of the opinion that the adoption TFRS 8 from 1 January 2013 will not have a significant impact on the Branch's financial statements.