

TISCO BANK PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2007 AND 2006

## **Report of Independent Auditor**

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying consolidated balance sheets of TISCO Bank Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the separate financial statements of TISCO Bank Public Company Limited for the same periods. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2007 and 2006, the results of its operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 5 to the financial statements whereby, effective 1 January 2007, the Bank changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method in compliance with the change stipulated in Accounting Standard No. 44 (revised 2007) regarding "Consolidated Financial Statements and Separate Financial Statements". The Bank has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.

Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok: 11 February 2008

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
					(Restated)
<b>ASSETS</b>					
CASH		439,899,137	210,224,762	439,197,848	209,087,846
INTERBANK AND MONEY MARKET ITEMS	3.2				
Domestic					
Interest bearing		249,079,891	201,922,475	-	-
Non-interest bearing		623,051,763	502,547,476	555,659,355	480,066,266
Foreign					
Interest bearing		82,039,317	187,328,700	-	-
Non-interest bearing		95,983,409	132,436,705	95,252,768	102,154,800
Total interbank and money market items-net		1,050,154,380	1,024,235,356	650,912,123	582,221,066
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	3.3	2,400,000,000	1,718,000,000	2,400,000,000	1,718,000,000
INVESTMENTS	3.4,3.5,3.8				
Current investment-net		1,575,024,537	774,660,668	924,589,793	723,292,076
Long-term investment-net		4,205,541,687	3,618,540,549	3,676,094,933	3,007,622,036
Investment in subsidiaries-net		-	-	2,966,664,271	3,468,644,129
Net investments		5,780,566,224	4,393,201,217	7,567,348,997	7,199,558,241
RECEIVABLE FROM CLEARING HOUSE		29,422,882	256,710,155	-	-
LOANS, RECEIVABLES AND ACCRUED INTEREST RECEIVABLE	3.6,3.8				
Loans and receivables		86,420,407,816	74,641,231,101	82,321,854,739	68,880,667,472
Securities and derivatives business receivables		1,405,656,785	667,250,225	-	-
Total loans and receivables		87,826,064,601	75,308,481,326	82,321,854,739	68,880,667,472
Accrued interest receivable		155,649,753	143,399,168	110,306,176	98,862,425
Total loans, receivables and accrued interest receivable		87,981,714,354	75,451,880,494	82,432,160,915	68,979,529,897
Less: Allowance for doubtful accounts	3.7.1	(2,805,418,008)	(2,771,223,476)	(2,464,917,060)	(2,463,410,866)
Less: Allowance for loss on debt restructuring	3.7.2	(538,175)	(22,403,970)	(538,175)	(22,403,970)
Net loans, receivables and accrued interest receivable		85,175,758,171	72,658,253,048	79,966,705,680	66,493,715,061
PROPERTY FORECLOSED-NET	3.9	1,042,318,525	1,042,803,295	1,032,381,620	1,044,940,739
LAND, PREMISES AND EQUIPMENT-NET	3.10	1,563,081,469	1,602,800,147	1,066,991,797	1,080,850,642
DEFERRED TAX ASSETS	3.24	426,542,297	655,771,653	221,131,399	451,322,921
DIVIDEND RECEIVABLE FROM SUBSIDIARIES	3.28	-	-	-	591,022,425
OTHER ASSETS	3.11	1,045,353,206	1,219,421,878	819,568,922	1,035,386,753
<b>TOTAL ASSETS</b>		<b>98,953,096,291</b>	<b>84,781,421,511</b>	<b>94,164,238,386</b>	<b>80,406,105,694</b>

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS IN BAHT	3.12	35,714,173,953	40,567,860,158	35,728,808,527	40,668,116,274
INTERBANK AND MONEY MARKET ITEMS					
Domestic-Interest bearing	3.13	5,852,187,820	2,156,981,126	6,402,426,150	2,566,078,459
LIABILITY PAYABLE ON DEMAND		475,067,616	477,515,807	475,067,616	477,515,807
BORROWINGS					
Short-term borrowings	3.14	32,744,785,052	25,720,283,810	29,954,388,462	23,155,078,314
Long-term borrowings		8,005,054,853	361,700,000	8,005,054,853	361,700,000
Total borrowings		40,749,839,905	26,081,983,810	37,959,443,315	23,516,778,314
PAYABLE TO CLEARING HOUSE		576,524,037	365,137,963	-	-
SECURITIES AND DERIVATIVE BUSINESS PAYABLES		866,189,116	710,639,235	-	-
ACCRUED INTEREST PAYABLE		782,340,521	462,185,329	782,253,814	452,359,341
OTHER LIABILITIES	3.15	1,563,168,325	1,276,255,960	1,178,736,950	986,998,807
TOTAL LIABILITIES		86,579,491,293	72,098,559,388	82,526,736,372	68,667,847,002

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

## TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
					(Restated)
<b>SHAREHOLDERS' EQUITY</b>					
Share capital					
Registered	2.2	11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and fully paid-up					
182,775,380 preference shares of Baht 10 each (2006: 185,127,630 preference shares of Baht 10 each)		1,827,753,800	1,851,276,300	1,827,753,800	1,851,276,300
544,617,120 ordinary shares of Baht 10 each (2006: 541,277,120 ordinary shares of Baht 10 each)		5,446,171,200	5,412,771,200	5,446,171,200	5,412,771,200
		7,273,925,000	7,264,047,500	7,273,925,000	7,264,047,500
Share premium					
Share premium of preference shares		84,925,420	73,190,950	84,925,420	73,190,950
Share premium of ordinary shares		36,500,000	36,500,000	36,500,000	36,500,000
Revaluation surplus (deficit) on changes in the value of investment	3.19	751,139,152	662,956,136	38,216,329	(181,560,096)
Translation adjustment		73,872,818	82,146,613	-	-
Retained earnings					
Appropriated-statutory reserve	2.3	486,800,000	422,100,000	486,800,000	422,100,000
Unappropriated		3,666,442,608	3,715,079,758	3,717,135,265	4,123,980,338
Equity attributable to the Bank's shareholders		12,373,604,998	12,256,020,957	11,637,502,014	11,738,258,692
Minority interest-equity attributable to minority shareholders of subsidiary		-	426,841,166	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>12,373,604,998</b>	<b>12,682,862,123</b>	<b>11,637,502,014</b>	<b>11,738,258,692</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
		<b>98,953,096,291</b>	<b>84,781,421,511</b>	<b>94,164,238,386</b>	<b>80,406,105,694</b>
		0	0	0	0
<b>OFF-BALANCE SHEET ITEMS-CONTINGENCIES</b>					
	3.30				
Aval to bills and guarantees of loans		51,925,000	526,625,000	51,925,000	526,625,000
Other commitments		3,449,249,378	5,667,692,739	3,397,849,378	5,667,692,739

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

Mr. Pichai Chanvirachart

(President)

Mrs. Oranuch Apisaksirikul

(Director and Senior Executive Vice President)

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
					(Restated)
<b>INTEREST AND DIVIDEND INCOME</b>					
Loans		1,044,299,001	943,334,215	1,046,345,614	940,730,182
Interbank and money market items		441,708,308	438,037,356	371,553,848	344,948,957
Hire purchase and financial lease income		5,173,014,718	4,068,351,456	4,214,182,642	2,948,289,622
Investments		285,165,468	255,587,949	622,928,175	383,815,712
Total interest and dividend income		6,944,187,495	5,705,310,976	6,255,010,279	4,617,784,473
<b>INTEREST EXPENSES</b>					
Deposits		2,195,247,918	2,344,239,878	2,188,784,978	2,342,037,750
Interbank and money market items		134,657,541	127,926,648	122,132,409	73,022,977
Short-term borrowings		858,962,585	295,086,990	717,812,980	172,905,654
Long-term borrowings		267,509,933	131,989,790	267,509,933	131,579,558
Total interest expenses		3,456,377,977	2,899,243,306	3,296,240,300	2,719,545,939
Net interest and dividend income		3,487,809,518	2,806,067,670	2,958,769,979	1,898,238,534
<b>REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS</b>					
(BAD DEBT AND DOUBTFUL ACCOUNTS)		(695,066,913)	50,310,979	(336,960,679)	280,460,484
Net interest and dividend income after					
bad debt and doubtful accounts and loss on debt restructuring		2,792,742,605	2,856,378,649	2,621,809,300	2,178,699,018
<b>NON-INTEREST INCOME</b>					
Brokerage fees		627,339,484	648,525,326	-	-
Gain on investments	3.20	376,087,382	455,375,963	220,421,564	448,614,439
Gain on derivatives	3.21	22,143,500	-	-	-
Fees and service income					
Acceptances, aval and guarantees		10,203,762	6,620,546	10,203,762	6,620,546
Insurance services		512,609,114	390,139,315	511,193,208	388,429,507
Fund management		418,373,630	264,442,568	-	-
Others		253,147,367	225,849,637	119,138,601	158,553,520
Gain (loss) on exchange		(1,527,285)	4,722,384	(6,900,252)	(3,861,229)
Other income	3.22	226,031,878	297,540,794	158,906,128	234,415,126
Total non-interest income		2,444,408,832	2,293,216,533	1,012,963,011	1,232,771,909
Total net income		5,237,151,437	5,149,595,182	3,634,772,311	3,411,470,927
<b>NON-INTEREST EXPENSES</b>					
Personnel expenses	3.26	1,487,382,356	1,216,248,371	882,630,606	671,678,838
Premises and equipment expenses		511,497,512	451,629,893	474,391,112	376,272,768
Taxes and duties		117,984,924	101,466,463	110,236,687	92,621,763
Fees and service expenses		360,703,187	728,456,160	184,298,863	477,292,290
Directors' remuneration	2.4	8,050,000	7,695,000	8,050,000	7,455,000
Other expenses	3.23	462,768,020	441,572,879	335,299,694	286,436,335
Total non-interest expenses		2,948,385,999	2,947,068,766	1,994,906,962	1,911,756,994
<b>INCOME BEFORE INCOME TAX AND MINORITY INTEREST</b>		2,288,765,438	2,202,526,416	1,639,865,349	1,499,713,933
<b>CORPORATE INCOME TAX</b>	3.24	(637,583,504)	(633,420,167)	(346,961,822)	(386,296,372)
<b>INCOME BEFORE MINORITY INTEREST</b>		1,651,181,934	1,569,106,249	1,292,903,527	1,113,417,561
<b>NET INCOME ATTRIBUTABLE TO MINORITY INTEREST</b>		(70,484)	(23,573,140)	-	-
<b>NET INCOME FOR THE YEAR</b>		1,651,111,450	1,545,533,109	1,292,903,527	1,113,417,561
<b>EARNINGS PER SHARE</b>					
Basic earnings per share	3.27	2.02	1.88	1.52	1.28
Diluted earnings per share		2.01	1.87	1.52	1.27

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

Consolidated financial statements

	Issued and fully paid-up share capital		Share premium		Surplus from changes in the value of investment	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Minority interest-	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares					to minority shareholders	
<b>Balance as at 31 December 2005</b>	1,809,476,300	5,410,201,200	43,128,630	36,500,000	1,011,780,646	112,560,156	344,800,000	3,882,251,279	430,968,026	13,081,666,237
Decrease in fair value of investments	-	-	-	-	(348,824,510)	-	-	-	-	(348,824,510)
Decrease in translation adjustment	-	-	-	-	-	(30,413,543)	-	-	-	(30,413,543)
Net income for the year	-	-	-	-	-	-	-	1,545,533,109	-	1,545,533,109
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	(1,635,404,630)	-	(1,635,404,630)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	77,300,000	(77,300,000)	-	-
Warrants converted to preference shares	44,370,000	-	30,062,320	-	-	-	-	-	-	74,432,320
Preference shares converted to ordinary shares	(2,570,000)	2,570,000	-	-	-	-	-	-	-	-
Decrease in minority interest in subsidiary company	-	-	-	-	-	-	-	-	(4,126,860)	(4,126,860)
<b>Balance as at 31 December 2006</b>	<b>1,851,276,300</b>	<b>5,412,771,200</b>	<b>73,190,950</b>	<b>36,500,000</b>	<b>662,956,136</b>	<b>82,146,613</b>	<b>422,100,000</b>	<b>3,715,079,758</b>	<b>426,841,166</b>	<b>12,682,862,123</b>
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	662,956,136	82,146,613	422,100,000	3,715,079,758	426,841,166	12,682,862,123
Increase in fair value of investments	-	-	-	-	88,183,016	-	-	-	-	88,183,016
Decrease in translation adjustment	-	-	-	-	-	(8,273,795)	-	-	-	(8,273,795)
Net income for the year	-	-	-	-	-	-	-	1,651,111,450	-	1,651,111,450
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	(1,633,234,980)	-	(1,633,234,980)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(1,813,620)	-	(1,813,620)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	64,700,000	(64,700,000)	-	-
Warrants converted to preference shares	9,877,500	-	11,734,470	-	-	-	-	-	-	21,611,970
Preference shares converted to ordinary shares	(33,400,000)	33,400,000	-	-	-	-	-	-	-	-
Decrease in minority interest in subsidiary company	-	-	-	-	-	-	-	-	(426,841,166)	(426,841,166)
<b>Balance as at 31 December 2007</b>	<b>1,827,753,800</b>	<b>5,446,171,200</b>	<b>84,925,420</b>	<b>36,500,000</b>	<b>751,139,152</b>	<b>73,872,818</b>	<b>486,800,000</b>	<b>3,666,442,608</b>	<b>-</b>	<b>12,373,604,998</b>

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Separate financial statements								
	Issued and fully paid-up share capital		Share premium		Surplus (deficit) from changes in the value of investment	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares					
<b>Balance as at 31 December 2005-as previously reported</b>	1,809,476,300	5,410,201,200	43,128,630	36,500,000	1,011,780,646	112,560,156	344,800,000	3,882,251,279	12,650,698,211
Cumulative effect of the change in accounting policy for investments in subsidiaries (Note 5)	-	-	-	-	(825,867,774)	(112,560,156)	-	841,016,128	(97,411,802)
<b>Balance as at 31 December 2005-as restated</b>	1,809,476,300	5,410,201,200	43,128,630	36,500,000	185,912,872	-	344,800,000	4,723,267,407	12,553,286,409
Decrease in fair value of investments	-	-	-	-	(367,472,968)	-	-	-	(367,472,968)
Net income for the year (restated)	-	-	-	-	-	-	-	1,113,417,561	1,113,417,561
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	(1,635,404,630)	(1,635,404,630)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	77,300,000	(77,300,000)	-
Warrants converted to preference shares	44,370,000	-	30,062,320	-	-	-	-	-	74,432,320
Preference shares converted to ordinary shares	(2,570,000)	2,570,000	-	-	-	-	-	-	-
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	(181,560,096)	-	422,100,000	4,123,980,338	11,738,258,692
<b>Balance as at 31 December 2006-as previously reported</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	662,956,136	82,146,613	422,100,000	3,715,079,758	12,256,020,957
Cumulative effect of the change in accounting policy for investments in subsidiaries (Note 5)	-	-	-	-	(844,516,232)	(82,146,613)	-	408,900,580	(517,762,265)
<b>Balance as at 31 December 2006-as restated</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	(181,560,096)	-	422,100,000	4,123,980,338	11,738,258,692
Increase in fair value of investments	-	-	-	-	219,776,425	-	-	-	219,776,425
Net income for the year	-	-	-	-	-	-	-	1,292,903,527	1,292,903,527
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	(1,633,234,980)	(1,633,234,980)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(1,813,620)	(1,813,620)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	64,700,000	(64,700,000)	-
Warrants converted to preference shares	9,877,500	-	11,734,470	-	-	-	-	-	21,611,970
Preference shares converted to ordinary shares	(33,400,000)	33,400,000	-	-	-	-	-	-	-
<b>Balance as at 31 December 2007</b>	1,827,753,800	5,446,171,200	84,925,420	36,500,000	38,216,329	-	486,800,000	3,717,135,265	11,637,502,014

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



## TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Cash flows from operating activities</b>				
Net income	1,651,111,450	1,545,533,109	1,292,903,527	1,113,417,561
Adjustments to reconcile net income to net cash provided by (paid from) operating activities				
Minority interest in income of subsidiary company	70,484	23,573,140	-	-
Dividend income from subsidiary companies	-	-	(349,999,329)	(133,513,400)
Depreciation and amortisation	230,523,768	210,802,077	169,591,939	150,095,963
Bad debt and doubtful accounts (reversal)	991,164,564	95,816,882	606,353,067	(150,029,027)
Reversal of unrealised loss on investment	(13,973,134)	(5,797,556)	(13,973,134)	(5,797,556)
Allowance for impairment of property foreclosed (reversal)	9,055,388	(33,490,244)	13,629,174	(34,228,347)
Gain on disposal of investments	(368,592,309)	(449,578,736)	(206,448,430)	(442,816,883)
Unrealised loss on exchange	4,334,311	3,819,200	6,900,252	3,819,200
Unrealised gain on derivatives	(12,000,000)	-	-	-
Gain on sales of equipment	(4,669,267)	(8,225,985)	(1,127,986)	(6,245,320)
Loss from written-off equipment	-	116,573	-	38,105
Unrealised loss from trading securities	312,809	-	-	-
Gain from disposal of property foreclosed	(9,162,537)	(71,018,230)	(4,452,183)	(66,448,665)
Decrease in deferred tax assets	141,213,278	182,799,738	136,001,627	205,839,899
Increase in accrued interest and dividend receivable	(13,331,986)	(29,956,606)	(11,591,402)	(24,958,809)
Decrease (increase) in other accrued income	(37,174,399)	5,099,493	(1,077,956)	30,067,039
Increase in accrued interest payable	328,898,589	215,040,869	329,894,473	214,257,554
Increase in accrued expenses	83,779,072	8,761,107	33,835,952	4,794,397
Income from operating activities before changes in operating assets and liabilities	2,981,560,081	1,693,294,831	2,000,439,591	858,291,711
Decrease (increase) in operating assets				
Interbank and money market items	(77,147,030)	477,358,224	(75,591,309)	(95,906,017)
Securities purchased under resale agreements	(682,000,000)	282,000,000	(682,000,000)	282,000,000
Investment in securities for trading-net	647	-	-	-
Receivable from clearing house	239,287,273	(195,518,722)	-	-
Loans and receivables	(15,395,219,857)	(12,414,384,742)	(15,109,113,467)	(12,107,313,943)
Securities and derivatives business receivables	(738,406,560)	608,019,110	-	-
Property foreclosed	1,531,579,373	1,182,745,079	1,015,039,861	739,202,017
Other assets	222,171,626	(244,356,916)	226,062,623	(247,069,424)

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
				(Restated)
<b>Increase (decrease) in operating liabilities</b>				
Deposits	(4,853,686,205)	6,117,058,923	(4,939,307,747)	6,056,853,312
Interbank and money market items	3,946,613,745	(4,258,271,695)	3,836,347,691	(3,665,145,511)
Liability payable on demand	(2,448,191)	230,228,615	(2,448,191)	230,228,615
Borrowings	11,596,223,512	8,591,444,162	11,371,032,418	8,374,578,314
Payable to clearing house	211,386,074	(201,352,852)	-	-
Securities and derivative business payables	155,549,882	(636,643,383)	-	-
Other liabilities	284,790,778	(182,695,978)	156,088,571	(119,808,682)
Net cash flows from (used in) operating activities	(579,744,852)	1,048,924,656	(2,203,449,959)	305,910,392
<b>Cash flows from investing activities</b>				
Cash paid for purchase of investment in securities held for investment	(12,256,561,803)	(1,434,251,692)	(10,963,039,197)	(1,044,200,466)
Proceed from sales of investment in securities held for investment	11,244,424,257	2,209,231,397	10,601,207,183	2,098,733,338
Cash received from dividend of subsidiaries	-	-	941,021,754	388,513,209
Cash paid for purchase of property, plant and equipment	(161,128,723)	(208,584,734)	(132,603,263)	(187,710,952)
Cash received from disposal of equipment	5,288,486	10,038,337	1,302,679	6,489,674
Cash received from capital returned from subsidiaries (Note 4.5.3)	512,461,232	-	512,461,232	-
Net cash flows from (used in) investing activities	(655,516,551)	576,433,308	960,350,388	1,261,824,803
<b>Cash flows from financing activities</b>				
Dividend paid	(1,633,234,980)	(1,663,104,630)	(1,633,234,980)	(1,635,404,630)
Cash paid for the redemption of long-term debentures and debt instruments	(4,800,000,000)	-	(4,800,000,000)	-
Cash received from issue long-term debentures and debt instruments	7,884,832,583	-	7,884,832,583	-
Cash received from exchange of warrants to purchase preference shares	21,611,970	74,432,320	21,611,970	74,432,320
Net cash flows from (used in) financing activities	1,473,209,573	(1,588,672,310)	1,473,209,573	(1,560,972,310)
<b>Translation adjustment</b>	(8,273,795)	(30,413,543)	-	-
Net increase in cash and cash equivalents	229,674,375	6,272,111	230,110,002	6,762,885
Cash and cash equivalents at beginning of year	210,224,762	203,952,651	209,087,846	202,324,961
Cash and cash equivalents at end of year	439,899,137	210,224,762	439,197,848	209,087,846
	-	-	-	-
<b>Supplemental cash flows information</b>				
Cash paid during the year for				
Interest	3,132,796,810	2,682,318,474	2,966,345,828	2,505,288,385
Corporate income tax	426,795,353	489,090,018	158,173,748	217,642,862
Non-cash transactions				
Conversion of preference shares to ordinary shares	33,400,000	2,570,000	33,400,000	2,570,000
Transfer of property foreclosed to land, premises and equipment	-	20,018,354	-	20,018,354

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

**1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

**1.1 Basis of preparation**

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and in accordance with the Notifications of the Bank of Thailand and the Office of the Securities and Exchange Commission, except for the early adoption of the accounting policy regarding “Accounting for income taxes”, which is in line with International Accounting Standards (IAS) No.12 “Income Taxes” (revised 1996).

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Bank of Thailand dated 10 May 2001, “Balance Sheets and Income Statements for Commercial Bank”.

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

The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

**1.2 Basis of consolidation**

The consolidated financial statements include the financial statements of TISCO Bank Public Company Limited (“the Bank”) and its subsidiary companies (“its subsidiaries”) as mentioned in Note 3.1.

The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing average exchange rates as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.

Material balances and transactions between the Bank and its subsidiaries have been eliminated from the consolidated financial statements.

### **1.3. Adoption of new accounting standards**

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

#### **a) Accounting Standards which are effective for the current year**

TAS 44 (revised 2007) Consolidated Financial Statements and Separate Financial Statements

TAS 45 (revised 2007) Investments in Associates

TAS 46 (revised 2007) Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Bank changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 as discussed in Note 5 to financial statements. For Thai Accounting Standards No. 45 and 46, they are not relevant to the business of the Bank.

#### **b) Accounting Standards which are not effective for the current year**

TAS 25 (revised 2007) Cash Flow Statements

TAS 29 (revised 2007) Leases

TAS 31 (revised 2007) Inventories

TAS 33 (revised 2007) Borrowing Costs

TAS 35 (revised 2007) Presentation of Financial Statements

TAS 39 (revised 2007) Accounting Policies, Changes in Accounting Estimates and Errors

TAS 41 (revised 2007) Interim Financial Reporting

TAS 43 (revised 2007) Business Combinations

TAS 49 (revised 2007) Construction Contracts

TAS 51 Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied. For Thai Accounting Standards No. 31, 33 and 49, they are not relevant to the business of the Bank.

## 1.4 Significant accounting policies

### 1.4.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase and financial lease income are recognised over the installment period, using the effective interest rate.

For loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank and its subsidiaries to cease accruing income. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from the Bank and its subsidiaries' accounts and interest then recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is then recognised on a cash basis.

The accounts will be reinstated to an "accrual basis" when the overdue amounts are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment is recognised as income on an accrual basis. Dividends from securities are recognised as income when the right to receive the dividend is established.

c) Brokerage fee

Brokerage on securities and derivative trading is recognised as income on the transaction dates.

d) Gain (loss) on trading in securities and derivatives

Gains (losses) on trading of investments in securities and derivatives are recognised as income/expenses on the transaction dates.

e) Fees and service income

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

#### **1.4.2 Expense recognition**

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

The Bank and its subsidiaries have changed their accounting method for recognition of initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, from recording them as expenses when they occur to amortisation them by the effective interest rate method, and deducting them from unearned income over the installment period to reflect the effective rate of return of hire purchase agreements.

Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

The change is in accordance with Accounting Standard No. 29 (revised 2007) "Leases". The Bank and its subsidiaries did not restate the financial statements for the year 2006 for comparative purposes.

#### **1.4.3 Investments in securities**

- 1) Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining income.
- 2) Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- 3) Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.
- 4) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).

- 5) Investments in subsidiaries which present in the separate financial statements are determined at cost net of allowance for impairment (if any).
- 6) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- 7) The subsidiary company does not consider the investments in mutual funds to be investments in associated companies by the equity method in the consolidated financial statements, even if the company holds not less than 20% of the equity, because the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.
- 8) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- 9) Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.
- 10) The moving average method is used for computation of the cost of investments.
- 11) In the event the Bank and its subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

#### **1.4.4 Investments in receivable purchased or transferred in**

Investments in receivable purchased or transferred in, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in determining income.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans and receivables and presented at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debt is based on the same Bank of Thailand's guideline as allowance for loans and receivables.

#### **1.4.5 Securities purchased under resale agreements**

The Bank has purchased securities under resale agreements, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Securities purchased under resale agreements" in the balance sheet and the securities purchased are used as collateral.

Differences between the acquisition price and the selling price are recognized on an accrual basis over the term of the transaction, and are presented as interest income.

#### **1.4.6 Receivable from Clearing House/ Payable to Clearing House**

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net balance payable to Thailand Clearing House.

#### **1.4.7 Loans and receivables**

Loans and receivables are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred income/discounts on loans are deducted from loans.

Hire purchase and financial lease receivables are stated at outstanding balance, net of unearned interest income. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of hire purchase.



#### **1.4.8 Allowance for doubtful accounts and losses from troubled debt restructuring**

- a) The Bank provides allowance for doubtful accounts and losses arising from troubled debt restructuring in accordance with the Notifications of the Bank of Thailand (“BOT”) and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

##### **Year 2007**

The Bank records allowance for doubtful accounts for loans and receivables, for loans classified as pass using the Credit Migration rate and for special-mentioned loans using at not less than 2%, of the loan balances (excluding accrued interest receivables) net of collateral value, except for hire purchase receivables, for which the Bank does not deduct the collateral value from the outstanding loan balance.

For non-performing loans and receivables which are classified as substandard, doubtful and doubtful of loss, the Bank records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT’s Notifications, in accordance with the BOT’s guidelines issued on 21 December 2006. For non-performing hire purchase receivables, the Bank sets aside provision using a collective approach based on past experience of actual loss or damage.

As at 31 December 2007, the Bank has already set provision for all non-performing loans and receivables in accordance with the new guidelines of the BOT.

##### **Year 2006**

In 2006, the Bank revised its guidelines on determining allowance for doubtful accounts and the value of collateral to be deducted against the loan balance when setting provisions for non-performing loans to follow the new guidelines of the BOT issued on 21 December 2006. The Bank sets aside provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of the discount rate and the time needed to dispose of collateral, in accordance with the BOT’s guidelines. The Bank may set up provision using a collective approach based on past loss experiences for receivables with the same credit risks, or having similar types and objectives of borrowing.

The timeline for implementing these provisioning guidelines is presented below.

- From the second half-year period of 2006 onwards, provisions are to be made for receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought.
- From the half-year period ended 30 June 2007 onwards, provisions are to be made for receivables that are classified as doubtful of loss and doubtful.
- From the year ended 31 December 2007 onwards, provisions are to be made for receivables that are classified as substandard.

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

In this regard, for the financial statements for the year ended 31 December 2006, the Bank sets provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For the remaining non-performing loans which are classified as doubtful of loss, doubtful, and substandard loans, the Bank still applies provisioning rates of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines.

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.

- c) For the hire purchase and financial lease receivables of the subsidiaries, an allowance for doubtful accounts is based on a percentage of the outstanding balance, net of unearned interest income, for each age of receivable. The subsidiaries also estimate the allowances for doubtful accounts on the basis of historical statistical data, assessment of the risk associated with the receivable, the nature of the collateral provided, and the actual losses arising from such debtors in the past, while emphasising the principal of conservatism. Furthermore, the adequacy of the allowance at the balance sheet date has been reviewed and evaluated in relation to the current status of the receivables. Bad debts are written off for accounts considered to be uncollectible.
- d) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the balance sheet date.
- e) Increase (decrease) in allowance for doubtful accounts is recorded as expense in the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.

#### **1.4.9 Troubled debt restructuring**

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the lower of the fair values of the assets, less estimated selling expenses (if any), and the outstanding loan balances.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates prevailing at the restructuring date. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

#### **1.4.10 Recognition and amortisation of customer deposits**

Cash which customers have placed with a subsidiary company for securities trading through cash accounts and derivative trading is recorded as assets of the subsidiary company for internal control purposes, but at the balance sheet date the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

#### **1.4.11 Borrowing and lending of securities**

A subsidiary company conducts both securities borrowing and securities lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the balance sheet. At the end of the year, the balances of Securities borrowing payables and Securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange on Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in determining income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

#### **1.4.12 Property foreclosed**

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted, or restructured receivables. The values of the repossessed assets are stated at the lower of net book value of loans at the transferred date and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses.

Loss on impairment is recognised in the income statement. Gains or losses from disposal of property foreclosed are recognised upon disposal.

#### **1.4.13 Depreciation and amortisation**

a) Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation.

Depreciation of buildings and equipment is calculated by reference to their cost on the straight-line basis (except for the depreciation of computer and communications equipment acquired since 2000, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominium units	-	20	years
Office improvements	-	5	years
Furniture, fixtures and equipment	-	5	years
Motor vehicles	-	5	years

No depreciation is provided on land.

Depreciation is included in determining income.

- b) Leasehold rights are amortised to expenses on a straight-line basis over the lease periods of 12, 13.5 and 15 years.
- c) Software license fees are deferred and amortised over the period of the license agreements, which are 5 and 10 years (with the exception of the amortisation of software licenses acquired since 2000, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years).
- d) Licenses to trade securities on the Hong Kong Exchange and Clearing Limited (“HKEC”) are stated at cost less accumulated amortisation and impairment loss (if any).

#### **1.4.14 Income tax**

- a) Current tax

The Bank and its subsidiaries calculate corporate income tax in accordance with tax legislation.

- b) Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date. These will be realised in future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

Deferred tax assets are recognised for deductible temporary differences if it is highly probable that the Bank and its subsidiaries will generate sufficient taxable profits from its future operations to utilise these assets. Deferred tax liabilities are recognised for all payable temporary differences.

Deferred tax assets and liabilities are calculated based on the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax legislation) that have been enacted at the balance sheet date.

The Bank and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At each balance sheet date, the Bank and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### **1.4.15 Impairment of assets**

The Bank and its subsidiaries assess at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, the Bank and the subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

#### **1.4.16 Sales of commercial paper**

Commercial paper sold without recourse is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance and sold with recourse, is recorded as a liability under the caption of "Liabilities from sale of commercial paper". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

#### **1.4.17 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the average exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

#### **1.4.18 Employee benefits**

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses on an accrual basis.

#### **1.4.19 Provisions**

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

#### **1.4.20 Derivatives**

##### **a) Interest rate swap contracts**

The Bank recognises the net amount of interest to be received from or paid to the counterparty under an interest rate swap contract as income or expenses in the income statements on an accrual basis.

##### **b) Derivatives-Futures contracts**

The subsidiary company recognises gains (losses) from changes in the fair value of the future contracts held for trading in the income statements, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

#### **1.4.21 Financial instruments**

##### **a) Financial risk management**

The Bank and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), securities purchased under resale agreement, investments, receivable from clearing house, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, borrowings, payable to clearing house, and securities and derivative business payables. The financial risks associated with these financial instruments and how they are managed is described in Note 3.31 to the financial statements.

##### **b) Fair value of financial instruments**

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The methods and assumptions used by the Bank and its subsidiaries in estimating the fair value of financial instruments are as follows.

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities purchased under resale agreements, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liabilities payable on demand, and short-term borrowings, the carrying amounts in the balance sheet approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- The fair value of fixed rate debentures and long-term borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

The fair value of the other off balance sheet items cannot be reasonably determined and thus it has not been disclosed.

#### **1.4.22 Earnings per share**

Calculation of earnings per share is summarised below.

##### Basic earnings per share

Basic earnings per share is calculated by dividing net income for the year, after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year.

##### Diluted earnings per share

Diluted earnings per share is calculated by dividing net income for the year, after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year plus the weighted average number of ordinary shares to be issued upon conversion of warrants into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the warrants were issued.



In determining earnings per share for the year, the amount of preferential dividends as referred to above was arrived at on a time proportion basis.

#### **1.4.23 Use of accounting estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

#### **1.4.24 Reclassification**

In addition to the change in accounting policy mentioned in Note 5 to the financial statements which affects previously reported net income and shareholder's equity, certain amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity, except for that as a result of the change in accounting policy.

## **2. GENERAL INFORMATION**

### **2.1 The Bank's information**

TISCO Bank Public Company Limited is a public company incorporated and domiciled in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2007, the Bank has 26 branches in Thailand.

### **2.2 Share capital**

The Bank has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be, and have been from time to time, converted to ordinary shares in accordance with the Memorandum and Articles of Association.

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Bank pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Bank does not declare dividend payment to the ordinary shareholders, the Bank may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Bank has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders will be equal to those of the ordinary shareholders.

On 10 April 2000, the Annual General Meeting of the Bank's shareholders passed a resolution approving the allocation to directors and employees of the Bank and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Bank's preference shares, exercisable in a ratio of 1 warrant to 1 preference share, and passed a resolution approving the establishment of an Allotment Committee. Such committee resolved that the warrants would not be allocated to the Bank's directors, except for those directors who were qualified by virtue of being Bank employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-day average closing price of the Bank's preference shares prior to the effective date of the filing, subject to a minimum price of par value. The warrants are to be offered subsequent to the receipt of approval from the Office of the Securities and Exchange Commission. In addition, the Annual General Meeting passed a resolution approving the un-allocation of 400 million preference shares. Thirty million preference shares with a par value of Baht 10 each are to be reserved for the exercise of the warrants to be issued and offered to directors and employees of the Bank and its subsidiaries to purchase the Bank's preference shares, and 370 million preference shares remain unallocated.

On 24 April 2002, the Annual General Meeting of the Bank's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-day average closing price of the Bank's preference shares prior to the date of warrant allocation, subject to a minimum price of par value.

### **2.3 Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution.

### **2.4 Directors' remuneration**

Directors' remuneration represents the benefits paid to the Bank's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

### **2.5 Provident fund**

The Bank, its five subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 - 10 percent of the employees' salaries, depending on the number of years of service. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to the employees upon termination in accordance with the fund rules.

### **2.6 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

The Bank has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Bank and those companies, which are reference to the terms and price as charged to other customers.

The Bank and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management-level employees, with the exception of loans to employees under the employee welfare scheme, as mentioned in Note 3.28 to the financial statements.

The Bank has neither provided any credit nor made any commitments to companies which have directors in common with the Bank in cases where such credit is unsecured or not fully collateralised and therefore would require approval from the Bank of Thailand.

The Bank and its subsidiaries have no investments in related companies which are related by way of members of the management of the Bank or of its subsidiaries being shareholders and/or authorised directors.

### 3. DETAILS OF FINANCIAL STATEMENTS

#### 3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements is provided below.

Company	Country of incorporation	Percentage of shares held by the Bank as at 31 December		Subsidiaries' total assets as a percentage to the consolidated total as at 31 December		Subsidiaries' total revenues as a percentage to the consolidated total for the years ended 31 December		Subsidiaries' net income (loss) as a percentage to the consolidated total for the years ended 31 December	
		2007	2006	2007	2006	2007	2006	2007	2006
		(Unit: Percentage)							
<b>Subsidiaries directly owned by the Bank</b>									
TISCO Securities Hong Kong Limited	China-Hong Kong	100.00	100.00	0.07	0.33	0.22	0.95	(1.05)	(1.28)
TISCO Securities Co., Ltd.	Thailand	99.99	99.99	2.73	1.92	17.10	15.04	20.21	21.53
TISCO Asset Management Co., Ltd.	Thailand	99.99	99.99	0.35	0.31	9.21	5.71	13.05	7.44
TISCO Leasing Co., Ltd.	Thailand	99.99	99.99	1.75	2.27	1.78	1.81	1.61	1.70
Hi-Way Co., Ltd.	Thailand	99.99	99.99	2.85	3.54	8.78	14.32	9.26	8.21
TISCO Information Technology Co., Ltd.	Thailand	99.99	99.99	0.02	0.03	0.02	0.12	(8.98)	(6.63)
Thai Commercial Auto Co., Ltd. (in the process of liquidation)	Thailand	-	50.00	-	1.57	-	1.79	-	2.77
TISCO Group Co., Ltd. (in the process of liquidation)	Thailand	-	99.99	-	-	-	-	-	-
TISCO Corporation Public Co., Ltd. (disposal during the year)	Thailand	-	95.00	-	-	-	-	-	(0.04)
<b>Subsidiaries indirectly owned by the Bank</b>									
TISCO Global Securities Limited	China-Hong Kong	100.00	100.00	0.08	0.03	0.02	0.03	(0.02)	0.05
VLT Leasing Co., Ltd. (in the process of liquidation)	Thailand	-	50.00	-	-	-	0.03	-	(0.16)

In March 2007 and April 2007, three subsidiary companies which are TISCO Group Company Limited, Thai Commercial Auto Company Limited and VLT Leasing Company Limited registered their dissolutions with the Ministry of Commerce and are currently in the process of liquidation.

### 3.2 Interbank and money market items (assets)

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2007			31 December 2006		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	508,571,379	-	508,571,379	422,699,150	-	422,699,150
Commercial banks	286,437,891	75,495,913	361,933,804	270,233,819	10,497,558	280,731,377
Total	795,009,270	75,495,913	870,505,183	692,932,969	10,497,558	703,430,527
Add: Accrued interest	747,439	879,032	1,626,471	664,084	375,340	1,039,424
Total domestic	795,756,709	76,374,945	872,131,654	693,597,053	10,872,898	704,469,951
<u>Foreign</u>						
Hong Kong dollar	117,722,871	-	117,722,871	143,706,608	-	143,706,608
US dollar	59,982,324	-	59,982,324	148,101,241	-	148,101,241
Ringgit	-	-	-	24,923,945	-	24,923,945
Yen	-	-	-	28,519	-	28,519
Singapore dollar	-	-	-	160,718	-	160,718
Others	317,531	-	317,531	2,844,374	-	2,844,374
Total	178,022,726	-	178,022,726	319,765,405	-	319,765,405
Add: Accrued interest	-	-	-	-	-	-
Total foreign	178,022,726	-	178,022,726	319,765,405	-	319,765,405
Total domestic and foreign	973,779,435	76,374,945	1,050,154,380	1,013,362,458	10,872,898	1,024,235,356

(Unit: Baht)

	Separate financial statements as at					
	31 December 2007			31 December 2006		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	508,519,066	-	508,519,066	422,613,658	-	422,613,658
Commercial banks	47,140,289	-	47,140,289	57,452,608	-	57,452,608
Total	555,659,355	-	555,659,355	480,066,266	-	480,066,266
Add: Accrued interest	-	-	-	-	-	-
Total domestic	555,659,355	-	555,659,355	480,066,266	-	480,066,266
<u>Foreign</u>						
Hong Kong dollar	95,252,768	-	95,252,768	102,154,800	-	102,154,800
Total	95,252,768	-	95,252,768	102,154,800	-	102,154,800
Add: Accrued interest	-	-	-	-	-	-
Total foreign	95,252,768	-	95,252,768	102,154,800	-	102,154,800
Total domestic and foreign	650,912,123	-	650,912,123	582,221,066	-	582,221,066

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements		Separate financial statements		Type of pledge
	As at 31 December		As at 31 December		
	2007	2006	2007	2006	
Cash at banks of local subsidiary	10	10	-	-	To secure facilities provided for bank overdraft

### 3.3 Securities purchased under resale agreements

(Unit: Million Baht)

	Consolidated financial statements/ Separate financial statements	
	As at	
	31 December 2007	31 December 2006
Bank of Thailand bond	2,400	1,718

### 3.4 Investments

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2007		31 December 2006	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Current investments</b>				
<b>Trading securities</b>				
Equity securities:				
Domestic marketable equity securities	28,032,401	27,719,550	647	605
Add (less): Allowance for changes in value	(312,851)		(42)	
Net equity securities	27,719,550		605	
Total trading securities	27,719,550		605	
<b>Available-for-sales securities</b>				
Debt securities:				
Government and state enterprise securities	760,471,078	760,647,986	460,230,153	460,111,647
Debt securities of private sector	732,828,893	672,943,585	237,568,301	178,608,804
Total	1,493,299,971	1,433,591,571	697,798,454	638,720,451
Add (less): Allowance for changes in value	705,600		1,335,997	
Less: Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities-net	1,433,591,571		638,720,451	
Equity securities:				
Domestic marketable equity securities	103,869,880	62,853,002	129,506,440	85,163,447
Add (less): Allowance for changes in value	(41,016,878)		(44,342,993)	
Net equity securities	62,853,002		85,163,447	
Total available-for-sales securities	1,496,444,573		723,883,898	
<b>Held-to-maturity debt securities-due within 1 year</b>				
Debt securities:				
Government and state enterprise securities	856,414		772,165	
Debt securities of private sector	4,000		4,000	
Total held-to-maturity debt securities-due within 1 year	860,414		776,165	
<b>Other Investments</b>				
Equity securities:				
Unit trusts	50,000,000		50,000,000	
Total other investments	50,000,000		50,000,000	
Net current investments	1,575,024,537		774,660,668	

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2007		31 December 2006	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Long-term investments</b>				
<b>Available-for-sales securities</b>				
Debt securities:				
Debt securities of private sector	100,000,000	99,230,140	100,000,000	101,819,890
Add (less): Allowance for changes in value	(769,860)		1,819,890	
Debt securities-net	99,230,140		101,819,890	
Equity securities:				
Domestic marketable equity securities	2,434,567,527	2,485,058,099	2,502,412,020	2,335,941,187
Other securities-unit trusts	-	-	103,158,046	122,931,002
Total	2,434,567,527	2,485,058,099	2,605,570,066	2,458,872,189
Add (less): Allowance for changes in value	50,490,572		(146,697,877)	
Net equity securities	2,485,058,099		2,458,872,189	
Total available-for-sales securities	2,584,288,239		2,560,692,079	
<b>Held-to-maturity debt securities</b>				
Debt securities:				
Government and state enterprise securities	337,135,499		337,173,113	
Total held-to-maturity debt securities	337,135,499		337,173,113	
<b>Other investments</b>				
Equity securities:				
Domestic non-marketable equity securities	738,343,910		956,701,623	
Investments in receivables	606,714,311		6,256,324	
Total	1,345,058,221		962,957,947	
Less: Allowance for impairment	(60,940,272)		(242,282,590)	
Total other investments	1,284,117,949		720,675,357	
Net long-term investments	4,205,541,687		3,618,540,549	
Net investments	5,780,566,224		4,393,201,217	



(Unit: Baht)

	Separate financial statements as at			
	31 December 2007		31 December 2006	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Current investments</b>				
<b>Available-for-sales securities</b>				
Debt securities:				
Government and state enterprise securities	759,753,123	759,930,058	459,637,516	459,519,824
Debt securities of private sector	162,828,893	101,806,733	237,568,301	178,608,804
Total	922,582,016	861,736,791	697,205,817	638,128,628
Add (less): Allowance for changes in value	(431,225)		1,336,811	
Less: Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities-net	861,736,791		638,128,628	
Equity securities:				
Domestic marketable equity securities	103,869,880	62,853,002	129,506,441	85,163,448
Add (less): Allowance for changes in value	(41,016,878)		(44,342,993)	
Net equity securities	62,853,002		85,163,448	
Total available-for-sales securities	924,589,793		723,292,076	
Net current investments	924,589,793		723,292,076	
<b>Long-term investments</b>				
<b>Available-for-sales securities</b>				
Debt securities:				
Debt securities of private sector	100,000,000	99,230,140	100,000,000	101,819,890
Add (less): Allowance for changes in value	(769,860)		1,819,890	
Debt securities-net	99,230,140		101,819,890	
Equity securities:				
Domestic marketable equity securities	1,865,480,660	1,962,293,380	2,072,455,233	1,857,613,060
Add (less): Allowance for changes in value	96,812,720		(214,842,173)	
Net equity securities	1,962,293,380		1,857,613,060	
Total available-for-sales securities	2,061,523,520		1,959,432,950	

(Unit: Baht)

	Separate financial statements as at			
	31 December 2007		31 December 2006	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Held-to-maturity debt securities</b>				
Debt securities:				
Government and state enterprise securities	335,000,000		335,000,000	
Total held-to-maturity debt securities	335,000,000		335,000,000	
<b>Other investments</b>				
Equity securities:				
Domestic non-marketable equity securities	731,170,450		946,588,430	
Investment in receivables	609,341,235		8,883,246	
Total	1,340,511,685		955,471,676	
Less: Allowance for impairment	(60,940,272)		(242,282,590)	
Total other investments	1,279,571,413		713,189,086	
Net long-term investments	3,676,094,933		3,007,622,036	
<b>Investment in subsidiaries</b>				
Investments in subsidiaries (cost method)	2,966,664,271		3,550,644,129	
Less: Allowance for impairment	-		(82,000,000)	
Investments in subsidiaries-net	2,966,664,271		3,468,644,129	
Net investments	7,567,348,997		7,199,558,241	

#### 3.4.1 Held-to-maturity debt securities with the Ministry of Finance under the Tier I and Tier II capital support scheme

(Unit: Million Baht)

	Consolidated financial statements/ Separate financial statements		Remark
	As at		
	31 December 2007	31 December 2006	
Government bonds	335	335	These bonds are redeemable within a 10-year period, maturing in 2009, and carry interest at rates of 4% and 5% per annum.

### 3.4.2 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements		Separate financial statements		Type of restriction
	As at 31 December		As at 31 December		
	2007	2006	2007	2006	
Domestic marketable equity securities	-	21	-	21	Specific terms are applied for the sale of investment under the conditions of troubled debt restructuring agreements made with restructured receivables
Domestic non-marketable equity securities	-	13	-	13	Pledged as security for a short-term loan from a company
Government debt securities	5	5	3	3	Pledged for electricity usage
Government debt securities	65	63	65	63	Pledged under agreement to swap a floating interest rate for a fixed interest rate, described in Note 3.31.5

### 3.4.3 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

	Consolidated financial statements as at 31 December 2007			
	Maturity			Total
	Less than 1 year	1-5 years	Over 5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	760,471,078	-	-	760,471,078
Debt securities of private sector	60,414,000	772,414,893	-	832,828,893
Total	820,885,078	772,414,893	-	1,593,299,971
Add (less): Allowance for changes in value	176,908	(241,168)	-	(64,260)
Less: Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	760,647,986	772,173,725	-	1,532,821,711
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	856,414	337,135,499	-	337,991,913
Debt securities of private sector	4,000	-	-	4,000
Total	860,414	337,135,499	-	337,995,913
<b>Total debt securities</b>	<b>761,508,400</b>	<b>1,109,309,224</b>	<b>-</b>	<b>1,870,817,624</b>

(Unit: Baht)

## Consolidated financial statements as at 31 December 2006

	Maturity			Total
	Less than		Over	
	1 year	1-5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	460,230,153	-	-	460,230,153
Debt securities of private sector	95,927,925	241,640,376	-	337,568,301
Total	556,158,078	241,640,376	-	797,798,454
Add (less): Allowance for changes in value	74,512	3,081,375	-	3,155,887
Less: Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	495,818,590	244,721,751	-	740,540,341
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	772,165	337,173,113	-	337,945,278
Debt securities of private sector	4,000	-	-	4,000
Total	776,165	337,173,113	-	337,949,278
<b>Total debt securities</b>	496,594,755	581,894,864	-	1,078,489,619

(Unit: Baht)

## Separate financial statements as at 31 December 2007

	Maturity			Total
	Less than		Over	
	1 year	1-5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	759,753,123	-	-	759,753,123
Debt securities of private sector	60,414,000	202,414,893	-	262,828,893
Total	820,167,123	202,414,893	-	1,022,582,016
Add (less): Allowance for changes in value	176,935	(1,378,020)	-	(1,201,085)
Less: Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	759,930,058	201,036,873	-	960,966,931
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	-	335,000,000	-	335,000,000
Total	-	335,000,000	-	335,000,000
<b>Total debt securities</b>	759,930,058	536,036,873	-	1,295,966,931

(Unit: Baht)

## Separate financial statements as at 31 December 2006

	Maturity			Total
	Less than		Over	
	1 year	1-5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	459,637,516	-	-	459,637,516
Debt securities of private sector	95,927,925	241,640,376	-	337,568,301
Total	555,565,441	241,640,376	-	797,205,817
Add (less): Allowance for changes in value	75,326	3,081,375	-	3,156,701
Less: Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	495,226,767	244,721,751	-	739,948,518
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	-	335,000,000	-	335,000,000
Total	-	335,000,000	-	335,000,000
<b>Total debt securities</b>	495,226,767	579,721,751	-	1,074,948,518

## 3.4.4 Investments in companies with weak financial positions and poor operating results

(Unit: Baht)

## Consolidated financial statements/

## Separate financial statements

As at 31 December 2007

	Cost	Fair value		Allowance for
				changes in
				value <sup>(1)</sup>
Companies having problems with debt repayment or in default	67,873,030	-	-	67,873,030

<sup>(1)</sup> Allowance for changes in value of investment is calculated at cost less collateral value.

3.4.5 Investments where the Bank and its subsidiaries hold not less than 10 percent of the equity of the investees

(Unit: Baht)

Name	Consolidated financial statements as at					
	31 December 2007			31 December 2006		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
		%			%	
<b>Insurance:</b>						
GITC Co., Ltd. (liquidation in 2007)	-	-	-	13,200,000	-	40
AXA Insurance Plc.	53,168,806	-	10	58,887,016	-	11
<b>Services:</b>						
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
Fitch Ratings (Thailand) Limited	-	-	-	5,000,000	-	10
<b>Leasing and hire purchase:</b>						
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
<b>Trading import and export:</b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	13,904,710	-	15
Wattana Inter-Trade Co., Ltd.	3,966,300	-	10	3,527,400	-	10
<b>Real estate:</b>						
Prosperity Industrial Estate Co., Ltd.	45,289,171	-	10	45,342,186	-	10
UMI Property Co., Ltd.	10,156,500	-	10	10,029,000	-	10
<b>Industrial:</b>						
Siam Art Ceramic Co., Ltd.	16,291,000	-	10	15,697,000	-	10
<b>Holding:</b>						
TISCO Aggressive Growth Fund	-	-	-	85,105,059	-	34
TISCO Cash Management Fund	-	-	-	20,946,400	-	28

(Unit: Baht)

Name	Separate financial statements as at					
	31 December 2007			31 December 2006		
	Book value (Cost method)	Unpaid amounts	Percentage of holding %	Book value (Cost method)	Unpaid amounts	Percentage of holding %
<b>Insurance:</b>						
GITC Co., Ltd. (liquidation in 2007)	-	-	-	13,200,000	-	40
AXA Insurance Plc.	53,168,806	-	10	58,887,016	-	11
<b>Services:</b>						
TISCO Securities Hong Kong Limited	66,482,955	-	100	66,482,955	-	100
TISCO Securities Co., Ltd.	1,499,999,930	-	99.99	1,499,999,930	-	99.99
TISCO Asset Management Co., Ltd.	219,848,681	-	99.99	219,848,681	-	99.99
TISCO Information Technology Co., Ltd.	43,870,001	-	99.99	43,870,001	-	99.99
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
<b>Leasing and hire purchase:</b>						
Thai Commercial Auto Co., Ltd. (in the process of liquidation)	-	-	-	434,152,522	100,000,000	50
Hi-Way Co., Ltd. (ordinary shares and preference shares)	272,891,729	-	99.99	272,891,729	-	99.99
TISCO Leasing Co., Ltd.	863,570,976	-	99.99	863,570,976	-	99.99
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
<b>Trading import and export:</b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	13,904,710	-	15
Wattana Inter-Trade Co., Ltd.	3,966,300	-	10	3,527,400	-	10
<b>Real estate:</b>						
Prosperity Industrial Estate Co., Ltd.	45,289,171	-	10	45,342,186	-	10
UMI Property Co., Ltd.	10,156,500	-	10	10,029,000	-	10
<b>Industrial:</b>						
Siam Art Ceramic Co., Ltd.	16,291,000	-	10	15,697,000	-	10
<b>Holding:</b>						
TISCO Group Co., Ltd. (in the process of liquidation)	-	-	-	149,810,235	-	99.99
TISCO Corporation Plc. (disposal during the year)	-	-	-	17,100	-	95

3.4.6 Investments which the Bank holds not less than 20% of equity, but which are not recorded as investments in associated companies under the equity method in the consolidated financial statements. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations

Name	Separate financial statements	
	As at 31 December 2007	
	Book value	Percentage of holding
	Baht	%
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	21

3.4.7 Investments which the subsidiary company holds not less than 20% of equity, but which are not recorded as investments in associated companies under the equity method in the consolidated financial statements, since the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission

(Unit: Baht)

Name	As at					
	31 December 2007			31 December 2006		
	Book value	Cost	Percentage of holding	Book value	Cost	Percentage of holding
			%			%
TISCO Aggressive Growth Fund	-	-	-	85,105,059	64,205,759	34
TISCO Cash Management Fund	-	-	-	20,946,400	20,000,000	28



### 3.5 Investments in subsidiary companies

(Unit: Million Baht)

Company's name	Nature of Business	Paid-up share capital		Cost		Impairment		Cost-net		Dividend received <sup>(1)</sup>	
		As at 31 December		As at 31 December		As at 31 December		As at 31 December		For the years ended 31 December	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Subsidiary companies directly held by the Bank:</b>											
TISCO Securities Hong Kong Limited	Services	HKD 20 million	HKD 20 million	66	66	-	-	66	66	-	106
TISCO Securities Co., Ltd.	Services	1,500	1,500	1,500	1,500	-	-	1,500	1,500	240	-
TISCO Asset Management Co., Ltd.	Services	100	100	220	220	-	-	220	220	110	-
TISCO Leasing Co., Ltd.	Leasing	890	890	864	864	-	-	864	864	-	-
Hi-Way Co., Ltd.	Hire purchase	100	100	273	273	-	-	273	273	-	-
TISCO Information Technology Co., Ltd.	Services	20	20	44	44	-	-	44	44	-	-
Thai Commercial Auto Co., Ltd. (in the process of liquidation)	Hire purchase	800	800	-	434	-	7	-	427	-	38
TISCO Group Co., Ltd. (in the process of liquidation)	Holdings	150	150	-	150	-	75	-	75	-	-
TISCO Corporation Plc. (disposal during the year)	Holdings	-	-	-	-	-	-	-	-	-	-
				2,967	3,551	-	82	2,967	3,469	350	144

<sup>(1)</sup> Including dividend received from subsidiary company which indirectly held by the Bank.

On 28 November 2003, the Bank received approval from the Bank of Thailand to accept the transfer of business from Tru-Way Company Limited (which is a subsidiary company), in accordance with the resolutions of the Annual General Meeting of the Bank's shareholders held on 24 April 2003. Tru-Way Company Limited was deregistered with the Ministry of Commerce on 29 December 2003 and is currently in the process of liquidation.

### 3.6 Loans, receivables and accrued interest receivable

#### 3.6.1 Classified by type of loan and receivable

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<b><u>Loans and receivables</u></b>				
Loans	15,657,461,101	15,149,089,266	15,656,604,839	15,132,494,034
Hire purchase and financial lease receivables				
Hire purchase and financial lease receivables	81,273,774,155	68,429,379,981	75,894,051,457	61,055,286,070
Add (less): Unearned income	(10,813,828,832)	(8,773,606,968)	(9,572,456,334)	(7,307,112,632)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	429,061,936	-	343,654,777	-
: Advances received from financial lease receivables	(126,060,544)	(163,631,178)	-	-
Net hire purchase and financial lease receivables	70,762,946,715	59,492,141,835	66,665,249,900	53,748,173,438
Total loans and receivables	86,420,407,816	74,641,231,101	82,321,854,739	68,880,667,472
Add: Accrued interest receivable	155,649,753	143,399,168	110,306,176	98,862,425
Less: Allowance for doubtful accounts	(2,801,776,443)	(2,767,471,240)	(2,464,917,060)	(2,463,410,866)
Less: Allowance for loss on debt restructuring	(538,175)	(22,403,970)	(538,175)	(22,403,970)
Net loans, receivables and accrued interest receivable	83,773,742,951	71,994,755,059	79,966,705,680	66,493,715,061
<b><u>Securities and derivatives business receivables</u></b>				
<b><u>Securities business receivable</u></b>				
Customers' cash accounts	1,357,156,735	664,599,739	-	-
Customers' securities borrowings and lending accounts				
Guarantee deposit receivables	25,878,060	-	-	-
Securities borrowing receivables	20,674,000	-	-	-
Other receivable				
Overdue customers' accounts	-	34,012	-	-
Receivables under litigation	-	110,671	-	-
Installment receivables	1,947,990	2,505,803	-	-
Total securities business receivables	1,405,656,785	667,250,225	-	-
Less: Allowance for doubtful accounts	(3,641,565)	(3,752,236)	-	-
Net securities business receivables	1,402,015,220	663,497,989	-	-
Net loans, receivables and accrued interest receivable	85,175,758,171	72,658,253,048	79,966,705,680	66,493,715,061

### 3.6.2 Classified by remaining periods of contracts

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Loans and receivables				
Not over 1 year (included contract which are due)	10,687,741,681	10,114,758,619	9,666,075,497	8,890,792,947
Over 1 year	75,732,666,135	64,526,472,482	72,655,779,242	59,989,874,525
Total loans and receivables	86,420,407,816	74,641,231,101	82,321,854,739	68,880,667,472
Add: Accrued interest receivable	155,649,753	143,399,168	110,306,176	98,862,425
Total loans, receivables and accrued interest receivable	86,576,057,569	74,784,630,269	82,432,160,915	68,979,529,897

### 3.6.3 Classified by type of business

(Unit: Baht)

	Consolidated financial statements as at 31 December 2007						Subsidiaries	Total
	The Bank					Total		
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss			
Agricultural and mining	101,375,497	3,824,981	351,403	-	-	105,551,881	-	105,551,881
Manufacturing and commerce	7,298,262,830	88,112,978	27,054,507	6,403,522	401,672,267	7,821,506,104	-	7,821,506,104
Real estate and construction	4,253,934,634	69,697,174	17,420,371	6,403,354	693,877,123	5,041,332,656	-	5,041,332,656
Public utilities and services	2,571,086,451	44,743,745	10,574,666	6,332,634	15,422,912	2,648,160,408	-	2,648,160,408
Personal use								
Hire purchase	55,215,829,660	4,474,592,392	623,254,632	171,891,892	101,138,095	60,586,706,671	4,097,696,816	64,684,403,487
Housing loans	1,629,990,311	28,828,939	19,236,169	31,337,021	178,497,599	1,887,890,039	-	1,887,890,039
Securities	-	-	-	-	-	-	1,405,656,785	1,405,656,785
Others	3,234,412,709	75,637,539	13,969,758	25,756,326	880,930,648	4,230,706,980	856,261	4,231,563,241
Total loans, receivables and securities business receivables	74,304,892,092	4,785,437,748	711,861,506	248,124,749	2,271,538,644	82,321,854,739	5,504,209,862	87,826,064,601
Add: Accrued interest receivable	40,504,215	69,801,961	-	-	-	110,306,176	45,343,577	155,649,753
Total loans, receivables and securities business receivables and accrued interest receivable	74,345,396,307	4,855,239,709	711,861,506	248,124,749	2,271,538,644	82,432,160,915	5,549,553,439	87,981,714,354

(Unit: Baht)

	Separate financial statements as at 31 December 2007					
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
	Agricultural and mining	101,375,497	3,824,981	351,403	-	-
Manufacturing and commerce	7,298,262,830	88,112,978	27,054,507	6,403,522	401,672,267	7,821,506,104
Real estate and construction	4,253,934,634	69,697,174	17,420,371	6,403,354	693,877,123	5,041,332,656
Public utilities and services	2,571,086,451	44,743,745	10,574,666	6,332,634	15,422,912	2,648,160,408
Personal use						
Hire purchase	55,215,829,660	4,474,592,392	623,254,632	171,891,892	101,138,095	60,586,706,671
Housing loans	1,629,990,311	28,828,939	19,236,169	31,337,021	178,497,599	1,887,890,039
Others	3,234,412,709	75,637,539	13,969,758	25,756,326	880,930,648	4,230,706,980
Total loans and receivables	74,304,892,092	4,785,437,748	711,861,506	248,124,749	2,271,538,644	82,321,854,739
Add: Accrued interest receivable	40,504,215	69,801,961	-	-	-	110,306,176
Total loans, receivables and accrued interest receivable	74,345,396,307	4,855,239,709	711,861,506	248,124,749	2,271,538,644	82,432,160,915

(Unit: Baht)

## Consolidated financial statements as at 31 December 2006

	The Bank					Total	Subsidiaries	Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss			
Agricultural and mining	95,216,539	1,835,259	862,229	-	-	97,914,027	-	97,914,027
Manufacturing and commerce	6,834,202,845	56,314,221	21,343,787	10,016,933	392,094,372	7,313,972,158	15,482,400	7,329,454,558
Real estate and construction	3,951,390,490	44,345,620	4,919,291	4,293,824	803,845,135	4,808,794,360	-	4,808,794,360
Public utilities and services	2,315,842,763	9,016,899	1,572,746	5,601,011	5,446,106	2,337,479,525	-	2,337,479,525
Personal use								
Hire purchase	45,265,266,228	2,737,629,683	331,432,252	80,220,276	86,130,847	48,500,679,286	5,743,968,397	54,244,647,683
Housing loans	1,701,840,025	39,731,252	23,261,418	27,912,828	212,134,513	2,004,880,036	-	2,004,880,036
Securities	-	-	-	-	-	-	667,250,225	667,250,225
Others	2,836,481,158	46,008,510	22,955,600	3,260,659	908,242,153	3,816,948,080	1,112,832	3,818,060,912
Total loans, receivables and securities business receivables	63,000,240,048	2,934,881,444	406,347,323	131,305,531	2,407,893,126	68,880,667,472	6,427,813,854	75,308,481,326
Add: Accrued interest receivable	58,208,466	40,653,959	-	-	-	98,862,425	44,536,743	143,399,168
Total loans, receivables and securities business receivables and accrued interest receivable	<u>63,058,448,514</u>	<u>2,975,535,403</u>	<u>406,347,323</u>	<u>131,305,531</u>	<u>2,407,893,126</u>	<u>68,979,529,897</u>	<u>6,472,350,597</u>	<u>75,451,880,494</u>

(Unit: Baht)

## Separate financial statements as at 31 December 2006

	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	95,216,539	1,835,259	862,229	-	-	97,914,027
Manufacturing and commerce	6,834,202,845	56,314,221	21,343,787	10,016,933	392,094,372	7,313,972,158
Real estate and construction	3,951,390,490	44,345,620	4,919,291	4,293,824	803,845,135	4,808,794,360
Public utilities and services	2,315,842,763	9,016,899	1,572,746	5,601,011	5,446,106	2,337,479,525
Personal use						
Hire purchase	45,265,266,228	2,737,629,683	331,432,252	80,220,276	86,130,847	48,500,679,286
Housing loans	1,701,840,025	39,731,252	23,261,418	27,912,828	212,134,513	2,004,880,036
Others	2,836,481,158	46,008,510	22,955,600	3,260,659	908,242,153	3,816,948,080
Total loans and receivables	63,000,240,048	2,934,881,444	406,347,323	131,305,531	2,407,893,126	68,880,667,472
Add: Accrued interest receivable	58,208,466	40,653,959	-	-	-	98,862,425
Total loans, receivables and accrued interest receivable	<u>63,058,448,514</u>	<u>2,975,535,403</u>	<u>406,347,323</u>	<u>131,305,531</u>	<u>2,407,893,126</u>	<u>68,979,529,897</u>

### 3.6.4 Loans and receivables for which the recognition of interest income has ceased

The Bank	Amounts calculated under BOT's guideline <sup>(2)</sup>		Amounts calculated under the Bank's policy	
	Separate financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Loans and receivables for which the recognition of interest income has ceased <sup>(1)</sup>	2,927	2,340	3,285 <sup>(3)</sup>	3,114 <sup>(3)</sup>

<sup>(1)</sup> These amounts are calculated on an account by account basis.

<sup>(2)</sup> Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

<sup>(3)</sup> Loans and receivables totaling Baht 2,473 million (2006: Baht 2,602 million), for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account by account basis.

Subsidiaries	(Unit: Million Baht)	
	As at	
	31 December 2007	31 December 2006
Securities business loans and receivables, hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	525 <sup>(1)</sup>	504 <sup>(1)</sup>

<sup>(1)</sup> Baht 75 million of such amounts being loans and receivables (2006: Baht 129 million), for which a 100 percent allowance for doubtful debts has been provided.

### 3.6.5 Unearned interest income which is presented as a deduction against loans and receivables

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Unearned interest income	10,634 <sup>(1)</sup>	8,774	9,478 <sup>(1)</sup>	7,307

<sup>(1)</sup> These amounts included unearned interest income of hire purchase and finance lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

### 3.6.6 Outstanding balances (net of collateral) of restructured loans and receivables and receivables which are being restructured

	(Unit: Million Baht)
	Separate financial statements
	As at 31 December 2007
Restructured loans and receivables <sup>(1)</sup>	707
Loans and receivables which are being restructured	-

<sup>(1)</sup> As a result of restructuring, the due date for the first repayment of these restructured loans and receivables has been rescheduled.

### 3.6.7 Troubled debt restructuring

#### - Debt restructuring during the year

	Separate financial statements	
	For the years ended	
	31 December 2007	31 December 2006
Number of debtors (number)	32	28
Loan balances before restructuring (million Baht)	828	1,150
Interest income on restructured receivables (million Baht)	68	81
Receipt of principal and interest (million Baht)	530	990
Loss on troubled debt restructuring (million Baht)	-	-

#### - Debtors which were restructured

Type of restructuring	Separate financial statements as at 31 December 2007			
	Number of receivables	Outstanding loan	Type of assets transferred	Fair value
		balance before restructuring (Million Baht)		of transferred assets (Million Baht)
Transfer of assets	23	2,600	Land	20
			Land and premises	2,468
Transfer of equity securities	5	789	Equity securities	414
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	45	4,071	Equity securities	1,237
			Debt securities	21
Transfer of assets and modification of terms	12	2,191	Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	1,145	23,948		
Total	1,233	34,497		5,051

- The balance of the restructured debts

(Unit: Million Baht)

Separate financial statements

	As at	
	31 December 2007	31 December 2006
The balance of the restructured debts	2,143	2,389

**3.7 Allowance for doubtful accounts / allowance for loss on debt restructuring**

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring	Separate financial statements	
	As at	
	31 December 2007	31 December 2006
Amount to be provided under BOT's guidelines	2,097	2,142
Amount already recorded by the Bank	2,465 <sup>(1)</sup>	2,486 <sup>(1)</sup>
Amount in excess of the required amount	368	344

<sup>(1)</sup> The allowance for doubtful debts consists of allowance for doubtful debts of Baht 1,700 million (2006: Baht 1,644 million) set aside for the unsecured portion of loans amounting Baht 2,473 million (2006: Baht 2,602 million) at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 765 million (2006: Baht 842 million) set up for the other loans and receivables.

**3.7.1 Allowance for doubtful accounts**

(Unit: Baht)

	Consolidated financial statements as at 31 December 2007						Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	
Balance-beginning of year	625,452,082	72,020,965	119,659,639	140,135,831	1,719,724,337	94,230,622	2,771,223,476
Increase (decrease) in allowance for doubtful accounts during the year	(405,536,988)	47,874,125	348,531,707	263,949,808	253,187,470	118,158,052	626,164,174
Bad debt written-off	(7,448,760)	(12,030,170)	(127,662,696)	(221,430,727)	(223,317,832)	(79,457)	(591,969,642)
Balance-end of year	212,466,334	107,864,920	340,528,650	182,654,912	1,749,593,975	212,309,217	2,805,418,008

(Unit: Baht)

	Consolidated financial statements as at 31 December 2006						Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	
Balance-beginning of year	694,345,871	62,207,792	114,009,817	200,804,431	1,557,135,712	552,497,718	3,181,001,341
Increase (decrease) in allowance for doubtful accounts during the year	(41,750,714)	9,936,547	8,857,169	21,541,000	574,255,322	(445,362,589)	127,476,735
Bad debt written-off	(27,143,075)	(123,374)	(3,207,347)	(82,209,600)	(411,666,697)	(12,904,507)	(537,254,600)
Balance-end of year	625,452,082	72,020,965	119,659,639	140,135,831	1,719,724,337	94,230,622	2,771,223,476

(Unit: Baht)

## Separate financial statements as at 31 December 2007

	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance-beginning of year	579,288,725	59,194,140	73,234,881	69,693,605	1,589,004,267	92,995,248	2,463,410,866
Increase (decrease) in allowance for doubtful accounts during the year	(388,644,656)	47,912,560	279,477,523	257,430,062	115,806,883	117,416,189	429,398,561
Bad debt written-off	(7,448,760)	(12,029,496)	(126,659,802)	(204,726,416)	(77,027,893)	-	(427,892,367)
Balance-end of year	<u>183,195,309</u>	<u>95,077,204</u>	<u>226,052,602</u>	<u>122,397,251</u>	<u>1,627,783,257</u>	<u>210,411,437</u>	<u>2,464,917,060</u>

(Unit: Baht)

## Separate financial statements as at 31 December 2006

	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance-beginning of year	641,958,818	51,792,603	79,230,554	145,897,725	1,449,193,869	497,497,719	2,865,571,288
Increase (decrease) in allowance for doubtful accounts during the year	(35,527,017)	7,524,911	(3,095,198)	2,182,297	480,868,485	(391,597,964)	60,355,514
Bad debt written-off	(27,143,076)	(123,374)	(2,900,475)	(78,386,417)	(341,058,087)	(12,904,507)	(462,515,936)
Balance-end of year	<u>579,288,725</u>	<u>59,194,140</u>	<u>73,234,881</u>	<u>69,693,605</u>	<u>1,589,004,267</u>	<u>92,995,248</u>	<u>2,463,410,866</u>

## 3.7.2 Allowance for loss on debt restructuring

(Unit: Baht)

## Consolidated financial statements/

## Separate financial statements

As at

	31 December 2007	31 December 2006
Balance-beginning of year	22,403,970	303,731,217
Increase during the year	-	3,020,768
Written-off/transfer to general reserve	(21,865,795)	(284,348,015)
Balance-end of year	<u>538,175</u>	<u>22,403,970</u>

## 3.7.3 Non-performing loans and receivables

(Unit: Million Baht)

## Separate financial statements

As at

	31 December 2007	31 December 2006
Non-performing loans and receivables	3,232	2,946
Allowance for doubtful accounts	1,976	1,732



### 3.8 Classification of assets

#### 3.8.1 Investments in companies with weak financial position and poor operating results

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts <sup>(1)</sup>	
	As at 31 December		As at 31 December		As at 31 December	
	2007	2006	2007	2006	2007	2006
Debt instruments-debentures <sup>(2)</sup>	60	60	-	-	60	60
Equity instruments-ordinary shares <sup>(3)</sup>	6	6	-	-	6	6
Equity instruments-preference shares <sup>(3)</sup>	2	2	-	-	2	2

(1) Allowance for possible losses is determined based on the investment cost less collateral value.

(2) Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

(3) Investments in securities of companies which are vulnerable to delisting, of companies of which the auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

#### 3.8.2 Classification of assets under the Bank of Thailand's guidelines

(Unit: Million Baht)

	Debt balance		Debt balance after net off collateral		Allowance for doubtful accounts			
	As at 31 December		As at 31 December		Amounts to be provided under BOT's guidelines		Amounts already set up by the Bank	
	2007	2006	2007	2006	As at 31 December		As at 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Loans and receivable<sup>(1)(2)(3)</sup></b>								
Pass	74,305	63,000	63,431	52,019	161	520	183	580
Special mentioned	4,785	2,935	4,746	2,883	95	58	95	59
Substandard								
- Non apply with the new guidelines of the BOT	-	406	-	360	-	72	-	72
- Apply with the new guidelines of the BOT	712	1	689	1	226	1	226	1
Doubtful								
- Non apply with the new guidelines of the BOT	-	85	-	75	-	38	-	38
- Apply with the new guidelines of the BOT	248	46	209	32	122	32	122	32
Doubtful of loss								
- Non apply with the new guidelines of the BOT	-	1,111	-	343	-	343	-	517
- Apply with the new guidelines of the BOT	2,272	1,297	1,500	1,056	1,492	1,056	1,628	1,072
Total	82,322	68,881	70,575	56,769	2,096	2,120	2,254	2,371
Loss on receivables under troubled debt restructuring	-	-	-	-	1	22	1	22
Total	82,322	68,881	70,575	56,769	2,097	2,142	2,255	2,393
General reserve							210	93
Total							2,465	2,486

(Unit: Million Baht)

	Debt balance		Debt balance after		Allowance for doubtful accounts			
	As at 31 December		net off collateral		Amounts to be provided under		Amounts already set up	
	2007	2006	2007	2006	BOT's guidelines		by the Bank	
				As at 31 December		As at 31 December		
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Investments in securities</b>								
Doubtful of loss								
Debt instruments	62	61	62	61	62	61	62	61
Equity instruments	340	717	340	717	340	717	340	717
Total	402	778	402	778	402	778	402	778
<b>Investments in receivables</b>								
Doubtful of loss	8	7	1	-	1	-	1	-
Total	8	7	1	-	1	-	1	-
<b>Properties foreclosed</b>								
Doubtful of loss								
Land	29	16	29	16	29	16	29	16
Total	29	16	29	16	29	16	29	16
Total classified assets	82,761	69,682	71,007	57,563	2,529	2,936	2,897	3,280

<sup>(1)</sup> Allowance for doubtful accounts for loans and receivables is determined based on debt balance less collateral value in accordance with the BOT's guidelines (except for hire purchase receivables, for which the Bank does not deduct the collateral value from the outstanding loan balance).

<sup>(2)</sup> Interest receivables are not included in the pass and special mentioned debt balances.

<sup>(3)</sup> Loans and receivables include loans to financial institutions (presented as part of interbank and money market items in the balance sheet).

For the financial statements as at 31 December 2006, the Bank set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For remaining non-performing loans which are classified as doubtful of loss, doubtful and substandard loans, the Bank still applies provisioning rates of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines.

As at 31 December 2007, the Bank has already set provision for all non-performing loans and receivables in accordance with the new guidelines of the BOT.

3.8.3 Classification of assets under the Bank of Thailand's guidelines for non-performing hire purchase receivables on which the Bank sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Percentage of allowance for doubtful account set up	Allowance for doubtful accounts	
	after net off collateral value			As at	
	As at	As at		As at	
	31 December 2007	31 December 2007		31 December 2007	
<b><u>Hire purchase receivables</u></b>					
Substandard					
- Receivables enforced by courts	-	-	100	-	
- Receivables not enforced by courts	681	681	32	218	
Doubtful					
- Receivables enforced by courts	65	65	100	65	
- Receivables not enforced by courts	128	128	32	41	
Doubtful of loss					
- Receivables enforced by courts	127	127	100	127	
- Receivables not enforced by courts	10	10	32	3	
<b>Total</b>	<b>1,011</b>	<b>1,011</b>		<b>454</b>	

3.8.4 Loans and receivables includes debts due from companies with weak financial position and operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	12	15	519	627	-	72	519	531
3. Listed companies whose shares have been suspended from trading	1	1	15	15	-	-	15	15
4. Listed companies under rehabilitation	5	4	136	58	16	5	120	46
5. Companies which have loan settlement problems or have defaulted on payment of debts	21	25	1,236	1,330	658	706	710	808
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
<b>Total</b>	<b>39</b>	<b>45</b>	<b>1,906</b>	<b>2,030</b>	<b>674</b>	<b>783</b>	<b>1,364</b>	<b>1,400</b>

3.8.5 Classification of assets of the securities business of a local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

(Unit: Million Baht)

	Securities business receivables and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	As at		As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Doubtful	2	3	2	3	2	3
General reserve					2	1
Total					4	4

3.8.6 Hire purchase receivables/financial lease receivables and other loan receivables of the subsidiaries classified by the due date of the contracts

(Unit: Million Baht)

	Debt balance		Percentage of allowance for doubtful accounts set up		Allowance for doubtful account		Debt balance-net	
	As at		for doubtful accounts set up		As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
			%	%				
Current	2,335	3,907	1	1	23	39	2,312	3,868
Overdue								
1 month	601	711	1	1	6	7	595	704
2-3 months	640	642	2	2	13	13	627	629
4-6 months	234	232	32, 50, 100*	20	115	46	119	186
7-12 months	120	141	32, 50, 100*	50	60	71	60	70
Over 12 months	139	89	32, 50, 100*	100	90	89	49	-
Debtors under litigation	30	39	100	100	30	39	-	-
Total	4,099	5,761			337	304	3,762	5,457

\* The subsidiary companies apply provisioning rate of 32% for non-performing loan of auto-hire purchase receivables, 50% for motorcycle-hire purchase receivables, and 100% for financial lease receivables.

### 3.9 Property foreclosed

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Foreclosed assets				
Immovable assets				
Balance-beginning of year	1,019,802,996	1,249,079,279	1,031,612,996	1,260,889,279
Additions	4,683,840	47,106	4,683,840	47,106
Disposals	(19,166,133)	(209,305,035)	(19,166,133)	(209,305,035)
Related transactions	11,810,000	-	-	-
Transferred to land, premises and equipment	-	(20,018,354)	-	(20,018,354)
Balance-end of year	1,017,130,703	1,019,802,996	1,017,130,703	1,031,612,996
Movable assets				
Balance-beginning of year	44,210,456	12,315,885	29,621,289	891,453
Additions	1,807,294,909	1,096,591,280	1,080,415,209	463,969,171
Disposals	(1,797,257,681)	(1,064,696,709)	(1,066,068,543)	(435,239,335)
Balance-end of year	54,247,684	44,210,456	43,967,955	29,621,289
Allowance for impairment				
Balance-beginning of year	21,210,157	54,700,401	16,293,546	50,521,892
Increase	34,735,629	25,228,486	25,523,362	6,669,166
Decrease	(26,885,924)	(58,718,730)	(13,099,870)	(40,897,512)
Balance-end of year	29,059,862	21,210,157	28,717,038	16,293,546
Property foreclosed-net	1,042,318,525	1,042,803,295	1,032,381,620	1,044,940,739

### 3.10 Land, premises and equipment

(Unit: Baht)

Consolidated financial statements						
	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles	Total
<b>Cost:</b>						
31 December 2006	522,039,947	1,052,341,516	550,038,334	413,136,436	113,601,130	2,651,157,363
Additions	-	-	77,735,908	71,858,815	11,534,000	161,128,723
Disposals	-	-	(9,922,552)	(2,542,019)	(14,035,657)	(26,500,228)
Translation adjustment	-	-	(811,822)	-	-	(811,822)
31 December 2007	522,039,947	1,052,341,516	617,039,868	482,453,232	111,099,473	2,784,974,036
<b>Accumulated depreciation:</b>						
31 December 2006	-	332,869,913	439,931,990	218,563,976	56,991,337	1,048,357,216
Depreciation for the year	-	61,333,585	78,780,210	39,043,009	20,122,893	199,279,697
Depreciation on disposals	-	-	(9,789,431)	(1,449,662)	(14,012,756)	(25,251,849)
Translation adjustment	-	-	(492,497)	-	-	(492,497)
31 December 2007	-	394,203,498	508,430,272	256,157,323	63,101,474	1,221,892,567
<b>Net book value:</b>						
31 December 2006	522,039,947	719,471,603	110,106,344	194,572,460	56,609,793	1,602,800,147
31 December 2007	522,039,947	658,138,018	108,609,596	226,295,909	47,997,999	1,563,081,469
<b>Depreciation for the years ended 31 December:</b>						
2006						183,246,482
2007						199,279,697

(Unit: Baht)

	Separate financial statements					Total
	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles	
<b>Cost:</b>						
31 December 2006	345,004,767	698,539,936	324,645,631	315,210,184	71,315,299	1,754,715,817
Additions	-	-	63,502,450	61,834,813	7,266,000	132,603,263
Disposals	-	-	(2,803,255)	(96,910)	(3,538,245)	(6,438,410)
31 December 2007	345,004,767	698,539,936	385,344,826	376,948,087	75,043,054	1,880,880,670
<b>Accumulated depreciation:</b>						
31 December 2006	-	256,937,263	247,096,152	134,364,728	35,467,032	673,865,175
Depreciation for the year	-	37,996,456	60,607,808	34,309,152	13,373,999	146,287,415
Depreciation on disposals	-	-	(2,725,472)	-	(3,538,245)	(6,263,717)
31 December 2007	-	294,933,719	304,978,488	168,673,880	45,302,786	813,888,873
<b>Net book value:</b>						
31 December 2006	345,004,767	441,602,673	77,549,479	180,845,456	35,848,267	1,080,850,642
31 December 2007	345,004,767	403,606,217	80,366,338	208,274,207	29,740,268	1,066,991,797
<b>Depreciation for the years ended 31 December:</b>						
2006						130,844,408
2007						146,287,415

**3.11 Other assets**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Value added tax-net	218,674,405	523,590,252	217,317,189	519,857,462
Accrued interest receivable	21,895,938	22,512,661	20,948,570	22,499,042
Fee and charges receivable	216,761,152	176,480,838	102,099,926	101,021,971
Prepaid income tax	15,186,162	13,125,164	-	-
Deferred computer system development cost-net	95,871,927	88,760,196	82,356,406	73,344,558
Deposits	18,479,086	15,091,391	13,639,269	8,083,060
Other receivables	276,348,485	220,096,165	274,009,511	225,819,905
Other assets	182,136,051	159,765,211	109,198,051	84,760,755
Total other assets	1,045,353,206	1,219,421,878	819,568,922	1,035,386,753

### 3.12 Deposits

#### 3.12.1 Classified by type of deposits

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Promissory notes	2,383,053,853	4,972,402,081	2,383,053,853	4,972,402,081
Deposits				
Current accounts	2,089,336,269	1,389,973,194	2,103,970,843	1,490,229,310
Saving accounts	2,157,756,433	1,464,161,529	2,157,756,433	1,464,161,529
Fixed accounts				
- not over 6 months	368,906,160	33,232,365	368,906,160	33,232,365
- over 6 months and less than 1 year	173,387,558	103,974,469	173,387,558	103,974,469
- over 1 year	1,682,157,654	217,059,533	1,682,157,654	217,059,533
Certificates of deposit/negotiable				
certificates of deposit	26,859,576,026	32,387,056,987	26,859,576,026	32,387,056,987
Total	35,714,173,953	40,567,860,158	35,728,808,527	40,668,116,274

#### 3.12.2 Classified by the remaining period of contract

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Not over 1 year*	32,783,707,129	35,222,632,063	32,798,341,703	35,322,888,179
Over 1 year	2,930,466,824	5,345,228,095	2,930,466,824	5,345,228,095
Total deposits	35,714,173,953	40,567,860,158	35,728,808,527	40,668,116,274

\*Including fully-mature deposit contract

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

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2007			31 December 2006		
	At call	Term	Total	At call	Term	Total
Commercial banks	648,108,994	1,570,000,000	2,218,108,994	441,354,517	785,925,917	1,227,280,434
Other banks and financial institutions	95,194,057	3,538,884,769	3,634,078,826	159,700,692	770,000,000	929,700,692
Total	743,303,051	5,108,884,769	5,852,187,820	601,055,209	1,555,925,917	2,156,981,126



(Unit: Baht)

	Separate financial statements as at					
	31 December 2007			31 December 2006		
	At call	Term	Total	At call	Term	Total
Commercial banks	618,011,649	1,500,000,000	2,118,011,649	269,589,351	150,000,000	419,589,351
Other banks and financial institutions	745,529,733	3,538,884,768	4,284,414,501	1,376,489,108	770,000,000	2,146,489,108
Total	1,363,541,382	5,038,884,768	6,402,426,150	1,646,078,459	920,000,000	2,566,078,459

The Bank has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange for a fixed interest rate, as mentioned in note 3.31.5 to the financial statements.

### 3.14 Borrowings

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<u>Domestic borrowings</u>				
Subordinated debentures	331,000,000	331,000,000	331,000,000	331,000,000
Unsubordinated unsecured debentures	4,000,000,000	7,884,000,000	4,000,000,000	7,884,000,000
Bills of exchange	36,380,747,346	17,853,783,810	33,590,350,756	15,288,578,314
Promissory note	38,092,559	-	38,092,559	-
Others	-	13,200,000	-	13,200,000
Total	40,749,839,905	26,081,983,810	37,959,443,315	23,516,778,314

#### 3.14.1 Subordinated debentures

In 1999, the Bank issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the Bank by purchasing the Bank's newly issued subordinated debentures in order to increase its Tier II capital funds to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The Bank immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

### 3.14.2 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate	Remark
			31 December 2007	31 December 2006		31 December 2007	31 December 2006			
2002	The Bank	Unsubordinated and unsecured	-	2 million	1,000	-	2,000	2007	4.25 percent per annum.	-
2002	The Bank	Unsubordinated and unsecured	-	1 million	1,000	-	1,000	2007	3.5 percent per annum in the first and second years and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which shall not be less than 3.75 percent per annum and shall not exceed 5 percent, 5.5 percent and 6 percent per annum in the third, fourth and fifth years, respectively.	The Bank entered into an interest rate swap agreement to swap the floating interest rate to a fixed interest rate. The agreement expired in 2007.
2002	The Bank	Unsubordinated and unsecured	-	1.8 million	1,000	-	1,800	2007	At a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.	The Bank entered into an interest rate swap agreement to swap the floating interest rate to a fixed interest rate. The agreement expired in 2007.
2006	The Bank	Unsubordinated and unsecured short-term debentures	-	3.1 million	1,000	-	3,084	2007	5.00 to 5.25 percent per annum.	-
2007	The Bank	Unsubordinated and unsecured long-term debentures	3 million	-	1,000	3,000	-	2010	3.75 percent per annum.	-
2007	The Bank	Unsubordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2012	4.04 percent per annum.	-
Total						<u>4,000</u>	<u>7,884</u>			

### 3.14.3 Bills of exchange

As of 31 December 2007, the Bank had outstanding bills of exchange amounting to Baht 33,590 million (2006: Baht 15,289 million), bearing interest between 2.75 to 5.00 percent per annum and maturing between 2008 and 2010.

As of 31 December 2007, two subsidiary companies had outstanding bills of exchange amounting to Baht 2,820 million (2006: Baht 2,565 million), bearing interest between 3.65 to 4.50 percent per annum and maturing in 2008.

The Bank has entered into interest rate swap agreements to swap the floating interest rate on Baht 745 million of bills of exchange for a fixed interest rate, as mentioned in Note 3.31.5 to the financial statements.

### 3.14.4 Promissory note

As of 31 December 2007, the Bank had an outstanding promissory note amounting to Baht 38 million, carrying interest at a fixed rate of 1% plus a reference rate specified in the contract that is calculated based on the SET50 Index, and maturing in 2009.

The Bank enters into a call option agreement, under which rewards will be reference to SET50 Index. Therefore, the net return is equal to the issue of fixed effective return rate promissory note, as mentioned in Note 3.31.5 to the financial statements.

## 3.15 Other liabilities

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Liabilities under commercial papers sold	-	145,000,000	-	145,000,000
Corporate income tax payable	220,096,941	146,340,036	87,877,272	33,277,202
Withholding income tax and other tax payable	162,259,377	157,773,034	103,385,747	101,929,455
Accrued insurance premium	631,030,922	574,554,389	618,943,031	553,569,838
Other liabilities	549,781,085	252,588,501	368,530,900	153,222,312
Total other liabilities	<u>1,563,168,325</u>	<u>1,276,255,960</u>	<u>1,178,736,950</u>	<u>986,998,807</u>

### 3.16 Preference shares converted to ordinary shares

Up to 31 December 2007, 444,417,120 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2007, there are 182,775,380 preference shares which are convertible to ordinary shares.

### 3.17 Warrants

	Separate financial statements as at					
	31 December 2007			31 December 2006		
	No. of shares	Exercise price	Total	No. of shares	Exercise price	Total
shares	Baht per share	Baht	shares	Baht per share	Baht	
Exercised warrants						
Allocation in year 2000	8,820,000	10.00	88,200,000	8,820,000	10.00	88,200,000
Allocation in year 2001	4,763,000	11.31	53,869,530	4,763,000	11.31	53,869,530
Allocation in year 2002	5,454,000	13.20	71,992,800	5,454,000	13.20	71,992,800
Allocation in year 2003	5,137,500	14.94	76,754,250	5,137,500	14.94	76,754,250
Allocation in year 2004	3,018,000	21.88	66,033,840	2,030,250	21.88	44,421,870
	27,192,500		<u>356,850,420</u>	26,204,750		<u>335,238,450</u>
Unexercised warrants	1,740,000			2,751,750		
Warrants received from resigned employees	841,500			930,000		
Expired warrants	226,000			113,500		
Allocated warrants	<u>30,000,000</u>			<u>30,000,000</u>		

The Bank has registered the preference shares which were converted from the above exercised warrants with the Ministry of Commerce.

### 3.18 Capital funds

(Unit: Thousand Baht)

	Separate financial statements	
	As at 31 December	
	2007	2006
<u>Tier I</u>		
Issued and fully paid up share capital	7,273,925	7,264,048
Premium on share capital	121,425	109,691
Statutory reserve	422,100	344,800
Retained earnings-unappropriated	2,251,422	1,873,334
Total Tier I	10,068,872	9,591,873
<u>Tier II</u>		
Subordinated debentures	132,400	198,600
Reserve for loans classified as pass	159,503	579,289
Surplus from revaluation of equity securities-available for sale	25,108	-
Total Tier II	317,011	777,889
Less: Deficit from revaluation of equity securities-available for sale	-	(262,528)
Total capital fund	10,385,883	10,107,234

Capital ratios	Separate financial statements as at 31 December			
	2007		2006	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	11.58%	4.25%	12.73%	4.25%
Total capital to risk assets	11.94%	8.50%	13.42%	8.50%

### 3.19 Surplus (deficit) on changes in the value of investments

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
				(Restated)
Balance-beginning of year	608,259,541	1,100,980,635	(259,371,566)	265,589,818
Increase (decrease) from changes in the value of securities during the year	148,374,271	(492,721,094)	313,966,322	(524,961,384)
	756,633,812	608,259,541	54,594,756	(259,371,566)
Add (less): The effect of deferred tax liabilities	(5,494,660)	54,696,595	(16,378,427)	77,811,470
Balance-end of year	751,139,152	662,956,136	38,216,329	(181,560,096)

### 3.20 Gain on investments

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Unrealised gain on investments	13,660,324	5,797,226	13,973,134	5,797,556
Realised gain on investments trading	362,427,058	449,578,737	206,448,430	442,816,883
Total	376,087,382	455,375,963	220,421,564	448,614,439

### 3.21 Gain on derivatives

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Unrealised gain on derivatives	12,000,000	-	-	-
Realised gain on derivatives trading	10,143,500	-	-	-
Total	22,143,500	-	-	-

### 3.22 Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Penalty fee income from loans	114,433,037	100,408,686	96,295,427	78,801,178
Reversal of allowance for impairment of property foreclosed	-	34,228,347	-	34,228,347
Gains on disposal of property foreclosed	9,162,537	71,018,230	4,452,183	66,448,665
Rental income	13,839,647	13,934,993	16,256,179	17,361,179
Others	88,596,657	77,950,538	41,902,339	37,575,757
Total	226,031,878	297,540,794	158,906,128	234,415,126

### 3.23 Other expenses

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Contributions to the Financial Institutions				
Development Fund	166,387,832	137,102,716	166,387,832	137,102,716
Allowance for impairment of property foreclosed	9,055,388	-	13,629,174	-
Mailing expenses	32,556,178	28,712,260	21,607,187	17,576,405
Loan losses from court-ordered executions	22,671,226	28,893,004	7,242,893	12,964,977
Transportation expenses	60,893,442	50,811,754	47,504,342	35,173,635
Advertising and promotion expenses	19,617,173	9,524,968	17,008,111	7,442,413
Others	151,586,781	186,528,177	61,920,155	76,176,189
<b>Total</b>	<b>462,768,020</b>	<b>441,572,879</b>	<b>335,299,694</b>	<b>286,436,335</b>

### 3.24 Corporate income tax

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Income tax payable on taxable profit for the year	496,370,226	450,620,429	210,960,195	180,456,473
Add (less): Net decrease (increase) in deferred tax on temporary differences	141,213,278	182,799,738	136,001,627	205,839,899
<b>Income tax expenses-net</b>	<b>637,583,504</b>	<b>633,420,167</b>	<b>346,961,822</b>	<b>386,296,372</b>



The temporary differences giving rise to the deferred tax assets and deferred tax liabilities arose from the following.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Allowance for doubtful accounts (general reserve)	559,514	397,056	222,446	92,995
Allowance for doubtful accounts for VAT receivables	58,248	61,110	-	-
Allowance for impairment of investments	170,464	350,228	170,464	350,177
Allowance for impairment of property foreclosed	29,060	21,210	28,717	16,294
Non-accrual of interest income	757,760	835,699	657,287	745,151
Depreciation of assets	91,734	61,389	55,896	42,023
Financial leases	137,352	201,170	-	-
Revaluation deficit (surplus) on changes in the value of investments	(18,316)	259,372	(54,595)	259,372
Unrealised gain on derivatives	(12,000)	-	-	-
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(421,062)	-	(343,655)	-
Loss on disposal of property foreclosed	66,507	-	-	-
Others	2,547	(1,328)	545	(1,602)
	<u>1,421,808</u>	<u>2,185,906</u>	<u>737,105</u>	<u>1,504,410</u>
<b>Deferred tax assets (30%)</b>	<u>426,542</u>	<u>655,772</u>	<u>221,131</u>	<u>451,323</u>
Non-accrual of interest income	-	(31)	-	-
Depreciation of assets	-	(9,960)	-	-
Revaluation surplus on changes in the value of investment	-	77,050	-	-
Others	-	(2,236)	-	-
	<u>-</u>	<u>64,823</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities (30%)</b>	<u>-</u>	<u>19,447</u>	<u>-</u>	<u>-</u>

### 3.25 Provident fund

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Amounts contributed to the provident fund (million Baht)	56	49	30	25

### 3.26 Number of employees and related expenses

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2007	2006	2007	2006
Number of employees at end of year (persons)	1,929	1,680	1,143	935
Employee expenses for the year (million Baht)	1,487	1,216	883	672

### 3.27 Reconciliation of diluted earnings per share

	Consolidated financial statements					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2007	2006	2007	2006	2007	2006
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
<b>Basic earnings per share</b>						
Net income	1,651,111	1,545,533				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(184,568)	(183,901)				
	1,466,543	1,361,632	726,983	725,113	2.02	1.88
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to purchase preferences shares	-	-	2,150	4,044		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,466,543	1,361,632	729,133	729,157	2.01	1.87

	Separate financial statements					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2007	2006	2007	2006	2007	2006
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
	(Restated)				(Restated)	
<b>Basic earnings per share</b>						
Net income	1,292,904	1,113,418				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(184,568)	(183,901)				
	1,108,336	929,517	726,983	725,113	1.52	1.28
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to purchase preferences shares	-	-	2,150	4,044		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,108,336	929,517	729,133	729,157	1.52	1.27

Dividend paid to preference shares in preference to the ordinary shares for the year is calculated from the rights and benefits that the holders of preference shares receive dividend for each of the year that the Bank pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders shall be equal to the holders of ordinary shares (as mentioned in Note 2.2 to the financial statements).

### 3.28 Related party transactions

(Unit: Thousand Baht)

	Separate financial statements			Balance-end of year
	Balance- beginning of year	Increase	Decrease	
<b>Outstanding balance as at 31 December 2007</b>				
<b>Subsidiary companies</b>				
Loans and receivables:				
Hi-Way Co., Ltd.	-	135,000	(135,000)	-
Dividend receivables from subsidiaries:				
Hi-Way Co., Ltd.	490,000	-	(490,000)	-
TISCO Securities Co., Ltd.	-	240,000	(240,000)	-
TISCO Leasing Co., Ltd.	71,022	-	(71,022)	-
TISCO Asset Management Co., Ltd.	30,000	110,000	(140,000)	-
Other assets:				
TISCO Leasing Co., Ltd.	6,903	-	(783)	6,120
Thai Commercial Auto Co., Ltd.	13,477	-	(13,477)	-
TISCO Information Technology Co., Ltd.	10,000	53,219	(63,219)	-
TISCO Securities Co., Ltd.	-	8,263	(900)	7,363
Deposits in Baht:				
TISCO Securities Co., Ltd.	1,203,881	-	(572,553)	631,328
TISCO Group Co., Ltd.	85,807	-	(85,807)	-
Hi-Way Co., Ltd.	1,552	1,432	-	2,984
TISCO Leasing Co., Ltd.	2,794	5,068	-	7,862
TISCO Asset Management Co. Ltd.	12,908	6,100	-	19,008
TISCO Information Technology Co., Ltd.	8,993	-	(5,204)	3,789
Other subsidiary companies	1,110	-	(1,110)	-
Borrowings:				
TISCO Leasing Co., Ltd.	-	40,000	(20,000)	20,000
TISCO Information Technology Co., Ltd.	-	10,000	-	10,000
Other liabilities:				
TISCO Leasing Co., Ltd.	1,143	-	(234)	909
Thai Commercial Auto Co., Ltd.	1,906	-	(1,906)	-
TISCO Information Technology Co., Ltd.	-	5,000	(5,000)	-

(Unit: Thousand Baht)

	Separate financial statements		Terms and pricing policy
	2007	2006	(For the year 2007)
<b>Transactions occurred during the years ended 31 December</b>			
<b>Subsidiary companies</b>			
Risk and financial management fee income and human resources management fee income	28,446	28,446	In accordance with the centralised policy for supporting activities of the Bank and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Accounts receivable management fee income and office administration fee income	20,121	41,436	With reference to the terms and prices offered to other customers
Other income	5,412	4,139	With reference to the terms and prices offered to other customers
Computer system advisory service expenses and office administration expenses	129,828	82,056	In accordance with the centralised policy for supporting activities of the Bank and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Insurance rebate expenses	4,629	14,710	With reference to the terms and prices offered to other customers
Others expenses	8,313	12,253	With reference to the terms and prices offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	As at	
	31 December 2007	31 December 2006
Loans	3,675	4,758

Besides the above transactions, the Bank has additional related party transactions with its subsidiaries, which are presented in Note 4.4 to the financial statements.

Directors and management's remuneration

In 2007, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 168 million (2006: Baht 146 million).

### 3.29 Financial information by segment

#### 3.29.1 Financial information by business segment

(Unit: Million Baht)

	For the years ended 31 December									
	Bank business/financial		Securities business		Other business		Elimination		Total	
	service business									
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest and dividend income										
after bad debt and doubtful										
accounts	3,067	2,852	75	154	1	3	(350)	(153)	2,793	2,856
Non-interest income	1,169	1,408	1,315	982	181	129	(221)	(226)	2,444	2,293
Non-interest expenses	(2,292)	(2,416)	(770)	(659)	(164)	(123)	278	251	(2,948)	(2,947)
Corporate income tax	(444)	(484)	(194)	(149)	-	-	-	-	(638)	(633)
Minority interest in net income	-	-	-	-	-	-	-	(23)	-	(23)
Net income	<u>1,500</u>	<u>1,360</u>	<u>426</u>	<u>328</u>	<u>18</u>	<u>9</u>	<u>(293)</u>	<u>(151)</u>	<u>1,651</u>	<u>1,546</u>

(Unit: Million Baht)

	As at 31 December									
	Bank business/financial		Securities business		Other business		Elimination		Total	
	service business									
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Investments	7,571	7,351	1,245	670	1	69	(3,036)	(3,697)	5,781	4,393
Loans, receivables and accrued										
interest receivable-net	83,774	72,055	1,420	709	-	-	(18)	(106)	85,176	72,658
Other assets	7,323	7,400	1,323	2,141	39	119	(689)	(1,930)	7,996	7,730
Total assets	<u>98,668</u>	<u>86,806</u>	<u>3,988</u>	<u>3,520</u>	<u>40</u>	<u>188</u>	<u>(3,743)</u>	<u>(5,733)</u>	<u>98,953</u>	<u>84,781</u>

### 3.29.2 Significant financial positions and operating results by domestic and foreign activities

#### 3.29.2.1 Financial position by activity

(Unit: Million Baht)

	As at 31 December							
	2007				2006			
	Domestic	Foreign	Elimination	Total	Domestics	Foreign	Elimination	Total
Total assets	102,508	188	(3,743)	98,953	90,175	339	(5,733)	84,781
Interbank and money market items (assets)	1,626	119	(695)	1,050	2,094	247	(1,317)	1,024
Loans, receivables and accrued interest receivable-net	85,171	23	(18)	85,176	72,697	67	(106)	72,658
Investments	8,817	-	(3,036)	5,781	8,090	-	(3,697)	4,393
Deposits in Baht	35,729	-	(15)	35,714	40,668	-	(100)	40,568
Interbank and money market items (liabilities)	6,502	-	(650)	5,852	3,374	-	(1,217)	2,157
Borrowings	40,780	-	(30)	40,750	26,142	-	(60)	26,082
Commitments	3,501	-	-	3,501	6,194	-	-	6,194

#### 3.29.2.2 Operating results by activity

(Unit: Million Baht)

	For the years ended 31 December							
	2007				2006			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Net interest and dividend income after bad debt and doubtful accounts	3,140	3	(350)	2,793	3,002	7	(153)	2,856
Non-interest income	2,656	9	(221)	2,444	2,476	43	(226)	2,293
Non-interest expenses	(3,199)	(27)	278	(2,948)	(3,128)	(70)	251	(2,947)
Corporate income tax	(635)	(3)	-	(638)	(633)	-	-	(633)
Minority interest in net income	-	-	-	-	-	-	(23)	(23)
Net income	1,962	(18)	(293)	1,651	1,717	(20)	(151)	1,546

### 3.30 Commitments and contingent liabilities

#### 3.30.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at		As at	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Avals	51,925	326,625	51,925	326,625
Guarantees of loans	-	200,000	-	200,000
Other guarantees	886,889	617,693	886,889	617,693
Obligations covering principal under interest rate swap agreements (Note 3.31.5)	2,495,000	5,050,000	2,495,000	5,050,000
Obligations covering principal under call option agreements (Note 3.31.5)	15,960	-	15,960	-
SET50 Index Futures contracts (Note 3.31.5)	51,400	-	-	-
	<u>3,501,174</u>	<u>6,194,318</u>	<u>3,449,774</u>	<u>6,194,318</u>

#### 3.30.2 Litigation

As at 31 December 2007, the Bank and its subsidiaries have been sued for compensation totaling approximately Baht 167 million. Final judgments have not yet been reached in respect of these cases.

In December 2006, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 202 million as at 31 December 2007). However, suit has not been filed with a court in respect of this claim.

The management of the Bank and its subsidiaries believe that neither the Bank nor the subsidiaries will suffer material loss as a result of the above mentioned lawsuits and request for damages.



### 3.30.3 Other commitments

- a) The Bank is obliged to make contributions to the Financial Institutions Development Fund, at the rate of 0.2 percent of the total outstanding balance of the Bank's deposits plus accrued interest as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.
- b) A subsidiary company is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis, at a rate of 0.005 percent of the trading volume of its stock.
- c) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- d) The Bank has outstanding commitments of approximately Baht 1.60 million per month relating to branch office rental agreements that expiring within 3 years.
- e) A subsidiary company has outstanding commitments of approximately Baht 50.85 million relating to the office rental agreements that terminate in 2016.

### **3.31 Financial instruments**

#### 3.31.1 Credit risk

The Bank and its subsidiaries are exposed to credit risk primarily with respect to loans and receivables and guarantees of loans and others.

The Bank and its subsidiaries manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Bank and its subsidiaries have implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. They have also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Bank and its subsidiaries therefore do not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank and its subsidiaries are not exposed to concentrations of credit risk because they have a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the balance sheet.

### 3.31.2 Interest rate risk

The Bank and its subsidiaries have the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2007				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating</u>	<u>Fixed</u>	<u>Without</u>	<u>Total</u>
	<u>interest rate</u>	<u>interest rate</u>	<u>interest</u>	
<b><u>Financial assets</u></b>				
Cash	-	-	440	440
Interbank and money market items	242	89	719	1,050
Securities purchased under resale agreements	-	2,400	-	2,400
Investments-net	201	2,271	3,309	5,781
Receivable from clearing house	-	6	23	29
Loans and receivables	9,379	76,190	2,413	87,982
	<u>9,822</u>	<u>80,956</u>	<u>6,904</u>	<u>97,682</u>
<b><u>Financial liabilities</u></b>				
Deposits	4,259	31,352	103	35,714
Interbank and money market items	48	5,804	-	5,852
Liabilities payable on demand	-	-	475	475
Borrowings	-	40,750	-	40,750
Payable to clearing house	-	-	577	577
Securities and derivative business payables	3	-	863	866
	<u>4,310</u>	<u>77,906</u>	<u>2,018</u>	<u>84,234</u>

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2006

<u>Transactions</u>	<u>Outstanding balances of financial instruments</u>			
	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Without interest</u>	<u>Total</u>
<b><u>Financial assets</u></b>				
Cash	-	-	210	210
Interbank and money market items	357	32	635	1,024
Securities purchased under resale agreements	-	1,718	-	1,718
Investments-net	258	820	3,315	4,393
Receivable from clearing house	-	-	257	257
Loans and receivables	9,403	64,358	1,691	75,452
	<u>10,018</u>	<u>66,928</u>	<u>6,108</u>	<u>83,054</u>
<b><u>Financial liabilities</u></b>				
Deposits	2,784	37,713	71	40,568
Interbank and money market items	60	2,097	-	2,157
Liabilities payable on demand	-	-	478	478
Borrowings	-	26,069	13	26,082
Payable to clearing house	-	-	365	365
Securities and derivative business payables	121	-	590	711
	<u>2,965</u>	<u>65,879</u>	<u>1,517</u>	<u>70,361</u>

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2007

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Without interest	
<b><u>Financial assets</u></b>				
Cash	-	-	439	439
Interbank and money market items	-	-	651	651
Securities purchased under resale agreements	-	2,400	-	2,400
Investments-net	201	1,696	5,670	7,567
Loans and receivables	9,377	72,046	1,009	82,432
	<u>9,578</u>	<u>76,142</u>	<u>7,769</u>	<u>93,489</u>
<b><u>Financial liabilities</u></b>				
Deposits	4,274	31,352	103	35,729
Interbank and money market items	25	6,377	-	6,402
Liabilities payable on demand	-	-	475	475
Borrowings	-	37,959	-	37,959
	<u>4,299</u>	<u>75,688</u>	<u>578</u>	<u>80,565</u>

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2006

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Without interest	
<b><u>Financial assets</u></b>				
Cash	-	-	209	209
Interbank and money market items	-	-	582	582
Securities purchased under resale agreements	-	1,718	-	1,718
Investments-net	258	817	6,125	7,200
Loans and receivables	9,387	58,567	1,026	68,980
	<u>9,645</u>	<u>61,102</u>	<u>7,942</u>	<u>78,689</u>
<b><u>Financial liabilities</u></b>				
Deposits	2,884	37,713	71	40,668
Interbank and money market items	23	2,543	-	2,566
Liabilities payable on demand	-	-	478	478
Borrowings	-	23,504	13	23,517
	<u>2,907</u>	<u>63,760</u>	<u>562</u>	<u>67,229</u>

Financial instruments which bear interest rate at fixed rates are classified below by the period from the balance sheet date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2007								
Transactions	Repricing or maturity date					Unspecified	Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years			
	<b>Financial assets</b>							
Interbank and money market items	13	76	-	-	-	-	89	3.1850
Securities purchased under resale agreements	-	2,400	-	-	-	-	2,400	3.2005
Investments-net	18	126	1,038	1,089	-	-	2,271	4.4938
Receivable from clearing house	-	6	-	-	-	-	6	3.0000
Loans and receivables	1,674	8,813	21,970	43,683	50	-	76,190	8.5683
	<u>1,705</u>	<u>11,421</u>	<u>23,008</u>	<u>44,772</u>	<u>50</u>	<u>-</u>	<u>80,956</u>	
<b>Financial liabilities</b>								
Deposits	475	15,589	12,473	2,815	-	-	31,352	3.3378
Interbank and money market items	695	2,301	560	2,248	-	-	5,804	3.9473
Borrowings	4,351	25,010	3,384	8,005	-	-	40,750	3.5637
	<u>5,521</u>	<u>42,900</u>	<u>16,417</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>77,906</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2006								
Transactions	Repricing or maturity date					Unspecified	Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years			
	<b>Financial assets</b>							
Interbank and money market items	21	11	-	-	-	-	32	4.5858
Securities purchased under resale agreements	-	1,718	-	-	-	-	1,718	4.8829
Investments-net	-	160	323	337	-	-	820	5.1418
Loans and receivables	1,161	9,966	18,528	34,616	86	1	64,358	8.6271
	<u>1,182</u>	<u>11,855</u>	<u>18,851</u>	<u>34,953</u>	<u>86</u>	<u>1</u>	<u>66,928</u>	
<b>Financial liabilities</b>								
Deposits	218	16,030	16,120	5,345	-	-	37,713	4.7018
Interbank and money market items	542	1,180	350	25	-	-	2,097	4.3204
Borrowings	1,710	14,232	9,778	349	-	-	26,069	4.9360
	<u>2,470</u>	<u>31,442</u>	<u>26,248</u>	<u>5,719</u>	<u>-</u>	<u>-</u>	<u>65,879</u>	

(Unit: Million Baht)

## Separate financial statements as at 31 December 2007

Transactions	Repricing or maturity date						Interest rates (%)	
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified		Total
<b>Financial assets</b>								
Securities purchased under resale agreements	-	2,400	-	-	-	-	2,400	3.2005
Investments-net	19	125	1,034	518	-	-	1,696	4.3392
Loans and receivables	1,144	8,058	20,110	42,684	50	-	72,046	7.2949
	<u>1,163</u>	<u>10,583</u>	<u>21,144</u>	<u>43,202</u>	<u>50</u>	<u>-</u>	<u>76,142</u>	
<b>Financial liabilities</b>								
Deposits	475	15,589	12,473	2,815	-	-	31,352	3.3378
Interbank and money market items	1,338	2,231	560	2,248	-	-	6,377	3.8576
Borrowings	4,381	23,550	2,023	8,005	-	-	37,959	3.5344
	<u>6,194</u>	<u>41,370</u>	<u>15,056</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>75,688</u>	

(Unit: Million Baht)

## Separate financial statements as at 31 December 2006

Transactions	Repricing or maturity date						Interest rates (%)	
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified		Total
<b>Financial assets</b>								
Securities purchased under resale agreements	-	1,718	-	-	-	-	1,718	4.8829
Investments-net	-	160	322	335	-	-	817	5.1492
Loans and receivables	1,077	8,759	16,283	32,362	86	-	58,567	6.9975
	<u>1,077</u>	<u>10,637</u>	<u>16,605</u>	<u>32,697</u>	<u>86</u>	<u>-</u>	<u>61,102</u>	
<b>Financial liabilities</b>								
Deposits	218	16,030	16,120	5,345	-	-	37,713	4.7018
Interbank and money market items	1,623	895	-	25	-	-	2,543	4.3962
Borrowings	1,710	13,441	8,004	349	-	-	23,504	4.7454
	<u>3,551</u>	<u>30,366</u>	<u>24,124</u>	<u>5,719</u>	<u>-</u>	<u>-</u>	<u>63,760</u>	

The balances of loans and receivables (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

### 3.31.3 Liquidity risk

Counting from the balance sheet date, as at 31 December 2007 and 2006, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2007								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing loans	Total
<b>Financial assets</b>								
Cash	440	-	-	-	-	-	-	440
Interbank and money market items	974	76	-	-	-	-	-	1,050
Securities purchased under resale agreements	-	2,400	-	-	-	-	-	2,400
Investments-net	753	126	1,088	1,290	-	2,524	-	5,781
Receivable from clearing house	-	29	-	-	-	-	-	29
Loans and receivables	1,251	10,525	22,945	47,601	2,208	-	3,452	87,982
	<u>3,418</u>	<u>13,156</u>	<u>24,033</u>	<u>48,891</u>	<u>2,208</u>	<u>2,524</u>	<u>3,452</u>	<u>97,682</u>
<b>Financial liabilities</b>								
Deposits	4,837	15,589	12,473	2,815	-	-	-	35,714
Interbank and money market items	743	2,301	560	2,248	-	-	-	5,852
Liabilities payable on demand	475	-	-	-	-	-	-	475
Borrowings	4,351	25,010	3,384	8,005	-	-	-	40,750
Payable to clearing house	-	577	-	-	-	-	-	577
Securities and derivative business payables	3	829	34	-	-	-	-	866
	<u>10,409</u>	<u>44,306</u>	<u>16,451</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,234</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	27	41	416	69	-	386	-	939
Other commitments	-	1,051	450	1,061	-	-	-	2,562

(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2006

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing loans	
<b>Financial assets</b>								
Cash	210	-	-	-	-	-	-	210
Interbank and money market items	1,013	11	-	-	-	-	-	1,024
Securities purchased under resale agreements	-	1,718	-	-	-	-	-	1,718
Investments-net	791	210	336	585	-	2,471	-	4,393
Receivable from clearing house	-	257	-	-	-	-	-	257
Loans and receivables	1,187	10,784	19,871	38,398	2,368	-	2,844	75,452
	<u>3,201</u>	<u>12,980</u>	<u>20,207</u>	<u>38,983</u>	<u>2,368</u>	<u>2,471</u>	<u>2,844</u>	<u>83,054</u>
<b>Financial liabilities</b>								
Deposits	3,073	16,030	16,120	5,345	-	-	-	40,568
Interbank and money market items	601	1,180	351	25	-	-	-	2,157
Liabilities payable on demand	478	-	-	-	-	-	-	478
Borrowings	1,710	14,232	9,778	349	-	13	-	26,082
Payable to clearing house	-	365	-	-	-	-	-	365
Securities and derivative business payables	148	563	-	-	-	-	-	711
	<u>6,010</u>	<u>32,370</u>	<u>26,249</u>	<u>5,719</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>70,361</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	200	316	10	-	-	-	-	526
Other commitments	15	1	3,230	1,950	300	172	-	5,668

(Unit: Million Baht)

## Separate financial statements as at 31 December 2007

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans*	
<b>Financial assets</b>								
Cash	439	-	-	-	-	-	-	439
Interbank and money market items	651	-	-	-	-	-	-	651
Securities purchased under resale agreements	-	2,400	-	-	-	-	-	2,400
Investments-net	753	126	1,034	719	-	4,935	-	7,567
Loans and receivables	1,027	8,471	21,159	46,640	2,208	-	2,927	82,432
	<u>2,870</u>	<u>10,997</u>	<u>22,193</u>	<u>47,359</u>	<u>2,208</u>	<u>4,935</u>	<u>2,927</u>	<u>93,489</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
<b>Financial liabilities</b>								
Deposits	4,852	15,589	12,473	2,815	-	-	-	35,729
Interbank and money market items	1,363	2,231	560	2,248	-	-	-	6,402
Liabilities payable on demand	475	-	-	-	-	-	-	475
Borrowings	4,381	23,550	2,023	8,005	-	-	-	37,959
	<u>11,071</u>	<u>41,370</u>	<u>15,056</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,565</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	40	12	-	-	-	-	52
Other commitments	27	1,001	854	1,130	-	386	-	3,398



(Unit: Million Baht)

Separate financial statements as at 31 December 2006

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans*	
<b>Financial assets</b>								
Cash	209	-	-	-	-	-	-	209
Interbank and money market items	582	-	-	-	-	-	-	582
Securities purchased under resale agreements	-	1,718	-	-	-	-	-	1,718
Investments-net	791	160	335	580	-	5,334	-	7,200
Loans and receivables	1,142	8,897	17,626	36,607	2,368	-	2,340	68,980
	<u>2,724</u>	<u>10,775</u>	<u>17,961</u>	<u>37,187</u>	<u>2,368</u>	<u>5,334</u>	<u>2,340</u>	<u>78,689</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
<b>Financial liabilities</b>								
Deposits	3,173	16,030	16,120	5,345	-	-	-	40,668
Interbank and money market items	1,646	895	-	25	-	-	-	2,566
Liabilities payable on demand	478	-	-	-	-	-	-	478
Borrowings	1,710	13,441	8,004	349	-	13	-	23,517
	<u>7,007</u>	<u>30,366</u>	<u>24,124</u>	<u>5,719</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>67,229</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	200	316	10	-	-	-	-	526
Other commitments	15	1	3,230	1,950	300	172	-	5,668

### 3.31.4 Foreign exchange risk

As at 31 December 2007, the Bank does not have any financial instruments in foreign currencies except for its deposits at bank amounting to HKD 22 million (equivalent to Baht 95 million) and its investment in a subsidiary company amounting to HKD 20 million (under the cost method equivalent to Baht 66 million).

### 3.31.5 Derivatives

The Bank and its subsidiary have a policy to enter into transactions involving financial derivative instruments, for hedging risks and trading purposes.

As at 31 December 2007, the Bank and its subsidiary have the following financial derivative instruments:

#### a) Interest rate swap

The Bank entered into interest rate swap agreements to manage risk associated with the financial liabilities carrying interest. The details of the interest rate swap agreements outstanding are as follows:

- The Bank has entered into an interest rate swap agreement expiring in 2008 whereby it is to pay interest at a fixed rate and receive interest at a floating rate on a notional amount of Baht 500 million.

- The Bank has entered into interest rate swap agreements expiring in 2008 whereby it is to pay interest at a fixed rate and receive interest at a floating rate on borrowings and deposits amounting to Baht 950 million.
- The Bank has entered into interest rate swap agreements to pay interest at a fixed rate and receive interest at a floating rate on bills of exchange. Agreement covering Baht 365 million of principal expire in 2009, while agreement covering Baht 380 million of principal expire in 2010 and agreement covering Baht 300 million of principal expire in 2012.

b) Call option

The Bank entered into a call option contract, under which returns are linked to the SET50 Index, and the option can only be exercised at the maturity date (European-style). The notional amount of the contract as of the contract date was Baht 15.96 million. The contract, which expires in 2009, is intended to hedge the risk associated with the promissory note mentioned in Note 3.14.4 to the financial statement.

c) SET50 Index Futures

A subsidiary has entered into transactions involving financial derivative instruments, which comprise SET50 Index Futures that are traded on the Thailand Futures Exchange, as detailed below:

	Position	No. of contracts	Notional amount <sup>(1)</sup> (Million Baht)	Fair value <sup>(2)</sup> (Million Baht)
Future contracts of March 2008	Long	100	51	12

(1) Notional amount is calculated by multiplying the trading price (point) by the contract multiplier, which is Baht 1,000.

(2) Fair value is calculated based on differences between the notional amounts and the SET50 Index at the maturity date, with reference to the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

### 3.31.6 Fair value of financial instruments

As at 31 December 2007, the fair values of significant financial instruments approximate their carrying amounts, with no material differences. Gain or loss on determining the fair value of interest rate swaps and call option are immaterial.

## 4. SIGNIFICANT EVENTS DURING THE YEARS AND OTHER INFORMATION

### 4.1 Share holding restructuring

On 14 November 2005, the Bank submitted a formal request to restructure its shareholding by setting up TISCO Corporation Public Company Limited as a holding company. TISCO Corporation Public Company Limited would thus become the parent company of the group, acquiring all shares of the Bank and other subsidiary companies. The Bank of Thailand subsequently granted consent to the Bank, and on 7 February 2006, the Bank of Thailand forwarded the plan to the Ministry of Finance for approval.

On 18 January 2007, the Bank received a letter from the Bank of Thailand informing it that the Ministry of Finance had declined to approve the restructuring plan and that the Bank of Thailand would therefore subsequently discontinue consideration of the plan. The BOT also requested the Bank to reduce its shareholding in TISCO Corporation Public Company Limited. The Bank was either to restore the former structure whereby it is the parent company of the group, or to re-submit the plan for setting up TISCO Financial Group under a Consolidated Supervision to the Bank of Thailand.

On 1 February 2007, the Bank reduced its shareholding in TISCO Corporation Public Company Limited in accordance with BOT conditions discussed in that letter.

In March 2007, the Bank resubmitted an application to the Bank of Thailand to set up TISCO Financial Group under the Consolidation Supervision Regulation.

On 9 August 2007, the Bank of Thailand approved the establishment of TISCO Financial Group under a Consolidated Supervision, including 7 companies in the group. These consisted of the Bank and six subsidiaries directly held by the Bank and a subsidiary indirectly held by the Bank, which is TISCO Global Securities Company Limited (a subsidiary of TISCO Securities Company Limited).

### 4.2 Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment period
		Baht per share	Baht per share	Million Baht	
Dividend for the year 2006	The 2006 Annual General Meeting of the Shareholders on 28 April 2006	3.00	2.00	1,635	May 2006
Dividend for the year 2007	The 2007 Annual General Meeting of the Shareholders on 20 April 2007	3.00	2.00	1,633	May 2007

#### **4.3 Allowance for doubtful accounts in accordance with the new BOT's guideline**

For the financial statements as at 31 December 2007, the Bank has already set provision for all non-performing loans and receivables in accordance with the new guidelines of the BOT. The Bank provided allowance for doubtful debt according to the guideline as mentioned in Note 1.4.8 to the financial statements as follow:

The Bank records allowance for doubtful accounts for loans and receivables, for loans classified as pass using the Credit Migration rate and for special-mentioned loans using at not less than 2%, of the loan balances (excluding accrued interest receivables) net of collateral value, except for hire purchase receivable, for which the Bank does not deduct the collateral value from the outstanding loan balance.

For non-performing loans and receivables which are loans classified as substandard, doubtful and doubtful of loss, the Bank records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications, in accordance with the BOT's guidelines issued on 21 December 2006. For non-performing hire purchase receivables, the Bank sets aside provision using a collective approach based on past experience of actual loss or damage.

#### **4.4 Related party transactions**

Besides the related party transactions as described in Note 3.28 to the financial statements, the Bank had additional related party transactions with its subsidiaries, as presented below.

##### During the year ended 31 December 2007

On 30 March 2007, the Bank entered into an assignment agreement to purchase all of the hire-purchase contracts from its subsidiary, Thai Commercial Auto Company Limited, for a total consideration of approximately Baht 1,086 million. This was paid to the subsidiary on 5 April 2007. The transaction, which was approved by the Executive Board of Directors' Meeting No.2/2007 on 21 February 2007, gave rise to no profit or loss.

## 4.5 Significant events of subsidiaries

### 4.5.1 Share capital increase of a subsidiary

A special resolution passed by the Extraordinary General Meeting of the Shareholders of Hi-Way Co., Ltd. No.2/2006 on 22 February 2006, approved an increase in that company's registered share capital from Baht 100 million to Baht 500 million, through the issuance of 4,000,000 new ordinary shares with a par value of Baht 100 each, to be fully paid. The shareholders also delegated authority to the Board of Directors to determine the timing of the issue and the number of additional shares to be issued each time as they deem appropriate for the business in the future.

### 4.5.2 Dissolution registration of subsidiaries

#### TISCO Group Company Limited

On 26 March 2007, the Extraordinary General Meeting No.2/2007 of the shareholders passed a special resolution to dissolve the company. The company registered its dissolution with the Ministry of Commerce on 29 March 2007 and is currently in the process of liquidation.

#### Thai Commercial Auto Company Limited

On 12 April 2007, the Extraordinary General Meeting No.1/2007 of the shareholders passed the special resolution to approve the following:

- Cancellation of the reduction of the company's registered share capital from Baht 1,000 million (10 million ordinary shares of Baht 100 each) to Baht 500 million (10 million ordinary shares of Baht 50 each), which had been approved by the special resolution of the Extraordinary General Meeting No.2/2005 of the Shareholders on 2 November 2005.
- Dissolution of the company. The dissolution was registered with the Ministry of Commerce on 12 April 2007 and is currently in the process of liquidation.

#### VLT Leasing Company Limited

On 12 April 2007, the Extraordinary General Meeting No.1/2007 of the shareholders passed a special resolution to dissolve the company. The dissolution was registered with the Ministry of Commerce on 12 April 2007 and is currently in the process of liquidation.

#### **4.5.3 Capital returns from subsidiaries**

During the second quarter of the current year, the Bank received returns of capital from Thai Commercial Auto Company Limited and TISCO Group Company Limited totaling Baht 512.5 million.

### **5. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS**

Accounting Standard No. 44 (revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements” requires investments in subsidiaries, jointly controlled entities and associates to be presented in the separate financial statements under the cost method, whereas they were formerly presented under the equity method. On 1 January 2007, the Bank changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standards No. 44 (revised 2007).

In this regard, the Bank has restated the previous period’s separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect to net income in the separate income statements for the year ended 31 December 2007 by decreasing Baht 358 million (Baht 0.49 per share) (2006: decreasing by Baht 432 million (Baht 0.60 per share)). The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the separate financial statements, with no effect to the consolidated financial statements.

### **6. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Bank’s Audit Committee on 11 February 2008.