

TISCO Bank Public Company Limited  
Report and financial statements  
For the years ended 31 December 2009 and 2008

## **Report of Independent Auditor**

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying balance sheet of TISCO Bank Public Company Limited as at 31 December 2009, the related statements of income, changes in shareholders' equity and cash flow for the year then ended. 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 audit. The financial statements of TISCO Bank Public Company Limited as at 31 December 2008 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 6 February 2009, expressed an unqualified audit opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2009, and the results of its operation and cash flows for the year then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano  
Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited  
Bangkok: 8 February 2010

**TISCO Bank Public Company Limited**

**Balance sheets**

**As at 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Cash		826,095,960	595,120,161
Interbank and money market items	3.1		
Domestic			
Interest bearing		9,900,793,589	13,113,647,326
Non-interest bearing		2,173,850,384	34,692,996
Total interbank and money market items - net		12,074,643,973	13,148,340,322
Investments	3.2,3.3,3.6		
Current investment - net		2,537,845,421	2,521,088,917
Long-term investment - net		5,811,725,391	1,841,528,286
Investment in subsidiaries - net		60,055,638	96,063,931
Net investments		8,409,626,450	4,458,681,134
Loans, receivables and accrued interest receivable	3.4,3.6		
Loans and receivables		109,102,566,701	101,530,926,903
Accrued interest receivable		97,471,206	110,754,580
Total loans, receivables and accrued interest receivable		109,200,037,907	101,641,681,483
Less: Allowance for doubtful accounts	3.5.1, 3.5.2	(2,088,416,132)	(1,604,457,372)
Less: Allowance for loss on debt restructuring	3.5.4	(18,258)	(18,258)
Net loans, receivables and accrued interest receivable		107,111,603,517	100,037,205,853
Property foreclosed - net	3.7	47,241,840	1,003,254,030
Land, premises and equipment - net	3.8	649,626,633	701,210,952
Deferred tax assets	3.21	479,399,809	182,534,215
Other assets	3.9	1,042,483,541	1,425,798,806
<b>Total assets</b>		<b>130,640,721,723</b>	<b>121,552,145,473</b>

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

**TISCO Bank Public Company Limited****Balance sheets (continued)****As at 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Liabilities and shareholders' equity</b>			
Deposits in baht	3.10	56,930,949,089	58,875,780,866
Interbank and money market items			
Domestic - Interest bearing	3.11	4,321,444,855	3,951,717,928
Liability payable on demand		345,170,135	496,740,597
Borrowings	3.12		
Short-term borrowings		50,117,254,545	40,028,191,682
Long-term borrowings		5,429,750,030	4,899,301,740
Total borrowings		55,547,004,575	44,927,493,422
Accrued interest payable		250,447,376	868,991,067
Other liabilities	3.13	2,014,309,628	1,097,305,714
<b>Total liabilities</b>		<u>119,409,325,658</u>	<u>110,218,029,594</u>

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

**TISCO Bank Public Company Limited**

**Balance sheets (continued)**

**As at 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Shareholders' equity</b>			
Share capital			
Registered	2.2	<u>11,002,000,000</u>	<u>11,002,000,000</u>
Issued and fully paid-up			
73,204 Preference shares of Baht 10 each (2008: 183,500,430 preference shares of Baht 10 each)		732,040	1,835,004,300
728,079,046 Ordinary shares of Baht 10 each (2008: 544,651,820 ordinary shares of Baht 10 each)		<u>7,280,790,460</u>	<u>5,446,518,200</u>
		7,281,522,500	7,281,522,500
Share premium			
Share premium of preference shares		37,480	93,951,250
Share premium of ordinary shares		130,413,770	36,500,000
Revaluation surplus on investments	3.17	7,927,052	5,575,057
Retained earnings			
Appropriated-statutory reserve	2.3	614,900,000	547,000,000
Unappropriated		<u>3,196,595,263</u>	<u>3,369,567,072</u>
<b>Total shareholders' equity</b>		<u>11,231,396,065</u>	<u>11,334,115,879</u>
<b>Total liabilities and shareholders' equity</b>		<u>130,640,721,723</u>	<u>121,552,145,473</u>
		-	-
<u>Off-balance sheet items - contingencies</u>	3.26		
Aval to bills and guarantees of loans		21,651,000	70,696,967
Other commitments		1,616,936,304	6,224,774,821

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

Mr. Suthas Ruangmanamongkol  
(President)

Mrs. Oranuch Apisaksirikul  
(Director)

**TISCO Bank Public Company Limited**

**Income statements**

**For the years ended 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Interest and dividend income</b>			
Loans		1,332,375,203	1,215,475,030
Interbank and money market items		133,781,609	284,769,504
Hire purchase income		5,773,453,963	4,982,758,508
Investments		<u>552,461,773</u>	<u>1,104,696,119</u>
<b>Total interest and dividend income</b>		<b>7,792,072,548</b>	<b>7,587,699,161</b>
<b>Interest expenses</b>			
Deposits		1,090,078,579	1,776,545,685
Interbank and money market items		113,300,341	150,864,971
Short-term borrowings		851,599,459	1,201,737,752
Long-term borrowings		<u>278,011,984</u>	<u>194,655,549</u>
<b>Total interest expenses</b>		<b><u>2,332,990,363</u></b>	<b><u>3,323,803,957</u></b>
<b>Net interest and dividend income</b>		<b>5,459,082,185</b>	<b>4,263,895,204</b>
<b>Bad debts and doubtful accounts</b>		<b><u>(1,195,853,909)</u></b>	<b><u>(706,730,835)</u></b>
<b>Net interest and dividend income after bad debts and doubtful accounts</b>		<b>4,263,228,276</b>	<b>3,557,164,369</b>
<b>Non-interest income</b>			
Gain (loss) on investments	3.18	71,239,230	(1,157,527,839)
Fees and service income			
Acceptances, aval and guarantees		9,850,231	10,201,047
Insurance service		613,151,987	673,001,138
Others		137,488,033	154,858,748
Gain (loss) on exchange		9,228,971	(9,805,581)
Other income	3.19	<u>664,126,275</u>	<u>380,164,026</u>
<b>Total non-interest income</b>		<b><u>1,505,084,727</u></b>	<b><u>50,891,539</u></b>
<b>Total net income</b>		<b>5,768,313,003</b>	<b>3,608,055,908</b>
<b>Non-interest expenses</b>			
Personnel expenses		1,002,452,622	952,793,212
Premises and equipment expenses		623,495,416	567,667,381
Taxes and duties		111,310,282	105,991,556
Fees and service expenses		997,242,782	178,385,885
Directors' remuneration	2.4	-	7,550,000
Other expenses	3.20	<u>1,092,718,158</u>	<u>444,456,405</u>
<b>Total non-interest expenses</b>		<b><u>3,827,219,260</u></b>	<b><u>2,256,844,439</u></b>
<b>Income before income tax</b>		<b>1,941,093,743</b>	<b>1,351,211,469</b>
Corporate income tax	3.21	<u>(584,030,422)</u>	<u>(147,504,191)</u>
<b>Net income for the year</b>		<b><u>1,357,063,321</u></b>	<b><u>1,203,707,278</u></b>
<b>Earnings per share</b>			
Basic earnings per share	3.23	<u>1.74</u>	<u>1.40</u>
Diluted earnings per share		<u>1.74</u>	<u>1.40</u>

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

**TISCO Bank Public Company Limited****Cash flow statements****For the years ended 31 December 2009 and 2008**

(Unit: Baht)

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Income before corporate income tax	1,941,093,743	1,351,211,469
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	195,203,426	195,879,588
Bad debts and doubtful accounts	1,731,543,371	1,115,338,253
Allowance for impairment of investment (reversal)	(17,821,461)	44,329,201
Allowance for impairment of property foreclosed	494,780,383	14,953,680
Loss (gain) on disposal of investments	(53,417,769)	1,113,198,638
Unrealised loss on exchange (reversal)	(9,228,971)	9,805,581
Gain on sales of property, plant and equipment	(5,399,300)	(47,952,462)
Gain from disposal of property foreclosed	(171,351,141)	(27,885,032)
Decrease in other accrued income	70,316,532	10,174,609
Increase in accrued expenses	<u>134,560,023</u>	<u>1,201,094</u>
Income from operating activities before changes in operating assets and liabilities	4,310,278,836	3,780,254,619
Decrease (increase) in operating assets		
Interbank and money market items	1,073,696,349	(12,498,004,809)
Securities purchased under resale agreements	-	2,400,000,000
Loans and receivables	(10,007,055,007)	(22,679,069,458)
Property foreclosed	2,082,417,269	1,314,014,974
Other assets	(676,421,908)	(257,642,076)

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

**TISCO Bank Public Company Limited**

**Cash flow statements (continued)**

**For the years ended 31 December 2009 and 2008**

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
Increase (decrease) in operating liabilities		
Deposits	(1,944,831,777)	23,146,972,339
Interbank and money market items	376,851,669	(2,460,375,435)
Liability payable on demand	(151,570,462)	21,672,981
Borrowings	6,939,715,953	6,981,022,056
Other liabilities	<u>(225,670,013)</u>	<u>99,030,992</u>
	1,777,410,909	(152,123,817)
Net interest and dividend incomes	(5,459,082,185)	(4,263,895,204)
Cash received from interest income	8,073,861,613	6,895,895,784
Cash paid for interest expense	(2,951,326,950)	(3,237,932,569)
Cash paid for corporate income tax	<u>(310,923,340)</u>	<u>(277,885,230)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>1,129,940,047</u>	<u>(1,035,941,036)</u>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of investment in securities held for investment	(8,037,111,985)	(9,887,024,735)
Cash received from disposal of investment in securities held for investment	4,339,649,586	8,762,827,476
Cash received from dividend	49,977,208	895,918,439
Cash paid for purchase of equipment	(111,346,914)	(242,548,824)
Cash received from disposal of property, plant and equipment	6,101,920	486,921,839
Cash received from capital returned from subsidiaries (Note 4.4.2)	210,010,000	667,370,466
Cash received from disposal of investment in subsidiaries (Note 4.3)	<u>-</u>	<u>1,981,546,810</u>
<b>Net cash flows from (used in) investing activities</b>	<u>(3,542,720,185)</u>	<u>2,665,011,471</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(1,025,244,063)	(1,489,771,452)
Cash paid for the redemption of long-term debentures and debt instruments	(331,000,000)	-
Cash received from issue long-term debentures and debt instruments	4,000,000,000	-
Cash received from exchange of warrants to purchase preference shares	<u>-</u>	<u>16,623,330</u>
<b>Net cash flows from (used in) financing activities</b>	<u>2,643,755,937</u>	<u>(1,473,148,122)</u>
<b>Net increase in cash</b>	230,975,799	155,922,313
Cash at beginning of year	<u>595,120,161</u>	<u>439,197,848</u>
<b>Cash at end of year</b>	<u><u>826,095,960</u></u>	<u><u>595,120,161</u></u>
	-	-
<b>Supplemental cash flows information</b>		
Conversion of preference shares to ordinary shares	1,834,272,260	347,000

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



TISCO Bank Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Issued and fully paid-up share capital		Share premium		Revaluation	Statutory	Unappropriated	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	surplus (deficit) on investments	reserve	retained earnings	
<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
<b>Income (expenses) recognised in equity:</b>								
Decrease in fair value of investments	-	-	-	-	(46,630,389)	-	-	(46,630,389)
Deferred tax recognised in shareholders' equity	-	-	-	-	13,989,117	-	-	13,989,117
<b>Income (expenses) recognised in equity</b>	-	-	-	-	(32,641,272)	-	-	(32,641,272)
Net income for the year	-	-	-	-	-	-	1,203,707,278	1,203,707,278
<b>Total income (expenses) for the year</b>	-	-	-	-	(32,641,272)	-	1,203,707,278	1,171,066,006
Dividend paid (Note 4.2)	-	-	-	-	-	-	(1,489,771,452)	(1,489,771,452)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,304,019)	(1,304,019)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	60,200,000	(60,200,000)	-
Warrants converted to preference shares	7,597,500	-	9,025,830	-	-	-	-	16,623,330
Preference shares converted to ordinary shares	(347,000)	347,000	-	-	-	-	-	-
<b>Balance as at 31 December 2008</b>	<u>1,835,004,300</u>	<u>5,446,518,200</u>	<u>93,951,250</u>	<u>36,500,000</u>	<u>5,575,057</u>	<u>547,000,000</u>	<u>3,369,567,072</u>	<u>11,334,115,879</u>

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Issued and fully paid-up share capital		Share premium		Revaluation	Statutory	Unappropriated	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	surplus (deficit) on investments	reserve	retained earnings	
<b>Balance as at 31 December 2008</b>	1,835,004,300	5,446,518,200	93,951,250	36,500,000	5,575,057	547,000,000	3,369,567,072	11,334,115,879
<b>Income (expenses) recognised in equity:</b>								
Increase in fair value of investments	-	-	-	-	3,359,993	-	-	3,359,993
Deferred tax transferred out from shareholders' equity	-	-	-	-	(1,007,998)	-	-	(1,007,998)
<b>Income (expenses) recognised in equity</b>	-	-	-	-	2,351,995	-	-	2,351,995
Net income for the year	-	-	-	-	-	-	1,357,063,321	1,357,063,321
<b>Total income (expenses) for the year</b>	-	-	-	-	2,351,995	-	1,357,063,321	1,359,415,316
Dividend paid (Note 4.2)	-	-	-	-	-	-	(1,462,133,553)	(1,462,133,553)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,577)	(1,577)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	67,900,000	(67,900,000)	-
Preference shares converted to ordinary shares	(1,834,272,260)	1,834,272,260	(93,913,770)	93,913,770	-	-	-	-
<b>Balance as at 31 December 2009</b>	<u>732,040</u>	<u>7,280,790,460</u>	<u>37,480</u>	<u>130,413,770</u>	<u>7,927,052</u>	<u>614,900,000</u>	<u>3,196,595,263</u>	<u>11,231,396,065</u>

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

## **TISCO Bank Public Company Limited**

### **Notes to financial statements**

**For the years ended 31 December 2009 and 2008**

#### **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, except for the early adoption of the accounting policy regarding “Accounting for income taxes”, which is in line with International Accounting Standard (IAS) No. 12 “Income Taxes” (revised 1996). These financial statements have been prepared in accordance with the principles stipulated by the Office of the Securities and Exchange Commission and the Bank of Thailand (“BOT”).

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Bank of Thailand dated 3 August 2009 “Preparation and presentation of a commercial bank and a holding company which is the parent company of the financial business group”.

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

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

##### **1.2 Financial statements after holding restructuring of TISCO Group**

As mentioned in Note 4.1 to the financial statements, TISCO Group has implemented the holding restructuring plan and, as of 9 January 2009, this holding restructuring plan was completed in compliance with the criteria approved by regulators. TISCO Financial Group Public Company Limited, a holding company set up to be the parent company of the group, held 99.51% of the securities of TISCO Bank Public Company Limited (“the Bank”) and prepared its consolidated financial statements that include the financial statements of the Bank and subsidiaries in the group (“TISCO Group” after holding restructuring) under the business combination of entities under common control under holding restructuring plan, as if the implementation of the holding restructuring plan had been completed in compliance with the criteria approved by the regulators since 2008, to reflect in substance the holding restructuring of the group and to facilitate understanding of the financial statement users.

No consolidated financial statements of the Bank and its subsidiaries (TISCO Leasing Company Limited and TISCO Securities Hong Kong Limited) have been prepared since TISCO Financial Group Public Company Limited, a parent company with registered office located at 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok, has already presented the consolidated financial statements. Therefore, the Bank presented only the separate financial statements.

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

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows:

#### **1.3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year**

Framework for Preparation and Presentation of Financial Statements  
(revised 2007)

TAS 36 (revised 2007)	Impairment of Assets
TFRS 5 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common  
Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management of the Bank has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Bank, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for Leasehold Right do not have any significant impact on the financial statements for the current year.

### 1.3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allows early adoption by the entity before the effective date. The management of the Bank has assessed the effect of these standards and believes that the new accounting standards will not have any significant impact on the financial statements for the year in which they are initially applied. TAS 20 is 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 income is recognised over the installment period, using the effective interest rate.

The Bank has policies for loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank to cease accruing income. For hire purchase accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and interest then recognised as income 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) Gain (loss) on trading in securities

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

- d) 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 recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, 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, and recorded as expenses when occurred for hire purchase contract originated before 1 January 2007.

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

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

- a) 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.
- b) 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.
- c) 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.

- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).
- e) Investments in subsidiaries which present in the separate financial statements are determined at cost net of allowance for impairment (if any).
- f) 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.
- g) 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.
- h) The Bank will record 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.
- i) The moving average method is used for computation of the cost of investments.
- j) In the event the Bank reclassifies 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 according to private repurchase transactions**

The Bank has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the balance sheet and the securities purchased are used as collateral.

Under securities purchase under resale agreements according to private repurchase transactions, the Bank obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

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

#### **1.4.6 Loans and receivables**

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

Hire purchase 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 contract.



#### **1.4.7 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.

For all loans and receivables classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the Bank records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, respectively.

For non-performing loans and receivables which are classified as substandard, doubtful and doubtful of loss (except for non-performing hire purchase receivables), 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.

For hire purchase receivables that are classified as pass, special mentioned and non-performing hire purchase receivables, the Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

The Bank has already set provision for all loans and receivables in accordance with the BOT’s guidelines issued on 3 August 2008.

- b) 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.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during 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.

#### **1.4.8 Troubled debt restructuring**

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

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, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. 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.

#### **1.4.9 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 cost (fair value of assets at the transferred date, not exceed the legally claimable amount of outstanding debt) and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The Bank is required to record the additional general reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates.

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

#### 1.4.10 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, 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) Software license fees are deferred and amortised over the following estimated useful lives:

The license agreements specified number of year of usage	-	according to the period of license agreement by the straight-line basis
The license agreements not specified number of year of usage	-	5 years by the straight-line basis
No license agreements	-	3 years by the sum-of-the-year-digits method

#### 1.4.11 Income tax

- a) Current tax

The Bank calculates 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 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 records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At each balance sheet date, the Bank reviews and reduces 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.

#### **1.4.12 Impairment of assets**

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

Impairment losses are recognised in the income statement.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed.

#### **1.4.13 Derecognition of financial assets and financial liabilities**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

#### **1.4.14 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies outstanding at the balance sheet date and off-balance sheets transactions 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.

#### **1.4.15 Employee benefits**

The Bank records salaries, wages, bonuses and contributions to the social security fund and provident fund as expenses on an accrual basis.

#### **1.4.16 Provisions**

Provisions are recognised when the Bank has 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.

#### **1.4.17 Derivatives**

The recording of derivatives is in accordance with the principles for recording derivatives under IAS 39 "Financial Instruments: Recognition and Measurement".

The Bank has recorded derivatives in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated net of interest income or expense in the income statement. 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.

#### 1.4.18 Financial instruments

a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), investments, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.27 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.

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rates at which financial instruments with similar features and maturities could be issued as of the balance sheet date.

The methods and assumptions used by the Bank 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), deposits, interbank and money market items (liabilities), and liabilities payable on demand, 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.

- Loans and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value, which is the book value, less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debentures and 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.

#### **1.4.19 Earnings per share**

Basis of computation 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.

#### **1.4.20 Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **1.4.21 Significant accounting judgments and estimates**

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

##### ***Allowance for doubtful accounts for loans and receivables***

Allowances for loan losses are intended to adjust the value of loans and receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

##### ***Fair value of financial instruments***

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



### ***Impairment of investments***

The Bank treats available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

### ***Deferred tax assets***

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

### ***Recognition and derecognition of assets and liabilities***

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

## **2. General information**

### **2.1 The Bank’s information**

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated 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 2009, the Bank has 42 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 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 have been equal to those of the ordinary shareholders.

### **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 and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The fund, which is managed by TISCO Asset Management 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 related parties, which are reference to the terms and price as charged to other customers.

The Bank has 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 parent company and loans to employees under the employee welfare scheme, as mentioned in Note 3.24 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 has no investments in related companies which are related by way of members of the management of the Bank being shareholders and/or authorised directors.

### 3. Details of financial statements

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

(Unit: Baht)

	As at					
	31 December 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	1,911,185,276	700,000,000	2,611,185,276	6,353,554	13,110,000,000	13,116,353,554
Commercial banks	262,665,108	9,200,000,000	9,462,665,108	28,339,442	-	28,339,442
Total	2,173,850,384	9,900,000,000	12,073,850,384	34,692,996	13,110,000,000	13,144,692,996
Add: Accrued interest	-	793,589	793,589	-	3,647,326	3,647,326
Total	2,173,850,384	9,900,793,589	12,074,643,973	34,692,996	13,113,647,326	13,148,340,322

The Bank entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchase under resale agreements according to private repurchase transactions as at	
	31 December 2009	31 December 2008
Commercial Bank	9,200	-

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at	
	31 December 2009	31 December 2008
Fair value of securities received as collateral	9,325	-

## 3.2 Investments

(Unit: Baht)

	As at			
	31 December 2009		31 December 2008	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b><u>Current investments</u></b>				
<b>Available-for-sales securities</b>				
Debt securities:				
Government and state enterprise securities	849,831,531	850,762,275	416,231,175	417,580,327
Debt securities of private sector	1,678,119,515	1,687,053,131	101,616,915	100,007,500
Foreign debt securities	-	-	1,869,822,358	1,668,501,090
Total	2,527,951,046	2,537,815,406	2,387,670,448	2,186,088,917
Add (less): Allowance for changes in value	11,324,360		8,069,337	
Exchange difference	-		(208,190,868)	
Less: Allowance for impairment	(1,460,000)		(1,460,000)	
Debt securities - net	2,537,815,406		2,186,088,917	
Equity securities:				
Domestic marketable equity securities	30,015	30,015	-	-
Net equity securities	30,015		-	
<b>Total available-for-sales securities</b>	<b>2,537,845,421</b>		<b>2,186,088,917</b>	
<b>Held-to-maturity debt securities - due within 1 year</b>				
Debt Securities:				
Government and state enterprise securities	-		335,000,000	
<b>Total held-to-maturity debt securities - due within 1 year</b>	<b>-</b>		<b>335,000,000</b>	
<b>Net current investments</b>	<b>2,537,845,421</b>		<b>2,521,088,917</b>	
<b><u>Long-term investments</u></b>				
<b>Available-for-sales securities</b>				
Debt securities:				
Debt securities of private sector	-	-	100,000,000	99,895,030
Add (less): Allowance for changes in value	-		(104,970)	
Debt securities - net	-		99,895,030	
<b>Total available-for-sales securities</b>	<b>-</b>		<b>99,895,030</b>	
<b>Held-to-maturity debt securities</b>				
Debt securities:				
Debt securities of private sector	698,561,388		-	
Add (less): Allowance for changes in value	-		-	
Debt securities - net	698,561,388		-	

(Unit: Baht)

	As at			
	31 December 2009		31 December 2008	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Other investments</b>				
Equity securities:				
Domestic non-marketable equity securities	696,654,733		705,797,590	
Investment in receivables	4,495,182,363		1,138,771,537	
Total	5,191,837,096		1,844,569,127	
Less: Allowance for impairment	(78,673,093)		(102,935,871)	
<b>Total other investments</b>	<b>5,113,164,003</b>		<b>1,741,633,256</b>	
<b>Net long-term investments</b>	<b>5,811,725,391</b>		<b>1,841,528,286</b>	
<b>Investment in subsidiaries</b>				
Investments in subsidiaries (cost method)	66,482,955		96,063,931	
Less: Allowance for impairment	(6,427,317)		-	
<b>Total investments in subsidiaries</b>	<b>60,055,638</b>		<b>96,063,931</b>	
<b>Net investments</b>	<b>8,409,626,450</b>		<b>4,458,681,134</b>	

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

(Unit: Million Baht)

	As at		Remark
	31 December 2009	31 December 2008	
	Government bonds	-	

### 3.2.2 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	31 December 2009	31 December 2008	
	Government debt securities	1	

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

(Unit: Baht)

	As at 31 December 2009			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	848,750,995	1,080,536	-	849,831,531
Debt securities of private sector	228,856,056	1,184,142,421	265,121,038	1,678,119,515
Total	1,077,607,051	1,185,222,957	265,121,038	2,527,951,046
Add (less): Allowance for changes in value	1,577,410	3,279,988	6,466,962	11,324,360
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,077,724,461	1,188,502,945	271,588,000	2,537,815,406
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	-	-	698,561,388	698,561,388
Total	-	-	698,561,388	698,561,388
<b>Total debt securities</b>	1,077,724,461	1,188,502,945	970,149,388	3,236,376,794

(Unit: Baht)

	As at 31 December 2008			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	415,133,679	-	1,097,496	416,231,175
Debt securities of private sector	31,552,767	170,064,148	-	201,616,915
Foreign debt securities	1,869,822,358	-	-	1,869,822,358
Total	2,316,508,804	170,064,148	1,097,496	2,487,670,448
Add (less): Allowance for changes in value	8,152,524	(242,597)	54,440	7,964,367
Exchange difference	(208,190,868)	-	-	(208,190,868)
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	2,115,010,460	169,821,551	1,151,936	2,285,983,947
<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>	2,450,010,460	169,821,551	1,151,936	2,620,983,947

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

(Unit: Baht)

	As at 31 December 2009		
	Cost	Fair value	Allowance for
			changes in
			value <sup>(1)</sup>
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

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

### 3.2.5 Investments where the Bank hold not less than 10 percent of the equity of the investees

(Unit: Baht)

Security's name	As at					
	31 December 2009			31 December 2008		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid Amounts	Percentage of holding
						%
<b><u>Insurance:</u></b>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<b><u>Services:</u></b>						
TISCO Securities Hong Kong Limited (in the process of liquidation)	60,055,638	-	100	66,482,955	-	100
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><u>Leasing and hire purchase:</u></b>						
TISCO Leasing Co., Ltd.	-	-	99.99	29,570,976	-	99.99
<b><u>Trading import and export:</u></b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	3,796,500	-	10	4,291,200	-	10
<b><u>Real estate:</u></b>						
Prosperity Industrial Estate Co., Ltd.	45,156,456	-	10	45,227,553	-	10
UMI Property Co.,Ltd.	8,085,000	-	10	8,842,500	-	10
<b><u>Industrial:</u></b>						
Siam Art Ceramic Co., Ltd.	16,753,000	-	10	16,555,000	-	10



### 3.3 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Paid-up share capital		Cost		Dividend received	
		as at		as at		for the years ended	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
<b><u>Subsidiaries directly held by the Bank:</u></b>							
TISCO Securities Co., Ltd.	Securities business	1,500	1,500	-	-	-	244
TISCO Asset Management Co., Ltd.	Asset management	100	100	-	-	-	205
TISCO Leasing Co., Ltd.	Leasing	14	56	-	30	-	209
Hi-Way Co., Ltd.	Hire purchase	100	100	-	-	-	102
TISCO Information Technology Co., Ltd.	Services	20	20	-	-	-	10
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	HKD 20 million	HKD 20 million	66	66	-	-
Less: Allowance for impairment				(6)	-	-	-
				60	66	-	-
Investments in subsidiaries - net				60	96	-	770

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.

On 12 April 2007, Thai Commercial Auto Company Limited (a subsidiary company) and VLT Leasing Company Limited (the subsidiary of Thai Commercial Auto Company Limited) were deregistered with the Ministry of Commerce, and they are currently in the process of liquidation.

On 26 June 2008, TISCO Securities Hong Kong Limited (a subsidiary company) was deregistered and is currently in the process of liquidation.

On 22 August 2008, the Bank set up TISCO Financial Group Public Company Limited and holds 95% of its called-up share capital of Baht 10,000. This company was established as a holding company, to be the parent company of TISCO Group instead of the Bank, in accordance with the holding restructuring plan, as mentioned in Note 4.1 to the financial statements. On 16 January 2009, the initial capital of Baht 10,000 of TISCO Financial Group Public Company Limited was returned to the Bank with respect to the decrease in the company's registered initial capital in order to prevent crossholding after the completion of the shareholding restructuring of TISCO Group.

In accordance with the holding restructuring plan of TISCO Group, on 30 December 2008, the Bank sold all of its investments in subsidiaries to TISCO Financial Group Public Company Limited, except for those in TISCO Leasing Company Limited and TISCO Securities Hong Kong Limited, for a total of approximately Baht 1,980 million, and has recorded a loss from the sale of these investments of approximately Baht 56 million. The Bank has already received full payment of the above amount, as mentioned in Note 4.3 d) to the financial statements.

As mentioned in Note 4.4.3 c) to the financial statements, during the year 2009, TISCO Leasing Company Limited decreased the company's registered share capital amounting to Baht 42 million, which exceeded the investment accounted by the cost method. The Bank recorded the difference of a return of capital and the book value of investment in that company amounting to Baht 12 million as "Gain on investment" in the income statements.

### 3.4 Loans, receivables and accrued interest receivable

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

	(Unit: Baht)	
	As at	
	31 December 2009	31 December 2008
<b><u>Loans and receivables</u></b>		
Loans	18,352,648,847	20,799,531,372
Hire purchase		
Hire purchase	103,027,009,909	92,232,993,997
Add (less): Unearned income	(13,035,821,506)	(12,123,019,770)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	758,729,451	621,421,304
Net hire purchase receivables	90,749,917,854	80,731,395,531
Total loans and receivables	109,102,566,701	101,530,926,903
Add: Accrued interest receivable	97,471,206	110,754,580
Less: Allowance for doubtful accounts	(2,088,416,132)	(1,604,457,372)
Less: Allowance for loss on debt restructuring	(18,258)	(18,258)
Net loans, receivables and accrued interest receivable	107,111,603,517	100,037,205,853

### 3.4.2 Classified by remaining periods of contracts

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Loans and receivables		
Not over 1 year (included contract which are due)	9,454,190,076	12,074,778,031
Over 1 year	99,648,376,625	89,456,148,872
Total loans and receivables	109,102,566,701	101,530,926,903
Add: Accrued interest receivable	97,471,206	110,754,580
Total loans, receivables and accrued interest receivable	<u>109,200,037,907</u>	<u>101,641,681,483</u>

### 3.4.3 Classified by type of business

(Unit: Baht)

	As at 31 December 2009					Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	128,555,081	3,414,844	1,448,917	1,106,412	549,595	135,074,849
Manufacturing and commerce	9,931,122,109	114,860,479	22,438,973	40,336,878	77,028,736	10,185,787,175
Real estate and construction	5,678,583,780	112,068,418	40,469,174	11,655,378	394,867,319	6,237,644,069
Public utilities and services	2,521,037,258	229,168,643	22,700,325	35,896,574	24,353,920	2,833,156,720
Personal use						
Hire purchase	75,355,889,115	5,977,623,129	648,963,840	235,929,306	268,361,588	82,486,766,978
Housing loans	1,269,250,322	36,073,885	22,448,055	20,627,110	127,428,441	1,475,827,813
Others	5,141,978,159	141,861,245	15,557,997	8,131,865	440,779,831	5,748,309,097
Total loans and receivables	100,026,415,824	6,615,070,643	774,027,281	353,683,523	1,333,369,430	109,102,566,701
Add: Accrued interest receivable	14,922,739	82,548,467	-	-	-	97,471,206
Total loans, receivables and accrued interest receivable	<u>100,041,338,563</u>	<u>6,697,619,110</u>	<u>774,027,281</u>	<u>353,683,523</u>	<u>1,333,369,430</u>	<u>109,200,037,907</u>

(Unit: Baht)

	As at 31 December 2008					Total
	Pass	Special- mentioned	Sub- Standard	Doubtful	Doubtful of loss	
Agricultural and mining	121,834,907	3,269,345	-	245,991	-	125,350,243
Manufacturing and commerce	7,074,285,218	165,700,977	33,375,457	17,300,664	51,547,354	7,342,209,670
Real estate and construction	8,265,099,280	107,521,231	19,458,732	27,785,108	387,851,106	8,807,715,457
Public utilities and services	3,031,153,439	112,714,616	44,193,625	12,350,173	12,384,335	3,212,796,188
Personal use						
Hire purchase	65,794,611,089	6,010,762,700	837,776,039	284,162,006	181,876,230	73,109,188,064
Housing loans	1,479,727,790	38,356,878	25,644,460	24,382,016	137,914,535	1,706,025,679
Others	6,635,184,664	124,621,782	17,229,940	12,236,841	438,368,375	7,227,641,602
Total loans and receivables	92,401,896,387	6,562,947,529	977,678,253	378,462,799	1,209,941,935	101,530,926,903
Add: Accrued interest receivable	26,633,480	84,121,100	-	-	-	110,754,580
Total loans, receivables and accrued interest receivable	<u>92,428,529,867</u>	<u>6,647,068,629</u>	<u>977,678,253</u>	<u>378,462,799</u>	<u>1,209,941,935</u>	<u>101,641,681,483</u>

### 3.4.4 Hire purchase receivables

As at 31 December 2009, net receivables of the Bank under hire purchase agreements amount to Baht 90,750 million (2008: Baht 80,731 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

As at 31 December 2009					
Amounts of installments due under the long-term lease agreements					
	Less than			Non	
	1 year	1 - 5 years	Over 5 years	performing	Total
				loans	
Hire purchase receivables	33,269	66,158	1,364	2,236	103,027
Unearned income*	(5,089)	(6,306)	(33)	(849)	(12,277)
Hire purchase receivables - net	<u>28,180</u>	<u>59,852</u>	<u>1,331</u>	<u>1,387</u>	<u>90,750</u>
Allowance for doubtful accounts					<u>853</u>

\* Net of commissions and direct expenses incurred at the initiation of hire purchase.

(Unit: Million Baht)

As at 31 December 2008					
Amounts of installments due under the long-term lease agreements					
	Less than			Non	
	1 year	1 - 5 years	Over 5 years	performing	Total
				loans	
Hire purchase receivables	29,438	59,164	1,505	2,126	92,233
Unearned income*	(4,743)	(6,084)	(46)	(629)	(11,502)
Hire purchase receivables - net	<u>24,695</u>	<u>53,080</u>	<u>1,459</u>	<u>1,497</u>	<u>80,731</u>
Allowance for doubtful accounts					<u>822</u>

\* Net of commissions and direct expenses incurred at the initiation of hire purchase.

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

(Unit: Million Baht)

The Bank	Amounts calculated under BOT's guidelines <sup>(2)</sup>		Amounts calculated under the Bank's policy	
	as at		as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Loans and receivables for which the recognition of interest income has ceased <sup>(1)</sup>	4,084	3,241	4,262 <sup>(3)</sup>	3,405 <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 1,103 million (2008: Baht 1,396 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.

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

(Unit: Million Baht)

	As at	
	31 December 2009	31 December 2008
	Unearned interest income <sup>(1)</sup>	12,525

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

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

(Unit: Million Baht)

	As at 31 December 2009
Restructured loans and receivables <sup>(1)</sup>	330
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.

### 3.4.8 Troubled debt restructuring

#### - Debt restructuring during the year

	For the years ended 31 December	
	2009	2008
Debtors restructured during the year		
Number of debtors restructured by modified of terms (number)	949	109
Loan balances before restructuring (million Baht)	1,082	639
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	10	6
Corporate loan receivables	2	1
Interest income on restructured receivables (million Baht)	48	82
Receipt of principal and interest (million Baht)	256	768

#### - The balance of the restructured debts

(Unit: Million Baht)

	As at	
	31 December 2009	31 December 2008
The balance of the restructured debts	1,733	1,203

### 3.5 Allowance for doubtful accounts / allowance for loss on debt restructuring

#### 3.5.1 Allowance for doubtful accounts - Classified by the receivables classification

(Unit: Baht)

	As at 31 December 2009						
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	396,655,603	29,591,085	146,883,527	138,905,074	625,833,199	266,588,884	1,604,457,372
Increase (decrease) in allowance for doubtful accounts during the year	198,854,663	48,760,693	449,209,694	601,266,448	(72,594,076)	503,328,658	1,728,826,080
Bad debt written-off	(604,849)	(17,709,291)	(433,838,749)	(668,696,708)	(81,947,731)	(42,069,992)	(1,244,867,320)
Balance - end of year	594,905,417	60,642,487	162,254,472	71,474,814	471,291,392	727,847,550	2,088,416,132

(Unit: Baht)

	As at 31 December 2008						
	Pass	Special-Mentioned	Sub-standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	183,195,309	95,077,204	226,052,602	122,397,251	1,627,783,257	210,411,437	2,464,917,060
Increase (decrease) in allowance for doubtful accounts during the year	218,819,025	(35,268,528)	264,641,065	486,606,437	122,806,855	56,177,447	1,113,782,301
Bad debt written-off	(5,358,731)	(30,217,591)	(343,810,140)	(470,098,614)	(1,124,756,913)	-	(1,974,241,989)
Balance - end of year	396,655,603	29,591,085	146,883,527	138,905,074	625,833,199	266,588,884	1,604,457,372

### 3.5.2 Allowance for doubtful accounts - Classified by loan loss provisioning method

(Unit: Baht)

	As at 31 December 2009			
	Individual impairment	Collective impairment	General reserve	Total
Balance - beginning of year	515,366,089	822,502,399	266,588,884	1,604,457,372
Increase (decrease) in allowance for doubtful accounts during the year	24,522,676	1,200,974,746	503,328,658	1,728,826,080
Bad debt written-off	(31,986,645)	(1,170,810,683)	(42,069,992)	(1,244,867,320)
Balance - end of year	507,902,120	852,666,462	727,847,550	2,088,416,132

(Unit: Baht)

	As at 31 December 2008			
	Individual impairment	Collective impairment	General reserve	Total
Balance - beginning of year	1,800,240,062	454,265,561	210,411,437	2,464,917,060
Increase (decrease) in allowance for doubtful accounts during the year	(209,861,855)	1,267,466,709	56,177,447	1,113,782,301
Bad debt written-off	(1,075,012,118)	(899,229,871)	-	(1,974,241,989)
Balance - end of year	515,366,089	822,502,399	266,588,884	1,604,457,372

### 3.5.3 Allowance for doubtful accounts / allowance for loss on debt restructuring

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring	As at	
	31 December 2009	31 December 2008
Amount to be provided under BOT's guidelines	1,327	1,270
Amount already recorded by the Bank	2,088 <sup>(1)</sup>	1,604 <sup>(1)</sup>
Amount in excess of the required amount	761	334

<sup>(1)</sup> The allowance for doubtful debts consists of allowance for doubtful debts of Baht 432 million (2008: Baht 758 million) set aside for the unsecured portion of loans amounting to Baht 1,103 million (2008: Baht 1,396 million) at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,656 million (2008: Baht 846 million) set up for the other loans and receivables.

### 3.5.4 Allowance for loss on debt restructuring

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Balance - beginning of year	18,258	538,175
Increase during the year	-	18,258
Written-off/transfer to general reserve	-	(538,175)
Balance - end of year	<u>18,258</u>	<u>18,258</u>

### 3.5.5 Non-performing loans and receivables

(Unit: Million Baht)

	As at	
	31 December 2009	31 December 2008
Non-performing loans and receivables	2,461	2,566
Allowance for doubtful accounts	704	911

## 3.6 Classification of assets

### 3.6.1 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		as at		as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Debt instruments - debentures <sup>(2)</sup>	1	1	-	-	1	1
Equity instruments - ordinary shares <sup>(3)</sup>	6	6	-	-	6	6

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

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

<sup>(3)</sup> 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.



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

(Unit: Million Baht)

	Debt balance		Debt balance after		Allowance for doubtful accounts			
	as at		net of collateral		Amounts to be provided under		Amounts already set up	
			as at		BOT's guidelines		by the Bank	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Loans and receivables</b> <sup>(1)(2)(3)</sup>								
Pass	109,926	105,512	89,825	92,419	594	380	595	396
Special mentioned	6,615	6,563	6,560	6,489	59	30	61	30
Substandard	774	978	745	954	162	147	162	147
Doubtful	354	378	309	337	71	139	71	139
Doubtful of loss	1,333	1,210	736	588	441	575	471	625
Total	119,002	114,641	98,175	100,787	1,327	1,271	1,360	1,337
Loss on receivables under troubled debt restructuring	-	-	-	-	-	-	-	-
Total	119,002	114,641	98,175	100,787	1,327	1,271	1,360	1,337
General reserve							728	267
Total							2,088	1,604
<b>Investments in securities</b>								
Doubtful of loss								
Debt instruments	2	203	2	203	2	203	2	203
Equity instruments	67	67	67	67	67	67	67	67
Total	69	270	69	270	69	270	69	270
<b>Investments in receivables</b>								
Doubtful of loss	12	36	12	36	12	36	12	36
<b>Property foreclosed</b>								
Doubtful of loss	61	43	61	43	61	43	537	43
Total classified assets	119,144	114,990	98,317	101,136	1,469	1,620	2,706	1,953

<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 investment in debt securities under resale agreements of BOT and other commercial banks, and loans to financial institutions (which presented as part of interbank and money market items (assets) in the balance sheet).

### 3.6.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which the Bank sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up <sup>(2)</sup>		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Hire purchase receivables<sup>(1)</sup></b>								
Pass	82,924	72,859	82,924	72,859	0.65	0.43	525	316
Special mentioned	6,440	6,375	6,440	6,375	0.65	0.43	57	27
Substandard	730	937	730	937	19.57	32.00	147	130
Doubtful	294	324	294	324	19.57	32.00	57	126
Doubtful of loss	362	236	362	236	19.57	32.00	67	223
<b>Total</b>	<b>90,750</b>	<b>80,731</b>	<b>90,750</b>	<b>80,731</b>			<b>853</b>	<b>822</b>

<sup>(1)</sup> The Bank does not deduct the collateral value from the outstanding loan balance for calculation allowance for doubtful accounts for purchase receivables.

<sup>(2)</sup> These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

### 3.6.4 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		as at		as at		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
		Million Baht	Million Baht	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	2	3	274	279	156	182	144	147
3. Listed companies whose shares have been suspended from trading	-	-	-	-	-	-	-	-
4. Listed companies under rehabilitation	1	2	78	92	10	12	72	81
5. Companies which have loan settlement problems or have defaulted on payment of debts	1	2	3	339	-	276	3	63
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>7</b>	<b>355</b>	<b>710</b>	<b>166</b>	<b>470</b>	<b>219</b>	<b>291</b>

### 3.7 Property foreclosed

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Foreclosed assets		
Immovable assets		
Balance - beginning of year	986,728,283	1,017,130,703
Additions	-	1,502,192
Disposals	(473,727,908)	(31,904,612)
Balance - end of year	513,000,375	986,728,283
Movable assets		
Balance - beginning of year	60,013,965	43,967,955
Additions	2,521,211,796	1,967,415,635
Disposals	(2,509,718,945)	(1,951,369,625)
Balance - end of year	71,506,816	60,013,965
Less: Allowance for impairment		
Balance - beginning of year	14,539,402	14,242,630
Increase	18,136,609	5,823,399
Decrease	(1,003,260)	(5,526,627)
Balance - end of year	31,672,751	14,539,402
Property foreclosed - net	552,834,440	1,032,202,846
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(505,592,600)	(28,948,816)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	47,241,840	1,003,254,030

### 3.8 Land, premises and equipment

(Unit: Baht)

	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles	Total
<b><u>Cost:</u></b>						
31 December 2008	160,495,583	300,868,586	527,387,309	375,361,680	76,114,054	1,440,227,212
Additions	-	-	73,374,126	36,951,613	1,021,175	111,346,914
Disposals	-	-	(53,340,786)	(4,654,258)	(2,020,491)	(60,015,535)
31 December 2009	160,495,583	300,868,586	547,420,649	407,659,035	75,114,738	1,491,558,591
<b><u>Accumulated depreciation:</u></b>						
31 December 2008	-	145,431,443	368,797,791	166,288,376	58,498,650	739,016,260
Depreciation for the year	-	16,228,659	80,827,175	55,758,343	9,281,034	162,095,211
Depreciation on disposals	-	-	(53,312,568)	(3,846,454)	(2,020,491)	(59,179,513)
31 December 2009	-	161,660,102	396,312,398	218,200,265	65,759,193	841,931,958
<b><u>Net book value:</u></b>						
31 December 2008	160,495,583	155,437,143	158,589,518	209,073,304	17,615,404	701,210,952
31 December 2009	160,495,583	139,208,484	151,108,251	189,458,770	9,355,545	649,626,633
<b><u>Depreciation for the years ended 31 December:</u></b>						
2008						169,225,003
2009						162,095,211

### 3.9 Other assets

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Value added tax - net	291,148,574	243,749,262
Accrued interest receivable	44,178,360	24,812,518
Fee and charges receivable	21,608,787	91,925,319
Deferred computer system development cost - net	136,807,263	111,730,218
Deposits	23,423,377	21,137,048
Other receivables	413,534,370	539,343,766
Financial derivatives assets	1,143,509	197,909,233
Other assets	110,639,301	195,191,442
<b>Total other assets</b>	<b>1,042,483,541</b>	<b>1,425,798,806</b>

### 3.10 Deposits

#### 3.10.1 Classified by type of deposits

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Promissory notes	2,375,650	2,399,539
Deposits		
Current accounts	7,552,992,425	6,467,619,839
Saving accounts	17,920,363,064	5,140,404,361
Fixed accounts		
- not over 6 months	619,774,357	727,196,529
- over 6 months and less than 1 year	671,524,768	2,297,400,375
- over 1 year	648,494,664	1,019,142,113
Certificates of deposit/negotiable certificates of deposit	29,515,424,161	43,221,618,110
<b>Total</b>	<b>56,930,949,089</b>	<b>58,875,780,866</b>

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

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Not over 1 year*	56,434,314,467	56,972,419,521
Over 1 year	496,634,622	1,903,361,345
<b>Total deposits</b>	<b>56,930,949,089</b>	<b>58,875,780,866</b>

\*Including fully-mature deposit contract

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

(Unit: Baht)

	As at					
	31 December 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Commercial banks	2,041,611	-	2,041,611	13,144,133	-	13,144,133
Other banks and financial institutions	661,389,735	3,658,013,509	4,319,403,244	842,280,991	3,096,292,804	3,938,573,795
<b>Total</b>	<b>663,431,346</b>	<b>3,658,013,509</b>	<b>4,321,444,855</b>	<b>855,425,124</b>	<b>3,096,292,804</b>	<b>3,951,717,928</b>

The Bank has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange with a local financial institution for a fixed interest rate, as mentioned in Note 3.27.5 to the financial statements.

### 3.12 Borrowings

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
<u>Domestic borrowings</u>		
Subordinated unsecured debentures issued by the Ministry of Finance, under the Tier II capital support scheme	-	331,000,000
Subordinated unsecured debentures	4,000,000,000	-
Unsubordinated unsecured debentures	4,000,000,000	4,000,000,000
Bills of exchange	47,547,004,575	40,558,889,537
Promissory note	-	37,603,885
<b>Total</b>	<b>55,547,004,575</b>	<b>44,927,493,422</b>

#### 3.12.1 Subordinated unsecured debentures issued by the Ministry of Finance under the Tier II capital support scheme

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.

During the current year, the Bank redeemed all amount of such debentures.

### 3.12.2 Subordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		31 December 2009	31 December 2008		31 December 2009	31 December 2008		
		2009	Subordinated and unsecured long-term debentures		2 million	-		
2009	Subordinated and unsecured long-term debentures	2 million	-	1,000	2,000	-	2019	5.0 percent per annum in the first to third years, 5.5 percent per annum in the fourth to seventh years and 6.0 percent per annum in the eighth to tenth years.
Total					4,000	-		

### 3.12.3 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		31 December 2009	31 December 2008		31 December 2009	31 December 2008		
		2007	Unsubordinated and unsecured long-term debentures		3 million	3 million		
2007	Unsubordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total					4,000	4,000		

### 3.12.4 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2010 to 2011. The interest rates of the fixed interest rates bearing bills of exchange are between 0.75 and 4.96 percent per annum.

The Bank has entered into interest rate swap agreements to swap the floating interest rate on Baht 380 million of bills of exchange for a fixed interest rate, as mentioned in Note 3.27.5 to the financial statements.

### 3.12.5 Promissory note

As of 31 December 2008, 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 matured in 2009.

The Bank entered into a call option agreement, under which rewards were referenced to SET50 Index. Therefore, the net return was equal to the issue of fixed effective return rate promissory note. The call option agreement reached maturity in 2009.

### 3.13 Other liabilities

(Unit: Baht)

	As at	
	31 December 2009	31 December 2008
Corporate income tax payable	571,218,915	-
Withholding income tax and other tax payable	160,841,225	123,432,700
Accrued insurance premium	279,017,740	623,428,234
Deferred income	172,065,462	125,302,374
Accrued expenses	122,271,978	25,120,979
Dividend payable	436,889,490	-
Other liabilities	272,004,818	200,021,427
Total other liabilities	<u>2,014,309,628</u>	<u>1,097,305,714</u>

### 3.14 Preference shares converted to ordinary shares

Up to 31 December 2009, 627,879,046 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2009, there are 73,204 preference shares which are convertible to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

### 3.15 Warrants

In 2008, under the holding restructuring plan of TISCO Group, all 970,250 unexercised warrants of TISCO Bank were exchanged for warrants to purchase preference shares of TISCO Financial Group Public Company Limited.



### 3.16 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of Bank of Thailand.

The Bank maintains capital adequacy ratio in comply with Basel II principles which is implementing capital requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets, at the end of 2009.

As at 31 December 2009 and 2008, Capital funds of the Bank are as follows:

	(Unit: Thousand Baht)	
	as at	
	31 December 2009	31 December 2008
	(Internal Ratings- Based Approach)	(Standardised Approach)
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,281,523
Premium on share capital	130,451	130,451
Statutory reserve	547,000	486,800
Retained earnings - unappropriated	3,050,225	2,676,060
Less : Deferred tax assets	(482,797)	(184,924)
Shortage provision according to IRB	(420,199)	-
Total Tier I	<u>10,106,203</u>	<u>10,389,910</u>
<u>Tier II</u>		
Subordinated debentures	4,000,000	66,200
Reserve for loans classified as pass	71,892	380,640
Less : Shortage provision according to IRB	(420,199)	-
Total Tier II	<u>3,651,693</u>	<u>446,840</u>
Total capital fund	<u>13,757,896</u>	<u>10,836,750</u>

Capital ratios	as at			
	31 December 2009		31 December 2008	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	12.46%	4.25%	11.23%	4.25%
Total capital to risk assets	16.96%	8.50%	11.71%	8.50%

In addition, the Bank disclosed capital maintenance information under the Notification of the Bank of Thailand No. SorNorSor. 25/2552 regarding "Public Disclosure of Capital Maintenance for Commercial Banks" dated 14 December 2009 as follows:

Location of disclosure:	The Bank's website
Date of disclosure:	Within 30 April 2010
Information as of:	31 December 2009

### 3.17 Revaluation surplus (deficit) on investments

	(Unit: Baht)	
	As at 31 December	
	2009	2008
Balance - beginning of year	7,964,366	54,594,756
Increase (decrease) from changes in the value of securities during the year	3,359,994	(46,630,390)
	11,324,360	7,964,366
Add (less): The effect of deferred tax assets / liabilities	(3,397,308)	(2,389,309)
Balance - end of year	7,927,052	5,575,057

### 3.18 Gain (loss) on investments

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Allowance for impairment of investments (reversal)	17,821,461	(44,329,201)
Realised gain (loss) on investments	53,417,769	(1,113,198,638)
Total	71,239,230	(1,157,527,839)

### 3.19 Other income

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Penalty fee income from loans	178,787,490	123,488,397
Gains on disposal of property foreclosed	182,327,141	27,885,032
Rental income	5,539,237	23,972,665
Others	297,472,407	204,817,932
Total	664,126,275	380,164,026

### 3.20 Other expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Contributions to the Financial Institutions Development		
Fund/Deposit Protection Agency	228,752,550	170,932,163
Allowance for impairment of property foreclosed	505,756,383	14,953,680
Mailing expenses	33,344,918	26,857,531
Loan losses from court - ordered executions	19,763,680	15,658,084
Transportation expenses	55,955,435	57,877,824
Advertising and promotion expenses	135,233,871	36,545,687
Others	113,911,321	121,631,436
Total	<u>1,092,718,158</u>	<u>444,456,405</u>

### 3.21 Corporate income tax

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Income tax payable on taxable profit for the year	882,045,050	89,395,383
Add (less): Net decrease (increase) in deferred tax on temporary differences	(297,873,592)	52,586,300
Adjustment in respect of current income tax of prior year	(141,036)	5,522,508
Income tax expenses - net	<u>584,030,422</u>	<u>147,504,191</u>

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

	(Unit: Thousand Baht)	
	As at	
	31 December 2009	31 December 2008
Allowance for doubtful accounts (general reserve)	727,848	266,589
Allowance for impairment of investments	135,600	153,435
Allowance for impairment of property foreclosed	537,265	43,488
Non-accrual of interest income	603,936	606,620
Depreciation of assets	70,979	78,998
Financial assets	65,195	36,687
Revaluation surplus on changes in the value of investments	(11,324)	(7,964)
Unrealised gain on derivatives	(68)	(866)
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(758,729)	(621,421)
Deferred subsidised income	140,479	52,273
Accrued expenses	86,372	-
Others	446	608
	<u>1,597,999</u>	<u>608,447</u>
 <b>Deferred tax assets (30%)</b>	 <u>479,400</u>	 <u>182,534</u>

### 3.22 Provident fund

	For the years ended	
	31 December 2009	31 December 2008
Amounts contributed to the provident fund (Million Baht)	37	37

### 3.23 Earnings per share

The computation of basic and diluted earnings per share is listed below.

	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2009	2008	2009	2008	2009	2008
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Net income	1,357,063	1,203,707				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(91,750)	(183,401)				
	1,265,313	1,020,306	728,152	728,035	1.74	1.40
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to purchase preferences shares	-	-	-	-		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,265,313	1,020,306	728,152	728,035	1.74	1.40

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 have been equal to the holders of ordinary shares (as mentioned in Note 2.2 to the financial statements).

In calculating diluted earnings per share for the year ended 31 December 2009 and 2008, the number of potential ordinary shares that the Bank may have to issue, has not been taken into account since warrants to purchase preference shares of the Bank were cancelled according to the holding restructuring plan of TISCO group.

### 3.24 Related party transactions

(Unit: Thousand Baht)

	Balance - beginning of year	Increase	Decrease	Balance - end of year
<b><u>Outstanding balance as at 31 December 2009</u></b>				
<b>Parent company</b>				
Loan to				
TISCO Financial Group Plc.	2,600,000	570,000	(3,170,000)	-
Deposits in Baht				
TISCO Financial Group Plc.	27,992	95,491	(57,078)	66,405
Borrowing				
TISCO Financial Group Plc.	-	360,000	-	360,000
Dividend payable				
TISCO Financial Group Plc.	-	1,457,681	(1,021,485)	436,196
Other assets				
TISCO Financial Group Plc.	-	250,125	(250,125)	-
<b>Subsidiary company</b>				
Other assets				
TISCO Leasing Co., Ltd.	168,000	-	(168,000)	-
Deposits in Baht:				
TISCO Leasing Co., Ltd.	2,150	3,410	-	5,560
Borrowings				
TISCO Leasing Co., Ltd.	-	87,277	(39,569)	47,708
<b>Related companies</b>				
Loan to				
TISCO Information Technology Co.,Ltd.	-	15,000	-	15,000
Other assets				
TISCO Securities Co., Ltd.	34,266	-	(32,916)	1,350
TISCO Information Technology Co., Ltd.	-	42,500	(42,500)	-
Primus Leasing Co.,Ltd.	-	914	(854)	60
Deposits in Baht				
Hi-Way Co., Ltd.	17,839	5,210	(10,658)	12,391
TISCO Information Technology Co., Ltd.	5,079	4,088	(1,114)	8,053
Primus Leasing Co.,Ltd.	-	29,630	-	29,630
TISCO Tokyo Leasing Co.,Ltd.	104	362	-	464
Interbank and money market items (liabilities)				
TISCO Securities Co., Ltd.	128,962	-	(126,890)	2,072
TISCO Asset Management Co., Ltd.	27,094	46,088	(17,874)	55,308
Borrowings				
Hi-Way Co., Ltd.	23,000	-	(23,000)	-
TISCO Information Technology Co., Ltd.	2,000	50,000	(52,000)	-

(Unit Thousand Baht)

	2009	2008	Terms and pricing policy
			(For the year 2009)
<b><u>Transactions occurred during the years ended</u></b>			
<b><u>31 December</u></b>			
<b>Subsidiary companies and related companies</b>			
Risk and financial management fee income and human resources management fee income	-	28,651	In accordance with the centralised policy for supporting activities of the Bank and related companies, which was approved by the Bank of Thailand
Accounts receivable management fee income and office administration fee income	-	14,283	With reference to the terms and prices as offered to other customers
Interest income	70,334	712	With reference to the terms and prices as offered to other customers
Other income	1,259	3,071	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	170,000	138,000	In accordance with the centralised policy for supporting activities of the Bank and related companies, which was approved by the Bank of Thailand
Risk and financial management expenses and human resources management expenses and office administration expenses	800,000	-	In accordance with the centralised policy for supporting activities of the Bank and related companies, which was approved by the Bank of Thailand
Underwriting fee for issuing subordinate debentures	8,000	-	With reference to the terms and prices as offered to other customers
Insurance rebate expenses	-	1,684	With reference to the terms and prices as offered to other customers
Interest expenses	6,503	13,128	With reference to the terms and prices as offered to other customers
Others expenses	2,797	2,639	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 December 2009	31 December 2008
Loans	1,949	2,939

Besides the above transactions, the Bank has additional related party transactions with its related companies, which are presented in Note 4.3 to the financial statements.

Directors and management's remuneration

In 2009, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 162 million (2008: Baht 160 million).

**3.25 Financial information by segment**

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

**3.26 Commitments and contingent liabilities**

3.26.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	31 December 2009	31 December 2008
Avals	21,651	70,697
Other guarantees	928,884	984,125
Undrawn client overdraft facilities	8,052	-
Obligations covering principal under interest rate swap agreements (Note 3.27.5)	680,000	1,045,000
Obligations covering principal under call option agreements	-	15,960
Obligations for cross currency swap agreements	-	4,179,690
	<u>1,638,587</u>	<u>6,295,472</u>



### 3.26.2 Litigation

As at 31 December 2009, the Bank has been sued for compensation totaling approximately Baht 147 million. Final judgments have not yet been reached in respect of these cases.

In December 2005, 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 201 million as at 31 December 2009). During the current year, this case is currently under consideration of the court.

The management of the Bank and its subsidiary believes that no material losses to the financial statements will be incurred as a result of the above mentioned lawsuits and damages claims.

### 3.26.3 Other commitments

- a) 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.
- b) The Bank has entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3 years.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	52
1 to 3 years	39

## 3.27 Financial instruments

### 3.27.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Bank on the due date or to intentionally fail to make payments to the Bank in accordance with the agreement.

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

The Bank has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Bank manages 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 has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. The Bank 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 therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank is not exposed to concentrations of credit risk because it has 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.

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank that operates a banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follow:

(Unit: Million Baht)

	As at	
	31 December 2009	31 December 2008
Neither past due nor impaired		
Very high grade	57,448	53,755
High grade	22,443	16,642
Medium grade	3,033	2,462
Sub total	82,924	72,859
Hire purchase receivable - overdue 31 - 90 days	6,440	6,375
Hire purchase receivable - overdue more than 90 days	1,386	1,497
Total	<u>90,750</u>	<u>80,731</u>

### 3.27.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices or interest rates, which may affect income or the capital funds of the Bank.

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank uses a combination of risk sensitivities, Value-at-Risk and stress testing to manage market risks and establish limits. The Value-at-Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value-at-Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

### 3.27.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the balance sheet date. The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

	(Unit: Million Baht)	
	Market Risk as at 31 December	
	2009	2008
Marketable financial assets		
Equity securities	-	581
Debts securities	95	6
Foreign currencies	10	18

### 3.27.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Bank at the balance sheet date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

	(Unit: Million Baht)	
	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2009	2008
Change in interest rate		
Increase 1 percent	(279.80)	(238.99)
Decrease 1 percent	279.80	238.99

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual, the interest rate sensitivity incurred would be less than those effected in net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities are not included in marketable debt securities, which presented in the market risk - marketable portfolio.

### 3.27.2.3 Interest rate risk

The Bank has the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

As at 31 December 2009				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	826	826
Interbank and money market items	-	9,901	2,174	12,075
Investment - net	101	7,612	697	8,410
Loans and receivables	8,341	100,279	580	109,200
	<u>8,442</u>	<u>117,792</u>	<u>4,277</u>	<u>130,511</u>
<b><u>Financial liabilities</u></b>				
Deposits	25,227	31,458	246	56,931
Interbank and money market items	21	4,300	-	4,321
Liabilities payable on demand	-	-	345	345
Borrowings	-	55,547	-	55,547
	<u>25,248</u>	<u>91,305</u>	<u>591</u>	<u>117,144</u>

(Unit: Million Baht)

As at 31 December 2008				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	595	595
Interbank and money market items	-	13,113	35	13,148
Investment - net	200	3,517	742	4,459
Loans and receivables	10,380	90,867	395	101,642
	<u>10,580</u>	<u>107,497</u>	<u>1,767</u>	<u>119,844</u>
<b><u>Financial liabilities</u></b>				
Deposits	11,519	47,268	89	58,876
Interbank and money market items	30	3,922	-	3,952
Liabilities payable on demand	-	-	497	497
Borrowings	-	44,927	-	44,927
	<u>11,549</u>	<u>96,117</u>	<u>586</u>	<u>108,252</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)

As at 31 December 2009							
<u>Transactions</u>	Repricing or maturity date					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	-	9,901	-	-	-	9,901	1.2154
Investment - net	59	522	1,483	4,572	976	7,612	4.2859
Loans and receivables	1,017	9,571	23,642	64,584	1,465	100,279	7.1677
	<u>1,076</u>	<u>19,994</u>	<u>25,125</u>	<u>69,156</u>	<u>2,441</u>	<u>117,792</u>	
<b>Financial liabilities</b>							
Deposits	3,497	21,244	6,220	497	-	31,458	1.4297
Interbank and money market items	642	2,773	127	758	-	4,300	2.4168
Borrowings	2,870	34,764	12,483	1,430	4,000	55,547	1.9599
	<u>7,009</u>	<u>58,781</u>	<u>18,830</u>	<u>2,685</u>	<u>4,000</u>	<u>91,305</u>	

(Unit: Million Baht)

As at 31 December 2008							
<u>Transactions</u>	Repricing or maturity date					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	-	13,113	-	-	-	13,113	2.7258
Investment - net	39	2,115	797	565	1	3,517	5.3980
Loans and receivables	3,669	9,301	19,603	56,726	1,568	90,867	7.3760
	<u>3,708</u>	<u>24,529</u>	<u>20,400</u>	<u>57,291</u>	<u>1,569</u>	<u>107,497</u>	
<b>Financial liabilities</b>							
Deposits	2,485	30,060	12,820	1,825	78	47,268	3.3823
Interbank and money market items	825	1,071	716	1,310	-	3,922	3.9940
Borrowings	3,383	30,401	6,168	4,974	1	44,927	3.7406
	<u>6,693</u>	<u>61,532</u>	<u>19,704</u>	<u>8,109</u>	<u>79</u>	<u>96,117</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.

### 3.27.3 Liquidity risk

Counting from the balance sheet date, as at 31 December 2009 and 2008, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

As at 31 December 2009								
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	826	-	-	-	-	-	-	826
Interbank and money market items	2,174	9,901	-	-	-	-	-	12,075
Investments - net	689	522	1,584	4,572	976	67	-	8,410
Loans and receivables	1,629	8,001	24,309	69,055	2,122	-	4,084	109,200
	<u>5,318</u>	<u>18,424</u>	<u>25,893</u>	<u>73,627</u>	<u>3,098</u>	<u>67</u>	<u>4,084</u>	<u>130,511</u>
<b>* Non performing loans according to the BOT's guidelines</b>								
<b>Financial liabilities</b>								
Deposits	28,970	21,244	6,220	497	-	-	-	56,931
Interbank and money market items	663	2,773	127	758	-	-	-	4,321
Liabilities payable on demand	345	-	-	-	-	-	-	345
Borrowings	2,870	34,764	12,483	1,430	4,000	-	-	55,547
	<u>32,848</u>	<u>58,781</u>	<u>18,830</u>	<u>2,685</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>117,144</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	-	22	-	-	-	-	22
Other commitments	31	385	457	300	-	444	-	1,617

(Unit: Million Baht)

As at 31 December 2008								
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	595	-	-	-	-	-	-	595
Interbank and money market items	35	13,113	-	-	-	-	-	13,148
Investments - net	678	2,115	827	735	1	103	-	4,459
Loans and receivables	2,762	9,433	21,644	61,432	3,130	-	3,241	101,642
	<u>4,070</u>	<u>24,661</u>	<u>22,471</u>	<u>62,167</u>	<u>3,131</u>	<u>103</u>	<u>3,241</u>	<u>119,844</u>
<b>* Non performing loans according to the BOT's guidelines</b>								
<b>Financial liabilities</b>								
Deposits	14,093	30,060	12,820	1,825	78	-	-	58,876
Interbank and money market items	855	1,071	716	1,310	-	-	-	3,952
Liabilities payable on demand	497	-	-	-	-	-	-	497
Borrowings	3,383	30,401	6,168	4,974	1	-	-	44,927
	<u>18,828</u>	<u>61,532</u>	<u>19,704</u>	<u>8,109</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>108,252</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	13	46	12	-	-	-	71
Other commitments	28	4,587	511	680	-	419	-	6,225

### 3.27.4 Foreign exchange risk

As at 31 December 2009, the Bank had the significant financial instruments in foreign currencies which are investment in a subsidiary company amounting to HKD 20 million (under the cost method equivalent to Baht 66 million).

### 3.27.5 Derivatives

The Bank has a policy to enter into transactions involving financial derivative instruments, for trading and hedging risks.

As at 31 December 2009, the Bank had the financial derivative instruments by entering into interest rate swap agreements to manage the risk associated with its interest-bearing financial liabilities. The Bank has signed contracts to pay interest at a fixed rate and receive interest at a floating rate, as follow:

Maturity	Notional amount	(Unit: Million Baht)
		Fair value gain (loss)
2010	380	(6)
2012	300	7

### 3.27.6 Fair value of financial instruments

As at 31 December 2009 and 2008, the fair values of significant financial instruments of the Bank, as presented below.

Transactions	(Units: Million Baht)			
	As at			
	31 December 2009		31 December 2008	
	Book Value	Fair Value	Book Value	Fair Value
<b><u>Financial assets</u></b>				
Interbank and money market items	12,075	12,075	13,148	13,148
Investments - net	8,410	8,410	4,459	4,459
Loans and receivables	107,112	110,444	100,037	100,784
<b><u>Financial liabilities</u></b>				
Deposits	56,931	56,931	58,876	58,876
Interbank and money market items	4,321	4,321	3,952	3,952
Liabilities payable on demand	345	345	497	497
Borrowings	55,547	55,488	44,927	44,902

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book value of financial instruments are the values net of the full amount of such allowance for doubtful debt, after adjusting for loan loss reserve.



#### **4. Significant events during the year and other information**

##### **4.1 Holding restructuring**

On 25 April 2008, the 2008 Annual General Meeting of Shareholders of the Bank passed a resolution approving the holding company restructuring plan, the disposition of shares in subsidiaries, and the listing of a new holding company on the Stock Exchange of Thailand, depending on consent from regulators. On 25 April 2008, the Extraordinary General Meeting of Shareholders No.1/2008 of the Bank passed a resolution approving the delisting of the shares of the Bank from the Stock Exchange of Thailand, in accordance with the holding company restructuring plan, whereby a new holding company will list its shares on the Stock Exchange of Thailand in place of the shares of the Bank.

On 5 August 2008, the Bank submitted a formal holding restructuring plan to the Bank of Thailand and on 13 November 2008, the holding restructuring plan was approved by the Bank of Thailand.

TISCO Financial Group Public Company Limited, which was set up as a holding company and to be a parent company, made a tender offer for all securities (ordinary shares, preference shares and warrants to purchase preference shares) of the Bank, with an offer period from 1 December 2008 to 9 January 2009, and issued shares to those the Bank shareholders who had expressed an intention to sell their shares. On 9 January 2009, the company reported that it held 99.51% of the securities of the Bank and implementation of the holding restructuring plan was completed in accordance with the conditions approved by regulators.

On 15 January 2009, the Bank delisted its securities from the Stock Exchange of Thailand in accordance with the TISCO Group shareholding restructuring plan, and the securities of TISCO Financial Group Public Company Limited were listed on the Stock Exchange of Thailand in place of those of the Bank. On 16 January 2009, the initial capital of Baht 10,000 of TISCO Financial Group Public Company Limited was returned to the Bank with respect to the decrease in the company's registered initial capital in order to prevent crossholding after the completion of the shareholding restructuring of TISCO Group.

On 24 April 2009, the 2009 Annual General Meeting of Shareholders of TISCO Financial Group Public Company Limited passed the resolution to approve the acquisition of the remaining 0.49 percent of shares in the Bank from the minority shareholders after the completion of shareholding restructuring plan of TISCO Group. The shareholders delegated the authority to the company's Board of Directors to determine the share swap process as appropriate. Nevertheless, the swap price or the cash purchase price shall not exceed the book value of the Bank as at the transaction date and shall not exceed the previous swap price.

During the year 2009, TISCO Financial Group Public Company Limited acquired the remaining 120,620 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 1.8 million, from the minority shareholders. In addition, the company undertook to issue the company's ordinary shares in exchange of the remaining 2,266,582 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 33.2 million, from the minority shareholders. This acquiring of the remaining ordinary shares of the Bank from the minority shareholders was amounting to 2,387,202 shares, which was equivalent to 0.33% of the Bank's shares in issue. As a result, the company's shareholding in the Bank increased to 99.84% of the Bank's paid up shares and there are 1,158,643 shares of the Bank held by minority shareholders (1,126,639 ordinary shares and 32,004 preference shares), which is equivalent to 0.16% of the Bank's shares in issue.

#### 4.2 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid Million Baht	Dividend payment period
		Preference share	Ordinary share		
		Baht per share	Baht per share		
Final dividends for 2007	The 2008 Annual General Meeting of the shareholders on 25 April 2008	2.80	1.80	1,490	May 2008
Total				<u>1,490</u>	
Final dividends for 2008	The 2009 Annual General Meeting of the Shareholders on 24 April 2009	1.65	0.65	657	April 2009
Interim dividend for 2009	The Board of Directors' Meeting No.4/2009 on 19 June 2009	0.88	0.38	368	July 2009
Interim dividend for 2009	The Board of Directors' Meeting No.7/2009 on 18 December 2009	0.60	0.60	437	January 2010
Total				<u>1,462</u>	

### 4.3 Related party transactions

Besides the related party transactions as described in Note 3.24 to the financial statements, the Bank had additional related party transactions with its related companies during the years, as presented below.

#### Year 2008

- a) On 31 July 2008, the Bank entered into an assignment agreement to claim against hire purchase receivables of its subsidiary, TISCO Leasing Company Limited, for a total consideration of approximately Baht 926 million. This was paid to the subsidiary on 4 August 2008. The transaction was approved by the Executive Board of Directors' Meeting No.6/2008 on 20 June 2008, gave rise to no profit or loss.
- b) On 30 September 2008, the Bank entered into an assignment agreement to claim against lease receivables of its subsidiary, TISCO Leasing Company Limited, for a total consideration of approximately Baht 256 million. This was paid to the subsidiary on 7 October 2008. The subsidiary recorded a gain from the sale of Baht 49 million.
- c) In November 2008, The Bank sold its investments in listed securities to TISCO Securities Company Limited for a total of approximately Baht 480 million, and recorded losses from the sale of the investments of approximately Baht 981 million.
- d) To implement the shareholding restructuring plan of TISCO Group, the Bank has the following significant related party transactions.
  - d.1) The Bank loaned Baht 2,600 million to TISCO Financial Group Public Company Limited, carrying interest at a fixed rate of 5% per annum and maturing within 2009. As at 31 December 2008, the Bank recorded this loan under "Loans and receivables" in the balance sheet.
  - d.2) The Bank sold its investments in group subsidiaries to TISCO Financial Group Public Company Limited in accordance with the holding restructuring plan, and has already received the payment of such sale approximately to Baht 1,980 million. The Bank recorded loss on the sale of such investments amounting to approximately Baht 56 million.

- d.3) The Bank sold 19% holding in TISCO Tokyo Leasing Company Limited to TISCO Financial Group Public Company Limited and has already received the payment of such sale approximately to Baht 21 million. The Bank recorded gain from the sale of such investment amounting to approximately Baht 19 million.
- d.4) The Bank sold office condominium units, furniture and fixtures and office equipment to TISCO Financial Group Public Company Limited, and has already received the payment of such sale approximately to Baht 515 million (including VAT). The Bank recorded gain on the sale of such assets amounting to approximately Baht 48 million.

#### Year 2009

On 2 March 2009, TISCO Bank entered into an assignment agreement to acquire rights of claim over hire purchase receivables, lease receivables and property foreclosed of Primus Leasing Company Limited for a total consideration of approximately Baht 5,144 million, which was at fair value. The fair value of receivables was calculated by discounting cash flow projections under the hire purchase and lease contracts. The discount rate applied was the current new business (new car) rate of TISCO Bank. The fair value of property foreclosed was reference from market price. The purchase price was paid to that company on 24 April 2009.

### **4.4 Significant events of subsidiaries**

#### **4.4.1 Dissolution registration of subsidiaries**

##### TISCO Securities Hong Kong Limited

On 26 June 2008, the General Meeting of the Shareholders passed a special resolution to dissolve the company. TISCO Securities Hong Kong Limited was deregistered on 26 June 2008 and is currently in the process of liquidation.

#### **4.4.2 Capital returns from subsidiaries**

- In March 2008, the Bank received the return of capital totaling Baht 1.4 million from TISCO Group Company Limited.
- In October 2008, the Bank received a returns of capital from the reduction of registered share capital of TISCO Leasing Company Limited totaling Baht 666 million, as mentioned in Note 4.4.3 a) to the financial statements.

- In January 2009, the Bank received the returns of capital from the reduction of registered share capital of TISCO Leasing Company Limited totaling Baht 168 million, as mentioned in Note 4.4.3 b) to the financial statements.
- In October 2009, the Bank received the return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 42 million as mentioned in Note 4.4.3 c) to the financial statements.

#### **4.4.3 Reduction of a subsidiary's registered share capital**

- a) A special resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.5/2008, on 5 September 2008, approved a decrease in that company's registered share capital from Baht 890 million (8,900,000 ordinary shares of Baht 100 each) to Baht 224 million (2,240,000 ordinary shares of Baht 100 each). On 10 October 2008, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- b) A special resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.6/2008, on 31 October 2008, approved a decrease in that company's registered share capital from Baht 224 million (2,240,000 ordinary shares of Baht 100 each) to Baht 56 million (560,000 ordinary shares of Baht 100 each). On 24 December 2008, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- c) A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.1/2009, on 23 September 2009, approved a decrease in that company's registered share capital from Baht 56 million (560,000 ordinary shares of Baht 100 each) to Baht 14 million (140,000 ordinary shares of Baht 100 each). On 27 October 2009, the company registered the decrease in its registered share capital with the Ministry of Commerce.

#### **5. Approval of financial statements**

These financial statements were approved by the Bank's Audit Committee on 8 February 2010.