

TISCO Bank Public Company Limited  
Report and financial statements  
31 December 2011 and 2010

## **Report of Independent Auditor**

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying statement of financial position of TISCO Bank Public Company Limited as at 31 December 2011, and the related statements of comprehensive income, changes in shareholders' equity, and cash flows 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 2010 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under her report dated 4 February 2011, 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 2011, and the results of its operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 1.2 to the financial statements. During the current year, the Bank adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of its financial statements.

A handwritten signature in black ink, appearing to be 'R. Jala'.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 6 February 2012

**TISCO Bank Public Company Limited**

**Statements of financial position**

**As at 31 December 2011 and 2010**

(Unit: Thousand Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>			
Cash		903,069	902,816
Interbank and money market items - net	5.1	29,983,895	12,360,491
Derivatives assets	5.2	22,450	12,800
Investments - net	5.3, 5.7	2,595,951	4,964,602
Investments in subsidiaries - net	5.4	46,911	135,312
Loans to customers and accrued interest receivable - net	5.5, 5.7		
Loans to customers		196,934,575	159,427,815
Accrued interest receivable		222,666	115,567
Total loans to customers and accrued interest receivable		197,157,241	159,543,382
Less: Deferred revenue		(17,321,366)	(14,239,270)
Less: Allowance for doubtful accounts	5.6	(4,098,963)	(3,859,412)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		175,736,909	141,444,697
Property foreclosed - net	5.7, 5.8	257,736	17,963
Premises and equipment - net	5.9	518,331	575,272
Intangible assets - net	5.10	100,304	121,279
Deferred tax assets	5.28	103,387	954,833
Other assets	5.11	1,248,831	856,271
<b>Total assets</b>		<u>211,517,774</u>	<u>162,346,336</u>

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

**TISCO Bank Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2011 and 2010**

(Unit: Thousand Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Deposits	5.12	38,059,886	48,606,378
Interbank and money market items - net	5.13	10,857,981	8,867,299
Liability payable on demand		448,049	532,448
Derivatives liabilities	5.2	270,360	-
Debts issued and borrowings	5.14	143,786,767	87,976,147
Provision for long-term employee benefits	5.15	83,767	-
Accrued interest payable		1,380,677	445,505
Income tax payable		-	686,197
Dividend payable		400,484	1,019,409
Other liabilities	5.16	2,425,738	2,001,560
<b>Total liabilities</b>		<u>197,713,709</u>	<u>150,134,943</u>

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

**TISCO Bank Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2011 and 2010**

(Unit: Thousand Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<b>Shareholders' equity</b>			
Share capital			
Registered			
372,047,854 preference shares of Baht 10 each (31 December 2010: 1,000,000,000 preference shares of Baht 10 each)	6	3,720,479	10,000,000
728,152,146 ordinary shares of Baht 10 each (31 December 2010: 100,200,000 ordinary shares of Baht 10 each)		7,281,521	1,002,000
		<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
728,152,146 ordinary shares of Baht 10 each		7,281,521	7,281,521
		<u>7,281,522</u>	<u>7,281,522</u>
Share premium on ordinary shares		130,451	130,451
Other components of shareholders' equity		106,410	14,311
Retained earnings			
Appropriated-statutory reserve		846,100	714,600
Unappropriated		5,439,582	4,070,509
		<u>13,804,065</u>	<u>12,211,393</u>
<b>Total shareholders' equity</b>		<u>211,517,774</u>	<u>162,346,336</u>
<b>Total liabilities and shareholders' equity</b>		<u>211,517,774</u>	<u>162,346,336</u>

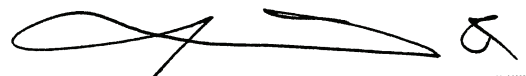
The accompanying notes are an integral part of the financial statements.



Mrs. Oranuch Apisaksirikul  
 (Chairman of the Executive Board)



ธนาคารทีเอสซี จำกัด (มหาชน)  
 TISCO Bank Public Company Limited



Mr. Suthas Ruangmanamongkol  
 (President)



**TISCO Bank Public Company Limited**  
**Statements of comprehensive income**  
**For the years ended 31 December 2011 and 2010**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Interest incomes	5.20	11,556,819	8,709,932
Interest expenses	5.21	(5,260,491)	(2,414,959)
<b>Net interest incomes</b>		<u>6,296,328</u>	<u>6,294,973</u>
Fees and service incomes		1,614,351	1,257,514
Fees and service expenses		(61,577)	(65,637)
<b>Net fees and service incomes</b>	5.22	<u>1,552,774</u>	<u>1,191,877</u>
Gains on tradings and foreign exchange transactions	5.23	58,599	7,753
Gains on investments	5.24	24,637	166,080
Penalty fee income from loans		192,900	185,759
Income from business promotion relating to the business		538,092	212,214
Reversal allowance for impairment of property foreclosed		248,232	-
Other operating incomes	5.26	161,151	302,416
<b>Total operating incomes</b>		<u>9,072,713</u>	<u>8,361,072</u>
<b>Other operating expenses</b>			
Employee's expenses		1,472,728	1,339,254
Directors' remuneration		480	-
Premises and equipment expenses		660,357	673,165
Taxes and duties		217,382	146,023
Supporting service expenses	5.32	802,810	920,979
Expenses to business promotion relating to the business		598,701	296,385
Others	5.27	448,172	377,934
<b>Total other operating expenses</b>		<u>4,200,630</u>	<u>3,753,740</u>
Bad debt and doubtful accounts and impairment loss of debt securities	5.25	1,065,609	1,769,681
<b>Profit from operating before income tax expense</b>		<u>3,806,474</u>	<u>2,837,651</u>
Income tax expense	5.28	1,176,565	844,627
<b>Profit for the year</b>		<u>2,629,909</u>	<u>1,993,024</u>

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

**TISCO Bank Public Company Limited**  
**Statements of comprehensive income (continued)**  
**For the years ended 31 December 2011 and 2010**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<b>Other comprehensive income</b>	5.29		
Investment in available-for-sale securities		(15,708)	9,119
Actuarial gains or losses arising from post - employment benefits		(11,124)	-
Cash flow hedges		128,277	-
Income tax (charge)/credit relating to components of other comprehensive income	5.28, 5.30	(18,245)	(2,735)
<b>Other comprehensive income for the year</b>		<u>83,200</u>	<u>6,384</u>
<b>Total comprehensive income for the year</b>		<u><u>2,713,109</u></u>	<u><u>1,999,408</u></u>
<b>Earnings per share</b>			
Basic earning per share	5.31	<u><u>3.61</u></u>	<u><u>2.74</u></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 2011 and 2010

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Profit from operating before income tax expense	3,806,474	2,837,651
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	168,093	197,502
Bad debts and doubtful accounts	1,729,230	2,385,185
Allowance for impairment of investments (reversal)	(56,897)	22,290
Allowance for impairment of property foreclosed (reversal)	(248,232)	257
Gain on disposal of investments	(76,876)	(177,721)
Unrealised (gain) loss on trading and foreign exchange transactions	-48,362	1,842
Gain on disposal of equipment	(6,518)	(10,540)
Loss on written-off of equipment	-	49
Gain on disposal of property foreclosed	(63,074)	(195,053)
Provision for long-term employee benefits	10,727	-
Decrease in accrued income	(5,729)	(9,786)
Increase in accrued expenses	678,701	445,934
Net interest income	(6,296,328)	(6,294,973)
Dividend income	(75,135)	(61,632)
Interest received	11,220,356	8,355,284
Interest paid	(4,162,767)	(1,963,949)
Dividend received	75,135	61,632
Income tax paid	(1,365,190)	(1,207,819)
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>5,283,608</b>	<b>4,386,153</b>
Operating assets (increase) decrease		
Interbank and money market items	(17,332,883)	(285,847)
Loans to customers	(36,675,652)	(37,594,013)
Property foreclosed	862,018	1,516,520
Intangible assets	(27,145)	(27,678)
Other assets	77,993	(2,973)
Operating liabilities increase (decrease)		
Deposits	(10,546,492)	(8,322,195)
Interbank and money market items	1,991,803	4,547,275
Liability payable on demand	(84,399)	187,278
Other liabilities	201,180	291,741
<b>Net cash flows used in operating activities</b>	<b>(56,249,969)</b>	<b>(35,303,739)</b>

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 2011 and 2010

(Unit: Thousand Baht)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of investment in securities held for investment	(2,058,398)	(5,378,968)
Cash received from disposal of investment in securities held for investment	4,505,733	8,926,161
Cash paid for purchase of equipment	(61,012)	(80,146)
Cash received from disposal of equipment	6,418	11,001
Cash received from disposal of investment in subsidiaries	136,655	-
Cash paid for capital increases of subsidiaries	-	(85,998)
<b>Net cash flows from investing activities</b>	<u>2,529,396</u>	<u>3,392,050</u>
<b>Cash flows from financing activities</b>		
Borrowings	55,734,619	33,425,299
Cash received from issuance long-term debentures	76,000	2,000,000
Cash paid for the redemption of long-term debentures	-	(3,000,000)
Dividend paid	(2,089,793)	(436,890)
<b>Net cash flows from financing activities</b>	<u>53,720,826</u>	<u>31,988,409</u>
<b>Net increase in cash</b>	253	76,720
Cash at beginning of year	902,816	826,096
<b>Cash at end of year</b>	<u><u>903,069</u></u>	<u><u>902,816</u></u>
	-	-
<b>Supplemental cash flows information</b>		
Non-cash transactions		
Transfer of property foreclosed from receivables for debt settlement	3,382	-

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 2011 and 2010

(Unit: Thousand Baht)

	Issued and fully paid-up share capital		Share premium		Other components of shareholders' equity		Retained earnings			Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Surplus (deficit) on change in value of available-for-sale investments	Cash flow hedges	Total other components of shareholders' equity	Appropriated	Unappropriated	
<b>Balance as at 31 December 2009</b>	732	7,280,790	37	130,414	7,927	-	7,927	614,900	3,196,595	11,231,395
Dividend paid (Note 6.4)	-	-	-	-	-	-	-	-	(1,019,409)	(1,019,409)
Income tax from unpaid dividend	-	-	-	-	-	-	-	-	(1)	(1)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	99,700	(99,700)	-
Total comprehensive income for the year	-	-	-	-	6,384	-	6,384	-	1,993,024	1,999,408
Preference shares converted to ordinary shares	(731)	731	(37)	37	-	-	-	-	-	-
<b>Balance as at 31 December 2010</b>	1	7,281,521	-	130,451	14,311	-	14,311	714,600	4,070,509	12,211,393
Cumulative effect of change in accounting policy for employee benefit (Note 2)	-	-	-	-	-	-	-	-	(50,054)	(50,054)
Dividend paid (Note 6.4)	-	-	-	-	-	-	-	-	(1,070,383)	(1,070,383)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	131,500	(131,500)	-
Total comprehensive income for the year	-	-	-	-	(10,522)	102,621	92,099	-	2,621,010	2,713,109
<b>Balance as at 31 December 2011</b>	1	7,281,521	-	130,451	3,789	102,621	106,410	846,100	5,439,582	13,804,065

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 2011 and 2010**

**1. Basis of preparation and presentation of financial statements and significant accounting policies**

**1.1 Basis of preparation of financial statements**

These financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and the presentation of the financial statements has been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011. Hence, the Bank reclassified certain items of the comparative financial statements as described in Note 7 to the financial statements.

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.

No consolidated financial statements of the Bank and its subsidiary (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.

## 1.2 Application of new accounting standards during the year

During the current year, the Bank adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 12	Corporate Income Tax
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15                      Agreements for the Construction of Real Estate

Accounting Standard Interpretations:

SIC 21                      Income Taxes - Recovery of Revalued Non-Depreciable  
                                         Assets

SIC 25                      Income Taxes - Changes in the Tax Status of an Entity or its  
                                         Shareholders

SIC 31                      Revenue - Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements for the current year. The effect of changes in significant accounting policies has been described in Note 2 to the financial statements.

**1.3 New accounting standards issued during the year not yet effective**

The Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 20 (revised 2009)    Accounting for Government Grants and Disclosure of  
                                         Government Assistance

TAS 21 (revised 2009)    The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10                      Government Assistance - No Specific Relation to Operating  
                                         Activities

The Bank's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

## **1.4 Significant accounting policies**

### **1.4.1 Income recognition**

a) Interest and discounts on loans

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

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 and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from 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 deferred revenue 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.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

### **1.4.3 Investments**

- a) Investments in securities held for trading purposes are determined at fair value. Changes in the value of securities are included in profit or loss.
- 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 profit or loss.
- 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 are 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) 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 recognised in profit or loss.
- i) The moving average method is used for computation of the cost of investments.
- j) In the event the Bank reclassifies its 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 profit or loss 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 profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customer 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 to customer.

#### **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 statement of financial position 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 to customers**

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

Hire purchase and financial lease receivables are stated at outstanding balance, net of deferred revenue. Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of hire purchase contract and advances received from financial lease receivable.

#### **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 to customers 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 to customers 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 end of reporting period.
- 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 credited to bad debt and doubtful accounts 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 profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss 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.

The Bank will recognise loss on impairment in profit or loss. And gains or losses from disposal of property foreclosed are recognised upon disposal.

#### **1.4.10 Premises and equipment/Depreciation**

Land is stated at cost. Buildings and equipments are stated at cost less accumulated depreciation.

Depreciation of office condominium 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

Depreciation is included in the determining income.

No depreciation is provided on land.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when is derecognised.

#### 1.4.11 Intangible assets

The Bank initially recognised intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Bank amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The Bank reviewed the amortisation period and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives is software license fees that 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

#### 1.4.12 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

The Bank calculates corporate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **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 end of reporting period. 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.

The Bank recognised deferred tax assets 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. The Bank recognised deferred tax liabilities 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 end of reporting period.

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

At the end of reporting period, 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.

#### **1.4.13 Impairment of assets**

The Bank assesses at each the end of reporting period 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.

Impairment losses are recognised in profit or loss.

#### **1.4.14 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.

#### **1.4.15 Foreign currencies**

Transactions in foreign currencies are translated into Thai Baht at rates as specified by the Bank when the transactions occur.

Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of reporting period.

Gain or losses on exchange are recognised in profit or loss from operation.

#### **1.4.16 Employee benefits**

##### *Short-term employee benefits*

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

##### *Post-employment benefits*

##### Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

##### Defined post-employment benefit plans

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Bank treats these severance payment obligations as a defined post-employment benefit plan.

The Bank determined the obligation under the defined benefit plan based on actuarial techniques.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

For the first-time adoption of TAS 19 Employee Benefits, the Bank elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

#### **1.4.17 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.

#### **1.4.18 Derivatives and hedge accounting**

The recording of derivatives and hedge accounting are based on the principles for recording derivatives and hedge accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

The Bank has recorded derivatives held for trading in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. 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 Bank has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in shareholders’ equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.



#### 1.4.19 Financial instruments

a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), derivatives liabilities, liability payable on demand and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 5.36 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 rate at which financial instruments with similar features.

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 statement of financial position 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 to customers 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 to customers 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 debts issued 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 derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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:

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

In considering whether to recognise or to derecognize 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.

### ***Allowance for doubtful accounts for loans to customers***

Allowances for loan losses are intended to adjust the value of loans to customers 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 of the management.

### ***Premise and equipment/Depreciation***

In determining depreciation of premise and equipment, the management is required to make estimates of the useful lives and residual values of premise and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review premise and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### ***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.

#### ***Post-employment benefits under defined benefit plans***

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate.

#### ***Litigation***

The Bank has contingent liabilities as a result of litigation. The Bank's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

## 2. The effect of the change in accounting policy due to an adoption of new accounting standards

During the current year, the Bank has changed significant accounting policy described in Note 1.2 to the financial statements as a result of the adoption of the following new accounting standards.

### TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make provision for post-employment benefits using actuarial techniques. The Bank previously accounted for such employee benefits when they were incurred.

The Bank has changed this accounting policy since the beginning of the current year and has recognised the liability in the transitional period through an adjustment to the beginning balance of retained earnings in the current year. This resulted in the decrease in the balances of retained earnings brought forward as at 1 January 2011 by Baht 50 million (long-term employee benefit obligations of Baht 63 million net of related deferred tax of Baht 13 million). The cumulative effect of such changes in the accounting policy has already been presented as “Cumulative effect of the change in accounting policy for employee benefits” in the statements of changes in shareholders’ equity.

In addition, the change in such accounting policy has the effect of decreasing the profit of the Bank for the year 2011 by Baht 11 million or 0.015 Baht per share.

## 3. Effect of the change in accounting estimate

During the current year, the Bank changed the accounting estimate related to the useful lives of office condominium.

These effect of the change in accounting estimate to the financial statements for current year are as follow:

	(Unit: Thousand Baht)
	<u>31 December 2011</u>
<b>Statements of financial position</b>	
Increase in premises and equipment	10,509
<b>Statements of comprehensive income</b>	
Decrease in depreciation	10,509
Increase in profit attributable to equity holders of the Bank	10,509
Increase in basic earnings per share (Baht)	0.01

## **4. General information**

### **4.1 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 2011, the Bank has 46 branches in Thailand.

### **4.2 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.

On 25 February 2011, the 2011 Annual General Meeting of Shareholders of the Bank passed the approval an amendment on the Bank's memorandum of association "No. 4 registered capital" to accord with the Bank's fully paid-up registered capital. The Bank's issued and fully paid-up registered capital is Baht 11,002 million, which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

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.

### **4.3 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.

### **4.4 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 related company and loans to employees under the employee welfare scheme, as mentioned in Note 5.32 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.

## 5. Supplemental information

### 5.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	425,785	-	425,785	871,206	8,310,000	9,181,206
Commercial banks	173,923	21,340,000	21,513,923	117,836	1,000,000	1,117,836
Specialised financial institutions	854	4,000,000	4,000,854	332	2,060,000	2,060,332
Total	600,562	25,340,000	25,940,562	989,374	11,370,000	12,359,374
Add: Accrued interest	-	6,775	6,775	-	1,117	1,117
Total domestic	600,562	25,346,775	25,947,337	989,374	11,371,117	12,360,491
<u>Foreign</u>						
Yuan	-	4,026,121	4,026,121	-	-	-
Total	-	4,026,121	4,026,121	-	-	-
Add: Accrued interest	-	11,968	11,968	-	-	-
Less: Deferred revenue	-	(1,531)	(1,531)	-	-	-
Total foreign	-	4,036,558	4,036,558	-	-	-
Total domestic and foreign	600,562	29,383,333	29,983,895	989,374	11,371,117	12,360,491

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

	2011	2010
Commercial banks	24,350	3,060

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

As at 31 December

	2011	2010
Fair value of securities received as collateral	24,600	3,093



## 5.2 Derivatives

### 5.2.1 Trading derivatives

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2011			2010		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	127,628	3,169,120	11,190	-	180,908
Interest rate	21,907	14,715	5,682,000	1,610	-	300,000
Total	21,907	142,343	8,851,120	12,800	-	480,908

All counter parties of these derivative transactions are financial institutions.

### 5.2.2 Hedging derivatives

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2011			2010		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	128,017	4,046,482	-	-	-
Interest rate	543	-	300,000	-	-	-
Total	543	128,017	4,346,482	-	-	-

All counter parties of these derivative transactions are financial institutions.

## 5.3 Investments

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
<b>Available-for-sales securities- fair value</b>		
Government and state enterprise securities	605,918	1,419,765
Debt securities of private sector	837,593	841,460
Foreign debt securities	-	196,430
Add: Allowance for changes in value	4,736	6,991
Less: Allowance for impairment	(1,460)	(1,460)
<b>Total available-for-sales securities</b>	<b>1,446,787</b>	<b>2,463,186</b>
<b>Held-to-maturity debt securities - cost/amortised cost</b>		
Investment in receivables	686,409	1,903,199
Less: Allowance for impairment	(17,947)	(22,606)
<b>Total held-to-maturity debt securities</b>	<b>668,462</b>	<b>1,880,593</b>
<b>Other investments - cost</b>		
Domestic non-marketable equity securities	598,083	688,369
Less: Allowance for impairment	(117,381)	(67,546)
<b>Total other investments</b>	<b>480,702</b>	<b>620,823</b>
<b>Investments - net</b>	<b>2,595,951</b>	<b>4,964,602</b>

### 5.3.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restriction
	2011	2010	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	577	-	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 31 December 2011		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
Companies having problems with debt repayment or in default	7,060	-	7,060

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

(Unit: Thousand Baht)

	As at 31 December 2010		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
Companies having problems with debt repayment or in default	7,060	-	7,060

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

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

(Unit: Thousand Baht)

Securities' name	As at 31 December					
	2011			2010		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid Amounts	Percentage of holding
			%			%
<b>Insurance:</b>						
AXA Insurance Plc.	-	-	10	53,169	-	10
<b>Services:</b>						
TISCO Securities Hong Kong Limited (In the process of liquidation)	46,911	-	100	49,315	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
<b>Leasing and hire purchase:</b>						
TISCO Leasing Co., Ltd.	-	-	-	85,998	-	99.99
<b>Trading import and export:</b>						
Shin Thai Enterprises Co., Ltd.	4,019	-	10	4,592	-	10
PDTL Trading Co., Ltd.	8,703	-	10	9,270	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	3,957	-	10
<b>Real estate:</b>						
Prosperity Industrial Estate Co., Ltd.	45,095	-	10	45,095	-	10
UMI Property Co., Ltd.	6,843	-	10	7,454	-	10
<b>Industrial:</b>						
Siam Art Ceramic Co., Ltd.	17,028	-	10	16,588	-	10

## 5.4 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Type of share		Percentage of holding		Investment value - cost method		Dividend received for the years	
		as at 31 December		as at 31 December		as at 31 December		ended 31 December	
		2011	2010	2011	2010	2011	2010	2011	2010
				%	%				
<b>Subsidiaries directly held by the Bank:</b>									
TISCO Leasing Co., Ltd.	Leasing	-	Ordinary shares	-	100	-	86	-	-
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	Ordinary shares	Ordinary shares	100	100	66	66	-	-
Less: Allowance for impairment						(19)	(17)	-	-
						47	49	-	-
Investments in subsidiaries - net						47	135	-	-

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 27 June 2011, the Bank disposed of all of its investment in TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited as mentioned in Note 6.1 to financial statements.

## 5.5 Loans to customers and accrued interest receivable

### 5.5.1 Classified by loan type

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
<b>Loans to customers</b>		
Loans	44,852,873	32,880,931
Hire purchase receivables	151,717,574	126,432,187
Financial lease receivables	442,015	133,664
Less: Deferred revenue	(17,321,366)	(14,239,270)
Advances received from financial lease receivables	(77,887)	(18,967)
Total loans to customers	179,613,209	145,188,545
Add: Accrued interest receivable	222,666	115,567
Less: Allowance for doubtful accounts	(4,098,963)	(3,859,412)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivables - net	<u>175,736,909</u>	<u>141,444,697</u>

### 5.5.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	176,444,089	-	176,444,089	145,188,545	-	145,188,545
US Dollars	-	3,169,120	3,169,120	-	-	-
Total loans to customers						
net of deferred revenue	<u>176,444,089</u>	<u>3,169,120</u>	<u>179,613,209</u>	<u>145,188,545</u>	<u>-</u>	<u>145,188,545</u>

### 5.5.3 Classified by type of business

(Unit: Thousand Baht)

As at 31 December 2011						
	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521
Personal consumption						
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945
Total loans to customers	166,517,915	10,880,161	1,517,199	254,481	443,453	179,613,209
Add: Accrued interest receivable	88,148	134,518	-	-	-	222,666
Total loans to customers and accrued interest receivable	<u>166,606,063</u>	<u>11,014,679</u>	<u>1,517,199</u>	<u>254,481</u>	<u>443,453</u>	<u>179,835,875</u>

(Unit: Thousand Baht)

As at 31 December 2010						
	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	159,152	2,519	4,405	513	1,323	167,912
Manufacturing and commerce	17,441,497	141,008	25,055	28,871	61,962	17,698,393
Real estate and construction	5,955,550	87,192	4,521	5,438	362,968	6,415,669
Public utilities and services	6,911,822	152,127	28,133	26,981	62,021	7,181,084
Personal consumption						
Hire purchase	94,354,795	5,968,776	687,177	183,337	331,931	101,526,016
Auto cash loan	5,160,852	177,132	16,465	2,995	5,941	5,363,385
Housing loans	1,243,598	54,709	19,930	12,588	91,461	1,422,286
Others	4,991,666	27,148	2,306	6,557	386,123	5,413,800
Total loans to customers	136,218,932	6,610,611	787,992	267,280	1,303,730	145,188,545
Add: Accrued interest receivable	33,535	82,032	-	-	-	115,567
Total loans to customers and accrued interest receivable	<u>136,252,467</u>	<u>6,692,643</u>	<u>787,992</u>	<u>267,280</u>	<u>1,303,730</u>	<u>145,304,112</u>

## 5.5.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2011			2010		
	Loans to customers and accrued interest receivables <sup>(1)</sup>	Net amount used for set the allowance for doubtful accounts	Allowance for doubtful account <sup>(1) (2)</sup>	Loans to customers and accrued interest receivables	Net amount used for set the allowance for doubtful accounts	Allowance for doubtful account <sup>(1) (2)</sup>
Provision under BOT's guideline						
Pass	166,607	151,582	3,280	136,253	122,958	794
Special mention	11,015	10,790	188	6,692	6,547	59
Sub-standard	1,517	1,510	378	788	768	178
Doubtful	254	227	54	267	239	51
Doubtful of loss	443	212	195	1,304	789	426
Allowance established in excess <sup>(2)</sup>	-	-	4	-	-	2,351
Total	179,836	164,321	4,099	145,304	131,301	3,859

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

<sup>(2)</sup> As at 31 December 2011, the provisions set aside by TISCO Bank exceeded the BOT's minimum requirement by a total of Baht 2,057 million. TISCO Bank allocated Baht 2,053 million of the excess provision to a specific provision for an individual debtors and so combined with the minimum provision requirement of Baht 2,042 million, the total provision set aside in accordance with BOT requirements is Baht 4,095 million. Such provision is in compliance with the BOT's guideline.

	Percentage of allowance for doubtful account set up			
	Hire purchase receivable		Other loan <sup>(2)</sup>	
	As at 31 December		As at 31 December	
	2011 <sup>(1)</sup>	2010	2011	2010
Pass	1.42	0.60	1	1
Special mention	1.42	0.60	2	2
Sub-standard	20.88	20.31	100	100
Doubtful	20.88	20.31	100	100
Doubtful of loss	20.88	20.31	100	100

<sup>(1)</sup> These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

<sup>(2)</sup> These percentages are the rates used to set aside allowance for doubtful accounts in accordance with the BOT's minimum requirement.

### 5.5.5 Hire purchase and financial lease receivables

As at 31 December 2011, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 134,944 million (2010: Baht 112,491 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 2011				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Gross investment in the agreements	47,092	98,809	3,386	2,873	152,160
Less: Deferred revenue*	(6,754)	(9,104)	(106)	(1,174)	(17,138)
Advances received from financial lease receivables	-	(72)	(6)	-	(78)
Present value of minimum lease pay from agreements	40,338	89,633	3,274	1,699	134,944
Allowance for doubtful accounts					(2,246)
Net hire purchase and financial lease receivables					132,698

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

(Unit: Million Baht)

	As at 31 December 2010				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Gross investment in the agreements	39,912	81,746	2,318	2,590	126,566
Less: Deferred revenue *	(5,676)	(7,194)	(56)	(1,130)	(14,056)
Advances received from financial lease receivables	-	(19)	-	-	(19)
Present value of minimum lease pay from agreements	34,236	74,533	2,262	1,460	112,491
Allowance for doubtful accounts					(963)
Net hire purchase and financial lease receivables					111,528

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



### 5.5.6 Loans to customers for which the recognition of interest income has ceased

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines <sup>(2)</sup> as at 31 December		Amounts calculated under the Bank's policy as at 31 December	
	2011	2010	2011	2010
	Loans to customers for which the recognition of interest income has ceased <sup>(1)</sup>	2,949	3,618	3,209

<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.

### 5.5.7 Deferred revenue which is presented as a deduction against loans to customers

(Unit: Million Baht)

	As at 31 December	
	2011	2010
Deferred revenue <sup>(1)</sup>	17,321	14,239

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

### 5.5.8 Troubled debt restructuring

	For the years ended 31 December	
	2011	2010
Debtors restructured during the year:		
Number of debtors restructured by modification of terms (number)	287	527
Loan balances before restructuring (million Baht)	720	574
Loan balances after restructuring (million Baht)	720	574
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	1	3
Corporate loan receivables	2	9

In addition, as a result of the severe flood crisis during the fourth quarter of 2011, TISCO Bank has been implementing various measures in accordance with the BOT policy to help ease debt repayment burden of affected debtors. Among the measures are principal and interest moratorium for a certain period and not treating such loans as substandard. As at 31 December 2011, TISCO Bank had eased the debt repayment burden of 7,606 debtors with the outstanding balances of Baht 2,383 million. In this respect, TISCO Bank has classified loan and set up provision for the affected debtors in accordance with the BOT's guideline.

Supplemental information for the years ended 31 December 2011 and 2010 relating to the restructured debts is as follows:

	For the years ended 31 December	
	2011	2010
Interest income on restructured receivables (million Baht)	64	61
Receipt of principal and interest (million Baht)	730	382

As at 31 December 2011 and 2010, the Bank have the outstanding balances with troubled restructured debtors, as follows:

	(Unit: Million Baht)			
	As at 31 December			
	2011		2010	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,612	1,299	1,289	1,711

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

### 5.6.1 Allowance for doubtful accounts - classified by the receivables classification

	As at 31 December 2011						Total
	Pass	Special- Mentioned	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	
Balance - beginning of year	794,419	59,208	177,958	51,122	425,880	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the year	2,486,197	130,137	575,132	614,501	283,511	(2,360,249)	1,729,229
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(962)	(1,297)	(374,634)	(611,529)	(514,543)	-	(1,502,965)
Balance - end of year	3,279,654	188,048	378,456	54,094	194,848	3,863	4,098,963

(Unit: Thousand Baht)

As at 31 December 2010							
	Pass	Special- Mentioned	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	594,905	60,643	162,254	71,475	471,292	727,847	2,088,416
Increase (decrease) in allowance for doubtful accounts during the year	199,919	2,879	292,377	449,408	28,287	1,411,876	2,384,746
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125	211,125
Bad debt written-off	(405)	(4,314)	(276,673)	(469,761)	(73,699)	(23)	(824,875)
Balance - end of year	<u>794,419</u>	<u>59,208</u>	<u>177,958</u>	<u>51,122</u>	<u>425,880</u>	<u>2,350,825</u>	<u>3,859,412</u>

### 5.6.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

As at 31 December 2011				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	547,072	961,515	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the year	1,414,893	2,674,585	(2,360,249)	1,729,229
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(109,718)	(1,393,247)	-	(1,502,965)
Balance - end of year	<u>1,852,247</u>	<u>2,242,853</u>	<u>3,863</u>	<u>4,098,963</u>

(Unit: Thousand Baht)

As at 31 December 2010				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	507,902	852,667	727,847	2,088,416
Increase (decrease) in allowance for doubtful accounts during the year	78,972	893,898	1,411,876	2,384,746
Transfer from allowance for declining in value of property foreclosed	-	-	211,125	211,125
Bad debt written-off	(39,802)	(785,050)	(23)	(824,875)
Balance - end of year	<u>547,072</u>	<u>961,515</u>	<u>2,350,825</u>	<u>3,859,412</u>

### 5.6.3 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2011	2010
Non-performing loans to customers	2,214	2,359
Allowance for doubtful accounts	627	655

## 5.7 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts <sup>(1)</sup>	
	as at 31 December		as at 31 December		as at 31 December	
	2011	2010	2011	2010	2011	2010
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 loss 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.

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

As at 31 December 2011 and 2010, the quality of the Bank's assets is classified in accordance with the Bank of Thailand's guidelines, including the BOT's Notification No. PhorNorSor. (23) Wor. 1564/2554 regarding "Clarification of measures to help debtors who have been affected by flooding" are as follows:

(Unit: Million Baht)

	Loans to customer <sup>(1)</sup>		Investments in securities		Investments in receivables		Property foreclosed		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Pass	191,868	139,279	-	-	-	-	-	-	191,868	139,279
Special mention	10,880	6,611	-	-	-	-	-	-	10,880	6,611
Sub-standard	1,517	788	-	-	-	-	-	-	1,517	788
Doubtful	254	267	-	-	-	-	-	-	254	267
Doubtful of loss	443	1,304	119	87	18	23	50	61	630	1,475
<b>Total</b>	<b>204,962</b>	<b>148,249</b>	<b>119</b>	<b>87</b>	<b>18</b>	<b>23</b>	<b>50</b>	<b>61</b>	<b>205,149</b>	<b>148,420</b>

<sup>(1)</sup> Loans to customers include investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which presented as part of interbank and money market items-asset in the statements of financial position)

### 5.7.3 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		Net amount used for set the allowance for doubtful accounts <sup>(1)</sup>		Percentage of allowance for doubtful account set up as at 31 December		Allowance for doubtful accounts as at 31 December	
	as at 31 December		as at 31 December		31 December		as at 31 December	
	2011	2010	2011	2010	2011 <sup>(2)</sup>	2010	2011 <sup>(3)</sup>	2010
Pass	122,851	104,568	122,851	104,568	1.42	0.60	1,723	610
Special mentioned	10,066	6,360	10,066	6,360	1.42	0.60	165	55
Substandard	1,429	747	1,429	747	20.88	20.31	296	157
Doubtful	220	234	220	234	20.88	20.31	48	46
Doubtful of loss	50	479	50	479	20.88	20.31	11	94
<b>Total</b>	<b>134,616</b>	<b>112,388</b>	<b>134,616</b>	<b>112,388</b>			<b>2,243</b>	<b>962</b>

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

<sup>(2)</sup> These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

<sup>(3)</sup> These allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

#### 5.7.4 Loans to customers includes debts due from companies with weak financial position and operating results

	Number of debtors as at 31 December		Debt balance as at 31 December		Collateral value as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2011	2010	2011	2010	2011	2010	2011	2010
			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	1	1	247	254	145	148	123	127
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	1	2	13	349	-	269	13	80
5. Companies whose auditor's report cited going concern issues	-	3	-	506	-	453	-	53
<b>Total</b>	<b>2</b>	<b>6</b>	<b>260</b>	<b>1,109</b>	<b>145</b>	<b>870</b>	<b>136</b>	<b>260</b>

## 5.8 Property foreclosed

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
<b>Acquisition of assets for debt repayment</b>		
<b>Immovable assets</b>		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	268,015	479,140
Additions	-	-
Disposals	(28,315)	(211,125)
Balance - end of year	239,700	268,015
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	33,860	33,860
Additions	3,691	-
Disposals	-	-
Balance - end of year	37,551	33,860
Total property foreclosed - Immovable assets	277,251	301,875
<b>Movable assets</b>		
Balance - beginning of year	42,485	71,507
Additions	1,151,473	1,434,738
Disposals	(1,163,623)	(1,463,760)
Balance - end of year	30,335	42,485
Total property foreclosed	307,586	344,360
Less: Allowance for impairment		
Balance - beginning of year	32,002	31,673
Increase	28,677	329
Decrease	(28,315)	-
Balance - end of year	32,364	32,002
Property foreclosed - net	275,222	312,358
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(17,486)	(294,395)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	257,736	17,963

## 5.9 Premises and equipment

(Unit: Thousand Baht)

	Land	Building, office condominium and building improvements	Furniture, fixtures computer and equipment	Motor vehicles	Total
<b><u>Cost:</u></b>					
1 January 2010	17,509	877,843	521,092	75,114	1,491,558
Additions/transfers in	-	26,347	31,864	23,548	81,759
Disposals/written-off/ transfers out	-	(7,280)	(23,147)	(29,121)	(59,548)
31 December 2010	17,509	896,910	529,809	69,541	1,513,769
Additions/transfers in	-	29,484	31,490	2,646	63,620
Disposals/written-off/ transfers out	-	(611)	(12,523)	(16,613)	(29,747)
31 December 2011	17,509	925,783	548,776	55,574	1,547,642
<b><u>Accumulated depreciation:</u></b>					
1 January 2010	-	379,860	396,313	65,759	841,932
Depreciation for the year	-	78,369	67,638	8,288	154,295
Depreciation on disposals/ written-off	-	(7,280)	(21,378)	(29,072)	(57,730)
31 December 2010	-	450,949	442,573	44,975	938,497
Depreciation for the year	-	61,116	51,378	7,479	119,973
Depreciation on disposals/ written-off	-	(611)	(11,935)	(16,613)	(29,159)
31 December 2011	-	511,454	482,016	35,841	1,029,311
<b><u>Net book value:</u></b>					
31 December 2010	17,509	445,961	87,236	24,566	575,272
31 December 2011	17,509	414,329	66,760	19,733	518,331
<b><u>Depreciation for the years:</u></b>					
2010					154,295
2011					119,973

## 5.10 Intangible assets

Intangible assets as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)
	<u>Computer software</u>
As at 31 December 2011:	
Cost	369,631
Less: Accumulated amortisation	<u>(269,327)</u>
Net book value	<u>100,304</u>
As at 31 December 2010:	
Cost	342,486
Less: Accumulated amortisation	<u>(221,207)</u>
Net book value	<u>121,279</u>

A reconciliation of the net book value of intangibles assets for the years 2011 and 2010 is presented below.

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
Net book value at beginning of year	121,279	136,807
Acquisitions of computer software	29,595	28,379
Disposals of computer software	(2,450)	(700)
Amortisation	<u>(48,120)</u>	<u>(43,207)</u>
Net book value at ending of year	<u>100,304</u>	<u>121,279</u>

## 5.11 Other assets

	(Unit: Thousand Baht)	
	<u>As at 31 December</u>	
	<u>2011</u>	<u>2010</u>
Value added tax - net	226,451	343,017
Accrued interest receivable	12,147	18,370
Fee and charges receivable	37,124	31,395
Prepaid income tax	348,144	-
Deposits	30,466	28,495
Other receivables	345,631	221,787
Other assets	<u>248,868</u>	<u>213,207</u>
Total other assets	<u>1,248,831</u>	<u>856,271</u>



## 5.12 Deposits

### 5.12.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Deposits		
Current accounts	3,503,982	4,933,147
Saving accounts	17,082,939	25,671,550
Fixed accounts		
- not over 6 months	1,265,389	778,329
- over 6 months and less than 1 year	588,126	142,761
- over 1 year	195,633	248,436
Certificates of deposit/negotiable certificates of deposit	15,423,817	16,832,155
<b>Total</b>	<b>38,059,886</b>	<b>48,606,378</b>

### 5.12.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Not over 1 year*	37,533,669	48,297,250
Over 1 year	526,217	309,128
<b>Total deposits</b>	<b>38,059,886</b>	<b>48,606,378</b>

\*Including fully-mature deposit contract

## 5.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Commercial banks	124,703	-	124,703	81,711	550,000	631,711
Specialised financial institutions	-	-	-	-	2,500,000	2,500,000
Financial institutions	282,506	10,450,772	10,733,278	791,208	4,944,380	5,735,588
<b>Total</b>	<b>407,209</b>	<b>10,450,772</b>	<b>10,857,981</b>	<b>872,919</b>	<b>7,994,380</b>	<b>8,867,299</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 5.36.5 to the financial statements.

## 5.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,000,000	6,000,000
Unsubordinated unsecured debentures	1,076,000	1,000,000
Bills of exchange	136,709,733	80,973,771
Promissory notes	1,034	2,376
<b>Total</b>	<b>143,786,767</b>	<b>87,976,147</b>

### 5.14.1 Subordinated unsecured debentures

Year	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December (Million Baht)		Maturity in the year	Interest rate
		2011	2010		2011	2010		
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.5 percent per annum in the first to third years, 6.0 percent per annum in the fourth to seventh years and 6.5 percent per annum in the eighth to tenth years.
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	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.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.0 percent per annum in the first to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.8 percent per annum in the first to tenth years.
<b>Total</b>					<b>6,000</b>	<b>6,000</b>		

### 5.14.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December (Million Baht)		Maturity in the year	Interest rate
		2011	2010		2011	2010		
2007	Unsubordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum
2011	Unsubordinated and unsecured long-term debentures	76,000 units	-	1,000	76	-	2012	3.40 percent per annum
<b>Total</b>					<b>1,076</b>	<b>1,000</b>		

### 5.14.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2012 to 2015. The interest rates of the fixed interest rates bearing bills of exchange are between 1.75 and 4.50 percent per annum.

### 5.15 Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011 are summarised below.

	(Unit: Thousand Baht)
	<u>Severance Payment</u>
	as at
	<u>31 December 2011</u>
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earning (Note 2)	62,567
Current service cost	7,996
Interest cost	2,730
Benefit expense during the year	(650)
Actuarial (gain) losses	11,124
Balance - end at year	<u>83,767</u>

Long-term employee benefits expenses included in profit or loss for the year ended 31 December 2011 totaling Baht 11 million.

Principal actuarial assumptions at the valuation date were as follow:

	<u>2011</u>
	(% per annum)
Discount rate	3.77 - 4.27
Average salary increase rate	3
Average inflation rate	3

### 5.16 Other liabilities

	(Unit: Thousand Baht)	
	<u>As at 31 December</u>	
	<u>2011</u>	<u>2010</u>
Withholding income tax and other tax payable	263,548	77,298
Accrued insurance premium	399,104	370,212
Deferred income	490,439	233,226
Accrued expenses	743,715	651,749
Other liabilities	528,932	669,075
Total other liabilities	<u>2,425,738</u>	<u>2,001,560</u>

### 5.17 Preference shares converted to ordinary shares

Up to 31 December 2011, 627,952,146 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2011, there are 104 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.

### 5.18 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.

Regarding to Capital fund as of 31 December 2011 and 2010 under Basel II framework, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Bank are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2011	2010
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,522	7,281,522
Premium on share capital	130,451	130,451
Statutory reserve	714,600	614,900
Retained earnings - unappropriated	4,684,261	3,196,596
Less : Deferred tax assets	(106,451)	(960,966)
Deficit provision according to IRB	(442,265)	-
Total Tier I	12,262,118	10,262,503
<u>Tier II</u>		
Subordinated long-term debentures	5,873,988	5,131,251
Reserve for loans classified as pass	798,731	552,695
Add: Excess provision according to IRB	-	280,332
Less: Deficit provision according to IRB	(442,265)	-
Total Tier II	6,230,454	5,964,278
Total capital fund	18,492,572	16,226,781

Capital ratios	As at 31 December			
	2011		2010	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	9.88% <sup>(1)</sup>	4.25%	11.29% <sup>(1)</sup>	4.25%
Total capital to risk assets	14.91% <sup>(2)</sup>	8.50%	15.23% <sup>(2)</sup>	8.50%

<sup>(1)</sup> Before Capital Floor

<sup>(2)</sup> After Capital Floor

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 25/2552 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank has disclosed capital maintenance information as at 30 June 2011 on its website on 31 October 2011.

### 5.19 Surplus on changes in the value of investments

	(Unit: Thousand Baht)	
	As at 31 December	
	2011	2010
Balance - beginning of year	20,444	11,325
Increase (decrease) from changes in the value of securities during the year	(15,708)	9,119
	4,736	20,444
Less: The effect of deferred tax assets / liabilities	(947)	(6,133)
Balance - end of year	3,789	14,311

### 5.20 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Interbank and money market items	572,252	178,322
Investments in debt securities	225,029	433,768
Loans to customers	3,216,639	1,632,743
Hire purchase and financial lease	7,542,899	6,465,099
Total interest income	11,556,819	8,709,932

## 5.21 Interest expenses

Interest expenses in the statements of comprehensive income for years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Deposits	842,103	802,985
Interbank and money market items	242,264	112,474
Contribution fee to the Deposit Protection Agency	163,043	255,952
Issued debt instruments		
- Subordinated debentures	308,000	244,005
- Unsubordinated debentures	40,400	85,812
Borrowings	3,664,681	913,731
Total interest expenses	<u>5,260,491</u>	<u>2,414,959</u>

## 5.22 Fees and service income - net

Fees and service income in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Fees and service income		
- Acceptance, aval and guarantees	30,604	10,428
- Insurance service	1,130,000	820,611
- Financial advisory fees	1,800	-
- Others	451,947	426,475
Total fees and service income	<u>1,614,351</u>	<u>1,257,514</u>
Fees and service expenses	<u>(61,577)</u>	<u>(65,637)</u>
Fees and service income - net	<u>1,552,774</u>	<u>1,191,877</u>

### 5.23 Gains (losses) on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	40,588	(2,262)
- Derivatives on interest rates	7,774	420
- Debt securities	10,237	9,595
Total	<u>58,599</u>	<u>7,753</u>

### 5.24 Gains (losses) on investments

Gains (losses) on investments in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Gains (losses) on disposal		
- Available-for-sale securities	65,898	131,297
- Held-to-maturity securities	189	(385)
- General investments	10,789	46,809
Total	<u>76,876</u>	<u>177,721</u>
Losses on impairment		
- General investments	(49,835)	(900)
- Investments in subsidiaries	(2,404)	(10,741)
Total	<u>(52,239)</u>	<u>(11,641)</u>
Grand (loss) on investments - net	<u>24,637</u>	<u>166,080</u>

## 5.25 Bad debt, doubtful accounts and impairment loss of debt securities

Bad debt, doubtful accounts and impairment loss of debt securities in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Interbank and money market items	10,000	-
Held-to-maturity debt securities	(4,658)	10,649
Loans to customers	1,060,267	1,759,032
Total	1,065,609	1,769,681

## 5.26 Other operating incomes

Other operating income in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Gains on disposal of property foreclosed	63,074	195,053
Dividend income	75,134	61,632
Others	22,943	45,731
Total	161,151	302,416

## 5.27 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Mailing expenses	38,012	34,493
Software amortisation expenses	48,120	43,207
Legal expenses	120,466	124,307
Transportation expenses	73,688	66,505
Others	167,886	109,422
Total	448,172	377,934



## 5.28 Income tax expense

Income tax expenses of the Bank of the years ended 31 December 2011 and 2010 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
<b>Current income tax:</b>		
Income tax expenses for the years	329,552	1,322,778
Adjustment in respect of current income tax of previous year	1,298	18
<b>Deferred tax:</b>		
Deferred tax on temporary differences and reversion of temporary differences	788,089	(478,169)
Effect of changes in the applicable tax rates	57,626	-
<b>Income tax expense reported in statements of comprehensive income</b>	<b>1,176,565</b>	<b>844,627</b>

The amounts of income tax relating to each component of other comprehensive income for the year ended 31 December 2011 and 2010 are as follows:

	(Unit: Thousand Baht)	
	2011	2010
Decrease (increase) in surplus on change in value of investments	4,712	(2,735)
Cash flow hedges	(38,483)	-
Actuarial gains or losses arising from post employment benefits	3,337	-
Effect of changes in the applicable tax rates	12,189	-
Deferred taxes are recorded directly to other comprehensive income	(18,245)	(2,735)

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the year ended 31 December 2011 and 2010.

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2011	2010
Accounting profit before tax	3,806,474	2,837,651
Applicable tax rate	30%	30%
Accounting profit before tax multiplied by applicable tax rate	1,141,942	851,295
Adjustment in respect of current income tax of previous year	1,298	18
Effects of changes in the applicable tax rates	57,626	-
Tax effect of net tax-exempt income and net disallowed expenses	(24,301)	(6,686)
Income tax expenses reported in the statements of comprehensive income	<b>1,176,565</b>	<b>844,627</b>

The following table shows consist of deferred tax assets and deferred tax liabilities.

(Unit: Thousand Baht)

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2011	2010	2011	2010
	Allowance for doubtful debts	-	705,247	(705,247)
Allowance for impairment of investments	41,080	47,346	(6,266)	6,666
Allowance for impairment of property foreclosed	9,970	97,919	(87,949)	(63,261)
Non-accrual of interest income	24,764	177,497	(152,733)	(3,684)
Depreciation of assets	11,088	21,521	(10,433)	227
Financial leases	8,468	13,910	(5,443)	(5,649)
Revaluation surplus on investments	(947)	(6,133)	-	-
Unrealised gain or loss on derivatives	(1,652)	(146)	(1,506)	(126)
Cash flow hedges	(25,655)	-	-	-
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(238,256)	(296,388)	58,133	(68,769)
Deferred income	82,735	67,017	15,718	24,873
Accrued expenses	119,825	118,405	1,420	92,493
Employee benefits	16,884	-	2,146	-
Others	55,083	8,638	46,445	8,506
<b>Deferred tax assets</b>	<b>103,387</b>	<b>954,833</b>	<b>(845,715)</b>	<b>478,169</b>

## 5.29 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
<b>Other comprehensive income</b>		
Available-for-sale securities:		
Gains arising during the years	50,190	140,416
Less: Reclassification adjustments for gains included in profit or loss	(65,898)	(131,297)
	(15,708)	9,119
Actuarial gain or losses arising from post-employment benefits	(11,124)	-
Cash flow hedges:		
Gains arising during the years	119,649	-
Add: Reclassification adjustments for loss included in profit or loss	8,628	-
	128,277	-
Other comprehensive income	101,445	9,119
Income tax relating to components of other comprehensive income	(18,245)	(2,735)
Other comprehensive income for the years - net	83,200	6,384

### 5.30 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2011			2010		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
Increase (decrease) in surplus on change in value of investments	(15,708)	5,186	(10,522)	9,119	(2,735)	6,384
Actuarial gains or losses arising from post- employment benefits	(11,124)	2,225	(8,899)	-	-	-
Cash flow hedges	128,277	(25,656)	102,621	-	-	-
	<u>101,445</u>	<u>(18,245)</u>	<u>83,200</u>	<u>9,119</u>	<u>(2,735)</u>	<u>6,384</u>

### 5.31 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the years ended 31 December	
	2011	2010
Profit attributable to equity holders of the Bank (Thousand Baht)	2,629,909	1,993,024
Weighted average number of shares (Thousand shares)	728,152	728,152
Basic earnings per share (Baht/share)	3.61	2.74

## 5.32 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2010	Increase	Decrease	As at 31 December 2011
<b><u>Outstanding balance</u></b>				
<b>Parent company:</b>				
TISCO Financial Group Plc.				
Other assets	2,344	53,428	(817)	54,955
Deposits	6,461	21,159	(2,207)	25,413
Accrued interest payable	93	575	(635)	33
Borrowings	387,000	1,096,000	(1,339,000)	144,000
Dividend payable	1,019,246	1,070,318	(1,689,146)	400,418
Other liabilities	74,588	22,302	(96,890)	-
<b>Related companies related by common shareholder</b>				
Loans:				
TISCO Tokyo Leasing Co., Ltd.	100,000	200,000	(300,000)	-
Dividend receivable:				
TISCO Leasing Co., Ltd.	-	22,499	(22,499)	-
Other Assets:				
TISCO Securities Co., Ltd.	-	154	(64)	90
TISCO Learning Center Co., Ltd.	-	5,654	(5,654)	-
Deposits:				
Hi-Way Co., Ltd.	21,993	12,876	(19,418)	15,451
TISCO Information Technology Co., Ltd.	7,054	-	(5,924)	1,130
Primus Leasing Co., Ltd.	33,699	-	(3,586)	30,113
TISCO Tokyo Leasing Co., Ltd.	23	1,012	(652)	383
TISCO Learning Center Co., Ltd.	-	6,451	(4,454)	1,997
TISCO Investment Advisory Co., Ltd.	-	1,000	(148)	852
TISCO Leasing Co., Ltd.	3,925	6,701	(5,074)	5,552
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	515,701	455,855	(968,148)	3,408
TISCO Asset Management Co., Ltd.	54,139	1,594	(48,258)	7,475

	(Unit: Thousand Baht)			
	As at 31 December 2010	Increase	Decrease	As at 31 December 2011
<b><u>Outstanding balance</u></b>				
<b>Related companies related by common shareholder</b>				
Borrowings:				
TISCO Information Technology Co., Ltd.	30,000	50,000	(30,000)	50,000
TISCO Leasing Co., Ltd.	10,000	25,000	(35,000)	-
TISCO Learning Center Co., Ltd.	-	21,000	(16,000)	5,000
Accrued interest payable:				
TISCO Securities Co., Ltd.	51	32	(83)	-
TISCO Asset Management Co., Ltd.	98	1	(97)	2
Hi-Way Co., Ltd.	-	114	(114)	-
TISCO Information Technology Co., Ltd.	7	137	(20)	124
TISCO Leasing Co., Ltd.	1	72	(73)	-
TISCO Learning Center Co., Ltd.	-	17	(5)	12
Other liabilities:				
TISCO Learning Center Co., Ltd.	-	2,225	(752)	1,473

	(Unit Thousand Baht)		
	2011	2010	Terms and pricing policy
			(For the year 2011)

**Transactions occurred during the years ended**

**31 December**

**Parent company**

Risk and financial management fee expense, human resources management fee expense and office administration fee expense	802,810	920,979	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	14,754	3,774	With reference to the terms and prices as offered to other customers
Others expenses	8,559	8,150	With reference to the terms and prices as offered to other customers

**Subsidiary companies and related companies**

Interest income	3,855	1,429	With reference to the terms and prices as offered to other customers
Other income	1,719	1,691	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	213,000	211,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	25,502	-	With reference to the prices as offered from other service providers
Interest expenses	3,107	2,533	With reference to the terms and prices as offered to other customers
Others expenses	1,473	6,556	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	
	2011	2010
Loans	111	196

Liabilities payable to directors and management

(Unit: Thousand Baht)

	As at 31 December 2011	
	Deposits	
Debt issued and Borrowings		15,174

Besides the above transactions, the Bank has additional related party transaction with its parent company, which is presented in Note 6.1 to the financial statements.

#### Directors and management's remuneration

For the years ended 31 December 2011 and 2010, the Bank paid benefit remuneration to their directors and management as below:

	(Unit: Million Baht)	
	2011	2010
Short-term benefit	116	102
Post-employment benefit	2	-
Total	118	102

### 5.33 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.

### 5.34 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 totaling Baht 46 million (2010: Baht 41 million).

## 5.35 Commitments and contingent liabilities

### 5.35.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Avals	5,280	194,136
Other guarantees	4,447,136	888,386
Undrawn client overdraft facilities	30,976	33,273
Interest rate swap agreements (Note 5.36.5)	5,982,000	300,000
Cross currency swap agreements (Note 5.36.5)	7,215,602	180,908
	<u>17,680,994</u>	<u>1,596,703</u>

### 5.35.2 Litigation

As at 31 December 2011, the Bank has been sued for compensation totaling approximately Baht 136 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 190 million as at 31 December 2011). 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 damage claims.

### 5.35.3 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 2011, 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	76
1 to 3 years	86

## 5.36 Financial instruments

### 5.36.1 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 to customers 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 statement of financial position.

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 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 follows:

	(Unit: Million Baht)	
	As at 31 December	
	2011	2010
Neither past due nor impaired		
Very high grade	76,450	70,228
High grade	37,950	30,510
Medium grade	8,451	3,830
Sub total	122,851	104,568
Hire purchase receivables - overdue 31 - 90 days	10,066	6,360
Hire purchase receivables - overdue more than 90 days	1,699	1,460
Total	134,616	112,388

### 5.36.2 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.

#### 5.36.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements 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	
	2011	2010
Marketable financial assets		
Debts securities	10	23
Derivatives	31	-
Foreign currencies	11	7

### 5.36.2.2 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 financial statements 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	
	2011	2010
Change in interest rate		
Increase 1 percent	(349.25)	(258.13)
Decrease 1 percent	349.25	258.13

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 net 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.

### 5.36.2.3 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 2011				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	Without interest	Total
<b>Financial assets</b>				
Cash	-	-	903	903
Interbank and money market items	-	29,383	601	29,984
Derivatives assets	-	-	22	22
Investments - net	-	2,115	481	2,596
Investments in subsidiary - net	-	-	47	47
Loans to customers <sup>(1)</sup>	9,119	168,899	1,818	179,836
	<u>9,119</u>	<u>200,397</u>	<u>3,872</u>	<u>213,388</u>
<b>Financial liabilities</b>				
Deposits	20,434	17,431	195	38,060
Interbank and money market items	266	10,585	7	10,858
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	270	270
Debts issued and borrowings	-	143,787	-	143,787
	<u>20,700</u>	<u>171,803</u>	<u>920</u>	<u>193,423</u>

<sup>(1)</sup> Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

As at 31 December 2010				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	Without interest	Total
<b>Financial assets</b>				
Cash	-	-	903	903
Interbank and money market items	-	11,371	989	12,360
Derivatives assets	-	-	13	13
Investments - net	-	4,337	628	4,965
Investments in subsidiaries - net	-	-	135	135
Loans to customers <sup>(1)</sup>	8,523	135,335	1,446	145,304
	<u>8,523</u>	<u>151,043</u>	<u>4,114</u>	<u>163,680</u>
<b>Financial liabilities</b>				
Deposits	30,386	18,001	219	48,606
Interbank and money market items	97	8,770	-	8,867
Liabilities payable on demand	-	-	532	532
Debts issued and borrowings	-	87,976	-	87,976
	<u>30,483</u>	<u>114,747</u>	<u>751</u>	<u>145,981</u>

<sup>(1)</sup> Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

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

(Unit: Million Baht)

As at 31 December 2011							
<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	-	25,359	4,024	-	-	29,383	2.7951
Investments - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,107	18,134	34,369	101,717	3,572	168,899	6.7768
	<u>11,125</u>	<u>43,545</u>	<u>39,611</u>	<u>102,544</u>	<u>3,572</u>	<u>200,397</u>	
<b>Financial liabilities</b>							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	134	1,947	6,834	1,670	-	10,585	3.8405
Debts issued and borrowings	1,661	59,064	71,312	5,750	6,000	143,787	3.8384
	<u>2,464</u>	<u>71,329</u>	<u>84,064</u>	<u>7,946</u>	<u>6,000</u>	<u>171,803</u>	

(Unit: Million Baht)

As at 31 December 2010							
<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	-	11,371	-	-	-	11,371	1.6209
Investment - net	41	1,476	480	2,335	5	4,337	5.3206
Loans to customers	6,021	13,061	30,425	83,256	2,572	135,335	6.5396
	<u>6,062</u>	<u>25,908</u>	<u>30,905</u>	<u>85,591</u>	<u>2,577</u>	<u>151,043</u>	
<b>Financial liabilities</b>							
Deposits	1,603	12,245	3,844	309	-	18,001	1.7824
Interbank and money market items	776	4,219	37	3,738	-	8,770	2.4955
Debts issued and borrowings	1,923	52,185	18,408	9,460	6,000	87,976	2.2507
	<u>4,302</u>	<u>68,649</u>	<u>22,289</u>	<u>13,507</u>	<u>6,000</u>	<u>114,747</u>	

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

### 5.36.3 Liquidity risk

Liquidity risk is uncertainty that the Bank is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

#### Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserves and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the Bank's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserves. The procurement and concentration of funding sources will be well-planned to optimize risk/return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the Bank set the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios which cause unusual cash outflow from the Bank.

The main sources of fund came from deposits and bills of exchange. In the past, there was high rollover rate for both matured deposits and bills of exchange. Besides, the Bank also issued subordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Financial Group to support liquidity position if required.

### 5.36.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

As at 31 December 2011				
Remaining days				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	99,560	84,192	13,961	197,713

The matured liabilities, both deposit and bill of exchange, are generally rollover with 90% average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit or bill of exchange in term of cash outflow.

### 5.36.3.2 Volume and composition of highly liquid assets and internal ratio.

(Unit: Million Baht)

As at 31 December 2011	
<b>Composition of highly liquid assets</b>	
Cash	903
Interbank and money market - net	29,984
Current investments - net	1,447
Total liquid assets <sup>(1)</sup>	32,334
Liquid asset requirement <sup>(1)</sup>	2,289

<sup>(1)</sup> Highly liquid assets and liquid asset requirement are based on internal measurement.

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2011, the Bank has highly liquid assets at Baht 32,334 million, which higher than internal liquid asset requirement of Baht 2,289 million. In addition of liquid assets, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

5.36.3.3 Counting from the financial statement date, as at 31 December 2011 and 2010  
the period to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2011							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	
<b>Financial assets</b>								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	601	25,359	4,024	-	-	-	-	29,984
Derivatives assets	-	-	-	22	-	-	-	22
Investments - net	18	52	1,218	827	-	481	-	2,596
Investments in subsidiary - net	-	-	-	-	-	47	-	47
Loans to customers	14,134	18,255	36,370	103,070	5,058	-	2,949	179,836
	<u>15,656</u>	<u>43,666</u>	<u>41,612</u>	<u>103,919</u>	<u>5,058</u>	<u>528</u>	<u>2,949</u>	<u>213,388</u>
<b>Financial liabilities</b>								
Deposits	21,256	10,360	5,918	526	-	-	-	38,060
Interbank and money market items	407	1,947	6,834	1,670	-	-	-	10,858
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	127	128	-	15	-	-	270
Debts issued and borrowings	1,661	59,064	71,312	5,750	6,000	-	-	143,787
	<u>23,772</u>	<u>71,498</u>	<u>84,192</u>	<u>7,946</u>	<u>6,015</u>	<u>-</u>	<u>-</u>	<u>193,423</u>
<b>Commitment and contingent liability</b>								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,474	4,092	4,032	1,650	4,279	-	17,676

\* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2010							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	
<b>Financial assets</b>								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	989	11,371	-	-	-	-	-	12,360
Derivatives assets	-	-	-	13	-	-	-	13
Investments - net	41	1,476	480	2,335	5	628	-	4,965
Investments in subsidiaries - net	-	-	-	-	-	135	-	135
Loans to customers	8,266	11,905	31,068	86,327	4,120	-	3,618	145,304
	<u>10,199</u>	<u>24,752</u>	<u>31,548</u>	<u>88,675</u>	<u>4,125</u>	<u>763</u>	<u>3,618</u>	<u>163,680</u>
<b>Financial liabilities</b>								
Deposits	32,208	12,245	3,844	309	-	-	-	48,606
Interbank and money market items	873	4,219	37	3,738	-	-	-	8,867
Liabilities payable on demand	532	-	-	-	-	-	-	532
Debts issued and borrowings	1,923	52,185	18,407	9,461	6,000	-	-	87,976
	<u>35,536</u>	<u>68,649</u>	<u>22,288</u>	<u>13,508</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>145,981</u>
<b>Commitment and contingent liability</b>								
Aval to bills and guarantees of loans	-	182	12	-	-	-	-	194
Other commitments	33	5	259	481	-	625	-	1,403

\* Non performing loans according to the BOT's guidelines

#### 5.36.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 31 December 2011 are as follows:

- a) Investment in a subsidiary company amounting to HKD 20 million (under the cost method net allowance for impairment equivalent to Baht 47 million).
- b) Loans in foreign currency amounting to USD 100 million (equivalent to Baht 3,169 million as at 31 December 2011), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 5.36.5 to the financial statements.
- c) Foreign certificates of deposit in foreign currency amounting to CNY 800 million (equivalent to Baht 4,026 million as at 31 December 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 5.36.5 to the financial statements.

#### 5.36.5 Derivatives

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

As at 31 December 2011, the Bank has the following financial derivative instruments.

- a) Financial derivative instruments classified as derivatives held for trading
  - a.1) Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets, as follow:

		(Unit: Million Baht)
Maturity	Notional amount	Fair value gain (loss)
2014	1,000	1
2016	3,032	21
2021	1,650	(15)



a.2) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with investments in foreign debt securities, as follow:

(Unit: Million Baht)

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	3,169	(128)

b) Financial derivative instruments classified as cash flow hedge derivatives

b.1) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit investment in foreign debt securities, as follow:

(Unit: Million Baht)

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	4,046	(128)

b.2) Interest rate swap agreement

The Bank entered into interest rate swap agreement to manage the risk associated with its interest-bearing liabilities as follows:

(Unit: Million Baht)

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	300	1

### 5.36.6 Fair value of financial instruments

The fair values of significant financial instruments of the Bank, as presented below.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December			
	2011		2010	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<b><u>Financial assets</u></b>				
Cash	903	903	903	903
Interbank and money market items - net	29,984	29,984	12,360	12,360
Investments - net	2,596	2,596	4,965	4,965
Investments in subsidiaries - net	47	47	135	135
Loans to customers and accrued interest receivables - net	175,737	180,040	141,445	145,253
<b><u>Financial liabilities</u></b>				
Deposits	38,060	38,060	48,609	48,609
Interbank and money market items - net	10,858	10,858	8,867	8,867
Liabilities payable on demand	448	448	532	532
Debt issued and borrowings	143,787	143,787	87,974	88,061

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.

## 6. Significant events during the year

On 25 February 2011, the 2011 Annual General Meeting of Shareholders of the Bank passed the resolutions as follows:

- 6.1 Approval for the disposal of TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited at a price equal to the book value as at 31 December 2010 net the dividend payment made from retain earning of TISCO Leasing Company Limited up to the end of the year 2010. In this regard, the Bank disposed of all of its investment in TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited on 27 June 2011. The Bank received payment of Baht 137 million and recorded a gain from the sale of Baht 51 million.

**6.2** Approval an amendment on the Bank’s memorandum of association “No.4 registered capital” to accord with the Bank’s fully paid-up registered capital. The Bank’s issued and fully paid-up registered capital is Baht 11,002 million which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

**6.3 Effect of changes in the applicable tax rates**

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Bank reflected the changes in tax rates in its deferred tax calculation.

**6.4 Dividend payment**

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment period
		Baht per share	Baht per share	Million Baht	
Interim dividend for 2010	The Board of Directors’ Meeting of TISCO Bank No.6/2010 on 17 December 2010	1.40	1.40	1,019	January 2011
Total dividend payment in year 2010				<u>1,019</u>	
Interim dividend for 2011	The Board of Directors’ Meeting of TISCO Bank No.6/2011 on 30 August 2011	0.92	0.92	670	September 2011
Interim dividend for 2011	The Board of Directors’ Meeting of TISCO Bank No.8/2011 on 19 December 2011	0.55	0.55	400	January 2012
Total dividend payment in year 2011				<u>1,070</u>	

**7. Reclassification**

The Company has reclassified certain amounts in the financial statements for the year ended 31 December 2010 to conform to the current period's classifications, which are in accordance with the format stipulated by the BOT under its Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", which is effective for fiscal years beginning on or after 1 January 2011, and comply with new accounting standards, as mentioned in Note 1.2 to the financial statements.

**8. Approval of financial statements**

These financial statements were approved by the Bank's Audit Committee on 6 February 2012.