

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2011 and 2010

Report of Independent Auditor

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated statement of financial position of TISCO Financial Group Public Company Limited and its subsidiaries as at 31 December 2011, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries 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 consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries and the separate financial statements of TISCO Financial Group 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 Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2011, and the results of their 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 1.3 to the financial statements. During the current year, the Company adopted a number of revised and new accounting standards 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 read 'R. Jala'.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 6 February 2012

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TISCO Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Assets					
Cash		903,450	903,306	50	50
Interbank and money market items - net	5.2	30,722,345	12,545,403	169,447	393,554
Derivatives assets	5.3	45,374	12,800	-	-
Investments - net	5.4, 5.8	3,706,257	6,481,004	-	-
Investments in subsidiaries - net	5.5	-	-	15,021,902	14,879,285
Loans to customers and accrued interest receivables - net	5.6, 5.8				
Loans to customers		203,429,925	164,980,877	944,000	1,281,000
Accrued interest receivable		258,374	133,879	-	-
Total loans to customers and accrued interest receivables		203,688,299	165,114,756	944,000	1,281,000
Less: Deferred revenue		(18,416,303)	(15,248,648)	-	-
Less: Allowance for doubtful accounts	5.7	(4,420,351)	(4,162,022)	-	-
Less: Allowance for loss on debt restructuring		(3)	(3)	-	-
Loans to customers and accrued interest receivables - net		180,851,642	145,704,083	944,000	1,281,000
Property foreclosed - net	5.8, 5.9	257,869	21,397	-	-
Investment property	5.11	952	72,004	376,439	357,401
Premises and equipment - net	5.10	1,450,901	1,394,870	395,255	348,654
Intangible assets - net	5.12	182,317	243,719	62,427	100,354
Deferred tax assets	5.29	355,401	1,242,503	154,406	167,865
Securities and derivatives business receivables - net		724,650	1,292,529	-	-
Dividend receivable	5.33	-	-	735,317	1,589,242
Other assets	5.13	1,516,412	1,493,931	39,256	118,377
Total assets		220,717,570	171,407,549	17,898,499	19,235,782

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Liabilities and shareholders' equity					
Liabilities					
Deposits	5.14	37,978,994	48,533,223	-	-
Interbank and money market items - net	5.15	14,478,653	10,842,765	-	-
Liability payable on demand		448,049	532,448	-	-
Derivatives liabilities	5.3	276,056	9,363	-	-
Debts issued and borrowings	5.16	145,396,598	90,776,223	1,808,832	3,345,075
Provision for long-term employee benefits	5.17	205,141	-	49,069	-
Deferred tax liabilities	5.29	61,339	156,347	-	-
Securities and derivatives business payables		469,540	1,610,686	-	-
Accrued interest payable		1,396,455	462,130	8,465	8,654
Income tax payable		137,821	942,103	50,348	108,574
Other liabilities	5.18	3,557,332	2,685,034	676,258	499,716
Total liabilities		204,405,978	156,550,322	2,592,972	3,962,019

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

TISCO Financial Group Public Company Limited and its subsidiaries

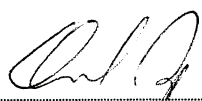
Statements of financial position (continued)

As at 31 December 2011 and 2010

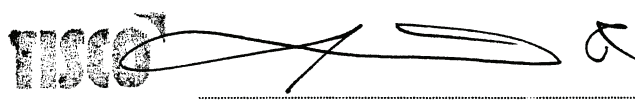
(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Shareholders' equity					
Share capital					
Registered	6.1				
372,287,914 preference shares of Baht 10 each					
(31 December 2010: 555,548,180 preference shares of Baht 10 each)		3,722,879	5,555,482	3,722,879	5,555,482
727,912,086 ordinary shares of Baht 10 each					
(31 December 2010: 544,651,820 ordinary shares of Baht 10 each)		7,279,121	5,446,518	7,279,121	5,446,518
		<u>11,002,000</u>	<u>11,002,000</u>	<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up					
33,858 preference shares of Baht 10 each					
(31 December 2010: 35,358 preference shares of Baht 10 each)		339	354	339	354
727,878,228 ordinary shares of Baht 10 each					
(31 December 2010: 727,876,728 shares of Baht 10 each)		7,278,782	7,278,767	7,278,782	7,278,767
		<u>7,279,121</u>	<u>7,279,121</u>	<u>7,279,121</u>	<u>7,279,121</u>
Share premium					
Share premium on preference shares		-	-	298	311
Share premium on ordinary shares		-	-	6,012,817	6,012,804
		-	-	<u>6,013,115</u>	<u>6,013,115</u>
Other components of shareholders' equity		999,037	1,049,546	-	-
Retained earnings					
Appropriated-statutory reserve		297,900	212,600	297,900	212,600
Unappropriated		7,634,389	6,235,417	1,715,391	1,768,927
Equity attributable to owners of the Company		<u>16,210,447</u>	<u>14,776,684</u>	<u>15,305,527</u>	<u>15,273,763</u>
Non-controlling interest of the subsidiaries		101,145	80,543	-	-
Total shareholders' equity		<u>16,311,592</u>	<u>14,857,227</u>	<u>15,305,527</u>	<u>15,273,763</u>
Total liabilities and shareholders' equity		<u>220,717,570</u>	<u>171,407,549</u>	<u>17,898,499</u>	<u>19,235,782</u>

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



Mrs. Oranuch Apisaksirikul
(Group Chief Executive, TISCO Group)



บริษัท ทีเอสซี จำกัด (มหาชน)
TISCO Financial Group Public Company Limited

Mr. Suthas Ruangmanamongkol
(Director)



TISCO Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

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

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Interest incomes	5.21	12,368,668	9,433,028	54,642	39,984
Interest expenses	5.22	(5,461,341)	(2,571,639)	(86,867)	(59,997)
Net interest incomes		6,907,327	6,861,389	(32,225)	(20,013)
Fees and service incomes		3,066,989	2,923,104	-	-
Fees and service expenses		(212,818)	(214,968)	(9,203)	(11,536)
Net fees and service incomes	5.23	2,854,171	2,708,136	(9,203)	(11,536)
Gains on tradings and foreign exchange transactions	5.24	42,905	20,729	-	-
Gains (losses) on investments	5.25	34,266	200,963	962	(5,370)
Dividend income		83,257	86,909	1,407,312	1,590,712
Penalty fee income from loans		220,532	201,722	-	-
Income from business promotion relating to the business		538,092	212,214	-	-
Reversal allowance for impairment of property foreclosed		248,232	-	-	-
Intercompany supporting fee income	5.33	-	-	1,286,324	1,348,979
Other operating incomes	5.27, 5.33	143,759	331,687	81,440	94,778
Total operating incomes		11,072,541	10,623,749	2,734,610	2,997,550
Other operating expenses					
Employee's expenses		2,722,316	2,760,453	497,627	681,852
Directors' remuneration		13,231	9,380	12,271	9,380
Premises and equipment expenses		685,086	701,339	265,732	223,280
Taxes and duties		224,067	154,304	1,447	3,370
Expenses to business promotion relating to the business		598,701	296,385	-	-
Others	5.28	691,158	596,320	100,488	96,979
Total other operating expenses		4,934,559	4,518,181	877,565	1,014,861
Bad debt and doubtful accounts and impairment loss					
of debt securities	5.26	1,283,075	1,946,933	-	-
Profit from operating before income tax expense		4,854,907	4,158,635	1,857,045	1,982,689
Income tax expense	5.29	1,561,908	1,256,163	151,484	127,228
Profit for the year		3,292,999	2,902,472	1,705,561	1,855,461

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

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

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Other comprehensive income	5.30				
Gains (losses) arising from translating the financial statements					
of a foreign operation		2,427	(5,606)	-	-
Investment in available-for-sale securities		(251,804)	456,257	-	-
Actuarial gains or losses arising from post-employment benefits		(23,558)	-	(5,405)	-
Cash flow hedges		124,252	21,957	-	-
Income tax (charge)/credit relating to components of					
other comprehensive income	5.29, 5.31	77,213	(132,396)	1,080	-
Other comprehensive income for the year		<u>(71,470)</u>	<u>340,212</u>	<u>(4,325)</u>	<u>-</u>
Total comprehensive income for the year		<u>3,221,529</u>	<u>3,242,684</u>	<u>1,701,236</u>	<u>1,855,461</u>
Profit attributable to:					
Equity holders of the Company	5.32	3,266,755	2,888,247	<u>1,705,561</u>	<u>1,855,461</u>
Non-controlling interests of the subsidiaries		<u>26,244</u>	<u>14,225</u>		
		<u>3,292,999</u>	<u>2,902,472</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		3,197,405	3,220,620	<u>1,701,236</u>	<u>1,855,461</u>
Non-controlling interests of the subsidiaries		<u>24,124</u>	<u>22,064</u>		
		<u>3,221,529</u>	<u>3,242,684</u>		
Earnings per share of equity holders of the Company	5.32				
Basic earnings per share		<u>4.49</u>	<u>3.97</u>	<u>2.34</u>	<u>2.55</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit from operating before income tax expense	4,854,907	4,158,635	1,857,045	1,982,689
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	303,525	349,873	77,243	108,814
Bad debts and doubtful accounts	1,975,565	2,585,631	-	-
Allowance for impairment of investments (reversal)	44,636	14,430	(962)	5,370
Allowance for impairment of property foreclosed (reversal)	(248,232)	257	-	-
Gain on disposal of investments	(84,101)	(201,863)	-	-
Unrealised (gain) loss on trading and foreign exchange transactions	(40,219)	1,847	-	-
Gain on disposal of equipment	(7,844)	(39,511)	(23)	(26,686)
Loss on written-off of equipment	-	124	-	-
Unrealised (gain) loss from trading securities	7,504	(12,996)	-	-
Gain on disposal of property foreclosed	(69,087)	(205,902)	-	-
Provision for long-term employee benefits	24,448	-	4,013	-
Decrease (increase) in other accrued income	(10,570)	(17,764)	74,043	(74,558)
Increase in accrued expenses	482,498	688,487	126,053	300,897
Net interest income	(6,907,327)	(6,861,389)	32,225	20,013
Dividend income	(83,257)	(86,909)	(1,407,312)	(1,590,712)
Interest received	12,007,185	9,109,947	54,702	39,912
Interest paid	(3,530,306)	(2,116,523)	(87,056)	(60,406)
Dividend received	83,257	86,909	2,261,237	625,165
Income tax paid	(1,458,144)	(1,556,866)	(187,256)	(169,055)
Profit from operating activities before changes in operating assets and liabilities	7,344,438	5,896,417	2,803,952	1,161,443
Operating assets (increase) decrease				
Interbank and money market items	(17,886,400)	162,836	224,107	32,851
Loans to customers	(37,944,184)	(38,554,492)	-	194,000
Securities and derivative business receivables	569,311	(277,622)	337,000	-
Property foreclosed	1,135,453	1,822,782	-	-
Intangible assets	(49,893)	(89,186)	(17,378)	(57,760)
Other assets	1,790	(206,288)	5,051	(28,974)
Operating liabilities increase (decrease)				
Deposits	(10,554,229)	(8,272,884)	-	-
Interbank and money market items	3,637,009	4,463,971	-	(210,000)
Liability payable on demand	(84,399)	187,278	-	-
Securities and derivative business payables	(1,141,146)	652,155	-	-
Other liabilities	(399,859)	74,378	50,489	(29,107)
Net cash flows from (used in) operating activities	(55,372,109)	(34,140,655)	3,403,221	1,062,453

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Cash flows from investing activities					
Cash paid for purchase of investment in securities held for investment		(1,046,880)	(5,343,869)	-	-
Cash received from disposal of investment in securities held for investment		3,607,966	8,944,430	-	-
Cash paid for purchase of equipment		(183,356)	(196,027)	(87,738)	(75,597)
Cash received from disposal of equipment		9,456	77,297	150	59,941
Cash paid for acquisition of a subsidiaries		-	(1)	(141,655)	(1)
Cash received from share capital reduction of a subsidiaries		-	-	-	500,000
Net cash flows from (used in) investing activities		2,387,186	3,481,830	(229,243)	484,343
Cash flows from financing activities					
Borrowings		54,544,376	32,643,690	(1,536,243)	(644,317)
Cash received from issuance of long-term debentures		76,000	2,000,000	-	-
Cash paid for the redemption of long-term debentures		-	(3,000,000)	-	-
Dividend paid		(1,637,736)	(902,479)	(1,637,735)	(902,479)
Net cash flows from (used in) financing activities		52,982,640	30,741,211	(3,173,978)	(1,546,796)
Translation adjustment		2,427	(5,606)	-	-
Net increase (decrease) in cash		144	76,780	-	-
Cash at beginning of year		903,306	826,526	50	50
Cash at end of year		903,450	903,306	50	50
		-	-	-	-
Supplemental cash flows information					
Non-cash transactions					
Conversion of preference shares to ordinary shares		28	12,324	28	12,323
Issuance securities for swap ordinary shares of TISCO Bank					
under holding restructuring under common control		-	14,008	-	14,008
Transfer of properties foreclosed form receivables					
for debt settlement		3,382	-	-	-
Transfer investment property to premises and equipment	5.11	84,841	-	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements													
Equity attributable to owner of the Company													
	Issued and fully paid-up share capital		Other components of shareholders equity					Retained earnings		Total equity attributable to owner of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total	
	Preference shares	Ordinary shares	investments	Cash flow hedges	Other comprehensive income		of entities under restructuring plan	Total other components of shareholders' equity	Appropriated				Unappropriated
					Surplus (deficit) on change in value of available-for-sale	Exchange differences on translation of financial statements in foreign currency							
Balance as at 31 December 2009	6,986	7,261,744	(37,793)	(10,743)	86,443	672,295	710,202	119,800	4,342,449	12,441,181	77,539	12,518,720	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	-	(902,479)	(902,479)	-	(902,479)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	92,800	(92,800)	-	-	-	
Total comprehensive income for the year	-	-	330,449	7,532	(5,608)	-	332,373	-	2,888,247	3,220,620	22,064	3,242,684	
Preference shares converted to ordinary shares	(6,632)	6,632	-	-	-	-	-	-	-	-	-	-	
Adjustment from business combination of entities under common control under holding restructuring plan	-	10,391	-	-	-	6,971	6,971	-	-	17,362	(17,362)	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,698)	(1,698)	
Balance as at 31 December 2010	354	7,278,767	292,656	(3,211)	80,835	679,266	1,049,546	212,600	6,235,417	14,776,684	80,543	14,857,227	
Cumulative effect of the change in accounting policy for employee benefit (Note 2)	-	-	-	-	-	-	-	-	(125,890)	(125,890)	(1,053)	(126,943)	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	-	(1,637,752)	(1,637,752)	-	(1,637,752)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	85,300	(85,300)	-	-	-	
Total comprehensive income for the year	-	-	(153,521)	100,585	2,427	-	(50,509)	-	3,247,914	3,197,405	24,124	3,221,529	
Preference shares converted to ordinary shares	(15)	15	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,469)	(2,469)	
Balance as at 31 December 2011	339	7,278,782	139,135	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592	

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements									
	Issued and fully		Issued and fully paid-up share capital				Retained earnings			Total
	paid-up share capital - registered		awaiting for registered		Share premium		Appropriated	Unappropriated		
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares				
Balance as at 31 December 2009	6,986	7,261,652	-	92	6,147	6,002,126	119,800	908,745	14,305,548	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	(902,479)	(902,479)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	92,800	(92,800)	-	
Total comprehensive income for the year	-	-	-	-	-	-	-	1,855,461	1,855,461	
Preference shares converted to ordinary shares	(6,632)	6,632	-	-	(5,836)	5,836	-	-	-	
Issuance of ordinary shares to the shareholders										
under common control under holding										
restructuring plan	-	10,391	-	-	-	4,842	-	-	15,233	
Registered the issuance of ordinary shares to										
the shareholders under common control under										
holding restructuring plan	-	92	-	(92)	-	-	-	-	-	
Balance as at 31 December 2010	354	7,278,767	-	-	311	6,012,804	212,600	1,768,927	15,273,763	
Cumulative effect of the change in accounting policy										
for employee benefit (Note 2)	-	-	-	-	-	-	-	(31,720)	(31,720)	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	(1,637,752)	(1,637,752)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	85,300	(85,300)	-	
Total comprehensive income for the year	-	-	-	-	-	-	-	1,701,236	1,701,236	
Preference shares converted to ordinary shares	(15)	15	-	-	(13)	13	-	-	-	
Balance as at 31 December 2011	339	7,278,782	-	-	298	6,012,817	297,900	1,715,391	15,305,527	

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

TISCO Financial Group Public Company Limited and its subsidiaries
Notes to consolidated 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 Company 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 Company. The financial statements in English language have been translated from the Thai language financial statements.

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

1.2 Basis of Consolidation of financial statements

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 5.1 to the financial statements.
- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.

- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies.
- e) The assets and liabilities in the financial statements of overseas subsidiary company are translated into Baht using the exchange rate prevailing on the end of reporting period and the revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

During the year, there were the following changes in the composition of the subsidiaries:

- a) In February 2011, the Company invested in 49,997 ordinary shares of TISCO Learning Center Co., Ltd. at a price of Baht 100 per share, for a total of Baht 5 million. The Company holds 99.99 percent of shares. Such company registered its incorporations with the Ministry of Commerce on 1 February 2011.
- b) In March 2011, TISCO Securities Company Limited, the Company's subsidiary, invested in 9,997 ordinary shares of TISCO Investment Advisory Co., Ltd. at a price of Baht 100 per share, for a total of Baht 1 million. The Company's investment represents 99.97 percent of the registered capital of such company, which registered its incorporation with the Ministry of Commerce on 18 March 2011.
- c) On June 2011, the Company acquired TISCO Leasing Company Limited from TISCO Bank Public Company Limited, as approved by the year 2011 Annual General Meeting of shareholders of the Company on 21 April 2011. Therefore, the Company's investment represents 99.99 percent of the registered capital of such company, invested in 999,965 ordinary shares at a price of Baht 136.66 per share, for a total of Baht 137 million.

1.3 Application of new accounting standards during the year

During the current year, the Company 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:

1.5 Significant accounting policies

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

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

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fee

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

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

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

e) Fees and service income

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

1.5.2 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 subsidiaries 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.

1.5.3 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 subsidiary company does not record investments which the subsidiary company 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 subsidiary company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The subsidiary company does not consider the investments in mutual funds to be investments in associated companies by the equity method in the consolidated financial statements, even if the company holds not less than 20% of the equity, because the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.
- h) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- i) 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.
- j) The moving average method is used for computation of the cost of investments.
- k) In the event the subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in 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.

1.5.4 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 customers 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 customers.

1.5.5 Securities purchased under resale agreements according to private repurchase transactions

The subsidiary company operating banking business 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 subsidiary company 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.

1.5.6 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs less residual value on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in income statement in the period when the asset is derecognised.

1.5.7 Receivable from Clearing House/ Payable to Clearing House

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

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

1.5.8 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.

1.5.9 Securities and derivative business receivables

Securities and derivative business receivables are the net balance after deducting allowance for doubtful accounts. Securities business receivable includes customer cash accounts, customers' securities borrowing and lending accounts, and other receivables such as securities receivable that are being enforced by courts, and are being compromised or settled in installments.

1.5.10 Allowance for doubtful accounts and losses from troubled debt restructuring

- a) The subsidiary company operating banking business 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 subsidiary company 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 subsidiary company 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 subsidiary company uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

The subsidiary company has already set provision for all loans to customers in accordance with the BOT's guidelines issued on 3 August 2008.

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

- d) For the subsidiary company operating leasing business, allowance for doubtful receivables is estimated based on a review of all outstanding amounts at the end of the period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) 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.
- f) 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.

1.5.11 Troubled debt restructuring

The subsidiary company operating banking business 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 subsidiary records the assets or equities transferred to the subsidiary 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 subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary 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.

1.5.12 Recognition and derecognition of customer deposits

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

1.5.13 Borrowing and lending of securities

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

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

1.5.14 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 subsidiary company operating banking business 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 subsidiary company will recognise loss on impairment in profit or loss. And gains or losses from disposal of property foreclosed are recognised upon disposal.

1.5.15 Premises and equipment/Depreciation

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

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

Buildings and office condominium units	-	20	years
Office improvements	-	5,10	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5	years
Leased assets under operating lease agreements	-		according to the period of lease agreement

Depreciation is included in 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 the asset is derecognised.

1.5.16 Intangible assets

The Company and its subsidiaries 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 Company and its subsidiaries 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 Company and its subsidiaries 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 are deferred and amortised over the following estimated useful lives:

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

1.5.17 Income tax

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

Current tax

The Company and its subsidiaries calculate 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.

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

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

The Company and its subsidiaries record 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 Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.5.18 Impairment of assets

The Company and its subsidiaries assess 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 Company and its subsidiaries estimate 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.

1.5.19 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 Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Company and its subsidiaries continue 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.

1.5.20 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitments are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

1.5.21 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Post-employment benefits

Defined contribution plans

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

Defined post-employment benefit plans

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

The obligation under the defined benefit plan is determined by the Company and its subsidiaries 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 Company and its subsidiaries 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.

1.5.22 Provisions

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

1.5.23 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”.

- a) A subsidiary operating banking business has recorded derivatives held for trading in fair value method. The subsidiary 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.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.
- c) Subsidiaries have recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The subsidiaries document, 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 subsidiaries also document their 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.

1.5.24 Financial instruments

a) Financial risk management

The Company and its subsidiaries' 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, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 5.37 to the financial statements.

b) Fair value of financial instruments

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

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the financial statement 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 carry interest at floating rates. Hire purchase receivables and other retail loans to customers 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.

1.5.25 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.

1.5.26 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 Company and its subsidiaries 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.

Leases

In determining whether a lease is to be classified as an operating lease or financial lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company'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.

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgment whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

2. The effect of the change in accounting policies due to the adoption of new accounting standards

During the current year, the Company and its subsidiaries have changed significant accounting policies described in Note 1.3 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 expenses in the period in which service is performed by the employee. In particular, an entity has to evaluate and make provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy since the beginning of the current year and have 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 decreases in the balances of retained earnings brought forward as at 1 January 2011 in the consolidated and separate financial statements by Baht 127 million (long-term employee benefit obligations of Baht 159 million net of related deferred tax of Baht 32 million) and Baht 32 million (long-term employee benefit obligations of Baht 40 million net of related deferred tax of Baht 8 million), respectively. The cumulative effect of such change in 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 Company and its subsidiaries for the year 2011 by Baht 24 million or 0.034 Baht per share, (Separate financial statements: decreasing profit by Baht 4 million or 0.006 Baht per share).

TAS 40 Investment property

The Company and its subsidiaries record initial value of investment properties at cost, including transaction cost. The amounts of adjustments affecting the statement of financial position as at 31 December 2010 are summarised below:

(Unit: Thousand Baht)

31 December 2010

	Consolidated financial statements	Separate financial statements
Statements of financial position		
Increase in investment properties	76,999	357,401
Decrease in premises and equipment	(76,999)	(357,401)

3. Effect of the change in accounting estimate

During the current year, the Company and its subsidiaries 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)

31 December 2011

	Consolidated financial statements	Separate financial statements
Statements of financial position		
Increase in investment properties	43,790	48,426
Increase in premises and equipment	27,226	25,927
Statements of comprehensive income		
Decrease in depreciation	71,016	74,353
Increase profit attributable to equity holders of the Company	71,016	74,353
Increase in basic earnings per share (Baht)	0.10	0.10

4. General information

4.1 The Company's information

TISCO Financial Group Public Company Limited (“the Company”) was incorporated as a holding company. Upon completion of the holding company restructuring plan on 9 January 2009, the Company became the parent company of TISCO Group in place of TISCO Bank Public Company Limited (“TISCO Bank”). On 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

4.2 Share capital

The Company has a registered capital of Baht 11,002 million which consists of 727,912,086 ordinary shares and 372,287,914 preference shares both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Company 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 Company does not declare dividend payment to the ordinary shareholders, the Company 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 Company 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 Company 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 Directors' remuneration

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

4.5 Related party transactions

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

The Company 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 Company and those related parties, which are reference to the terms and price as charged to other customers.

The Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Company, the Company's directors or management-level employees, with the exception of loans to related party and loans to employees under the employee welfare scheme, as mentioned in Note 5.33 to the financial statements.

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

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

5. Supplemental information

5.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2011 and 2010 is provided below.

Company's name	Nature of Business	Country of incorporation	(Unit: Percent)	
			Percentage of shares held by the Company as at	
			31 December	
			2011	2010
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.98	99.98
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset Management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Tokyo Leasing Co., Ltd.	Leasing	Thailand	49.00	49.00
TISCO Leasing Co., Ltd.	Leasing	Thailand	99.99	-
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	-
<u>Subsidiaries indirectly held by the Company</u>				
TISCO Leasing Co., Ltd.	Leasing	Thailand	-	99.99
TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	99.97	-
TISCO Securities Hong Kong Limited Co., Ltd. (in the process of liquidation)	Securities business	China-Hongkong	100.00	100.00

5.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	426,279	-	426,279	871,361	8,310,000	9,181,361
Commercial banks	289,501	21,847,059	22,136,560	183,108	1,056,660	1,239,768
Specialised financial institutions	854	4,054,363	4,055,217	332	2,065,000	2,065,332
Total	716,634	25,901,422	26,618,056	1,054,801	11,431,660	12,486,461
Add: Accrued interest	4,426	7,013	11,439	634	1,216	1,850
Total domestic	721,060	25,908,435	26,629,495	1,055,435	11,432,876	12,488,311
Foreign						
Hong Kong dollar	15,700	-	15,700	18,566	-	18,566
US dollar	40,592	-	40,592	38,526	-	38,526
Yuan	-	4,026,121	4,026,121	-	-	-
Total	56,292	4,026,121	4,082,413	57,092	-	57,092
Add: Accrued interest	-	11,968	11,968	-	-	-
Less: Deferred revenue	-	(1,531)	(1,531)	-	-	-
Total foreign	56,292	4,036,558	4,092,850	57,092	-	57,092
Total domestic and foreign	777,352	29,944,993	30,722,345	1,112,527	11,432,876	12,545,403

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	169,413	-	169,413	393,461	-	393,461
Total	169,413	-	169,413	393,461	-	393,461
Add: Accrued interest	34	-	34	93	-	93
Total domestic	169,447	-	169,447	393,554	-	393,554

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2011	2010	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business 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 bank	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

5.3 Derivatives

5.3.1 Trading derivative

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

Type of risk	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.

5.3.2 Hedging derivatives

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December						
Type of risk	2011			2010		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	22,924	133,119	4,982,220	-	-	-
Interest rate	543	594	372,500	-	9,363	326,491
Total	23,467	133,713	5,354,720	-	9,363	326,491

All counter parties of these derivative transactions are financial institutions.

5.4 Investments

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December		
	2011	2010
Trading securities - fair value		
Domestic marketable equity securities	3,752	3,752
Add: Allowance for changes in value	21,691	29,195
Total trading securities	25,443	32,947
Available-for-sales securities - fair value		
Government and state enterprise securities	605,918	1,419,765
Debt securities of private sector	837,593	841,460
Foreign debt securities	-	196,430
Domestic marketable equity securities	809,401	872,709
Other securities - unit trusts	30,281	40,133
Add: Allowance for changes in value	239,738	476,545
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales securities	2,521,471	3,845,582
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	-	87,975
Debt securities of private sector	-	2
Investment in receivables	686,519	1,906,753
Less: Allowance for impairment	(18,057)	(23,256)
Total held-to-maturity debt securities	668,462	1,971,474
Other investments - cost		
Domestic non-marketable equity securities	608,263	698,548
Less: Allowance for impairment	(117,382)	(67,547)
Total other investments	490,881	631,001
Investments - net	3,706,257	6,481,004

5.4.1 Investments subject to restriction

(Unit: Million Baht)

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

5.4.2 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2011		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2010		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

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

5.4.3 Investments where a subsidiary company operating banking business hold not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2011			2010		
	Book value	Unpaid amounts	Percentage of holding %	Book value	Unpaid amounts	Percentage of holding %
Insurance:						
AXA Insurance Plc.	-	-	10	53,169	-	10
Services:						
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
Leasing and hire purchase:						
TISCO Leasing Co., Ltd.	-	-	-	85,998	-	99.99
Trading import and export:						
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
Real estate:						
Prosperity Industrial Estate Co., Ltd.	45,095	-	10	45,095	-	10
UMI Property Co., Ltd.	6,843	-	10	7,454	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,028	-	10	16,588	-	10

5.5 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of shares as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2011	2010	2011	2010	2011	2010	2011	2010
Subsidiaries directly held by the Company				%	%				
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.98	99.98	13,294	13,294	1,070	1,020
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	150	250
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	185	220
Hi-Way Co., Ltd.	Hire purchase	Preference shares	Preference shares	99.99	99.99	3	3	-	1
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	-	99
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	-	-
TISCO Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	99.99	-	137	-	-	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	49.00	49.00	73	73	2	1
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	-	5	-	-	-
						15,131	14,989	1,407	1,591
Less: Allowance for impairment						(109)	(110)		
Investment in subsidiaries - net						15,022	14,879		

On 27 June 2011, the Company acquired TISCO Leasing Co., Ltd. from TISCO Bank Public Co., Ltd. as mentioned in Note 6.2 to financial statements.

5.6 Loans to customers and accrued interest receivable

5.6.1 Classified by loan type

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Loans to customers		
Loans	45,069,972	32,788,168
Hire purchase receivables	154,533,482	129,188,567
Financial lease receivables	4,046,616	3,112,688
Less: Deferred revenue	(18,416,303)	(15,248,648)
Advances received from financial lease receivables	(220,145)	(108,546)
Total loans to customers	185,013,622	149,732,229
Add: Accrued interest receivable	258,374	133,879
Less: Allowance for doubtful accounts	(4,420,351)	(4,162,022)
Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivable - net	<u>180,851,642</u>	<u>145,704,083</u>

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2011	2010
Loans to customers		
Loans	944,000	1,281,000
Add: Accrued interest receivable	-	-
Loans to customers and accrued interest receivable - net	<u>944,000</u>	<u>1,281,000</u>

5.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	181,844,502	-	181,844,502	149,732,229	-	149,732,229
US Dollars	-	3,169,120	3,169,120	-	-	-
Total loans to customers net of deferred revenue	<u>181,844,502</u>	<u>3,169,120</u>	<u>185,013,622</u>	<u>149,732,229</u>	<u>-</u>	<u>149,732,229</u>

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	944,000	-	944,000	1,281,000	-	1,281,000
Total loans to customers net of deferred revenue	<u>944,000</u>	<u>-</u>	<u>944,000</u>	<u>1,281,000</u>	<u>-</u>	<u>1,281,000</u>

5.6.3 Classified by type of business

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December 2011							Other subsidiaries	Total
	Subsidiary company operating banking business						Total		
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful				
					of loss	Total			
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151	-	1,059,151	
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352	-	24,051,352	
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394	-	8,955,394	
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521	-	11,140,521	
Personal consumption									
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637	5,188,906	124,981,543	
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522	210,075	7,717,597	
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687	-	1,366,687	
Securities	-	-	-	-	-	-	1,432	1,432	
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945	-	5,739,945	
Total loans to customer	<u>166,517,915</u>	<u>10,880,161</u>	<u>1,517,199</u>	<u>254,481</u>	<u>443,453</u>	<u>179,613,209</u>	<u>5,400,413</u>	<u>185,013,622</u>	
Add: Accrued interest receivable	<u>88,148</u>	<u>134,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,666</u>	<u>35,708</u>	<u>258,374</u>	
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>	<u>5,436,121</u>	<u>185,271,996</u>	

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2010

	Subsidiary company operating banking business						Other	Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total	subsidiaries	
Agricultural and mining	159,152	2,519	4,405	513	1,323	167,912	-	167,912
Manufacturing and commerce	17,441,497	141,008	25,055	28,871	61,962	17,698,393	-	17,698,393
Real estate and construction	5,955,550	87,192	4,521	5,438	362,968	6,415,669	-	6,415,669
Public utilities and services	6,911,822	152,127	28,133	26,981	62,021	7,181,084	-	7,181,084
Personal consumption								
Hire purchase	94,354,795	5,968,776	687,177	183,337	331,931	101,526,016	4,642,252	106,168,268
Auto cash loan	5,160,852	177,132	16,465	2,995	5,941	5,363,385	-	5,363,385
Housing loans	1,243,598	54,709	19,930	12,588	91,461	1,422,286	-	1,422,286
Securities	-	-	-	-	-	-	1,432	1,432
Others	4,891,666	27,148	2,306	6,557	386,123	5,313,800	-	5,313,800
Total loans to customer	136,118,932	6,610,611	787,992	267,280	1,303,730	145,088,545	4,643,684	149,732,229
Add: Accrued interest receivable	33,535	82,032	-	-	-	115,567	18,312	133,879
Total loans to customers and accrued interest receivable	136,152,467	6,692,643	787,992	267,280	1,303,730	145,204,112	4,661,996	149,866,108

5.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December					
	2011			2010		
	Net amount			Net amount		
Loans to customers and accrued interest receivable ⁽¹⁾	used for set the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}		Loans to customers and accrued interest receivable	used for set the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
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 ⁽²⁾	-	-	4	-	-	2,351
Total	179,836	164,321	4,099	145,304	131,301	3,859

⁽¹⁾ 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 TISCO Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ 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 accounts set up			
	Hire purchase receivables		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2011 ⁽¹⁾	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

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

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

5.6.5 Hire purchase and financial lease receivables

As at 31 December 2011, net receivables of the subsidiaries under hire purchase and financial lease agreements amount to Baht 140,132 million (2010: Baht 117,133 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)

	Consolidated financial statements 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	49,809	101,960	3,386	3,425	158,580
Less: Deferred revenue*	(7,375)	(9,416)	(106)	(1,331)	(18,228)
Advances received from financial lease receivables	(17)	(197)	(6)	-	(220)
Present value of minimum lease pay from agreements	42,417	92,347	3,274	2,094	140,132
Allowance for doubtful accounts					(2,564)
Net hire purchase and financial lease receivables					137,568

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010

	Amounts of installments due under the long-term lease agreements				
	Less than			Non performing	Total
	1 year	1 - 5 years	Over 5 years	loans	
Gross investment in the agreements	42,534	84,437	2,318	3,012	132,301
Less: Deferred revenue*	(6,293)	(7,453)	(56)	(1,258)	(15,060)
Advances received from financial lease receivables	(5)	(103)	-	-	(108)
Present value of minimum lease pay from agreements	36,236	76,881	2,262	1,754	117,133
Allowance for doubtful accounts					(1,253)
Net hire purchase and financial lease receivables					115,880

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

5.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

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

⁽¹⁾ These amounts are calculated on an account by account basis.⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2011	2010
Hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	397	294

5.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiaries

(Unit: Million Baht)

	Consolidated financial statements	
	as at 31 December	
	2011	2010
Deferred revenue ⁽¹⁾	18,416	15,248

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

5.6.8 Troubled debt restructuring of a subsidiary company operating banking business

	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 year end 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, a subsidiary company operating banking business have the outstanding balance with troubled debt restructuring debtors, as follows:

(Unit: Million Baht)

	As at 31 December			
	2011		2010	
	Number of debts	Outstanding balance	Number of debts	Outstanding balance
The balance of the restructured debts	1,612	1,299	1,289	1,711

5.7 Allowance for doubtful accounts / allowance for loss on debt restructuring

5.7.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011

	Pass	Special mentioned	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	934,963	92,619	237,767	88,718	457,130	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	2,461,032	162,942	655,523	699,660	346,657	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(2,426)	(18,245)	(423,607)	(692,424)	(583,821)	-	(1,720,523)
Balance - end of year	<u>3,393,569</u>	<u>237,316</u>	<u>469,683</u>	<u>95,954</u>	<u>219,966</u>	<u>3,863</u>	<u>4,420,351</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2010

	Pass	Special mentioned	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	732,736	97,122	229,552	113,804	524,204	727,847	2,425,265
Increase (decrease) in allowance for doubtful accounts during the year	203,127	13,790	334,714	497,205	125,883	1,411,876	2,586,595
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125	211,125
Bad debt written-off	(900)	(18,293)	(326,499)	(522,291)	(192,957)	(23)	(1,060,963)
Balance - end of year	<u>934,963</u>	<u>92,619</u>	<u>237,767</u>	<u>88,718</u>	<u>457,130</u>	<u>2,350,825</u>	<u>4,162,022</u>

5.7.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011				
	Individual	Collective	Allowance	
	impairment	impairment	established in	Total
			excess	
Balance - beginning of year	565,586	1,245,611	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	1,418,943	2,906,871	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(110,378)	(1,610,145)	-	(1,720,523)
Balance - end of year	<u>1,874,151</u>	<u>2,542,337</u>	<u>3,863</u>	<u>4,420,351</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2010				
	Individual	Collective	Allowance	
	impairment	impairment	established in	Total
			excess	
Balance - beginning of year	520,672	1,176,746	727,847	2,425,265
Increase (decrease) in allowance for doubtful accounts during the year	84,717	1,090,002	1,411,876	2,586,595
Transfer from allowance for declining in value of property foreclosed	-	-	211,125	211,125
Bad debt written-off	(39,803)	(1,021,137)	(23)	(1,060,963)
Balance - end of year	<u>565,586</u>	<u>1,245,611</u>	<u>2,350,825</u>	<u>4,162,022</u>

5.7.3 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

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

5.8 Classification of assets

5.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at 31 December		as at 31 December		as at 31 December	
	2011	2010	2011	2010	2011	2010
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

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

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

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

5.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

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. 1564/2544 regarding "Clarification of measures to help debtors who have been affected by flooding" are as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		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 mentioned	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
Total	204,962	148,249	119	87	18	23	50	61	205,149	148,420

⁽¹⁾ Loans to customer 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 statement of financial position).

5.8.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which a subsidiary company operating banking business sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance as at 31 December		Net amount used for set the allowance for doubtful accounts as at 31 December ⁽¹⁾		Percentage of allowance for doubtful account set up as at 31 December		Allowance for doubtful accounts as at 31 December	
	2011	2010	2011	2010	2011 ⁽²⁾	2010	2011 ⁽³⁾	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
Sub-standard	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
Total	134,616	112,388	134,616	112,388			2,243	962

⁽¹⁾ The Subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ 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.

⁽³⁾ 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.

5.8.4 Loans to customers includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

	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
Total	2	6	260	1,109	145	870	136	260

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

(Unit: Million Baht)

	Securities business receivables and accrued interest as at 31 December		Allowance for doubtful accounts as required by SEC as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2011	2010	2011	2010	2011	2010
	Doubtful	1	1	1	1	1

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

(Unit: Million Baht)

	Debt balance as at 31 December		Allowance for doubtful account as at 31 December		Debt balance - net as at 31 December	
	2011	2010	2011	2010	2011	2010
	Current	4,202	3,740	85	113	4,117
Overdue						
1 month	298	274	29	27	269	247
2 - 3 months	504	334	49	33	455	301
4 - 6 months	241	146	91	60	150	86
7 - 12 months	111	92	42	38	69	54
Over 12 months	25	37	10	15	15	22
Debtors under litigation	18	19	14	14	4	5
Total	5,399	4,642	320	300	5,079	4,342

5.9 Property foreclosed

(Unit: Thousand Baht)

Consolidated financial statements		
as at 31 December		
	2011	2010
Acquisition of assets for debt repayment		
Immovable assets		
<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
Movable assets		
Balance - beginning of year	45,930	73,447
Additions	1,558,065	1,856,919
Disposals	(1,573,516)	(1,884,436)
Balance - end of year	30,479	45,930
Total property foreclosed	307,730	347,805
Less: Allowance for impairment		
Balance - beginning of year	32,013	31,684
Increase	28,677	329
Decrease	(28,315)	-
Balance - end of year	32,375	32,013
Property foreclosed - net	275,355	315,792
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	257,869	21,397

5.10 Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Operating assets				Assets for operating lease agreements			
	Land	Building, office condominium and building improvements	Furniture fixtures computer and equipment	Motor vehicles	Assets held for future lease and for sale	Computer and equipment	Motor vehicles	Total
Cost:								
1 January 2010	17,509	2,103,427	754,228	110,265	5,171	34,764	10,663	3,036,027
Additions/transfers in	-	37,880	74,813	60,238	1,608,822	23,095	-	1,804,848
Disposals/written-off/transfers out	-	(7,300)	(52,842)	(35,547)	(1,605,770)	(13,013)	(7,359)	(1,721,831)
31 December 2010	17,509	2,134,007	776,199	134,956	8,223	44,846	3,304	3,119,044
Additions/transfers in	-	209,504	98,642	23,035	2,246,269	12,116	3,222	2,592,788
Disposals/written-off/transfers out	-	(85,955)	(21,173)	(20,233)	(2,252,846)	(1,206)	(2,244)	(2,383,657)
31 December 2011	17,509	2,257,556	853,668	137,758	1,646	55,756	4,282	3,328,175
Accumulated depreciation:								
1 January 2010	-	873,119	601,974	90,715	-	14,618	6,179	1,586,605
Depreciation for the year	-	132,419	88,190	15,473	-	13,414	1,476	250,972
Depreciation on disposals/written-off	-	(7,300)	(52,210)	(34,993)	-	(13,013)	(5,887)	(113,403)
31 December 2010	-	998,238	637,954	71,195	-	15,019	1,768	1,724,174
Depreciation for the year	-	62,550	97,130	19,756	-	17,204	820	197,460
Depreciation on disposals/written-off	-	(995)	(20,468)	(20,232)	-	(1,206)	(1,459)	(44,360)
31 December 2011	-	1,059,793	714,616	70,719	-	31,017	1,129	1,877,274
Net book value:								
31 December 2010	17,509	1,135,769	138,245	63,761	8,223	29,827	1,536	1,394,870
31 December 2011	17,509	1,197,763	139,052	67,039	1,646	24,739	3,153	1,450,901
Depreciation for years ended 31 December:								
2010								250,972
2011								197,460

(Unit: Thousand Baht)

	Separate financial statements			
	Building, office condominium and building improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:				
1 January 2010	320,427	11,542	2,690	334,659
Additions/transfers in	2,954	38,581	34,062	75,597
Disposals/written-off/transfers out	-	-	(400)	(400)
31 December 2010	323,381	50,123	36,352	409,856
Additions/transfers in	12,076	55,272	20,390	87,738
Disposals/written-off/transfers out	(2)	(358)	-	(360)
31 December 2011	335,455	105,037	56,742	497,234
Accumulated depreciation:				
1 January 2010	23,292	3,854	137	27,283
Depreciation for the year	23,018	7,692	3,269	33,979
Depreciation on disposals	-	-	(60)	(60)
31 December 2010	46,310	11,546	3,346	61,202
Depreciation for the year	21,808	35,586	9,509	66,903
Effect of the change estimates accounting	(25,927)	-	-	(25,927)
Depreciation on disposals	(2)	(197)	-	(199)
31 December 2011	42,189	46,935	12,855	101,979
Net book value:				
31 December 2010	277,071	38,577	33,006	348,654
31 December 2011	293,266	58,102	43,887	395,255
Depreciation for years:				
2010				33,979
2011				40,976

5.11 Investment properties

The book value of investment properties as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Building and office condominium	Building and office condominium
31 December 2011:		
Cost	12,857	416,177
Less: Accumulated depreciation	(11,905)	(39,738)
Net book value	<u>952</u>	<u>376,439</u>
31 December 2010:		
Cost	89,139	416,177
Less: Accumulated depreciation	(17,135)	(58,776)
Net book value	<u><u>72,004</u></u>	<u><u>357,401</u></u>

A reconciliation of book value of investment properties as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Book value - beginning of years	72,004	105,832	357,401	420,555
Asset disposals - book value	-	(29,498)	-	(32,915)
Transfers to premises and equipment	(69,641)	-	(1,190)	-
Depreciation	(1,411)	(4,330)	(28,198)	(30,239)
Effect of the change estimates accounting	-	-	48,426	-
Book value - ending of years	<u>952</u>	<u>72,004</u>	<u>376,439</u>	<u>357,401</u>

The fair value of investment properties as at 31 December 2011 are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Building and office condominium	15,989	550,240

The fair value of investment properties was calculated by the asset appraisal method based on the market approach and the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalization rate, discount rate and other relevant factors. These asset appraisal approach also made reference to a data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

5.12 Intangible assets

The book value of intangible assets as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Computer Software	Computer Software
31 December 2011:		
Cost	653,885	169,775
Less: Accumulated depreciation	(471,568)	(107,348)
Net book value	<u>182,317</u>	<u>62,427</u>
31 December 2010:		
Cost	604,022	152,427
Less: Accumulated depreciation	(360,303)	(52,073)
Net book value	<u>243,719</u>	<u>100,354</u>

A reconciliation of book value of intangible assets as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Net book value at beginning of years	243,719	249,103	100,354	87,188
Acquisitions of computer software	53,233	91,131	17,987	59,006
Disposals of computer software	(3,370)	(1,945)	(639)	(1,245)
Amortisation	(111,265)	(94,570)	(55,275)	(44,595)
Book value at ending of years	<u>182,317</u>	<u>243,719</u>	<u>62,427</u>	<u>100,354</u>

5.13 Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2011	2010	2011	2010
Receivable from clearing house	30,682	342,549	-	-
Value added tax - net	250,723	353,181	5,867	1,410
Accrued interest receivable	12,147	18,370	-	-
Fee and charges receivable	181,829	171,259	790	74,834
Prepaid income tax	360,300	34,690	-	-
Deposits	38,324	34,978	4,080	4,075
Other receivables	294,965	228,758	54	8
Other assets	347,442	310,146	28,465	38,050
Total other assets	<u>1,516,412</u>	<u>1,493,931</u>	<u>39,256</u>	<u>118,377</u>

5.14 Deposits

5.14.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2011	2010
Deposits		
Current accounts	3,423,090	4,859,992
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
Total	<u>37,978,994</u>	<u>48,533,223</u>

5.14.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Not over 1 year*	37,452,777	48,226,471
Over 1 year	526,217	306,752
Total deposits	37,978,994	48,533,223

*Including fully-mature deposit contract

5.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2011			2010		
	At call	Term	Total	At call	Term	Total
Commercial banks	126,287	3,625,088	3,751,375	166,320	86,696	253,016
Specialised financial institutions	-	-	-	-	2,500,000	2,500,000
Other banks and financial institutions	276,506	10,450,772	10,727,278	151,369	7,938,380	8,089,749
Total	402,793	14,075,860	14,478,653	317,689	10,525,076	10,842,765

The subsidiary company operating banking business 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 5.37.5 to the financial statements.

The subsidiary company operating leasing business has entered into interest rate swap agreements to pay interest at a fixed rate amounting to Baht 73 million of borrowings, as mentioned in Note 5.37.5 the financial statements.

5.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2011	2010	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	138,319,564	83,773,847	1,808,832	3,345,075
Promissory notes	1,034	2,376	-	-
Total	145,396,598	90,776,223	1,808,832	3,345,075

5.16.1 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December (Million Baht)		Maturity in the year	Interest rate
			2011	2010		2011	2010		
			2009	TISCO Bank		Subordinated and unsecured long-term debentures	2 million		
2009	TISCO Bank	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 forth to seventh years and 6.0 percent per annum in the eighth to tenth years.
2010	TISCO Bank	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	TISCO Bank	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.
Total						6,000	6,000		

5.16.2 Unsubordinated unsecured debentures

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

5.16.3 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.

5.17 Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employee's retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December 2011	Separate financial statements as at 31 December 2011
Cummulative effect of change in accounting policy for employee benefits adjusted against beginning balance to retained earnings (Note 2)	158,580	39,651
Current service cost	17,600	2,334
Interest cost	6,848	1,679
Benefits paid during the year	(1,445)	-
Actuarial (gains) / losses	23,558	5,405
Balance - end of year	<u>205,141</u>	<u>49,069</u>

Long-term employee benefits expenses included in profit or losses for the year ended 31 December 2011 totaling Baht 24 million (separate financial statement: Baht 4 million).

Principal actuarial assumptions at the valuation date were as follow:

	Consolidated financial statements	Separate financial statements
	2011	2011
	(% per annum)	(% per annum)
Discount rate	3.77 - 4.27	3.77 - 4.27
Average salary increase rate	3	3
Average inflation rate	3	3

5.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2011	2010	2011	2010
Payable to clearing housing	284,430	18,615	-	-
Withholding income tax and other				
tax payable	349,513	165,152	44,278	47,571
Accrued insurance premium	400,555	373,622	-	-
Deferred income	497,524	235,537	-	-
Accrued expenses	1,446,100	1,148,128	566,113	436,766
Other liabilities	579,210	743,980	65,867	15,379
Total other liabilities	<u>3,557,332</u>	<u>2,685,034</u>	<u>676,258</u>	<u>499,716</u>

5.19 Capital funds

5.19.1 The primary objectives of the Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and other in accordance with the regulations of Bank of Thailand or relevant regulatory agencies.

5.19.2 TISCO 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, TISCO Bank has allocated the additional reserve from classification as 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 TISCO 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	<u>12,262,118</u>	<u>10,262,503</u>
<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	<u>6,230,454</u>	<u>5,964,278</u>
Total capital fund	<u><u>18,492,572</u></u>	<u><u>16,226,781</u></u>

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

⁽¹⁾ Before Capital Floor

⁽²⁾ After Capital Floor

5.19.3 To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 6/2553 regarding "Consolidated Supervision" dated 18 June 2010, the Company has disclosed capital maintenance information of financial business group as at 30 June 2011 on its website on 31 October 2011.

5.20 Surplus on changes in the value of investments

(Unit: Thousand Baht)

Consolidated financial statements		
as at 31 December		
	2011	2010
Balance - beginning of year	439,655	(16,602)
Increase (decrease) from changes in the value of securities during the year	(251,804)	456,257
	187,851	439,655
Less: The effect of deferred tax assets / liabilities	(48,716)	(146,999)
Balance - end of year	139,135	292,656

5.21 Interest incomes

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

(Unit: Thousand Baht)

Consolidated financial statements		
For the years ended 31 December		
	2011	2010
Interbank and money market items	627,799	199,482
Investments in debt securities	224,971	438,090
Loans to customers	3,221,331	1,632,436
Hire purchase and financial lease	8,294,567	7,163,020
Total interest income	12,368,668	9,433,028

(Unit: Thousand Baht)

Separate financial statements		
For the years ended 31 December		
	2011	2010
Interbank and money market items	14,929	3,878
Loans to customers	39,713	36,106
Total interest income	54,642	39,984

5.22 Interest expenses

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Deposits	866,599	811,561
Interbank and money market items	353,952	205,731
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	3,729,347	968,578
Total interest expenses	<u>5,461,341</u>	<u>2,571,639</u>

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Interbank and money market items	-	189
Borrowings	86,867	59,808
Total interest expenses	<u>86,867</u>	<u>59,997</u>

5.23 Fees and services income - net

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Fees and service incomes		
- Acceptance, aval and guarantees	30,604	10,428
- Insurance service	1,130,000	820,611
- Brokerage fees	681,849	706,283
- Fund management	560,366	608,934
- Financial advisory fees	29,566	164,582
- Others	634,604	612,266
Total fees and service incomes	3,066,989	2,923,104
Fees and service expenses		
- Information service expense	(66,908)	(63,171)
- Others	(145,910)	(151,797)
Total fees and service expense	(212,818)	(214,968)
Fees and service income - net	2,854,171	2,708,136

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Fees and service incomes	-	-
Fees and service expenses	(9,203)	(11,536)
Fees and service income - net	(9,203)	(11,536)

5.24 Gains on trading and foreign exchange transactions

Gains 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)	
	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	32,445	(2,267)
- Derivatives on interest rates	7,774	420
- Debt securities	10,237	9,595
- Equity securities	(7,504)	12,996
- Others	(47)	(15)
Total	<u>42,905</u>	<u>20,729</u>

5.25 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)	
	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Gains (loss) on disposal		
- Available-for-sale securities	70,496	155,439
- Held-to-maturity securities	189	(385)
- General investments	13,416	46,809
Total	<u>84,101</u>	<u>201,863</u>
Loss on impairment		
- General investments	(49,835)	(900)
Total	<u>(49,835)</u>	<u>(900)</u>
Gain (loss) on investments - net	<u>34,266</u>	<u>200,963</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Reversal (losses) on impairment		
- Investments in subsidiaries	962	(5,370)
Gain (loss) on investments - net	<u>962</u>	<u>(5,370)</u>

5.26 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)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Interbank and money market items	10,000	-
Held-to-maturity debt securities	(5,199)	13,530
Loans to customers	1,278,274	1,933,403
Total	<u>1,283,075</u>	<u>1,946,933</u>

5.27 Other operating incomes

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Gains on disposal of property foreclosed	69,087	205,902
Rental income	22,915	32,364
Others	51,757	93,421
Total	<u>143,759</u>	<u>331,687</u>

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Rental income	60,106	67,402
Others	21,334	27,376
Total	<u>81,440</u>	<u>94,778</u>

5.28 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)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Mailing expenses	47,013	43,100
Software amortisation expenses	111,295	94,570
Legal expenses	126,362	130,561
Transportation expenses	90,805	81,536
Others	315,683	246,553
Total	691,158	596,320

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Mailing expenses	316	215
Software amortisation expenses	55,305	44,595
Transportation expenses	7,135	6,284
Others	37,732	45,885
Total	100,488	96,979

5.29 Income tax expense

Income tax expense of the Company and its subsidiaries for the years ended 31 December 2011 and 2010 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Current income tax:				
Income tax expenses for the years	659,083	1,795,518	128,905	208,873
Adjustment in respect of current income tax of previous year	1,813	(1,696)	108	84
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	769,608	(537,659)	(14,494)	(81,729)
Effect of changes in the applicable tax rates	131,404	-	36,965	-
Income tax expense reported in statements of comprehensive income	<u>1,561,908</u>	<u>1,256,163</u>	<u>151,484</u>	<u>127,228</u>

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

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2011	2010	2011	2010
Decrease (increase) in surplus on change in value of investments	73,925	(125,808)	-	-
Cash flow hedges	(37,276)	(6,588)	-	-
Actuarial gains or losses arising from post- employment benefits	7,076	-	1,080	-
Effect of changes in the applicable tax rates	33,488	-	-	-
Deferred taxes are recorded directly to other comprehensive income	<u>77,213</u>	<u>(132,396)</u>	<u>1,080</u>	<u>-</u>

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

(Unit: Thousand Baht)

	Consolidated financial			
	statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2011	2010	2011	2010
Accounting profit before tax	4,854,907	4,158,635	1,857,045	1,982,689
Applicable tax rate	25%, 30%	25%, 30%	25%	25%
Accounting profit before tax multiplied by applicable tax rate	1,810,079	1,632,441	464,261	495,672
Adjustment in respect of current income tax of previous year	1,813	(1,696)	108	84
Effect of changes in the applicable tax rates	131,404	-	36,965	-
Effect of:				
Tax effect of net tax-exempt income and net disallowed expenses	(382,806)	(369,894)	(352,144)	(367,015)
Utilisation of loss carry forwards	-	(3,175)	-	-
Effect of tax rate used for deferred tax	1,418	(1,513)	2,294	(1,513)
Total	(381,388)	(374,582)	(349,850)	(368,528)
Income tax expenses reported in the statements of comprehensive income	1,561,908	1,256,163	151,484	127,228

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	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 accounts	60,264	790,476	(730,212)	474,898
Allowance for impairment of investments	62,820	74,806	(11,986)	8,053
Allowance for impairment of property foreclosed	9,972	97,923	(87,951)	(63,260)
Non-accrual of interest income	39,097	194,903	(155,806)	(7,742)
Depreciation of assets	12,842	39,194	(26,352)	7,980
Financial leases	8,468	13,910	(5,442)	(5,648)
Revaluation surplus on investments	(947)	(6,133)	-	-
Unrealised gain or loss on derivatives	(1,652)	(147)	(1,505)	(125)
Cash flow hedges	(25,655)	-	-	-
Deferred commissions and direct expenses of incurred				
at the initiation of hire purchase	(243,254)	(306,473)	63,219	(61,071)
Loss on disposal of property foreclosed	9,778	17,202	(7,424)	(5,628)
Deferred income	82,735	67,017	15,718	24,873
Reduction of subsidiaries' share capital	21,435	26,794	(5,359)	-
Accrued expenses	225,113	223,465	1,648	166,847
Employee benefits	36,361	-	4,136	-
Others	58,024	9,566	48,458	9,445
Deferred tax assets	355,401	1,242,503	(898,858)	548,622

(Unit: Thousand Baht)

Consolidated financial statements

	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
	Financial leases	76,356	97,211	(20,855)
Allowance for doubtful accounts	(247)	(457)	210	55
Loss carried forwards	(57,427)	(74,220)	16,793	(39,372)
Allowance for revaluation of other assets	(180)	(270)	90	-
Non-accrual of interest income	(4)	(7)	3	-
Deprecation of assets	(588)	(1,593)	1,005	695
Revaluation surplus on investments	47,769	140,866	-	-
Cash flow hedges	(2,677)	(2,809)	-	-
Gain from revaluation of investments in trading securities	3,886	8,081	(4,195)	3,899
Accrued expenses	(6,033)	(8,618)	2,585	(4,495)
Employee benefits	(4,735)	-	(538)	-
Other	5,219	(1,837)	7,056	128
Deferred tax liabilities	61,339	156,347	2,154	10,963

(Unit: Thousand Baht)

Separate financial statements

	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 impairment of investments	21,740	27,416	(5,676)
Depreciation of assets	1,153	16,591	(15,438)	8,096
Reduction of subsidiaries' share capital	21,435	26,794	(5,359)	-
Accrued expenses	99,164	96,195	2,969	71,312
Employee benefits	9,813	-	801	-
Other	1,101	869	232	978
Deferred tax assets	154,406	167,865	(22,471)	81,729

5.30 Components of other comprehensive income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Other comprehensive income				
Gain (loss) on translation adjustment in foreign operations	2,427	(5,606)	-	-
Available-for-sale securities:				
Gain (loss) arising during the years	(181,308)	611,696	-	-
Less: Reclassification adjustments for gain included in profit or loss	(70,496)	(155,439)	-	-
	(251,804)	456,257	-	-
Actuarial gains or losses arising from post - employment benefits	(23,558)	-	(5,405)	-
Cash flow hedges:				
Gain (loss) arising during the years	108,207	(6,459)	-	-
Add: Reclassification adjustments for loss included in profit or loss	16,045	28,416	-	-
	124,252	21,957	-	-
Other comprehensive income	(148,683)	472,608	(5,405)	-
Income tax relating to components of other comprehensive income	77,213	(132,396)	1,080	-
Other comprehensive income for the years - net	(71,470)	340,212	(4,325)	-

5.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2011			2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Increase (decrease) in surplus on change in value of investments	(251,804)	98,283	(153,521)	456,257	(125,808)	330,449
Actuarial gains or losses arising from post - employment benefits	(23,558)	4,717	(18,841)	-	-	-
Cash flow hedges	124,252	(25,787)	98,465	21,957	(6,588)	15,369
	<u>(151,110)</u>	<u>77,213</u>	<u>(73,897)</u>	<u>478,214</u>	<u>(132,396)</u>	<u>345,818</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2011			2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Actuarial gains or losses arising from post - employment benefits	(5,405)	1,080	(4,325)	-	-	-
	<u>(5,405)</u>	<u>1,080</u>	<u>(4,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>

5.32 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (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.

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
	Profit for the years attributable to equity holders of the Company (Thousand Baht)	3,266,755	2,888,247	1,705,561
Weighted average number of shares (Thousand shares)	727,912	727,519	727,912	727,519
Earnings per share for the years (Baht/share)	4.49	3.97	2.34	2.55

5.33 Related party transactions

	(Unit: Thousand Baht)			
	As at		As at	
	31 December		31 December	
	2010	Increase	Decrease	2011
<u>Outstanding balance</u>				
(Eliminated in consolidated financial statements)				
Subsidiary companies				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited	393,554	1,117,734	(1,341,842)	169,446
Loans:				
Hi-Way Co., Ltd.	1,281,000	143,000	(585,000)	839,000
TISCO Leasing Co., Ltd.	-	105,000	-	105,000
Dividend receivable:				
TISCO Bank Public Company Limited	1,019,246	1,070,318	(1,689,146)	400,418
TISCO Securities Co., Ltd.	250,000	150,000	(250,000)	150,000
TISCO Asset Management Co., Ltd.	219,998	184,899	(219,998)	184,899
Hi-Way Co., Ltd.	99,998	-	(99,998)	-
TISCO Tokyo Leasing Co., Ltd.	-	2,205	(2,205)	-
Other assets:				
TISCO Bank Public Company Limited	74,588	22,302	(96,890)	-
TISCO Learning Center Co., Ltd.	-	7,902	(7,131)	771
Borrowings:				
TISCO Leasing Co., Ltd.	118,000	-	(118,000)	-
Interest payable:				
TISCO Leasing Co., Ltd.	16	121	(137)	-
Other liabilities:				
TISCO Bank Public Company Limited	2,344	53,428	(817)	54,955
TISCO Securities Co., Ltd.	7,036	-	-	7,036
TISCO Information Technology Co., Ltd.	3,823	20,000	-	23,823
TISCO Learning Center Co., Ltd.	-	188	(10)	178

	Separate financial statements		(Unit: Thousand Baht)
			Terms and pricing policy
	2011	2010	(For the year 2011)
<u>Transactions occurred during the years ended 31 December</u>			
(Eliminated in consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,286,324	1,348,979	Determined on the basis of market price and/or in compliance with the criteria specified by the Bank of Thailand
Interest income	54,467	39,880	With reference to the terms and prices as offered to other customers
Rental income	57,465	52,607	With reference to the terms and prices as offered to other customers
Computer system advisory services expenses	157,000	134,000	Determined on the basis of market price and/or in compliance with the criteria specified by the Bank of Thailand
Interest expenses	5,191	195	With reference to the terms and prices as offered to other customers
Training expenses	2,146	-	With reference to the prices as offered from other service providers

Loans to management-level employees (departmental manager upward)

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2011	2010
Loans	111	196

Liabilities payable to directors and management

	(Unit: Thousand Baht)
	Consolidated financial statements as at 31 December 2011
Deposits	115,178
Debt issued and borrowings	66,930

Besides the above transactions, the Company has additional related party transaction with its subsidiary, which is presented in Note 6.2 to the financial statements.

Directors and management's remuneration

During the year ended 31 December 2011 and 2010, the Company and its subsidiaries paid benefit remuneration to their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Short-term benefit	335	339	218	237
Post-employment benefit	4	-	3	-
Total	339	339	221	237

5.34 Financial information by segment

5.34.1 Financial position and results of operations classified by domestic and foreign operations, are as follow:

	(Unit: Million Baht)			
	Consolidated financial statements			
	As at 31 December 2011			
	Domestic operations	Foreign operations	Elimination	Total
Total assets	237,814	57	(17,153)	220,718
Interbank and money market items (assets)	30,957	56	(291)	30,722
Investments - net	3,706	-	-	3,706
Loans to customers and accrued interest receivables - net	181,796	-	(944)	180,852
Deposits	38,060	-	(81)	37,979
Interbank and money market items (liabilities)	14,490	-	(11)	14,479
Debt issued and borrowings	146,540	-	(1,143)	145,397

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2010				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Total assets	190,630	58	(19,280)	171,408
Interbank and money market items (assets)	13,559	56	(1,070)	12,545
Investments - net	6,484	-	(3)	6,481
Loans to customers and accrued interest				
receivables - net	147,203	-	(1,499)	145,704
Deposits	48,606	-	(73)	48,533
Interbank and money market items (liabilities)	11,513	-	(670)	10,843
Debt issued and borrowings	92,602	-	(1,826)	90,776

(Unit: Million Baht)

Consolidated financial statements				
For the years ended 31 December 2011				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Interest income	12,436	-	(67)	12,369
Interest expenses	(5,528)	-	67	(5,461)
Interest income - net	6,908	-	-	6,908
Net fee and service income	3,258	-	(404)	2,854
Other operating income	4,149	-	(2,838)	1,311
Total operating income	14,315	-	(3,242)	11,073
Other operating expenses	(6,697)	(5)	1,767	(4,935)
Bad debt, doubtful accounts and impairment				
loss of debt securities	(1,284)	-	1	(1,283)
Income tax expense	(1,562)	-	-	(1,562)
Non-controlling interest	-	-	(26)	(26)
Profit for the year - equity holders of the Company	4,772	(5)	(1,500)	3,267

(Unit: Million Baht)

Consolidated financial statements				
For the years ended 31 December 2010				
	Domestic operations	Foreign operations	Elimination	Total
Interest income	9,474	-	(41)	9,433
Interest expenses	(2,616)	-	44	(2,572)
Interest income - net	6,858	-	3	6,861
Net fee and service income	3,053	-	(345)	2,708
Other operating income	4,071	-	(3,017)	1,054
Total operating income	13,982	-	(3,359)	10,623
Other operating expenses	(6,275)	(5)	1,762	(4,518)
Bad debt, doubtful accounts and impairment loss of debt securities	(1,944)	-	(3)	(1,947)
Income tax expense	(1,256)	-	-	(1,256)
Non-controlling interest	-	-	(14)	(14)
Profit for the year - equity holders of the Company	4,507	(5)	(1,614)	2,888

5.34.2 Financial positions and results of operation classified by business type

(Unit: Million Baht)

As at 31 December										
	Bank business/financial									
	service business		Securities business		Other business		Elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total assets	216,947	167,177	2,900	4,187	18,024	19,324	(17,153)	(19,280)	220,718	171,408
Interbank and money										
market items (assets)	30,080	12,478	705	706	228	431	(291)	(1,070)	30,722	12,545
Investment - net	2,596	4,972	1,109	1,512	1	-	-	(3)	3,706	6,481
Loans to customers and										
accrued interest										
receivable - net	180,852	145,922	-	-	944	1,281	(944)	(1,499)	180,852	145,704
Deposits	38,060	48,606	-	-	-	-	(81)	(73)	37,979	48,533
Interbank and money										
market items										
(liabilities)	14,490	11,513	-	-	-	-	(11)	(670)	14,479	10,843
Debt issued and										
borrowings	144,731	89,257	-	-	1,809	3,345	(1,143)	(1,826)	145,397	90,776

For the years ended 31 December

	Bank business/financial									
	service business		Securities business		Other business		Elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest income	12,320	9,410	59	23	57	41	(67)	(41)	12,369	9,433
Interest expenses	(5,416)	(2,546)	(25)	(10)	(87)	(60)	67	44	(5,461)	(2,572)
Interest income - net	6,904	6,864	34	13	(30)	(19)	-	3	6,908	6,861
Net fee and service expense	1,592	1,239	1,272	1,480	394	334	(404)	(345)	2,854	2,708
Other operating income	1,294	934	79	108	2,776	3,029	(2,838)	(3,017)	1,311	1,054
Total operating income	9,790	9,037	1,385	1,601	3,140	3,344	(3,242)	(3,359)	11,073	10,623
Other operating expenses	(4,531)	(4,070)	(911)	(881)	(1,260)	(1,329)	1,767	1,762	(4,935)	(4,518)
Bad debt, doubtful accounts and impairment loss of										
debt securities	(1,284)	(1,944)	-	-	-	-	1	(3)	(1,283)	(1,947)
Income tax expense	(1,259)	(906)	(145)	(216)	(158)	(134)	-	-	(1,562)	(1,256)
Non-controlling interest	-	-	-	-	-	-	(26)	(14)	(26)	(14)
Profit for the year - equity holders of the Company	2,716	2,117	329	504	1,722	1,881	(1,500)	(1,614)	3,267	2,888

5.35 Provident fund

The Company, its seven subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries 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 provident funds of the Company and its six subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. In 2011 and 2010, the Company and its subsidiaries paid provident fund contributions totaling Baht 99 million and Baht 90 million, respectively (the Company only: Baht 17 million and Baht 15 million, respectively).

5.36 Commitments and contingent liabilities

5.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
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 5.37.5)	6,054,500	626,491
Cross currency swap agreements (Note 5.37.5)	8,151,340	180,908
	<u>18,689,232</u>	<u>1,923,194</u>

5.36.2 Litigation

As at 31 December 2011, the subsidiary 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 period, this case is currently under consideration of the court.

The management of the Company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the above mentioned lawsuits and damage claims.

5.36.3 Other commitments

- a) The subsidiary company operating banking business 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 subsidiary companies have entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally between 3 and 10 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	88
1 to 5 years	115

5.37 Financial instruments

5.37.1 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 Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans and receivables and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries (“the Group”) manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. They have also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Group therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Group is not exposed to concentrations of credit risk because they have a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the statement of financial position.

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

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

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

	(Unit: Million Baht)	
	As at 31 December	
	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 receivable - overdue 31 - 90 days	10,066	6,360
Hire purchase receivable - overdue more than 90 days	1,699	1,460
Total	134,616	112,388

5.37.2 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 Group.

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. TISCO Group 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.

5.37.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position at the financial statements date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO 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		
Equity securities	734	443
Debts securities	10	24
Derivatives	31	-
Foreign currencies	11	7

5.37.2.2 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 Group 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	(335.13)	(268.42)
Decrease 1 percent	335.13	268.42

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.

5.37.2.3 Interest rate risk

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

(Unit: Million Baht)

Consolidated financial statements				
as at 31 December 2011				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating</u>	<u>Fixed</u>	<u>Without</u>	<u>Total</u>
<u>Interest rate</u>	<u>Interest rate</u>	<u>Interest</u>		
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	96	30,014	612	30,722
Derivatives assets	-	-	45	45
Investment - net	-	2,115	1,591	3,706
Loans to customers ⁽¹⁾	9,120	174,334	1,818	185,272
Securities and derivative business receivables	-	-	725	725
Receivable from clearing house	-	-	31	31
	<u>9,216</u>	<u>206,463</u>	<u>5,725</u>	<u>221,404</u>
<u>Financial liabilities</u>				
Deposits	20,352	17,431	196	37,979
Interbank and money market items	1,878	12,593	7	14,478
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	276	276
Debts issued and borrowings	-	145,397	-	145,397
Securities and derivative business payables	-	-	470	470
Payable to clearing house	-	-	284	284
	<u>22,230</u>	<u>175,421</u>	<u>1,681</u>	<u>199,332</u>

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

(Unit: Million Baht)

Consolidated financial statements
as at 31 December 2010

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	103	11,442	1,000	12,545
Derivatives assets	-	-	13	13
Investment - net	-	4,431	2,050	6,481
Loans to customers ⁽¹⁾	8,524	139,896	2,739	151,159
Securities and derivative business payables	-	-	1,293	1,293
Receivable from clearing house	-	-	343	343
	<u>8,627</u>	<u>155,769</u>	<u>8,341</u>	<u>172,737</u>
<u>Financial liabilities</u>				
Deposits	30,313	18,001	219	48,533
Interbank and money market items	1,298	9,545	-	10,843
Liabilities payable on demand	-	-	532	532
Derivatives liabilities	-	-	9	9
Debts issued and borrowings	-	90,776	-	90,776
Securities and derivative business payables	3	-	1,608	1,611
Payable to clearing house	-	-	19	19
	<u>31,614</u>	<u>118,322</u>	<u>2,387</u>	<u>152,323</u>

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

(Unit: Million Baht)

Separate financial statements
as at 31 December 2011

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Interbank and money market items	25	144	-	169
Investment - net	-	-	15,022	15,022
Loans to customers	-	944	-	944
	<u>25</u>	<u>1,088</u>	<u>15,022</u>	<u>16,135</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	1,809	-	1,809
	<u>-</u>	<u>1,809</u>	<u>-</u>	<u>1,809</u>

(Unit: Million Baht)

Separate financial statements
as at 31 December 2010

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Interbank and money market items	6	388	-	394
Investment - net	-	-	14,879	14,879
Loans to customers	-	1,281	-	1,281
	<u>6</u>	<u>1,669</u>	<u>14,879</u>	<u>16,554</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	3,345	-	3,345
	<u>-</u>	<u>3,345</u>	<u>-</u>	<u>3,345</u>

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)

<u>Transactions</u>	Consolidated financial statements as at 31 December 2011						
	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	65	25,924	4,025	-	-	30,014	2.8016
Investment - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,353	18,574	36,179	104,654	3,574	174,334	7.0373
	<u>11,436</u>	<u>44,550</u>	<u>41,422</u>	<u>105,481</u>	<u>3,574</u>	<u>206,463</u>	
<u>Financial liabilities</u>							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	1,025	2,632	7,029	1,907	-	12,593	3.8297
Debts issued and borrowings	1,462	59,705	72,481	5,749	6,000	145,397	3.8438
	<u>3,156</u>	<u>72,655</u>	<u>85,428</u>	<u>8,182</u>	<u>6,000</u>	<u>175,421</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	10	11,432	-	-	-	11,442	1.6186
Investment - net	41	1,570	480	2,335	5	4,431	5.2436
Loans to customers	6,218	13,444	32,003	85,659	2,572	139,896	6.9089
	<u>6,269</u>	<u>26,446</u>	<u>32,483</u>	<u>87,994</u>	<u>2,577</u>	<u>155,769</u>	
Financial liabilities							
Deposits	1,606	12,245	3,844	309	-	18,004	1.7824
Interbank and money market items	230	5,057	187	4,071	-	9,545	2.6351
Debts issued and borrowings	1,496	55,346	18,474	9,460	6,000	90,776	2.2478
	<u>3,332</u>	<u>72,648</u>	<u>22,505</u>	<u>13,840</u>	<u>6,000</u>	<u>118,325</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2011							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	144	-	-	-	-	144	2.5000
Loans to customers	944	-	-	-	-	944	4.4200
	<u>1,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088</u>	
Financial liabilities							
Debts issued and borrowings	-	641	1,168	-	-	1,809	4.1355
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>1,809</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2010							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	388	-	-	-	-	388	1.0000
Loans to customers	1,281	-	-	-	-	1,281	2.5000
	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669</u>	
Financial liabilities							
Debts issued and borrowings	-	3,279	66	-	-	3,345	1.9949
	<u>-</u>	<u>3,279</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>3,345</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.

5.37.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business 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 subsidiary operating banking business'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 subsidiary operating banking business 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 subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios are cover the Bank's specific scenario and Industry based scenario which cause unusual cash outflow from the subsidiary operating banking business.

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

5.37.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

	As at 31 December 2011			
	Remaining Days			Total
	Less than 3 months	3 months to 12 months	More than 1 year	
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.

5.37.3.2 Volume and composition of highly liquid assets, and internal ratio.

(Unit: Million Baht)

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

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2010, the subsidiary operating banking business 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 subsidiary operating banking business 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.

5.37.3.3 Counting from the balance sheet date, as at 31 December 2011, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011								
Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing * Loans	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	773	25,924	4,025	-	-	-	-	30,722
Derivatives assets	-	-	-	44	1	-	-	45
Investments - net	18	52	1,218	827	-	1,591	-	3,706
Loans to customers	14,246	18,647	38,058	105,918	5,058	-	3,345	185,272
Securities and derivatives business								
receivables	-	725	-	-	-	-	-	725
Receivable from clearing house	-	31	-	-	-	-	-	31
	<u>15,940</u>	<u>45,379</u>	<u>43,301</u>	<u>106,789</u>	<u>5,059</u>	<u>1,591</u>	<u>3,345</u>	<u>221,404</u>
Financial liabilities								
Deposits	21,176	10,359	5,918	526	-	-	-	37,979
Interbank and money market items	1,299	2,869	7,522	2,788	-	-	-	14,478
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	128	129	1	18	-	-	276
Debts issued and borrowings	1,462	59,705	72,480	5,750	6,000	-	-	145,397
Securities and derivative business								
payables	-	470	-	-	-	-	-	470
Payable to clearing house	-	284	-	-	-	-	-	284
	<u>24,385</u>	<u>73,815</u>	<u>86,049</u>	<u>9,065</u>	<u>6,018</u>	<u>-</u>	<u>-</u>	<u>199,332</u>
Contingent liability								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,514	4,124	4,868	1,750	4,279	-	18,684

* Non performing loan according to the BOT's guidelines

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010

Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing * Loans	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	1,113	11,432	-	-	-	-	-	12,545
Derivatives assets	-	-	-	13	-	-	-	13
Investments - net	41	1,570	480	2,335	5	2,050	-	6,481
Loans to customers	8,342	13,548	32,560	88,675	4,121	-	3,913	151,159
Securities and derivatives business receivables	-	1,293	-	-	-	-	-	1,293
Receivable from clearing house	-	343	-	-	-	-	-	343
	<u>10,399</u>	<u>28,186</u>	<u>33,040</u>	<u>91,023</u>	<u>4,126</u>	<u>2,050</u>	<u>3,913</u>	<u>172,737</u>
Financial liabilities								
Deposits	32,135	12,245	3,844	309	-	-	-	48,533
Interbank and money market items	318	5,194	606	4,725	-	-	-	10,843
Derivatives liabilities	-	-	-	9	-	-	-	9
Liabilities payable on demand	532	-	-	-	-	-	-	532
Debts issued and borrowings	1,496	55,346	18,474	9,460	6,000	-	-	90,776
Securities and derivative business payables	3	1,608	-	-	-	-	-	1,611
Payable to clearing house	-	19	-	-	-	-	-	19
	<u>34,484</u>	<u>74,412</u>	<u>22,924</u>	<u>14,503</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>152,323</u>
Contingent liability								
Aval to bills and guarantees of loans	-	182	12	-	-	-	-	194
Other commitments	33	61	437	573	-	624	-	1,728

* Non performing loan according to the BOT's guidelines

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans	
Financial assets								
Interbank and money market items	169	-	-	-	-	-	-	169
Investments - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	944	-	-	-	-	-	-	944
	<u>1,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,022</u>	<u>-</u>	<u>16,135</u>
Financial liabilities								
Debts issued and borrowings	-	641	1,168	-	-	-	-	1,809
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,809</u>

Separate financial statements as at 31 December 2010

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans	
Financial assets								
Interbank and money market items	394	-	-	-	-	-	-	394
Investments - net	-	-	-	-	-	14,879	-	14,879
Loans to customers	1,281	-	-	-	-	-	-	1,281
	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,879</u>	<u>-</u>	<u>16,554</u>
Financial liabilities								
Debts issued and borrowings	-	3,279	66	-	-	-	-	3,345
	<u>-</u>	<u>3,279</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,345</u>

5.37.4 Foreign exchange risk

The status of the subsidiaries foreign currency balance as at 31 December 2011 are as follows:

TISCO Bank Public Company Limited

- a) Investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (under the cost method net of 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 5.37.5 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 5.37.5 to the financial statements.

TISCO Tokyo Leasing Company Limited

- d) Borrowing in foreign country amounting to USD 31 million (amortised cost amounting to Baht 936 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 5.37.5 to the financial statements.

5.37.5 Derivatives

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

As at 31 December 2011, the subsidiaries have the following financial derivative instruments.

a) Financial derivative instruments classified as derivatives held for trading

a.1) Interest rate swap agreement

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

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	3,169	(128)

b) Financial derivative instruments classified as cash flow hedge derivatives

b.1) Cross currency swap agreement

The subsidiary operating banking business entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit investment in foreign debt securities, as follows:

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	4,046	(128)

The subsidiary operating leasing business entered into cross currency swap agreements to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)			
Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	537	16
2015	1	84	3
2016	2	215	2
2018	1	100	(3)

b.2) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreement to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2012	300	1

The subsidiary operating leasing business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial liabilities. Such subsidiary has signed contracts to pay interest at a fixed rate and receive interest at a floating rate, as follow:

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2012	73	(1)

The hedged cash flows are expected to occur and when they are expected to affect income statements are in the periods as follows:

(Unit: Million Baht)		
	Less than 1 year	1 - 4 years
Interest expenses	1	-

The net loss on cash flow hedges transferred from shareholders' equity to the income statement for the year ended 31 December 2011, and arose from interest payment under interest rate swap contracts used to hedge cash flows as follows:

	(Unit: Million Baht)
	For the year ended
	31 December 2011
Interest expenses	7

5.37.6 Fair value of financial instruments

The fair values of significant financial instruments of the Company and its subsidiaries, as presented below.

	(Unit: Million Baht)			
	As at 31 December			
	2011		2010	
<u>Transactions</u>	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Cash	903	903	903	903
Interbank and money market items - net	30,722	30,722	12,545	12,545
Investments - net	3,706	3,706	6,481	6,481
Loan to customers and accrued interest receivables - net	180,852	185,273	145,704	150,881
Securities and derivatives business receivables	745	745	1,293	1,293
Receivable from clearing house	31	31	343	343
<u>Financial liabilities</u>				
Deposits	37,979	37,979	48,536	48,536
Interbank and money market items - net	14,479	14,479	10,843	10,843
Liabilities payable on demand	448	448	532	532
Debt issued and borrowings	145,397	145,397	90,774	90,861
Securities and derivatives business payables	470	470	1,611	1,611
Payable to clearing house	284	284	19	19

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book values 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

6.1 Registration of the establishment of a subsidiary company

A resolution passed by the Executive Board of TISCO Financial Group Public Company Limited No.10/2010, on 18 November 2010, approved the incorporation of TISCO Learning Center Company Limited, with a registered share capital of Baht 5 million (50,000 ordinary shares of Baht 100 each) and the Company to hold 100% of shares. On 1 February 2011, the Company registered the establishment of this company with the Ministry of Commerce.

A resolution passed by the Board of TISCO Securities Company Limited No.2/2011, on 28 February 2011, approved the incorporation of TISCO Investment Advisory Company Limited, with a registered share capital of Baht 1 million (10,000 ordinary shares of Baht 100 each) and the Company to hold 99.97% of shares. On 18 March 2011, the Company registered the establishment of this company with the Ministry of Commerce.

6.2 Holding restructuring of the subsidiary

On 21 April 2011, the 2011 Annual General Meeting of Shareholders of the Company passed approved the acquisition of TISCO Leasing Company Limited from TISCO Bank Public Company Limited at a price equal to the book value as at 31 December 2010, net of the dividend payments made from the retained earnings of TISCO Leasing Company Limited up to the end of the year 2010. In this regard, the Company purchased investment in those company form TISCO Bank Public Company Limited and already paid amounting of Baht 137 million on 27 June 2011.

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 Company and its subsidiaries reflected the changes in tax rates in its deferred tax calculation.

6.4 Change in the Company's registered capital

On 21 April 2011, the 2011 Annual General Meeting of Shareholders of the Company passed approved an amendment item No.4 "registered capital" in the Company's memorandum of association, to accord with the Company's fully paid-up registered capital. The Company's issued and fully paid-up registered capital is Baht 11,002 million, which consists of 727,912,086 ordinary shares of Baht 10 each and 372,287,914 preference shares of Baht 10 each. On 26 April 2011, the Company registered the amendment with the Ministry of Commerce.

6.5 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)	(Million Baht)	
Final dividends for 2009	The 2010 Annual General Meeting of the Shareholders on 29 April 2010	1.24	1.24	902	May 2010
Total dividend payment in year 2010				<u>902</u>	
Annual dividends for 2010	The 2011 Annual General Meeting of the Shareholders on 21 April 2011	2.25	2.25	1,638	May 2011
Total dividend payment in year 2011				<u>1,638</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 1.3 to the financial statements.

8. Approval of interim financial statements

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