



BOARD & SHAREHOLDER AWARDS

TISCO Bank

ANNUAL REPORT 2007

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Part 1

Report from the Board of Directors

The year 2007 (B.E. 2550) was a particularly auspicious one for Thailand, with nationwide celebrations held to mark the 80th birthday of His Majesty King Bhumibol Adulyadej, the country's beloved monarch. All Thais took the opportunity to express their reverence of the King for His Majesty's unwavering dedication to the welfare and happiness of the people throughout His long reign. The TISCO Group was honored to join in the display of loyalty and gratitude to our great King. On behalf of the TISCO Group, the Board of Directors conveyed their best wishes on the occasion of His Majesty's birthday and gave thanks for his recovery from a bout of ill health.

All in all, in 2007, Thailand faced many challenges on the economic front from both domestic and global factors such as high oil prices, a stronger baht, the US sub-prime mortgage crisis, and volatility in money markets. While the new government's direction poses a range of interesting questions, early signs of renewed investor and consumer confidence following the December 23 elections could bring some improvement. However, future business development and prospects for expansion at a sustainable rate as well as new business opportunities depend on the company's preparedness in the face of competition and uncertainties. In 2007, TISCO Bank's outstanding performance benefited from a clear strategy designed to keep pace with a dynamic and competitive business environment. An added boost was realized through operating efficiency gains achieved as a result of sustained efforts in developing bank infrastructure.

In 2007, TISCO Group recorded a net profit of 1,651.11 million baht, a 6.8% improvement from the previous year. Amidst intensifying competitive landscape, core businesses of the Group have managed to grow at satisfactory rates in most areas. For the banking business, the core hire purchase portfolio continue its growth momentum at a rate of as high as 19.2%, while loan yields and asset quality are still well maintained. On the funding side, the Group benefited from the lowering cost of funds following decline in market interest rates, resulting in an improved interest spread and business margin.

A key milestone in light of TISCO entering 3rd year of becoming a commercial bank is the establishment of TISCO franchise value and retail banking facilities. Over the year, TISCO managed to increase its service capability to match up with well-established commercial banks through the joining of full-scope ATM pool, opening of 12 more branches, and joining service network with 1,178 post offices nationwide. With more active public communications, TISCO brand image also started to disseminate to the general public as a quality Thai commercial bank. Consequently, the Bank succeeded in increasing its retail customer base in banking services by more than 5 times and managed to considerably increase fee-based income over the year.

For securities and asset management businesses, over the year TISCO Asset Management has accomplished a significant success to increase the fund size under management by as high as 27%. While still maintaining the leading market position as the top 2 in provident fund and private fund management industries, the Group was highly successful in promoting the mutual fund business, with the asset size under management growing at a staggering rate of 99%. Credits for these successes were given to proactive business strategies and renewed organizational focus to client-centric approach throughout the entire group.

In 2008, TISCO Group will continue to focus on business growth together with the delivering of high quality financial services to our clients. The client-focused business strategies will now further transform to fully reflect in TISCO organizational structure. In effect, TISCO core businesses will be driven coherently according to 3 client groups, namely Retail Banking group, Private Clients and Asset Management group, and Corporate and Investment Banking group. This provides solid infrastructure for extensive cross-selling and business synergies for all businesses and resources within the group.

A positive milestone in 2008 operating environment is notably the new Financial Institutions Act, to be effective in August 2008. Under the new law, the Bank of Thailand will have the authority to approve a holding company structure for a financial group. TISCO will therefore revive the holding company restructuring plan previously intended. Success of holding company restructuring will considerably benefit the Group in terms of risk diversification, capital efficiency, and business flexibilities. On the negative side, more rules and regulations are posing operational burdens and restrictions on the business practices to the banking industry as a whole. Being a highly focused yet well diversified financial group with clear strategic focus, it is confident that TISCO will be able to thrive within these challenging times.

The Group is well aware of the significance of good corporate governance. To this end, the Board has identified clearly-defined targets and provided consistent support for such initiatives. In 2007, TISCO Bank received the "Board of the Year Award 2006/07" from the Thai Institute of Directors Association (IOD), which is offered in collaboration with the Stock Exchange of Thailand (SET), The Thai Chamber of Commerce, The Federation of Thai Industries, the Thai Bankers Association and the Listed Companies Association. TISCO Bank also received two prestigious awards, "Board of the Year for Exemplary Practice" and "Board with Consistent Best Practices" in recognition for being honored with the Board of the Year Award for three consecutive times. The awards are held once every two years to honor the top performing boards of listed companies.

In addition, at the Shareholder Awards 2007 ceremony, TISCO Bank received the award for "Best Shareholder Treatment". This event is organized by Thailand Securities Depository Co Ltd (TSD) in collaboration with the Thai Investors Association (TIA), the Listed Companies Association (LCA), and the Thai Investor Relations Club (TIRC). TISCO also ranked first in the Asset Currency Bond Benchmark Survey of the Thai Baht Corporate Bond Market conducted by Asset Magazine for the second consecutive year.

TISCO has also focused on Corporate Social Responsibility ("CSR") by taking into account all stakeholder groups. Not only are the Group's Corporate Social Responsibility projects and activities focused on the sustainable development of the nation's people, culture and environment, they are supported by the active participation of TISCO employees. Through TISCO Foundation for Charity, working groups for specific projects have been set up to maintain continuity in the activities and to evaluate whether the project's desired outcome has been attained.

The Board wishes to convey its gratitude to all of TISCO's clients and shareholders for their commitment and support, and would like to extend special thanks to management and staff for their dedication, diligence and contributions throughout the year.

In remembrance of Her Royal Highness Princess Galayani Vadhana Krom Luang Naradhiwas Rajanagarindra, TISCO Bank and its subsidiaries take this opportunity to express profound gratitude for all of the Princess's noble achievements and efforts for the betterment of the Thai people throughout her lifetime.

Board of Directors

Part 2

The Company

Company Name	:	TISCO Bank Public Company Limited (hereafter "TISCO Bank" or "the Bank")
Type of Business	:	Banking Business
Address	:	Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	:	0107539000171
Home Page	:	www.tisco.co.th
Telephone	:	(66) 2633 6000
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Reference:		
Share Registrar	:	Thailand Securities Depository Co., Ltd. Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
Debenture Holder Representative	:	Bank Thai Public Company Limited 44 Sathorn Building, North Sathorn Road Silom, Bangrak, Bangkok 10500 Tel. 0 2633 9000-3 Fax. 0 2633-9026
Debenture Registrar	:	TISCO Bank Public Company Limited Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6814 Fax. 0 2633 6818
Auditor	:	Mr. Narong Puntawong Certified Public Accountant (Thailand) Registration No.3315 Ernst & Young Office Limited 33 rd Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

Subsidiaries' Head Office:

- Hi-Way Company Limited** : 2046/16 New Petchaburi Road, Bangkok 10310
Tel. 0 2319 1717 Fax. 0 2314 5095
- TISCO Leasing Company Limited** : 48/12 6th Floor, TISCO Tower Zone A, North Sathorn Road, Bangrak, Bangkok 10500
Tel. 0 2633 7799 Fax. 0 2633 7989
- TISCO Securities Company Limited** : 48/8 4th Floor, TISCO Tower, North Sathorn Road, Bangrak, Bangkok 10500
Tel. 0 2633 6616, 0 2633 6655 Fax. 0 2633 6400
- TISCO Asset Management Company Limited** : 48/16-17 9th Floor, TISCO Tower, North Sathorn Road, Bangrak, Bangkok 10500
Tel. 0 2633 7777 Fax. 0 2633 7300
- TISCO Information Technology Company Limited** : 48/12 6th Floor, TISCO Tower, North Sathorn Road, Bangrak, Bangkok 10500
Tel. 0 2633 7766 Fax. 0 2633 7600
- TISCO Global Securities Limited** : Unit 1107, 11/F Lippo Center Tower one, 89 Queensway, Hong Kong
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1. Risk Factors

Overview of Risk Management

TISCO Bank places great importance on effective risk management and controls. By establishing an overall risk management framework, including policy objectives for all risk-related transactions, the Bank is able to increase awareness, accountability and efficiency in enterprise-wide risk management as well as maintain best practice standards and high-quality corporate governance. In addition, the Bank aims to maximize sustainable risk-adjusted returns over the long run.

Risk Management Policy

Overall risk management policy encompasses the following structures:

1. Consolidated and centralized risk management
Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries through careful risk assessment and the establishment of appropriate risk guidelines and procedures.
2. Business line accountability, independent risk oversight
Each business line is accountable for managing its own risks in the best interests of TISCO Bank while complying with risk management policies, guidelines, and procedures. Independent risk oversight and check-and-balance system have been established to ensure that risks are adequately monitored and controlled.
3. Comprehensive risk assessment
Risk assessment is performed comprehensively in all key activities. Risk assessment methodologies may range from basic approaches such as expert judgments to more advanced approaches such as quantitative and statistical analysis, depending on the size and complexity of the risks involved. These assessments are in turn supplemented by fundamental risk analysis and stress testing of extreme risk events.
4. Capital management based on standardized risk tools
Capital represents the ultimate interests of the shareholders. All risk exposures are quantified into a standardized risk measure called Value-at-Risk (VaR) which can relate risks to the amount of capital required to protect against them according to predefined risk limits. Risk capital enables management and business line managers to understand the level of risks being taken in a meaningful manner. Risks from different levels are integrated to produce an overall risk picture of the Bank, which is used for capital adequacy planning and strategic capital allocation both at the corporate and business unit level.
5. Adequate return for risk and risk-adjusted performance management
To promote shareholder value creation, risk components are incorporated into business performance measurements with the objective of maximizing risk-adjusted returns for shareholders. Product pricing takes into account varying risks to ensure overall profitability. Business expansion is advocated in the areas where marginal risk-adjusted returns are in excess of the marginal risks.
6. Portfolio management, diversification and hedging
Risk diversification is a key risk management principle in all business activities. Diversification is considered and adopted by management and business line managers both at the portfolio and transaction levels as an effective approach to reducing the aggregate level of risks in accordance with certain guidelines and limits.
7. Strong Risk Awareness Culture
Awareness and understanding of risks and risk management are important for the accountability of risk management. Business heads are expected to have a high degree of awareness and understanding of the risks in their accountable areas and how they contribute to the overall risk of the corporate as a whole.
8. Regulatory best practice
TISCO Bank has adopted risk management policies and guidelines that comply with all regulations and best practice standards of the Bank of Thailand (BoT), the Securities and Exchange Commission (SEC) and other regulatory bodies.
9. New Business or Product
All new businesses or products shall be approved by the portfolio risk authority and relevant specific-area risk authority according to the procedure outlined in the risk management guideline. New business or product will be evaluated in terms of its risk-reward characteristics, the contributions to the overall corporate risk profile, and the consistency with corporate capital capacity.

10. Related Party Transaction

All business transactions among TISCO Group and related party shall be on a similar basis with same treatment of regular customer. Additionally, the related transaction shall be transparent and auditable. Meanwhile, the proportion of business transaction among TISCO Group shall be controlled under regulatory guideline.

Risk Management Framework

In accordance with enterprise-wide risk management policies and objectives, an effective management process has been established for assessing and managing all firm-wide risk exposures at both the portfolio and transactional levels to ensure the financial soundness and safety of the Bank. Senior Management and relevant business advisory committees oversee the entire risk management framework and strategy for all business areas supported by planning and budgeting function. Risk Management Committee, supported by risk management functions, is set up to oversee that enterprise-wide risk management of the group is undertaken according to the same standard. Specific-area risk authorities are then established to manage in-depth, transaction-level risks in each particular area, such as the Credit Committee, Problem Loan Committee, Investment Committee, and Chief Credit Officer. These mechanisms are in turn supported by the Office of the Credit Committee and functions governing internal controls, compliance, and legal issues. Business lines are fully accountable for managing their own risks within the policy guidelines established by the Risk Management Committee and specific-area risk authorities. All the business operations are under the risk limit approved by the Risk Management Committee including new business analysis in each business line. Additionally, risk limits triggered as well as new businesses shall be reported monthly to the Risk Management Committee for acknowledgement. However, to enhance the overall risk management system, the risk management system shall be audited and reported to the Audit Committee which directly report to the Board of Directors.

The roles and responsibilities of the relevant committees and risk management authorities are described as follows:

- Executive Board

The board has assigned Executive Board the task of overseeing and monitoring risk management activities by reviewing and approving relevant policies and guidelines on an annual basis. This is achieved by setting risk limits and risk appetites, and ensuring the establishment of effective risk management systems and procedures in accordance with the standard practices of risk identification, assessment, monitoring and control, all of which are in line with the Audit Committee standards.

- Risk Management Committee

The Risk Management Committee, comprising the senior managements from the bank and subsidiaries, has been delegated from the Board of Director in charge of the formulation and implementation of enterprise-wide risk strategies and action plans in connection with risk management policies and guidelines. The Risk Management Committee meeting is regularly held once a month. Risk management functions support the Risk Management Committee in setting up and monitoring risk management policies and guidelines and performing enterprise-wide risk management activities through a risk research and reporting process.

- Specific-Area Risk Authorities

Specific-area risk authorities are set up to address in-depth risk management and controls at the transaction level. Key specific-area risk authorities include the Credit Committee, Problem Loan Committees, and Chief Credit Officer, which are in turn supported by the Office of the Credit Committee in overseeing credit approval and risk management. Board of Directors' oversight is conducted in all specific risk areas on a monthly basis.

Risk Types

1.1 Credit Risk

Credit Risk is defined as the possibility of an obligor's failure to meet the terms of any contract with the Bank as agreed or by defaulting on a loan agreement. Credit risk, if it occurs without pledged assets, requires the Bank to maintain higher provisions for loan losses, which will then adversely affect net income and the Bank's capital.

- Credit Risk Management Framework

The Risk Management Committee is delegated to oversee credit risk management of the corporate portfolio. The committee is responsible for formulating credit risk strategies and establishing guidelines and limits, as well as advising other credit risk authorities and retaining accountability on related issues. It also monitors and reviews credit risks at the portfolio level and reports essential credit risk information to the Board.

Specific-Area credit risk authorities include the Credit Committee, Problem Loan Committee, and the Chief Credit Officer, which are established to oversee credit risk management and control at in-depth transaction level. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers. The Credit Committee may delegate its authority to designated persons for authorizing lower-risk transactions. The Chief Credit Officer, who is a member of the Credit

Committee, is responsible for overseeing the board-approved credit granting authorities and procedures and has the right to veto any credit transaction. Problem Loan Committee was set up to monitor and follow up overdue payment and problem loan accounts. The committee provides criteria for classifying loans as problem loans in addition to developing problem loan guidelines and procedures in handling any single problem loan account.

Sound credit risk assessments are key risk practices at TISCO such as credit rating, delinquency analysis, concentration level and risk capital. All loan origination must operate under a sound credit granting process in which an effective credit rating system is employed in key business area. In retail lending area, quantitative-oriented approaches to credit grading are implemented, considering its homogenous high-volume characteristics, with emphasis on the use of extensive data mining and analysis. In corporate lending area, qualitative-oriented credit grading approaches shall be employed, taking into account its highly varying risk profiles, with well-defined standard.

Concentration risks are also essential in credit portfolio risk management. Appropriate guidelines on concentration risks are set up considering appropriate business practice and company risk capital capacity.

TISCO Bank uses credit risk management guidelines and limits that are comprehensively applied to all credit-related functions both at the portfolio and transaction levels. Credit risk factors are explained in detail as follows:

1.1.1 Default Risk

Non-performing loans can be classified into substandard, doubtful, and doubtful to loss according to the definitions of the BoT. Due to an increase of hire purchase credit's NPLs, non-performing loans held by the Bank and its subsidiaries increased by 302.14 million Baht to 3,751.41 million Baht as of December 31, 2007, representing 4.3 % of total loans and receivables, a slight decrease from 4.6%. However, an increase of hire purchase credit's NPLs was relatively low when comparing to the loan growth.

It may be seen that the NPLs as shown in a percentage of the Bank and its subsidiaries decreased. Considering retail lending portfolios accounted for 77.4% of total loan portfolios, as a percentage of NPLs to the portfolios there was an increase from 2.2% as of the end of 2006 to 2.5%. This was caused by an increasing in portion of used car hire purchase portfolio which has higher risks. However, the incremental risks are acceptable with justified risk-adjusted return. The details of NPL classified by types of business as of the end of 2006 and 2007 are shown in Section 12 : Financial Status and Performance.

Most of NPLs came from commercial real estate loans and hire purchase credit with amount of 2,131.06 million Baht, accounting for 56.8% of total NPLs. Despite intense competition, NPLs in the real estate portfolio decreased. As there was an increase in NPLs in the hire purchase portfolio, it constituted an increase in percentage of the NPLs to hire purchase portfolio from 1.9% to 2.2% in light of the rapid growth seen in that segment, which increased from 54,244.65 million Baht at the end of 2006 to 64,684.40 million Baht or 19.3%. However, a reserve allowance for covering loss from the increased hire purchase credit's NPLs has already been set in the general reserve accounted for 222.45 million Baht at the end of 2007.

As a safeguard against losses from existing and new NPLs, debt restructuring costs, and deterioration in collateral value, as of December 31, 2007 the Bank and its subsidiaries set aside a total reserve allowance for covering doubtful accounts and losses on debt restructuring of 2,805.96 million Baht. This could be further broken down into 2,465.46 million Baht for the Bank, and 340.50 million Baht for subsidiaries. The Bank and its subsidiaries' total reserve allowance as a percentage of all NPLs was 74.8%.

Out of the Bank's 2,465.46 million Baht in total allowances, 2,243.01 million Baht represented reserves required by the BoT. Given a conservative provisioning policy, the Bank's total reserves were 107.6% of BoT requirements.

Additionally, for the impact of provision setting following International Accounting Standard No. 39 from BoT rules and regulations, which was phased roll out from December 2006 to December 2007, the Bank and its subsidiaries had set aside excess provisions to fully cover the effect from the BoT new rules and regulations since the fourth quarter of 2006. However, the specific reserve was completely set following the new rules and regulations on the second quarter of 2007.

1.1.2 Concentration Risk

As of December 31, 2007, hire purchase and commercial loans represented 74.8% and 18.1% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 64,684.40 million Baht outstanding. Top-10 borrower exposure stood at 175.54 million Baht or 0.27% of the total hire purchase portfolio, or equal to 0.20% of the total credit portfolio.

For the commercial loan portfolio, there was no substantial concentration in any specific industrial sector. The portfolio was diversified into three different sectors: manufacturing and commerce, 7,821.51 million Baht; real estate and construction, 5,041.33 million Baht; and public utilities and services, 2,648.16 million Baht. Lending to the above industrial sectors represented 50.08%, 32.28%, and 16.96% of the total commercial loan portfolio, and 9.1%, 5.8%, and 3.1% of the total credit portfolio, respectively. As

top-10 borrower exposure accounted for 13.3% of the total credit portfolio, or 11,639.81 million Baht. There is slight concentration in corporate loan portfolio which has been managed under risk management procedure. However, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

1.1.3 Collateral Risk

About 96.3% of the total lending portfolio was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by the Bank. In case the borrowers of hire purchase loans cannot meet the terms and conditions, the Bank can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

A major risk factor in the hire purchase business depends on the market value of used cars. A substantial decrease in the market value of a used vehicle results in credit loss, which directly affects the net income and capital of the Bank. Market prices for used cars depend on such diverse factors as market demand, type, brand and tax regulations.

However, judging by past records, the recovery rate for asset liquidation in the secondary market was somewhat high at 70-90% of the remaining net financing amount, which helped in absorbing losses from defaulted loans. The Bank has attempted to minimize credit risk by regularly updating its information regarding trends in the used car market, requiring high-value collateral, sufficient down payment, and favoring well-known brands in the secondary market.

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to International Accounting Standard No. 39 from BoT rules and regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 25.8% of the total outstanding NPLs.

Generally, the risk of real estate value changes depends on economic conditions. A recession in the Thai economy might result in lower values, which would require the Bank to reserve higher loan loss provisions. Moreover, the legal process of collateral acquisition through related laws and enforcement is both costly and time consuming. However, all pending cases are closely monitored on a regular basis.

1.1.4 Property Risk from Foreclosed Assets

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realisable value. Outstanding assets in the process of liquidation held by the Bank and its subsidiaries as of December 31, 2007 were worth 1,042.32 million Baht, or 1.1% of total assets. Allowances for impairment stood at 2.8% of total foreclosed assets.

1.2 Market Risk

Market risk stems from adverse changes in securities prices and interest rates, which directly affect net income, capital, asset value, and liabilities of the Bank.

▪ Market Risk Management Framework

Risk Management Committee is responsible to oversee the portfolio risk management and control of market risks. The business lines are accountable to manage market risks in their portfolios within the guidelines and limits set by the Risk Management Committee. Specific-Purpose Risk Authorities have been established in high-risk areas to oversee all aspects of transaction-level risks, such as setting investment guidelines, authorizing investment transactions and trade counterparties etc.

Market exposures shall be grouped appropriately according to the nature and characteristics of risks involved. Suitable risk treatment framework shall be implemented to effectively manage each class of market exposures. Portfolio market risks of all assets and liabilities shall be assessed and quantified using the Value-at-Risk (VaR) concept employing methodologies and techniques appropriate to the nature of risks involved. Back-testing has been prudently performed to validate internal value-at-risk model. In addition, Stress testing in place as a supplement to VaR is performed under various extreme scenarios. The risk assessment and corresponding risk treatment has taken into account the transaction intent as well as the market liquidity of the securities.

Interest rate risk from banking book is analyzed on the basis of mismatch between the timing of interest rate re-pricing of assets and liabilities and its potential impacts on future net interest income of the bank under simulated scenarios.

Sophisticated market risk positions, such as derivatives securities, shall be handled with special attention. Derivative risks must be decomposed into basic risks and analyzed such that the inherent risk profile is clearly understood. Important market risk factors are provided as follows:

1.2.1 Equity Price Volatility

As of December 31, 2007, the equity portfolio stood at 5,780.56 million Baht, of which 2,534.58 million Baht was listed equity in current market value and 1,284.12 million Baht was non-listed equity in book value.

The Bank and its subsidiaries obtained a profit from equity investment of 398.23 million Baht. However, there was an unrealized gain of 9.47 million Baht in the available-for-sale portfolio, which have not been realized in the financial performance during the year.

(1) Listed Equity Risk

Listed equity investment portfolio in available-for-sale book stood at 2,534.58 million Baht in which a change in its value would impact the equity through unrealized gains or losses. As of December 31, 2007, unrealized gain from available-for-sale investments equaled 9.47 million Baht.

TISCO Bank calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Daily VaR at a 99% confidence level, as of December 31, 2007, was 108.24 million Baht, up from 80.19 million Baht as of December 31, 2006 as a direct result of increasing fluctuation in equity value during 2007. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 1,284.12 million Baht, increased from 720.68 million Baht in December 31, 2006. The increased value was mainly due to the purchase of receivables from Thai Commercial Auto Company Limited as investment portfolio. As of December 31, 2007, despite the increased value from the purchase receivables, the outstanding allowance for investment impairment stood at 60.94 million Baht, decreasing 181.34 million Baht from the end of 2006 following a decrease of the portfolio.

Presently, our investment strategy is not to increase the size of the non-listed equity portfolio. The Bank is instead seeking opportunities to liquidate them, while at the same time closely monitoring portfolio quality on a regular basis.

1.2.2 Interest Rate Risk

Interest rate risk can be classified into two types; namely risk from interest-bearing assets and liabilities profile, and fixed-income risk.

(1) Risk from Interest-Bearing Assets and Liabilities Profile

Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. A movement in the level of interest rates may lead to higher borrowing costs when compared to earnings, resulting in lower interest rate income, which in turn influences the Bank income and capital.

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. The Bank and its subsidiaries' interest-bearing assets and liabilities structure, as of December 31, 2007, is provided in the following table.

(unit: million Baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	18,043.44	27,762.68	21,365.19	27,665.27	94,836.58
Liabilities	31,686.61	39,244.49	6,317.37	6,150.05	83,398.52
Net Gap	(13,643.17)	(11,481.81)	15,047.82	21,515.22	11,438.06

Under the change of interest rate within 1 month, the Bank had liabilities over assets cause the net gap to stand at 13,643.17 million Baht. The negative gap shown was mainly from an increase of the portion of short-term deposit specifically saving and current account which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure,

the Bank and its subsidiaries were exposed to a small interest rate rise. However, under the current circumstances, it is only expected that minimal market interest rate will rise.

(2) Fixed-Income Risk

Fixed-income risk is the result of a decrease in the value of fixed-income instruments when interest rates increase. As yields in the market go up, the value of fixed-income instruments decreases to maintain yields at the same level.

TISCO Bank and its subsidiaries' fixed-income portfolio as of December 31, 2007 stood at 1,390.83 million Baht, an increase of 312.34 million Baht compared to the end of 2006. Average duration of the bond portfolio and debenture portfolio were 0.54 years and 0.11 years, respectively. Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT's requirements.

1.3 Liquidity Risk

Liquidity risk is the possibility that the Bank might not be able to meet its obligations to repay debts when they come due, whether as a result of a failure in cash management or an inability to raise funds to meet demand in time. Liquidity risk comes from internal and external factors. Internal factors are maturity mismatches in the assets and liabilities profile which affect the level of liquid assets, while market liquidity and depositor confidence represent external factors affecting liquidity risk.

▪ Liquidity Risk Management Framework

Funding risk management is overseen by the Risk Management Committee who delegates day-to-day management of liquidity position to the accountable business line, subject to independent oversight and compliance to the approved risk policies and regulatory requirements.

Key funding risk policies involve the management of cash flow maturity profiles, concentrations, liquidity reserves, and emergency contingency plan. Funding risk strategies shall take into account the liquidity status in the market and how unexpected changes would affect the company's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities shall then be consistently maintained and regularly monitored, together with the level of liquidity reserve. Funding sources shall be well-planned to optimize risk/return while controlling excess concentrations in certain funding sources is crucially required. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation.

As of December 31, 2007, the value of liquid assets comprised of cash at 439.90 million Baht compared to 210.22 million Baht in December 31, 2006, net transactions with banks and money market at 1,050.15 million Baht compared to 1,024.24 million Baht as of December 31, 2006 and net current investment at 1,575.02 million Baht compared to 774.66 million Baht in December 31, 2006.

Currently, liquidity risk from the maturity mismatch is moderate, once adjustments for the historical behavior of creditors and debtors such as loan defaults or rollovers are taken into account. According to maturity mismatch profile within 1 year, the cumulative gap has shown the matured liabilities over the matured assets accounted for 1,903.51 million Baht. However, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur. An important liquidity ratio which is a loan to deposit ratio stood at 126.2%, an increase from last year at 112.6%.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, in December 31, 2007, the Bank reported the outstanding debentures of 4,000 million Baht with a maturity between 2-4 years, including bill of exchange amounted of 34,663.10 million Baht.

1.4 Operational Risk

Operational risk comes in the form of operational losses caused by the failure or inadequacy of internal processes, people, systems, non-compliance to laws and regulations or external factors. These include both financial and non-financial damages to the Bank, by potentially affecting its reputation and future business opportunities. In year 2007, the Bank expanded the business into various aspects in both extending the existing businesses as well as setting up the new businesses, therefore, operational risk increased accordingly following the business expansion. Nevertheless, the Bank established new business guideline aimed to examine inherent risk of new business and ensure that the incremental risk shall be justified. In term of operational risk in each process the internal control department shall ensure that prudent control processes are in place and appropriate for the risk incurred.

▪ Operational Risk Management Framework

Since the Bank and its subsidiaries undertake a wide variety of business and financial activities, operational risks are different for each operation. Consequently, operational risks are managed and controlled through prudent control processes and a well-structured organization with an integrated check-and-balance system. Additionally, the Bank is committed to creating accountability and awareness to all staffs on operational risk management.

The Risk Management Committee oversees and periodically assesses a firm-wide framework for operational risk management. At each business level, the Chief Governance Officer is accountable for managing the operational risks of each business line, within an established risk policies and guidelines. All internal control processes are examined by the Audit Committee, which directly reports to the Board of Directors. Along with the Basel II requirement and the BoT regulation, the Bank has started in collecting necessary data of operational losses for further risk assessment as well as important data in developing operational risk framework, in accordance with the best practice guidelines of the BoT and the Basel Committee on Banking Supervision.

Additionally, the Bank has been prepared for operational risk of extreme event that could disrupt normal business operations. The Bank has been establishing the business continuity plan of all key operations along with existing IT Disaster Recovery plan to control and ensure that necessary operational are always available to the group-wide business continuity management team.

TISCO Bank and its subsidiaries provide business in a number of different ways which operate under various regulators e.g. the Bank of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the change in laws, rules and regulations as external factor shall affect the Bank and subsidiaries' performance including Basel II accord, International Accounting Standard No. 39, Consolidated Supervision as well as Depository Insurance Agency Act. The adoptions of those laws and regulations may affect directly to provision allowance, capital requirement, and financial performance of the Bank and subsidiaries. For the provision setting according to IAS 39, the Bank and its subsidiaries has set aside excess provisions to fully cover the effect from the BoT new rules and regulations, while for the Basel II capital requirement, as assessed, the Bank has strong capital to support the new requirement. However, to mitigate the risks, Legal department, Internal Control department as well as Risk Management department are responsible for studying the impacts and fine-tuning the operating procedures following those rules and regulations. Those departments also provide consulting services, offer recommendations, and coordinate with related business units to ensure the Bank and subsidiaries' full compliance.

1.5 Strategic Risk

Strategic Risk is a form of uncertainty stemming from the possibility that the Bank might make an adverse business decision, or improper implementation of a decision in relation to the external business and regulatory environment that may affect the Bank's earnings and capital.

- **Strategic Risk Management Framework**

The Executive Board and Senior Management directly oversee strategic risks of TISCO, with the policy to employ effective sound practices in strategic management that enable it to respond effectively to changes in the business environment and unexpected external events. Vision and mission statements reflect company's core direction and how our business is conducted, around which all strategies and policies are formulated. Sufficient processes have been set up to carry out effective corporate strategy formulation, business planning, resource management, performance management, and other essential decision support systems. Strategic audit process is then performed at the board level by non-management directors as the ultimate line of protection.

In organization and business practice, the principles and practices of good corporate governance have been adopted to protect the rights and interests of all stakeholders. The corporate governance framework has included corporate governance policy and strong systems of internal controls, which are subject to regular independent assessment and review.

The Bank manages strategic risk by setting up 3-year strategic plans to provide a clear business direction together with operating budgets. The plans are reviewed on an annual rolling basis and used to compare actual performance on a monthly basis.

1.5.1 Risk from Economic Conditions and Business Competition

Although the Bank diversifies its businesses in areas of high potential, most of them are influenced by changes in economic conditions. For hire purchase businesses, growth and credit quality are directly affected by the state of the economy, levels of competition and growth in public consumption. Strong economic growth results in faster growth in asset size and revenues of the Bank, and vice-versa. Strong market share and competitive advantage, however, make the Bank less vulnerable to negative economic factors.

As our major investments are in the stock market, the economic outlook, capital market performance and investor sentiment is crucial to the Bank's financial performance. In a bullish economy, equity prices tend to increase significantly, resulting in improved the Bank profit and capital. Conversely, unexpected events, such as terrorist attacks and natural disasters may cause a substantial drop in equity values, adversely affecting the Bank's financial performance. While the brokerage and underwriting business also depends on the condition of the stock market, most income is derived from trading volumes, with the result that the impact of price levels may not be substantial. In effect, the Bank has adopted a variable cost structure in the brokerage business, which minimizes the impact of unfavorable market conditions.

The asset management business is dependent only to a minor degree on economic conditions as fee income is based on the net asset value of funds under management. Profit and loss from investments does not directly affect the Bank's financial results. However, higher competition on pricing structure is a major risk factor in this business.

1.5.2 Risk from Capital Adequacy

As of December 31, 2007, the Bank's capital adequacy ratio stood at 11.94%, well above the BoT requirement of 8.5%. As an internal risk measurement of capital adequacy, the risk-based capital requirement stood at 7,689.91 million Baht, accounting for 62.15% of the total capital base of 12,373.60 million Baht. Additionally, the Bank maintained provisions against potential loan losses 7.6% higher than BoT requirements. Under the Basel II Standardised Approach parallel calculation, the Bank's capital adequacy ratio as of December 31, 2007 increases to 12.97%.

Based on capital adequacy of Basel II requirements which will be implemented at the end of 2008, the Bank has adopted the Standardised Approach for capital requirement calculation and planned to adopt the Internal Rating Based Approach in the near future. As assessed, the Bank has strong capital to support the new requirement. Considerably, after Basel II is implemented, the Bank will benefit from the new capital requirement since the required capital for retail loans will be lower than that under the current capital requirement and the risk from capital adequacy will also decline.

1.5.3 Risk from Subsidiaries' Financial Performance

Net income from subsidiaries accounts for 37.4% of total net income, which significantly affects the overall Bank's income. Net income from subsidiaries can be broken down into three streams: 10.7% from brokerage, 0.8% from investment banking, and 8.2% from asset management.

While subsidiary businesses are influenced by market activity and overall economic conditions, the impact of risk from securities and asset management businesses will have a significant effect only on Bank profitability, without having a severe impact on capital as the major focus is on services rather than lending or investment.

Internal control and risk management of subsidiaries is centralized, with the Bank applying a universal set of standards and guidelines for all. The Bank sends its representatives to serve as directors at subsidiaries for at least half of the total directors. In this way, the Bank participates in establishing important business policies. Furthermore, the annual business plans of subsidiaries require approval by the Bank.

1.6 Other Risks

1.6.1 Risk Concerning the Rights from Holding Securities

As of December 31, 2007, the Bank's paid-up shares were divided into 544,617,120 common shares and 182,775,380 preferred shares. Preferred shareholders will receive rights and interest privileges beyond those of common shareholders as detailed below.

Preferred shares can be converted into common shares on a 1:1 basis and have the same rights and benefits as those of common shareholders except:

- (1) Preferred shareholders will receive a dividend of 1 Baht per share prior to common shareholders. In addition, the Bank may pay dividends to preferred shareholders without making payment to common shareholders.
- (2) Preferred shareholders have the first right to claims, in the case of bankruptcy, prior to common shareholders.
- (3) Preferred shareholders have the right to reduce capital after the common shareholders in the event of a capital decrease to eliminate retained losses.

The above rights of preferred shares will expire on June 30, 2009. More detailed information is presented in Section 8 : Capital Structure.

2. Overview of TISCO Business

2.1 History and major developments

TISCO Bank was upgraded from TISCO Finance Public Company Limited (the Company), which in turn was co-founded in 1969 by three firms: (1) Banker Trust New York Corporation, with a holding of 60%; (2) Bancom Development Corporation, 20%; and (3) Kasikornbank, 20%. In 1969 the Company's finance and securities operations provided the first investment banking service in Thailand. Major shareholders changed in 1972, when Dai Ichi Kangyo Bank Ltd, (later called Mizuho Corporate Bank Ltd) bought out Bancom Development Corporation. In 1974, the Company established a subsidiary called Thai Securities Company Limited (TSC) to provide securities brokerage services. The Company was listed on the SET in 1983. In 1996, TSC was merged with the Company, putting securities operations under the management of a single company. The new company was named TISCO Finance and Securities Public Company Limited. In 1998, responding to new rules issued by the BoT, the two businesses and licenses were separated to create two companies: TISCO Finance Public Company Limited, which operates financial services, and TISCO Securities Company Limited which handles securities.

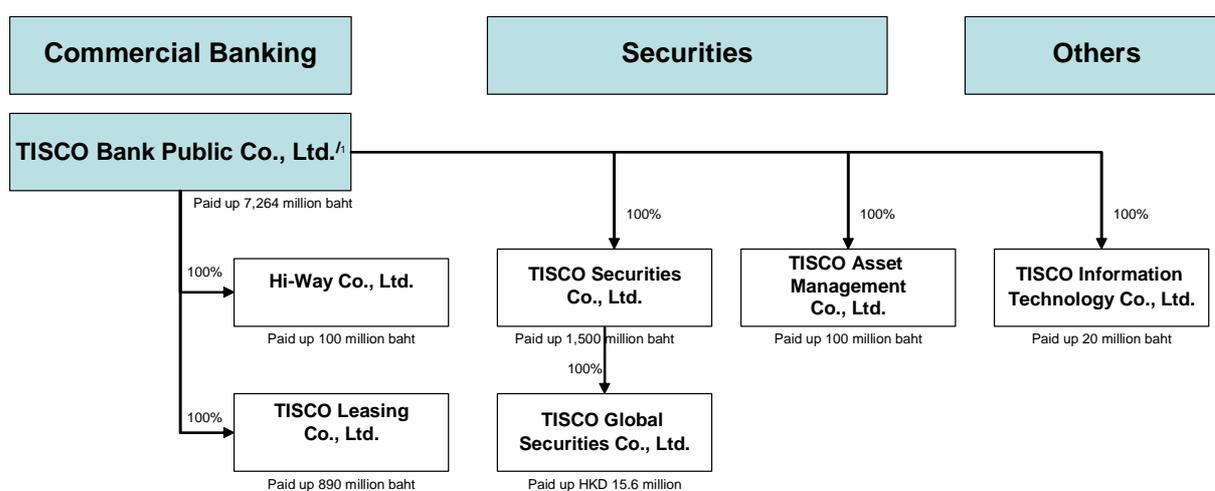
In 1999, the Ministry of Finance approved participation of the Company in the Tier 1 Capital Program, for which 600 million preferred shares of the Company worth a total of 6,000 million Baht were issued at 10 Baht each. Of the total, 300 million preferred shares worth a total of 3,000 million Baht were sold to the Ministry of Finance, and the remaining 300 million shares worth another 3,000 million Baht were sold to investors. This operation reduced the proportion of Banker's Trust shareholding from 52% to 7.44%, while raising the Finance Ministry's shareholding to 42.84%. Meanwhile, the Ministry of Finance issued 3-year warrants to investors, with an option to purchase its preferred shares. Upon maturity of these warrants on May 31, 2002, a warrant exercise reduced the Ministry of Finance's holding to 319,000 shares or 0.05%.

In 2005, after the Financial Sector Master Plan undertaken by the Bank of Thailand was implemented with the aim of reforming the finance and banking industry in October 2004, the company was the first financial institution granted approval from the Ministry of Finance for upgrading to a full service bank. The company changed its name to TISCO Bank Public Company Limited and TISCO Bank commenced its banking business operation on July 1, 2005 onward.

Currently, TISCO Group established TISCO Financial Group under the Consolidated Supervision regulation undertaken by the Bank of Thailand with TISCO Bank as the parent company on August 9, 2007. Furthermore, the establishment of TISCO Financial Group will enhance risk diversification and capital efficiency. The dividend policy, business strategies and operations will be in harmony with the Bank's policy as planned.

2.2 Businesses of the Bank and subsidiaries

The group's businesses can be divided into two main categories: commercial banking business and securities business which offer various kinds of financial services in order to satisfy customers' need. As of December 31, 2007, the group's structure is shown below:



^{/1} Listed in SET

2.3 Revenue structure

The revenue structure of the Bank and its subsidiaries is as follows.

(unit: million Baht)

	2005		2006		2007	
	Amount	%	Amount	%	Amount	%
Interest and dividend Income						
- TISCO Bank Plc.	3,505	65.6	4,484	87.1	5,903	112.7
- Hi-Way Co., Ltd.	739	13.8	881	17.1	824	15.7
- Thai Commercial Auto Co., Ltd.*	145	2.7	110	2.1	0	0
- TISCO Leasing Co., Ltd.	125	2.3	133	2.6	136	2.6
- Other Subsidiaries	54	1.0	97	1.9	81	1.5
Total Interest and Dividend Income	4,567	85.4	5,705	110.8	6,944	132.6
Total Expenses on Borrowings	1,464	27.4	2,899	56.3	3,456	66.0
Net Interest and Dividend Income	3,103	58.0	2,806	54.5	3,488	66.6
Bad debts and doubtful accounts (Reversal)	(186)	(3.5)	(50)	(1.0)	695	13.3
Net interest and dividend income after bad debt and doubtful accounts	3,289	61.5	2,856	55.5	2,793	53.3
Non-interest Income						
- TISCO Bank Plc.	924	17.3	1,170	22.7	1,013	19.3
- TISCO Securities Co., Ltd.	644	12.0	656	12.7	827	15.8
- TISCO Asset Management Co., Ltd.	271	5.1	296	5.7	478	9.1
- Other Subsidiaries	218	4.1	171	3.3	126	2.4
Total Non-interest Income	2,057	38.5	2,293	44.5	2,444	46.7
Total interest and dividend income after bad debt and doubtful accounts and Non-interest income	5,347	100.0	5,149	100.0	5,237	100.0

*Registered business cessation with Ministry of Commerce on April 12, 2007.

2.4 TISCO Group Business Strategy

TISCO group's general business strategy and planning guidelines for the next three years in covering overall business operations are already in place. These strategies and plans will be revised to incorporate changes in the business environment on a yearly basis.

Vision, Mission and Values for business operations

To align the goals and direction of business units to match those of TISCO group, the Bank has put in writing clearly defined statements outlining its Vision, Mission and Values. Vision encompasses the ultimate goal of TISCO group, whereas Mission outlines instructions and procedures to be strictly followed in the course of all business operations. Values are intrinsic attributes that management and staff apply in achieving goals and objectives.

Our Vision, "To be the Customer's First Choice", also represents our ultimate measure of success as a leading financial institution.

Our Mission: "We are a constantly learning organization that strongly adheres to the highest standards of professionalism and good corporate governance. We are committed to providing competitive and innovative financial solutions that ensure complete customer satisfaction. We are also dedicated to investing in our people and providing them with every opportunity for career development."

Our Values are the essence of the service we offer to our customers and qualities we cultivate and seek in our people. Through induction, training, and comprehensive corporate guidelines, these values are transferred into TISCO group culture and shape our professional attitude. TISCO group values consist of:

1. Customer Priority : Customers are our primary focus. Their needs are our priority. TISCO group derives a professional and practical solution that fulfills our customers' requirements.
2. Integrity : Customers are assured of our unyielding commitment to ethical conduct, which is projected in all aspects of our undertakings. Dependable and constant in our actions, we endorse our values through our actions.
3. Reliability : We raise the quality of client relationship by infusing excellence and integrity into all our dealings. Clients are offered the knowledge base and experience of our integrated resources. The measure of client progress and satisfaction is our base for evaluation.
4. Mastery : Serving our customers by constantly and progressively improving our abilities through a sustained passion for knowledge. Our people are trained to demonstrate exceptional skills and show the ability to lead others.

Strategic Plan and Strategy Map

External business environments such as the economy, domestic and international politics play an important part in developing our 3-year business plan. Not only are external factors incorporated into strategic plan revision, but internal factors are also included, such as strengths, weaknesses, opportunities, threats, critical success factors and priority issues. The management will take all of these issues into consideration to determine a Corporate Theme. The Corporate Strategy Map, in accordance with the Corporate Theme, will then be crafted along with Vision and Mission.

To implement strategic planning successfully, the Bank has adopted Balanced Scorecard with the aim of achieving balance in strategic planning from four perspectives: financial, customer, internal process and learning. Key Performance Indicators will be determined for all business areas, and linked to performance management to gauge employee performance so that staff may be awarded fair compensation based on merit. Additionally, the business performance is constantly monitored via Performance Dashboard.

Strategic action for the organization

To achieve the organization's goals, within the Vision and Mission framework, the Bank has determined strategic actions as follows:

1. Deliver the best solutions for clients in order to satisfy their needs by transforming the organization to become Customer Centric, which were previously structured as Product Centric.
2. Enhance distribution channels and the marketing team as well as continually identify new business opportunities in niche markets in order to maximize customer reach. In addition, the Bank offers services and products totally based on clients' needs, with an aim to maximize customers' satisfaction.
3. Emphasize on quality product development to deliver the best solutions for clients, including enhance banking infrastructure and automate working process to support growth in business volume and service channels.
4. Build corporate branding and preserve corporate image in order to widely promote TISCO Bank's product and services as well as business synergy among companies in TISCO Group. Customer Relationship Management is also employed for business opportunity expansion as well as maintaining good relationship with clients.
5. Focus on improving information technology, business decision support system and personnel development in order to shift efficiency in business operations and fully utilize the banking platform.

3. Business Operations by Area

TISCO Bank and its subsidiaries operate two main businesses: commercial banking and securities.

Commercial banking business: TISCO group offers financial services under its Commercial Banking Business license. Banking services are offered through the Bank's headquarters, its subsidiaries, as of December 31, 2007, the Bank has 26 branches in every regions of Thailand. In Bangkok, the Bank branches are Rattana Thibet, Srinakarin, Rangsit, sub-branch at New Phetchaburi Road, sub-branch Central World, sub-branch Fashion Island, and sub-branch the Old Siam. In the North, the Bank branches are in Chiang Mai, Phitsanuloke, and Nakhon Sawan. Covering the Northeast are branches in Nakorn Ratchasima, Khon Kaen, Udon Thani and Ubon Ratchathani. In the East, they are located in Chonburi, sub-branch Si Racha, Rayong and Chantaburi. The Central region is served by the Bank's branches in Ratchaburi, Saraburi, Ayutthaya, and Nakorn Pathom, while the South is host to the Bank's branches in Phuket, Songkhla, Surathani, and Trang. Also, in January 2008, a new sub-branch in Bangkok was set up, namely sub-branch Asoke.

Securities business: TISCO group provides securities services under its Securities and Asset Management licenses. These businesses are serviced through the headquarters of subsidiaries and one online branch in Bangkok, namely Esplanade Center, and four branches in upcountry, namely Chiang Mai, Nakorn Pathom, Nakorn Ratchasima, and Udon Thani. Additionally, it provides service to oversea clients through a foreign subsidiary in Hong Kong.

3.1 Area of Services

Presently, TISCO Bank transforms its organization to be client-centric. Under this approach, the Bank divides its service operations into five areas namely (1) Retail and SME Banking, (2) Private Clients and Asset Management, (3) Corporate and Investment Banking, (4) Corporate Investment, and (5) Corporate Function serves as a supporting area. Each business model is structuring with variety of products and services tailoring to target customer's need. Detail for each area is as follows:

1. Retail and SME Banking

Retail and SME Banking provides three service types as follows:

1.1 Retail and SME Loans

Retail finance and SME Loans is conducted by offering loan services to retail customers, both individuals and small and medium-sized enterprises (SME), which have specific loan purposes for either personal consumption or business operations. This segment can be classified by loan purpose as follows:

- **Hire-Purchase Financing**

Hire-purchase financing allows borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then transferred to the buyer after all installments are paid. Contract periods run from one to six years. A fixed interest rate is charged in line with the market rate on the contract date.

The Bank and its subsidiaries provide hire-purchase loans for all types and models of new and used automobiles. This includes passenger cars, multipurpose vehicles, motorcycles, and commercial vehicles such as sedans, trucks, and trailers. In addition, hire-purchase financing is also offered on loans for buying machinery and equipment for commercial purposes such as printing machines, computers and film-developing equipments.

Hire-purchase, as one of the Bank's major businesses, has experienced continuous growth for years. It recorded 19.2% growth as of December 31, 2007, with 64,684.40 million Baht in loans in the hire-purchase portfolio, up from 54,244.65 million Baht at the end of 2006.

Hire Purchase	December 31, 2006 (million Baht)	December 31, 2007 (million Baht)	Growth rate (%)
Car	51,309.47	62,053.11	20.9
Motorcycle	2,935.18	2,631.29	(10.4)
Total	54,244.65	64,684.40	19.2

The Bank's strategy is to continue on expanding hire-purchase financing to benefit from strong market demand by offering a variety of high quality services, rather than low pricing. However, the interest rates charged are competitive and the maximum payment period is in compliance with the BoT rules.

- **Consumer Loans**

The Bank provides consumer loans according to market needs with a strong focus on acceptable risk-adjusted return on capital (RAROC). The consumer loan segment has two main categories as follows:

Mortgage Loans are granted to buy residential property, including multipurpose loans, which use property as collateral to support the client's liquidity. The repayment terms vary from 3 to 30 years with full collateral, with interest rates either floating or fixed in the first one-to-three years and floated rate for the remaining years.

Mortgage loans as of December 31, 2007 was 1,887.89 million Baht, decreased by 5.8% from 2,004.88 million Baht in 2006.

Consumption Loans consist of multipurpose lending for individuals such as personal loans, loans against car registration, loans for insurance premiums, and loans for provident fund members. The repayment period is varied from 6 to 30 months depending on cash flow and client's earning ability.

Consumption loans as of December 31, 2007 was 4,231.56 million Baht, increased by 10.8% from 3,818.06 million Baht in 2006 as illustrated in the following table:

Table shows details of retail loans

Retail Finance	December 31, 2006		December 31, 2007		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	
Hire purchase loans	54,244.65	90.3	64,684.40	91.3	19.2
Mortgage loans	2,004.88	3.3	1,887.89	2.7	(5.8)
Consumption loans	3,818.06	6.4	4,231.56	6.0	10.8
Total	60,067.58	100.0	70,803.85	100.0	17.9

Customer and Distribution Channels

The Bank possesses solid customer base through strong relationship with dealers. Targeted customers of the hire-purchase business are individuals with annuity income or salary and good repayment records. The service channels operate from the headquarters of the Bank and subsidiaries, 21 full branches, and 6 sub branches in all regions. The car hire-purchase business in the TISCO group is operated by TISCO Bank PLC, TISCO Leasing Co., Ltd., while motorcycle hire-purchase is operated by Hi-Way Co., Ltd.

For consumption loans, the Bank targets existing hire-purchase clients with good performance and adequate earning ability.

1.2 Retail Deposit

After commercial bank upgraded on July 1, 2005, the Bank has provided deposit services, mainly consisting of current deposits, savings deposits and fixed deposits. The services include financial-related products such as cashier cheques, bill payments and money transfers through its headquarter and branches channels. In 2006, the Bank joined ATM pool that facilitates customers to withdraw cash from ATM terminals all over the country. Furthermore, in the first quarter of 2007, in order to provide alternative deposit channel to retail customers, the Bank partnered with Thailand Post Co., Ltd. to provide deposit and payment channel through post offices countrywide. In the second quarter of 2007, the Bank launched ORFT (Online Retail Fund Transfer) to facilitate retail customers and enhance quality of service. In addition, to expand customer base of deposit range between 1-10 million Baht, which contributed for 20% of total deposit in the commercial bank system, the Bank has set up Personal Banking unit in the forth quarter of 2007 to serve customer financial needs including deposit, investment, non-life insurance and life insurance. (Breakdown of TISCO Group's deposits types is shown in Section 12 : Financial Status and Performance)

1.3 Bancassurance

TISCO Bank PLC has been granted Insurance Broker License since October 2005 from the Department of Insurance, under the Ministry of Commerce. The Bank operates as a life and non-life assurance broker, which provides life insurance, health insurance, credit insurance, motor insurance, fire insurance, and miscellaneous insurance such as personal accident insurance, travel

abroad insurance, cancer insurance, etc. To increase competitive advantage, the Bank signed an agreement with American International Assurance Company Limited (Thailand), a well-known insurance company, to develop strategic alliance in operating bancassurance businesses. This cooperation helped acquire more customers through hire-purchase officer and tele-marketing staff resulting in the Bank's higher auto loan protection (ALP) as illustrated by the ratio of auto loan protection business to new car volume of 60.0% in the fourth quarter of 2007.

2. Private Clients and Asset Management

Private Clients and Asset Management provides three service types as follows:

2.1 Private Banking

Private Banking is responsible for high networth clients who are ready to invest a minimum of 10 million Baht. The services offered include bank deposits, cash management services, professional financial and investment advisory as well as fund management services.

2.2 Private Sales Brokerage

TISCO Securities Co., Ltd. offers brokerage services to retail clients both domestic and international through head office in Bangkok, one online branch in Bangkok, namely Esplanade Center, and four branches in upcountry, namely Chiang Mai, Nakorn Pathom, Nakorn Ratchasima, and Udon Thani. Additionally, it provides service to oversea clients through a foreign subsidiary in Hong Kong.

Service foundation of TISCO Securities Co., Ltd. is built on quality of service, integrity, and client satisfaction. The Company provides trading channels through the Internet, in which clients place orders themselves, and through marketing services in which investors place trading orders with their designated marketing officers.

TISCO Securities Co., Ltd.'s market share by individual customer as of December 31, 2007 remained at 2.3%. Aligning with institutional brokerage segment, the strategy for Private Sales Brokerage aims at expanding the market aggressively, and enhancing the quality of securities research. TISCO Securities Co., Ltd. regularly organizes seminars for customer to update information about financial market and capital market.

Table shows information on TISCO securities business

(unit: million Baht)

Information of TISCO Securities Business	2005	2006	2007
Trading values categorized by Individual Customer	106,076.00	90,880.00	100,536.35
Trading values classified by types of transactions			
- Cash Account			
Place orders via internet	25,712.89	17,847.45	25,752.64
Place orders via marketers	80,364.65	73,032.35	74,783.71
Market Share – Company¹	3.0	3.2	3.0
Market Share – Individual Customer¹	2.1	2.1	2.3

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

2.3 Asset Management

TISCO Asset Management Co., Ltd. operates provident funds, private funds, and mutual funds management as permitted under its mutual fund and private fund management licenses granted by the Ministry of Finance.

• Provident funds

TISCO Asset Management Co., Ltd.'s provident fund management license covers advisory services for setting up provident funds, and registrar and advisory services for provident fund committees. Fund investments may cover a wide range of instruments, in line with consent from the respective provident fund committees.

Under management by the Company as of December 31, 2007 there were 63 provident funds representing 2,082 companies and 325,424 members with a net asset value of 62,725.88 million Baht, accounting for a market share of 14.2% and second-ranked in the overall market based on net asset value. The breakdown of TISCO Asset's provident fund types is shown below:

(unit : million Baht)

TISCO Asset provident fund	2005	2006	2007	% Growth
Single fund	11,172.46	10,551.45	14,266.84	35.2
Pooled fund	17,989.11	21,593.30	23,177.01	7.3
State Enterprise Fund	21,728.58	20,871.29	25,282.03	21.1
Total	50,889.15	53,016.04	62,725.88	18.3

- **Private funds**

TISCO Asset Management Co., Ltd. provides private fund management services for individuals and juristic persons taking into account the client's risk-return profile in offering a wide range of investment alternatives including equity, fixed income, and mutual funds. Clients receive reports which summarize fund performance on a regular basis.

As at December 31, 2007, there were 161 private funds with net asset value of 30,416.85 million Baht, representing a market share of 17.3%, putting the Company in 2nd place in the overall private fund market. The breakdown of TISCO Asset Management Co., Ltd.'s private fund types is shown below:

(unit : million Baht)

TISCO Asset private fund	2005	2006	2007	% Growth
Juristic person	18,111.02	21,223.80	26,436.05	24.6
Individual	2,732.46	3,169.70	3,980.80	25.6
Total	20,843.48	24,392.50	30,416.85	24.7

- **Mutual funds**

TISCO Asset Management Co., Ltd. provides mutual fund management services for retail investors. Mutual fund units are sold to the general public with due consideration given to finding the right investment type suitable for each investor's needs. TISCO Asset Management Co., Ltd. focuses on efficient investment based on continuous research and risk management. It reports fund performance to the public regularly.

Mutual funds under management by the Company as of December 31, 2007, numbered 40, with net asset value of 14,593.65 million Baht. The breakdown of mutual fund types at is shown below:

(unit : million Baht)

Mutual Fund	2005	2006	2007	% Growth
Open-ended fund	10,134.55	7,169.19	14,535.15	102.7
Close-ended fund	262.75	159.04	58.50	(63.2)
Total	10,397.31	7,328.23	14,593.65	99.2

Distribution Channels

In general, TISCO Asset Management Co., Ltd. uses direct sales as main channel for all fund types. For mutual fund business, the Company has additional channels consisting of agents from banks, finance and securities companies, as stated in their prospectus. In addition, TISCO Asset Management Co., Ltd. also increased distribution channel through internet trading.

3. Corporate and Investment Banking

Corporate and Investment Banking provides three service types as follows:

3.1 Corporate Lending

Commercial finance facilities are provided to medium and large corporate clients for commercial purposes, including loans and related services such as guarantees, aval, loan arrangement services and loan restructuring. Commercial lending is classified by the following service types:

- **Working Capital Loans**

Working capital loans fill the need for business liquidity and cash flow, especially for industry and seasonal businesses, by facilitating loans for buying raw materials and inventory, and loans for accounts payable repayments. They are revolving loans, with repayment terms set for within one year. The terms and conditions of such loans are subject to credit review annually.

- **Project and Term Loans**

Project and term loans fill the need created by medium or long-term business development projects which have a specific purpose. The funding project, as the ultimate source of funds for loan repayment, must be traceable in terms of project progress. This segment mainly consists of term loans which have a repayment schedule in line with the timeline, progress and cash flow of the project. The Bank's policy is to support industry and manufacturing in all business areas, especially ones that support national development. Project and term loans are generally offered for building factories, offices or business expansion, property developments, infrastructure construction, project bids or buying industrial machinery.

- **Other Commercial Loans**

Other than the two above-mentioned types, the Bank also provides credit for other commercial purposes such as loans against deposits or liquid assets with short or medium terms using liquidity assets as collateral. This segment includes loans for investment, which are medium or long-term funds which investors use to buy assets, such as property, which they then use as collateral, with the terms and conditions of the loan set according to asset earning ability.

- **Guarantee and Aval Services**

The Bank provides guarantees and aval services for our client's business partners by issuing project bidding bonds, performance bonds and purchase guarantee letters to manufacturers. Terms of letters of guarantee are flexible and made to suit the beneficiary's needs.

- **Loan Consultancy and Related Services**

The Bank provides full-service loan consultation services in such areas as financial structuring and debt restructuring, and is also a syndicated loan arranger, facility agent and security agent.

- **Custodian Service**

The Bank provides custodian service for safekeeping the clients' assets and securities, payment and delivery, and performs the fiduciary duty of acting as custodian for provident fund, private fund, juristic person and individual, including confirmation of net asset value for provident fund.

As of December 31, 2007, the Bank and its subsidiaries had a commercial lending portfolio of 15,616.55 million Baht, which accounted for 18.1% of total loans. This indicated a 7.2% increase from 2006's year-end figure of 14,573.64 million Baht.

Type of Business	December 31, 2006		December 31, 2007		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	
Manufacturing and commerce	7,329.45	9.8	7,821.51	9.1	6.7
Real estate and construction	4,808.79	6.5	5,041.33	5.8	4.8
Public utilities and services	2,337.48	3.1	2,648.16	3.1	13.3
Agriculture and mining	97.91	0.1	105.55	0.1	7.8
Commercial Lending	14,573.64	19.5	15,616.55	18.1	7.2
Hire purchase	54,244.65	72.7	64,684.40	74.8	19.2
Housing	2,004.88	2.7	1,887.89	2.2	(5.8)
Retail Lending	56,249.53	75.4	66,572.29	77.0	18.4
Others	3,818.06	5.1	4,231.56	4.9	10.8
Total - The Bank and Subsidiaries	74,641.23	100.0	86,420.41	100.0	15.8

Customer and Distribution Channels

Targeted customers are mainly current customer base who have established long-term relationships with the Bank, and new customers from industries that support national development or sectors with strong government backing, such as vehicles and parts, agriculture and food processing, transportation and logistics, and petrochemicals. In addition, future infrastructure projects, such as those in the energy, property development, and construction sectors, are within our scope of interest.

Apart from the headquarters in Bangkok and branches upcountry, the Bank also provides its services through direct sales by marketing officers and client visits. In addition, advertising and public relations via newspapers and the Internet are deployed as alternative sale channels.

3.2 Investment Banking

TISCO Securities Co., Ltd. was approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. With its notable expertise based on competent staff with in-depth industry knowledge and a wealth of experience in equity and debt markets, both domestically and internationally, TISCO Securities provides financial advisory services including public offerings, mergers and acquisitions, financial restructuring, feasibility studies and corporate valuation.

In 2007, TISCO Securities Co., Ltd. performed as an underwriter for the share offering of Major Development Plc. and debenture offering of Mitr Phol Group, Thai Airways International Plc., Supali Plc., and TISCO Bank Plc.

Furthermore, in October 2007, TISCO Securities Co., Ltd. and Sacombank Securities Co., Ltd., a leading financial advisory firm in Vietnam, became business partners in expanding opportunities of investment banking business in Vietnam. This partnership was the first cooperation between two leading Thai and Vietnamese securities firms after signing of a cooperative agreement between the Stock Exchange of Thailand (SET) and the Ho Chi Minh Stock Exchange (HOSE) on September 10, 2007.

3.3 Institutional Brokerage

TISCO Securities Co., Ltd., as a member number two on the SET, offers brokerage services to institutional clients through head office in Bangkok. Apart from this, its foreign subsidiary in Hong Kong, which is a member of the Hong Kong Stock Exchange, is authorized to provide brokerage and financial advisory services for institutional investors. Previously, it operated under "TISCO Securities Hong Kong Co., Ltd."; however, since the cessation of TISCO Securities Hong Kong Co., Ltd. in December 2007, TISCO Global Securities Co., Ltd. has been the service provider for TISCO Securities Co., Ltd. in Hong Kong territory.

TISCO Securities Co., Ltd.'s market share by institution customer as of December 31, 2007 was 3.8%, from domestic 5.1% and foreign 3.3%. However, its strategy aims at expanding the market aggressively, and enhancing the quality of securities research so that it is broadly accepted by investors. Moreover, relationship between TISCO Securities and Deutsche Securities Asia Ltd. became concrete with higher business interaction. In addition to increasing trading volume, knowledge transferring and resource sharing including wide range of product studying were originated from the cooperation. Also, Strategic alliance between TISCO

Securities Co., Ltd. and Sacombank Securities Co., Ltd. would enhance investment banking opportunities to Vietnamese market and also provide investment alternative for Thai investor.

Table shows information on TISCO securities business

(unit: million Baht)

Information of TISCO Securities Business	2005	2006	2007
Trading values categorized by Institutions Customer	134,424.46	165,321.21	156,897.61
- Domestic	63,280.15	68,528.21	66,809.13
- Foreign	71,144.30	96,792.99	90,088.48
Trading values classified by types of transactions			
- Cash Account			
Place orders via internet	4,910.11	3,392.55	2,752.49
Place orders via marketers	129,514.35	161,928.65	154,145.12
Market Share – Company^{/1}	3.0	3.2	3.0
Market Share – Institutions Customer^{/1}	4.4	4.5	3.8
- Domestic Institutions	7.5	7.4	5.1
- Foreign Institutions	3.2	3.6	3.3

^{/1} SET and MAI

Source: TISCO Securities Co., Ltd.

3.4 Cash Management Services

The Bank's Cash Management Services include cash inflow and cash outflow management for corporate clients, which ultimately help increase operation efficiency and reduce operating cost for clients. Cash Management Services comprise of 3 main business areas, TISCO Collection, TISCO Payment, and TISCO Liquidity Management. Additionally, TISCO E-Cash Management was introduced to facilitate customer in performing business transaction and enquiring consolidated account information.

4. Corporate Investment

Treasury department is responsible for asset and liability management activities, including the procuring of funding sources from local and foreign financial institutions, and investing and trading bonds in order to maximize returns under the corporate guidelines and risk policy and in compliance with all related rules and regulations. It also manages liquidity according to the BoT regulations.

The Bank invests in both short-term and long-term debt instruments. In addition, the Bank invests in equity securities in both listed and non-listed companies. The investment policy is to invest long term in good fundamental securities at a reasonable price for both dividend income and capital gains.

The investment portfolio of debt and equity instruments as of December 31, 2007, was 5,780.56 million Baht, up 31.6% from 4,393.20 million Baht in 2006.

TISCO Securities Co., Ltd. handles the securities trading business and trades equity securities for company accounts, with an aim to maximize trading gains. However, securities trading volume was insignificant because TISCO Securities has maintained its investment policy of long-term returns rather than short-term trading gains.

However, TISCO Securities Co., Ltd. actively performs securities trading when the stock market is favorable for making short-term profits. TISCO Securities Co., Ltd. only invests in proven good performers and fundamental securities to minimize market risk.

5. Corporate Function

To increase efficiency for TISCO Group operation, a supporting area is established to handle central operation for the whole TISCO Group, including Risk & Financial Control, Banking Operation, Product & Service Development, Cashiering & Bulk Processing, Corporate Secretariat & Investor Relations, Human Resources & Organization Development, Corporate Marketing & Communication, Corporate Service, Information Technology, and Corporate Governance.

3.2 Market and Competition

3.2.1 Commercial Banking Business

1) Market

Deposits

In 2007, deposit in commercial bank industry declined by 0.1% from the previous year. This was mainly the result of decreasing interest rate environment. The interest rates have decreased since the second quarter of 2007. At the end of 2007, average 3-month deposit interest rate at the top five large banks declined from 3.95% to 2.15% at the end of year 2006.

As of December 31, 2007, deposit in commercial bank industry was 5,928,746.84 million Baht, down by 0.1% YoY. The Bank's deposit was 35,728.81 million Baht, down by 12.1% YoY.

Table showing movement of average interest rates of Thai commercial banks

(unit: % per year)

	2005	2006	2007
Minimum Lending Rate (MLR) ¹	6.550	7.750	6.920
3-month fixed deposit rate ¹	2.40	3.95	2.15

¹ Average interest rate at the end of each period of five large banks, i.e. Bangkok Bank, Siam Commercial Bank, Krung Thai Bank, Kasikornbank and Bank of Ayudhya

Loans

Generally, car hire-purchase business expands in line with automobile industry growth. Since the end of 2006, industry-wide new car sales have been slow down and shrunk by 7.5% from 682,693 cars in 2006 to 631,243 cars in 2007. The proportion of new passenger car sales to commercial car sales in 2006 was 28.8% to 71.2%.

As of December 31, 2007, loan in commercial bank industry was 5,156,093.50 million Baht, up by 5.2% YoY. The Bank's loan was 79,856.40 million Baht, up by 20.3% YoY.

Table showing car sales in Thailand during 1999-2006

Unit : cars	2000	2001	2002	2003	2004	2005	2006	2007
Passenger cars	83,106	104,502	126,353	179,005	209,110	193,617	194,269	182,013
Commercial cars	179,083	192,550	283,009	354,171	416,916	509,644	488,424	449,230
Total	262,189	297,052	409,362	533,176	626,026	703,261	682,693	631,243

Source : Automobile Institute

2) Competition

In 2007, the loan financing industry was still in a state of intense competition, which emphasized on pricing competition and terms and condition of hire-purchase e.g. amount of down payment, and installment period. Major players are subsidiary of bank and large commercial banks who enjoy funding cost advantages amid declining interest rate environment.

For commercial finance, the Bank's strategy focuses on improving loan quality and reducing NPLs by accelerating the loan restructuring process and preparing for expected market growth in the following year. Amid the high market competition, the Bank has focused on quality rather than quantity and expanding its customer base on account of its over 39 years of business experience, efficient operations and management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships.

Competitors in hire-purchase financing number approximately 10 companies which can be divided into two major groups: 1) leasing companies and financial institutions and 2) subsidiary companies of car manufacturers and car dealers (captive finance). At present, hire-purchase competition is even tougher than before. While most players expand their customer base by applying a low-pricing policy, lower down payment, and longer installment period, the Bank focuses on providing efficient and high standards of service, and maintaining long-term relationships with agents and dealers. It will decrease prices as necessary to maintain its client base. In 2007, the Bank and its subsidiaries increased used car portion in hire-purchase portfolio to cope with changing market environment.

Although there are more commercial bank players being allowed to conduct hire-purchase operations under the Bank of Thailand's financial master plan in 2004, the Bank expects the number of newcomers to be insignificant because most commercial banks presently operate hire-purchase business through subsidiary companies. However, the Bank is highly confident that it can maintain its

status as one of the top three in the market given the long-term experience of the Bank and its subsidiaries, good connections with dealers, effective cost and risk management and an extensive customer database.

3.2.2 Securities Business

1) Market

The SET Index in 2007 improved to 858.10 from 679.84 points at the end of 2006 with average daily turnover increased from 16,280.91 million Baht to 17,097.05 million Baht due to improvement in political climate and successful general election at year-end.

Table showing stock market conditions

	2005	2006	2007
SET index (points)	713.73	679.84	858.10
Market capitalization (million Baht)	5,105,113	5,078,704	6,636,068
Trading value (million Baht)	4,031,241	3,956,262	4,188,776
Average daily turnover (million Baht)	16,454	16,280	17,097
Dividend payout ratio (%)	3.37	4.23	3.31
Price to earnings ratio (times)	9.40	8.10	12.63
Number of listed companies on the SET	468	476	475

Source: The Stock Exchange of Thailand

The asset management market as of December 31, 2007 recorded net asset value of mutual funds increased by 54.8% totaling 1,610,892.87 million Baht. Private funds increased by 19.1%, totaling 175,480.71 million Baht, and provident funds increased by 14.2%, totaling 441,720.26 million Baht. The details of market funds at year-end for 2005, 2006, and 2007 are as follows:

(unit : million Baht)

Funds	2005	2006	2007
Mutual Funds	771,150.14	1,040,478.25	1,610,892.87
Private Funds	142,546.99	147,327.78	175,480.71
Provident Funds	345,895.94	386,656.94	441,720.26

Source: TISCO Asset Management Co., Ltd.

2) Competition

With 42 securities brokers in the market, the intense competition takes place due to each player strives to maintain and increase its market share. As reflected by more diversified market share, new players continuously enter the industry year by year. However, with limitation in price competition since the minimum charge rate is set by the regulator, the competition focuses on form and quality of services. In addition, major client of TISCO Securities Co., Ltd. is fundamental investor rather than speculative investor.

In 2007, there were only 7 listed companies in the equity market, reduced from 12 listed companies in 2006 due to the market fluctuation and political instability. Also, the total offering size was 9,602.50 million Baht, decreased from 36,786.90 million Baht in 2006. The major portion of total offering size was contributed by Total Access Communications Plc., representing 92.0% of the total offering size. For the competition in investment banking sector, there were 74 financial advisor companies approved by the SEC as of December 28, 2007. The increase of players in the market intensifies the competition as reflecting in the quality of team, experience in business, service excellence, initiatives of new financial instruments, and strong customer relationship.

For the asset management industry, 32 players include asset management companies, commercial banks, securities companies, and insurance companies. However, TISCO Asset Management Co.,Ltd. remains upbeat on its business outlook, due to its extensive experience, competitive ability and goodwill derived from the TISCO group's policy in maximizing customer satisfaction. Therefore, core strategy of TISCO Asset Management Co.,Ltd. emphasizes on maximizing returns at the appropriate risk level according to clients' risk appetite under high standards of good corporate governance.

3.3 Resources

3.3.1 Banking Business

1) Source of Funds

Apart from the Bank's capital, most of the Bank's and its subsidiaries' funds are sourced from deposits, the interbank and money markets and short and long-term borrowing. The details of sources of funds are as follows:

(unit : million Baht)

Source of Funds	2005	2006	2007
Total Deposits	34,450.80	40,567.86	35,714.17
Interbank and Money Market Items	6,415.25	2,156.98	5,852.19
Total Borrowings	17,490.54	26,081.98	40,749.84
Other Liabilities	3,844.51	3,291.74	4,263.29
Total Source of Funds from Liabilities	62,201.10	72,098.56	86,579.49
Capital	13,081.67	12,682.86	12,373.60
Total Source of Funds	75,282.76	84,781.42	98,953.10

Funds obtained from deposits as of December 31, 2007 was 35,714.17 million Baht, which represented 46.7% of total deposits and borrowings. List of assets and liabilities breakdown by term to maturity is shown in the following table:

(Unit : Million Baht)

Transaction	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non performing loans	Total
Financial assets								
Cash	440	-	-	-	-	-	-	440
Interbank and money market items	974	76	-	-	-	-	-	1,050
Securities purchased under resale agreements	-	2,400	-	-	-	-	-	2,400
Investment – net	753	126	1,088	1,290	-	2,524	-	5,781
Receivable from clearing house	-	29	-	-	-	-	-	29
Loans and receivable	1,251	10,559	22,911	47,601	2,208	-	3,452	87,982
	<u>3,418</u>	<u>13,190</u>	<u>23,999</u>	<u>48,891</u>	<u>2,208</u>	<u>2,524</u>	<u>3,452</u>	<u>97,682</u>
Financial liabilities								
Deposits	4,837	15,589	12,473	2,815	-	-	-	35,714
Interbank and money market items	743	2,301	560	2,248	-	-	-	5,852
Liabilities payable on demand	475	-	-	-	-	-	-	475
Borrowings	4,351	25,010	3,384	8,005	-	-	-	40,750
Payable to clearing house	-	577	-	-	-	-	-	577
Securities and derivative business payables	3	863	-	-	-	-	-	866
	<u>10,409</u>	<u>44,340</u>	<u>16,417</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,234</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	27	41	416	69	-	386	-	939
Other commitments	-	1,051	450	1,061	300	-	-	2,562

Details of risk of duration mismatch is described in Section 2 : Risk Factor.

2) Lending

- **Credit granting policy**

Commercial loans

The Bank has a policy to emphasize prudent growth in commercial and retail lending. In each new credit approval, the Bank thoroughly considers the borrower's business potential, opportunities, ability to repay, collateral, and also the rate of return that justifies the risk of each borrower. The Bank focuses on expanding business into markets with acceptable risks/returns in which it has sufficient expertise. The Bank performs analysis and key risk characteristics prior to entering new markets.

The collateral policies vary, depending on the type of credit. Prudent collateral policies are employed with effective procedures to stabilize collateral values under the specified conditions and to minimize potential losses. However, the Bank may selectively grant loans without collateral to certain borrowers considered to have high creditworthiness on a case-by-case basis. For the appraisal of collateral values, the Bank has a policy to have the collateral appraised by an independent appraiser or the internal asset appraisal unit before any loan can be drawn. The Bank's Appraisal Committee is responsible for approving the appraisal value proposed by the internal unit and independent appraisers under the company's guidelines in compliance with the regulations of the BoT.

The Bank has established prudence procedures for all credit approvals to ensure high credit quality while maintaining customer satisfaction. Approved credits are reviewed and controlled in compliance with overall credit policies.

The maximum credit terms are set according to the regulations of the BoT. The Bank has constructed a pricing policy aligned with current market conditions and credit exposure as well as the cost of funds without any price undercutting strategy.

Retail loans

The hire-purchase business covers a large portion of the retail credit portfolio. The Bank has a policy to aggressively expand its hire-purchase business in this market with justified risk-adjusted returns. In 2007, the growth of automobile hire-purchase was impressive. Although there were effects from high oil prices and aggressive newcomers, the Bank has a policy to competitively expand while still maintaining good loan quality and market share.

In addition, the Bank has established a standard approval process for the hire-purchase portfolio by implementing a credit-scoring system which has been developed from an internal database to effectively control and shorten the loan approval process.

Credit policies have been regularly reviewed to reflect the current market situation and support loan expansion in a prudent manner. Meanwhile, the Bank has a policy to maintain good credit quality compared to competitors without resorting to a price-undercutting policy. In this respect, the focus on enhancing quality of service and good business relationships is a vital competitive tool. For the collateral policy, hire-purchase assets are supported by adequate secondary markets and appropriate insurance strategies.

For mortgage loans, the approved credits do not exceed 90% of the collateral value with terms and conditions varying with the types of collateral, while other retail loans without collateral require higher interest rates to offset the higher risk being assumed.

- **Credit Approval Limits and Authorities**

The Credit Committee is responsible for overseeing the credit approval process under the credit policies and guidelines set forth by the Executive Board.

In addition, credit approval policies have been clearly stated in terms of credit limits and delegation of authority. All corporate loan transactions must be reviewed and approved by the Credit Committee while loan facilities considered material and large in size must be approved by the Executive Board.

For the retail credit portfolio, which naturally covers small transaction sizes, the credit approval process and delegation of authority varies according to the level of credit limit as controlled by overall credit policies. Large retail credits must be approved by the Credit Committee or the Executive Board after reviewing the types and purposes of loans on a case-by-case basis.

The Bank has also implemented a credit-scoring system to assist the loan approval process in which customer characteristics, loan terms and conditions are taken into consideration for the computation of credit scores.

- **Credit Risk Management**

The Risk Management Committee, comprised of senior management from key business lines, has been delegated the authority to set up policies, guidelines and procedures for overall credit risk management. Meanwhile, the Credit Committee and Chief Credit Officer, who are in charge of the loan approval processes of each credit transaction, set up guidelines for the delegation of approval authority at different levels for different types of facilities. The Problem Loan Committee is set up to monitor and follow up on problem loans and set up appropriate provisions for potential loan losses.

To ensure independence in carrying out the credit approval process and reporting to the Risk Management Committee, credit quality control functions are clearly separated from marketing functions. Moreover, credit review functions assigned by the Internal Control function and the Audit Committee are responsible for reviewing ongoing credit approval processes and ensuring transparency in overall credit granting procedures.

A credit grading system has been adopted in credit risk assessment for both corporate and retail credit portfolios. In accordance with the implementation of the Internal Ratings Based approach (IRB) under the new guidelines of the Basel Committee for banking supervision, historical payment information based on credit rating is being developed and tested to ensure system validity and provide more efficiency in capital utilization.

In controlling risks from credit concentration, the Bank has set up a concentration limit which defines the maximum credit exposure for each individual borrower or borrowing group. Moreover, concentration in a single sector is also controlled within an acceptable level, and considered in combination with the sector exposure of equity investment. Furthermore, the Bank complies with the regulations of BoT concerning single lending limits.

- **Credit Collection**

The Bank regularly performs credit reviews of the loan portfolio and monitors problem accounts. The Credit Committee closely co-ordinates with credit departments, and follows up accounts with potential problems promptly after a missing repayment is reported. Also, Problem Loan Committee meetings are arranged to review the status of borrowers, set up debt collection schedules and follow-up procedures, pursue legal action, and set aside provisions for loan losses. In the follow-up procedures, the credit officer reports to the Problem Loan Committee on all restructuring cases on a regular basis.

For the retail credit portfolio, the Bank strives to continuously improve the strategies and procedures for debt collection and follow-up, in line with economic conditions and related laws and regulations, particularly with regard to notification from the Office of Consumer Protection. The main collection and follow-up process includes collection, follow-up and asset repossession, legal process and enforcement.

- **Debt restructuring**

The objective of debt restructuring is to resolve problem loans, which are affected by economic downturns or the borrower's financial difficulties. Under the Bank's procedures on debt restructuring, there are various methods such as relaxing of payment conditions, debt-to-assets conversion, debt-to-financial-instruments conversion, and debt-to-equity conversion.

Debt restructuring can be conducted with every type of borrower, either defaulted or non-defaulted. The corporate lending function is responsible for the debt restructuring process, including the decision to select borrowers for restructuring. The delegated officers will evaluate the borrower's credit qualities and related financial and operating environments, and perform projections on repayment possibilities.

For debt restructuring cases related to, both directly and indirectly, Bank directors, persons related to Bank directors or the management, the borrower's status, repayment ability and cash flow status must be evaluated by an independent financial institution or third party with no conflict of interest with the bank and the borrower. Under the regulations of the Bank of Thailand, all restructured loans are reclassified, provisioned, and recalculated for impairment loss.

3) Capital Adequacy

The Bank has a policy to maintain capital that is adequate to safeguard against company risks in the long run, taking into account long-term solvency within economic uncertainties and the adequacy of regulatory capital-to-risk asset ratios as required by law. Currently, the Bank of Thailand sets the capital adequacy ratio for banks registered in Thailand at 8.50%, where Tier-I Capital must be maintained at a level equal to at least 4.25% of risk assets.

The year-end Capital Adequacy Ratio for 2006 and 2007 have been maintained above the regulatory requirements with details as follows:

Capital Adequacy Ratio as of December 31	(unit: percentage)		
	2006	2007	Regulatory Requirement
Tier-I Capital to Risk Assets	12.73	11.55	4.25
Total Capital to Risk Assets	13.42	11.92	8.50

It can be clearly seen that the capital base of the Bank remains strong with the Capital Adequacy Ratio exceeding the requirements of the BoT and fairly sufficient to support the forthcoming regulations concerning debt reclassification and provisions.

4) Liquidity Management Policy

The Risk Management Committee is responsible for monitoring and determining assets-to-liabilities direction and funding structure in detail. The Committee also establishes various liquidity limits to serve as early warning triggers such as liquid assets, contractual maturity mismatches, funding concentration and daily deposit/withdrawal levels. Furthermore, a liquidity contingency plan has been established for outlining clear procedures and responsibilities in detail for liquidity management in times of crisis.

Meanwhile, the Treasury function is responsible for daily liquidity management and preparation for securing sources and the use of funds as required. The Treasury function is also responsible for managing the Bank's liquidity position to comply with internal guidelines and the regulatory requirements of the BoT under the notification on prescription and maintenance of liquid assets by commercial banking as follows:

- The Bank shall maintain liquid assets on average of no less than 6% of the total of all types of deposits and total foreign borrowings, which shall mature within one year.
- The liquid assets must consist of deposits with the BoT of no less than 0.5%, unencumbered securities of no less than 4.5%, and deposits at commercial banks residing in Thailand.

5) Asset Classification, Provisions and Write-offs

The Bank defines asset classifications according to the notification of the Bank of Thailand regarding worthless or irrecoverable assets and doubtful assets that may be worthless or irrecoverable as follows:

(1) Assets classified as Loss are claims where there is no possibility of repayment due to death, disappearance, bankruptcy or dissolved business, or losses from debt restructuring according to the rules and regulations of the Bank of Thailand.

(2) Assets classified as Doubtful-to-Loss are assets or claims whose entire value is expected to be irrevocable, such as debt claimed on the principal and interest overdue more than 12 months from the payment date.

(3) Assets classified as Doubtful are assets or claims that are unlikely to be repaid in full, such as debtors with payments overdue more than 6 months from the contractual payment date.

(4) Assets classified as Sub-Standard are defined as assets or claims with difficulties of repayment or that do not generate a reasonable income, such as debtor-owing interest and/or principal payments for a cumulative period of over three months from the contractual due date.

(5) Assets classified as Special Mention are assets or claims whose value is deteriorating, such as debtor-owing interest and/or principal payments for a cumulative period of over one month from the contractual due date.

(6) Assets classified as Pass are assets or claims which are not classified as Loss, Doubtful to Loss, Doubtful, Sub-Standard, or Special Mention.

The Bank has a conservative provisioning policy. As of December 31, 2007, the Bank's reserves were 2,465.46 million Baht, or 118.2% of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 5 : Operating Assets in 5.2.

3.3.2 Securities Business

1) Source of funds

The sources of funds are mainly from equity, operational cash flow and loans from financial institutions for working capital purposes.

2) Credit approval and authorization

TISCO Securities Co., Ltd. has a credit approval policy to screen qualified customers as well as to provide customers with a good understanding of securities trading. The credit line for a particular customer will be based on the customer's financial status and collateral. The Executive Board of Directors has granted credit approval authority to the Credit Committee. The Credit Committee approves high volume credit lines by itself and has granted lesser authority to management responsible for approving general credit lines complying with the Credit Committee's guidelines and policy.

3) Margin trading accounts

All clients of securities brokerages are cash accounts.

4) Investment Policy

For listed equity, TISCO Securities Co., Ltd. has a policy to invest in businesses with strong fundamentals by considering liquidity, risk and return on securities and the diversification of its portfolio. As for non-listed equity, the Company has no policy to enlarge this portfolio, but will exploit market opportunities for selling the existing securities at the highest price. For debentures, TISCO Securities Co., Ltd. holds them only for liquidity reserve purposes. For unit trusts, the company holds them as a short-term and a long-term investment depending on their investment policy and fund performance. Moreover, the company has a policy to invest in derivative instruments to earn gains from trading and for risk management purpose upon investment climate in the stock market.

Investment policy complies with the guidelines and policies of the Risk Management Committee, which consists of key executives. This committee determines the investment policy, size of investment portfolio, maximum limits for daily securities trading, and the loss limit.

5) Capital Adequacy Ability

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd. as of December 31, 2007 is 108.4%, well above the 7.0% regulatory requirement of the SEC.

4. Research and Development

In 2007, TISCO Bank and its subsidiaries undertook numerous research and development projects aimed at improving the overall structure and fundamental products of the banking sector as well as risk management based on international standards, and increased process efficiency in order to better respond to the changing needs of customers.

4.1 Services & Products

To better serve retail clients, especially in the deposit segment, TISCO Bank strives to continuously develop and enhance its range of products. Current and Savings deposits have been re-launched with new interest-rate structures to increase their attractiveness. New fixed deposit products have been launched, along with tax-free contractual deposit accounts, and fund raising through issuance of bills of exchange at all TISCO Bank offices.

To increase coverage, new bank branches have been deployed, bringing the total to 27 nationwide. In addition to traditional branch channels, new service channels have been introduced. TISCO Bank clients can now make deposits to their accounts at any Thailand Post office nationwide, withdraw cash from their accounts at any bank ATM, and complete transactions at TISCO Bank branches without the need to fill in a detailed banking slip. Moreover, transactions using any of these channels can be done nationwide without having to pay an inter-regional fee.

Personal banking offices have been set up to better serve retail clients. These teams assist clients and introduce financial solutions that best answer their needs, as well as provide a full range of services to target clients. In addition, mobile banking teams are deployed to service staff of corporate clients at their premises in order to offer enhanced convenience.

The bancassurance service for existing clients and mutual fund investments continues to be offered actively at all offices.

In 2007, TISCO Bank launched many new Cash Management Products including Salary Deposit, Bill and Utility Payment through automatic account deduction (Direct Debit) at all TISCO branches, and Cheque Payment. In addition, TISCO Bank is developing a new channel to receive instruction from clients via a Web Front-End (e-Cash Management) system which is expected to go live in 2008.

4.2 Risk Management

In the past year, the Bank's risk management unit has developed and invested in several key systems in preparation for the new capital requirements under Basel II for both the Standardized Approach and Internal Rating Based Approach. To achieve the requirement for capital calculation following the Basel II Standardized Approach, a data warehousing system has been developed and is expected to be completed by the end of 2008. Furthermore, in accordance with the implementation of the Internal Rating Based Approach, overall credit rating and credit scoring systems, particularly in hire purchase loans, including both application scoring and behavioral scoring have been enhanced to comply with the Basel II regulation. Additionally, during the past year, the information system and loan origination system has been improved to support the new regulations.

To enhance the effectiveness of loan quality tracking beyond the application credit scoring system which the Bank has already developed and applied to improve the efficiency and speed of the loan approval process, a behavioral credit scoring system has also been developed in order to manage risk more effectively in the hire purchase loan portfolio. As a result, internal capital requirements for credit risk as well as reserve projections for the hire purchase loan portfolio are now more accurately assessed.

For the corporate loan portfolio, while the Bank uses credit rating as a part of the loan approval process, the effectiveness of the credit rating system for the corporate loan portfolio has been improved to better reflect embedded risk.

In accordance with the Internal Rating Based Approach, the Bank has developed an approach to assessing key risk parameters including both probability of default and loss given default in the hire purchase loan portfolio. The calculation approach to both parameters has undergone a preliminary audit by the Bank of Thailand.

Currently, the Bank has a business continuity plan for all key activities. In the coming year, the Bank shall emphasize operational risk management development whereby the development of control self-assessment and key risk indicators will enhance the overall operational risk assessment of the group. Moreover, a loss incident collection system is being developed to record all incidents originating in the daily operations for the entire TISCO group including its subsidiaries. The loss incident data collected will be used as valuable information in developing an effective operational risk management system in the future.

Additionally, in preparation for IAS39, the Bank has estimated expected losses for the hire purchase portfolio based on historical experience to support new provisioning rules for non-performing loans under a collective approach. This estimation shall be in accordance with the Loss Given Default (LGD) parameter estimation requirement under Basel II-IRB.

4.3 Operation

In 2007, TISCO Bank worked on improving its productivity through process re-engineering. The Productivity Improvement unit was set up to ensure that operation processes can cope with business expansion and foreseeable market competition. A new working concept was developed to support the new business model. Examples of the re-engineering process are as follows:

- 1 The loan origination process was re-engineered to improve efficiency. The credit approving process utilizes a digital format for loan applications in conjunction with more sophisticated credit scoring.
- 2 The new Collection System has been implemented. This system will increase the effectiveness of the collection process by providing comprehensive client information to bill collectors in less time. The system also allows managers to manage bill collection more efficiently through the accurate incentive calculation system. This will increase the percentage of on-time bill payments from clients.
- 3 In the cashiering function of TISCO Bank, the new concept of Cashiering and Bulk Processing has been implemented. This employs the batch processing concept together with the elimination of non-value adding jobs through newly designed Work Stations. This will achieve lower cost per transaction as well as higher throughput capacity.

5. Operating Assets

5.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment to the Bank and its subsidiaries as of December 31, 2005-2007 are as follows: These assets are free from any obligations.

Type of Assets	(unit: million Baht)		
	2005	2006	2007
Land and buildings			
1. Office of TISCO Bank Plc. at TISCO Tower North Sathorn Road, Bangkok	834	885	839
2. Office for subsidiaries at TISCO Tower North Sathorn Road, Bangkok	397	377	421
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	5	4	4
4. Brokerage branch – Nakhon Pathom	8	8	8
Total land and buildings (net)	1,244	1,274	1,272
Office improvements	67	95	135
Office furniture and improvements	163	158	94
Others	85	76	62
Total (net)	1,559	1,603	1,563

Long-term contract

1. Contract

The following table shows rental expenses incurred by the Bank's subsidiaries and branches in 2007 under the current land and building rental contract for office purposes, excluding rental fees paid by firms to others within the TISCO group, along with rental obligations due in 2008.

	2007	2008 ¹
Domestic offices and branches	16,879,225 Baht	17,263,453 Baht
Office at Hong Kong	759,912 HK\$	785,412 HK\$

¹ excluding rental contract for new branches in 2008

2. Rental contracts between the Bank and subsidiaries

Office suite rental agreements between the Bank and its subsidiaries located at TISCO Tower are based on 1-3 year contracts at normal market prices. These contracts are illustrated as follows:

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Leasing Co., Ltd	4,346.65
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Leasing Co., Ltd	1,655.32
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Bank Plc.	378.53

5.2 Loans

Classification of assets under BoT guidelines

Asset classification in TISCO group consists of loans and receivables, investments in securities and property foreclosed. Our asset classification policies are in compliance with those set by the BoT and the SEC. The details of asset classification as of December 31, 2007, are shown below:

(unit: million Baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	74,305	-	-	-	74,305	90.2
Special mention	4,785	-	-	-	4,785	5.8
Substandard	712	-	-	-	712	0.9
Doubtful	248	-	-	-	248	0.3
Bad debts	2,272	8	29	-	2,309	2.8
Total	82,322	8	29	-	82,359	100.0

Provision for Loan Loss Policy

The Bank and its subsidiaries' provisioning policy for bad debt allowances or losses from debt restructuring are in accordance with the regulations of the BoT and the SEC.

The provisioning requirements for bad debt allowances under the BoT regulations can be summarized as follows:

1. Assets classified as Loss shall be written off.
2. Assets classified as Doubtful to Loss require a provision of 100%.
3. Assets classified as Doubtful require a minimum provision of 50%.
4. Assets classified as Sub-Standard require a minimum provision of 20%.
5. Assets classified as Special Mention require a minimum provision of 2%.
6. Assets classified as Pass require a minimum provision of 1%.

Under the announcement by the BoT, provisioning regulations following International Accounting Standard No.39 (IAS39) require assets classified as Sub-Standard, Doubtful, and Doubtful to loss to set a minimum provision in accordance with a 100% of the different between asset's carrying amount and present value of estimated future cash flow or the present value of estimated future cash flow from collaterals. Considering the same credit risk profile, provisions can be set to portfolio of non-performing loan based on collective approach as an alternative of case-by-case basis. The phases rolled out for applying IAS 39 are as follows:

- Assets under litigation processes are required to set a provision since the second accounting period of 2006.
- Assets classified as Doubtful to Loss and Doubtful are required to set a provision since the first accounting period of 2007.
- Assets classified as Sub-Standard are required to set a provision since the second accounting period of 2007.

Since the end of 2006 onward, the Bank has already applied a provisioning policy based on IAS39. Apart from this, the Bank also has a policy of examining and raising the allowances used as general provisioning measures against suspected bad loans, in order to cushion against unexpected loan losses in the future. Setting of general provisions is based on the economic conditions at the time, and is considered on a case-by-case basis.

According to TISCO Bank's policy, the Bank's provisions for loan loss reserves as of December 31, 2007, were 2,465.46 million Baht, or 118.2% of the minimum requirement for loan loss reserves according to Bank of Thailand rules. Moreover, the Bank and its subsidiaries had set aside excess provisions to fully cover the effect from the BoT new rules and regulations since the fourth quarter of 2006. However, the specific reserve was completely set following the new rules and regulations on the second quarter of 2007 which was ahead of the BoT's requirement for fully compliance by December 2007.

Provision of Asset Impairment Policy

The Bank will reserve provisioning in cases of asset impairment by considering impairment indicators based on generally accepted accounting principles (GAAP) and by estimating the receivable value of the assets.

Policy of revenue recognition on interest income

The Bank has a more conservative policy for recognition of interest income than the requirements of the BoT. The Bank stops accruing income for loans on which interest payments are overdue by more than 1 month for commercial loans, and 3 months for retail loans, whether or not there is collateral. Furthermore, the Bank will reverse all recorded accrued interest on such loans.

Income recognition of such loans will be reinstated to accrual basis only when the total overdue amount is received.

The Bank and its subsidiaries recognize interest income from restructured loans, in corporate lending business only, on a cash basis. Income recognition will be restated to accrual basis only when receiving approval from the Problem Loan Committee, and assurance of borrower status regarding the capacity to repay principal and interest normally.

5.3 Investment in Securities

Details of investment in securities are shown in Notes to Financial Statements, 3.4 Investments in securities.

Securities Investment Policy

Securities investment policy is described in Section 3 : Business Operations by Area, in 3.3.2. 4).

Risk Management of Investment Portfolio

The Bank diversifies its investments in order to avoid high concentrations in single securities. Appropriate investment opportunities are emphasized to ensure a proper risk-return trade-off. In addition, the Bank has set up an integrated risk management system to aggregate all investment risks, where the issues of capital adequacy and the prospect of risk-return from each investment are incorporated to enable timely portfolio adjustment if required. Details of risk management are listed in Section 1: Risk Factors.

Allowance for Impairment of Securities

The Bank sets allowances for impairment of securities according to accounting standards. Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining earnings. 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, after which they are included in determining earnings.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the SET. The fair value of government bonds, state enterprise securities and private debt instruments is determined by using the formula quoted by the BoT, which is based on the yield rate quoted by the Thai Bond Dealing Center or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

In the event the Bank and its subsidiaries reclassify their investments in securities, the investments are adjusted to reflect their fair value on the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining earnings or recorded as a surplus (or deficit) from changes in the value of investments in shareholder equity, depending on the type of investment which is reclassified.

5.4 Policies on investment in associates and subsidiaries

The details on investment in associates and subsidiaries are presented in Notes to Financial Statements, 3.4 Investments in securities and 3.5 Investment in subsidiary companies

The Bank has a policy of investing in businesses that support the group's competitive capability, with due consideration of business and industry trends, the competitive environment, and the ability to generate long-term profits. The Bank also puts a special emphasis on prudent risk control.

The Bank manages its subsidiaries by implementing a group management policy covering management, risk management, compliance and internal controls governing the Bank and its subsidiaries, and placing a majority of its own representatives comprising a minimum of 50% on each subsidiary's board. The Bank's representatives are then able to actively participate in the formulation of important business policies. The annual business plan of the Bank and its subsidiaries are combined as a corporate plan to support core strategy and long-term goals of the group. Infrastructure and resources are effectively utilized to support businesses of the group. Also, the annual business plans of subsidiaries are subject to approval by the Bank. For associate companies, the Bank assigns representatives to be directors on their boards. The number of the Bank's representative directors in such cases depends upon the proportion of the stake held by the Bank.

Table illustrates details of subsidiary companies

(Unit : million Baht)

Company Name	Paid up As of December 31, 2007	Cost Method ^{/1} As of December 31, 2007	Dividend received ^{/2} for year ended December 31, 2007
TISCO Securities Hong Kong Ltd.	HKD 20 million	66	-
TISCO Securities Co., Ltd.	1,500	1,500	240
TISCO Asset Management Co., Ltd.	100	220	110
TISCO Leasing Co., Ltd.	890	864	-
Hi-Way Co., Ltd.	100	273	-
TISCO Information Technology Co., Ltd.	20	44	-
Thai Commercial Auto Co., Ltd. ^{/3}	800	-	-
TISCO Group Co., Ltd. ^{/3}	150	-	-
TISCO Corporation Plc. ^{/4}	-	-	-
	-	2,967	350

^{/1} Net from impairment

^{/2} Including dividend received from subsidiary company which indirectly held by the Bank.

^{/3} Currently under dissolution process

^{/4} Completed the dissolution process on February 29, 2008

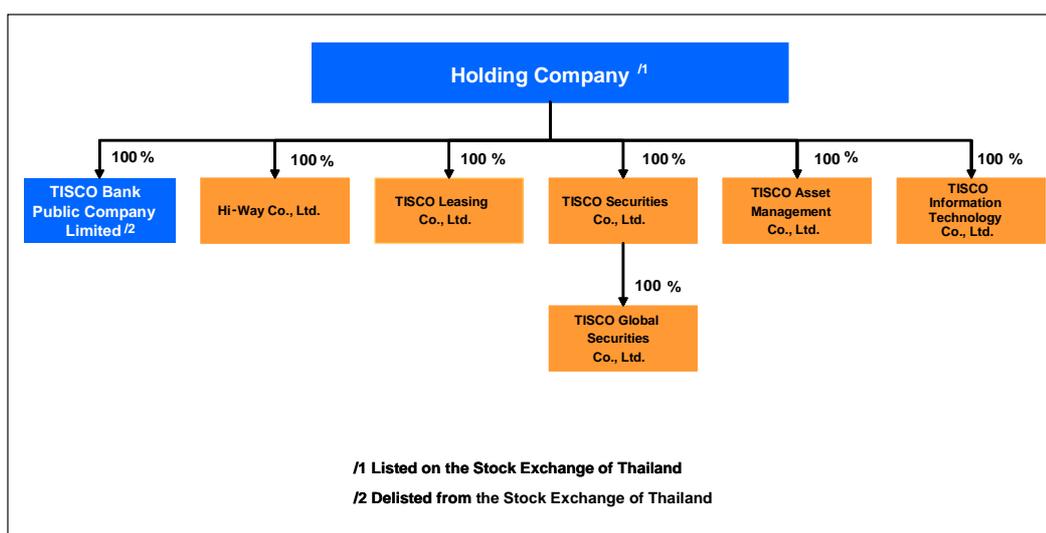
6. Future Projects

6.1 Holding Company

In the first half of 2008, the Bank plans to resubmit the application for holding company restructuring to the Bank of Thailand since the Financial Institutions Business Act B.E. 2551 was published in the Government Gazette on February 5, 2008 and it shall come into force on August 3, 2008. Under the new shareholding structure, a non-bank public company limited will be set up and become the parent company of TISCO Group in place of TISCO Bank and will hold shares in all subsidiary companies, including TISCO Bank, while TISCO Bank will no longer hold shares in any subsidiary companies. This will offer risk reduction, capital efficiency and business opportunity. Operating risks from other subsidiaries, which were previously aggregated at TISCO Bank, will be segregated from each other and will no longer overlap. For example, subsidiary losses will have no effect on the bank's capital. Instead, the risk will be limited to the holding company.

Moreover, the new shareholding structure will be synchronized with the upcoming Consolidated Supervision Regulation of the BoT, which aims to build more flexibility and competitiveness among financial institutions. Also, operating risks will be reduced, which enhances the stability of the institutions and the overall market.

In the restructuring process, the Holding Company shall make a Tender Offer for all securities of TISCO Bank in exchange for the same type of holding company's newly issued securities. The planned shareholding structure when the restructuring process is complete is presented below.



The restructuring plan, Tender Offer, and related processes are subject to approval of creditors, other counterparties and related authorities including the Bank of Thailand, the Securities Exchange Commissions (SEC), and the Stock Exchange of Thailand (SET), and outcomes of the Tender Offer.

6.2 Business Channel Expansion

In 2008, the Bank expects to open 10-15 branches nationwide, in order to extend coverage and enhance service quality. New branch opening will be situated in strategic location, which enables the Bank to strongly expand its customer base and increase business volume for both saving and loan products. Moreover, the Bank has placed a great concern in providing high quality service through well-trained and professional staff, in which the Bank believes that this will ensure the future success under current business environment.

In addition to new branch opening, the Bank has a plan to increase service capabilities through automatic machine, which some services started in 2006 e.g. joining ATM pool that facilitates customers to withdraw cash from ATM terminals all over the country. Furthermore, in 2008, apart from increasing number of ATM terminals, the Bank plans to expand service channel by increasing number of other type of automatic terminal to serve customer need nationwide.

7. Legal Disputes

As of December 31, 2007, the Bank and its subsidiaries had 16 unresolved cases from its regular business operations, all of them are civil cases, involving an estimated total amount of 166.64 million Baht, which is less than five percent of its shareholders' equity. No cases were incurred from irregular business operations. Of all cases, there are nine cases involving total amount of 59.1 million Baht which are in the tribunal process and not yet reach judgment. Furthermore, there is one case that the Court of First Instance has reach a judgment by order the bank to pay for the damages at 0.8 million Baht out of the total claim of 7 million Baht from the plaintiff, the Bank has appealed to the Appeal Court and await for the judgment form the Appeal Court. Additionally, there are four cases, with an estimated total value of 100.46 million Baht, that already dismissed by the Court of First Instance and/or the Appeal Court. However, the plaintiff still appealed to the Appeal Court or Dika Court. Apart form the said case, there are two cases which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd. in which the Bank has an indemnification for any damages suffered by it (if any). Additional details on legal disputes are presented in Notes to Financial Statements; 3.30.2 Litigation. The management of the Bank and its subsidiary companies believe that neither the Bank nor the subsidiary companies will suffer material loss as a result of the abovementioned lawsuits and request for damages.

8. Capital Structure

8.1 Securities Information

8.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 2007

Total registered capital : 11,002,000,000 Baht
 Total paid-up capital : 7,273,925,000 Baht comprised of 544,617,120 common shares and 182,775,380 preferred shares, both with par value of 10 Baht per share.

The preferred shares have the same rights and benefits as common shares, with added rights and benefits as follows:

1. Holders of preferred shares receive dividends for each year that the Bank pays dividends prior to the holders of common shares at the rate of 1 baht per share. Additionally, the holders of preferred shares are entitled to share leftover dividends with the holders of common shares.

In a year that the Bank does not declare a dividend payment to the holders of common shares, the Bank may still declare a dividend payment at the above-mentioned rate to the holders of preferred shares.

The holders of preferred shares shall be entitled to receive a dividend only in the years in which the Bank has declared a dividend payment. Dividends shall not be made up in subsequent years for the years that the Bank did not declare a dividend payment.

2. In the event of liquidation or dissolution of the Bank, all assets shall be returned to the holders of preferred shares according to the amount of preferred shares, prior to the holders of common shares. The amount paid to preferred shareholders shall be proportionate to their number of preferred shares.

In the event that the value of the assets is inadequate for dividing up among the holders of preferred shares, as specified in the above paragraph, assets shall be divided and returned to the holders of preferred shares proportionately to their respective shareholding.

The assets that remain after division among the holders of preferred shares as specified in the first paragraph shall thereafter be distributed among both preferred shareholders and common shareholders proportionate to shareholding.

3. In the event of a capital decrease for the purpose of recovering retained losses, the preferred shares' value shall be decreased after the common shares.

All of the above preferential rights of the holders of preferred shares shall be valid until June 30, 2009. Upon expiration, the rights and benefits of preferred shareholders shall be equal to those of holders of common shares, and preferred shares shall be converted into common shares. Preferred shareholders shall then submit applications to the Bank for conversion in a form prescribed by the Bank together with the preferred share certificates.

The details of total preferred shares held by management as of December 31, 2007 are described in Attachment 2.

8.1.2 Offerings of Securities and Convertibles to the Thai Trust Fund or NVDR

Offerings of Securities and Other Convertibles to the Thai Trust Fund

None

Non-Voting Depository Receipts (NVDRs)

As of December 31, 2007, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Bank's shares as underlying securities totaling 136,120,424 units, or 18.71% of paid-up capital. Although all financial benefits received by NVDR investors are similar to the benefits from the Bank's common shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

Moreover, the number of NVDRs is subject to change and is not under control by the Bank. Investors can obtain records of the Bank's NVDRs from the website of the SET (www.set.or.th).

8.1.3 Warrants

On July 13, 2000, the SEC approved the Bank's Employee Stock Option Program, which offered warrants to purchase preferred shares to the amount of 30,000,000 units under a 5-year plan to the directors and employees of the Bank and its subsidiaries. On June 14, 2004, the Bank was permitted by the SEC to offer warrants returned by resigning employees, to the amount of 753,000 units, to other employees.

As of April 28, 2004, the Bank allotted fifth-year warrants, which is the last year of the program, to the amount of 5,317,000 units. Therefore, the total amount of warrants, or 30,000,000 units, has been fully allotted as approved by the SEC. As of December 31, 2007, the number of exercised warrants was 27,192,500 units, and warrants to purchase preferred shares Tranche 1 Tranche 2 and Tranche 3 had reached their maturity date since March 31, 2005, June 30, 2006 and September 30, 2007, respectively. Therefore, the remaining two tranches which can be exercised are Tranche 4 and Tranche 5, with total amount of 1,740,000 units¹. Common details of warrants are as follows:

Type of Warrants	:	Non-transferable warrants offered to directors and employees of TISCO Bank and its subsidiaries
Offering Price	:	0 Baht
Exercise Ratio	:	1:1
Tenor	:	5 years
Exercise date	:	on the 20 th of every month; in case that the exercise date is a holiday, the exercise date shall be on the previous business day.

The details of issuing date, the amount of offered and allotted warrants, unexercised warrants, exercise price and maturity date of tranche 4 and tranche 5 as of December 31, 2007 are as follows:

1. Warrants to Purchase Preferred Shares – Tranche 4

Issuing Date	:	June 20, 2003
Offered Warrants	:	6,000,000 units
Allotted Warrants	:	5,655,000 units
Unexercised Warrants	:	10,000 units ¹
Exercise Price	:	14.94 Baht
Maturity Date	:	June 20, 2008

2. Warrants to Purchase Preferred Shares – Tranche 5

Issuing Date	:	August 30, 2004
Offered Warrants	:	5,317,000 units
Allotted Warrants	:	5,317,000 units
Unexercised Warrants	:	1,730,000 units ¹
Exercise Price	:	21.88 Baht
Maturity Date	:	August 30, 2009

¹ Exclude units returned from employees who resigned

8.1.4 Debentures

As of December 31, 2007, the details of outstanding debentures of the Bank are as follows:

The Bank

1. TISCO Bank Public Company Limited unsubordinated and unsecured debentures with maturity date in 2009.

Type of Offering	:	For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	:	1,000,000 Baht
Offering Price	:	1,000,000 Baht
Issue Size	:	161 units
Outstanding	:	161 units
Tenor	:	10 years
Issuing Date	:	February 11, 1999
Maturity Date	:	February 11, 2009
Coupon Rate	:	Fixed rate 6% per annum
Payment Date	:	February 11 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

2. TISCO Bank Public Company Limited 2nd unsubordinated and unsecured debentures with maturity date in 2009

Type of Offering	:	For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	:	1,000,000 Baht
Offering Price	:	1,000,000 Baht
Issue size	:	170 units
Outstanding	:	170 units
Tenor	:	10 years
Issuing Date	:	May 28, 1999
Maturity Date	:	May 28, 2009
Coupon Rate	:	Fixed rate 5% per annum
Payment Date	:	May 28 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

3. TISCO Bank Public Company Limited 1/2007 Tranche 1 debenture with maturity date in 2010

Type of Offering	:	For offer to the Public
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	3,000,000 units
Outstanding	:	3,000,000 units
Tenor	:	3 years
Issuing Date	:	May 24, 2007
Maturity Date	:	May 24, 2010
Security	:	None
Coupon Rate	:	Fixed rate 3.75% per annum
Payment Date	:	May 24 and November 24 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	:	"A" from TRIS Rating on November 9, 2007

4. TISCO Bank Public Company Limited 1/2007 Tranche 2 debenture with maturity date in 2012

Type of Offering	: For offer to the Public
Face Value	: 1,000 Baht
Offering Price	: 1,000 Baht
Issue size	: 1,000,000 units
Outstanding	: 1,000,000 units
Tenor	: 5 years
Issuing Date	: May 24, 2007
Maturity Date	: May 24, 2012
Security	: None
Coupon Rate	: Fixed rate 4.04% per annum
Payment Date	: May 24 and November 24 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "A" from TRIS Rating on November 9, 2007

8.1.5 Bills of Exchange**Bank**

As of December 31, 2007, the Bank had short-term bills of exchange outstanding worth 33,628.44 million Baht, comprised of 38.09 million Baht in the form of a promissory note and 33,590.35 million Baht in a bill of exchange.

Subsidiaries

As of December 31, 2007, Hi-Way Co., Ltd. and TISCO Leasing Co., Ltd. had promissory notes outstanding worth 2,274.49 million Baht and 545.91 million Baht, respectively.

8.1.6 Major shareholder agreements regarding share issuance or Bank management

None

8.1.7 Minority-interest equity attributable to minority shareholders of subsidiaries

As of December 31, 2007, the Bank's and its subsidiaries had no minority-interest equity attributable to minority shareholders of subsidiaries on balance sheet.

8.2 Shareholders

The list of the top 10 major shareholder groups whose names appeared in the share registration book on March 30, 2007 is as follows:

Shareholder Name	Total Share Holding			%
	Common Shares	Preferred Shares	Total	
1 CDIB & PARTNERS INVESTMENT HOLDING (CAYMAN) LTD ¹	-	80,000,000	80,000,000	11.00
2 STOCK EXCHANGE OF THAILAND	68,272,008	-	68,272,008	9.39
3 THAI NVDR CO., LTD.	36,202,000	65,600	36,267,600	4.99
4 SATHINEE CO., LTD.	-	35,893,425	35,893,425	4.94
5 CHASE NOMINEES LIMITED 42	35,000,700	-	35,000,700	4.81
6 NORBAX INC., CGT 508	32,890,880	-	32,890,880	4.52
7 STATE STREET BANK AND TRUST COMPANY	30,894,050	15,000	30,909,050	4.25
8 STATE STREET BANK AND TRUST COMPANY, FOR LONDON	18,008,911	-	18,008,911	2.48
9 HSBC (SINGAPORE) NOMINEES PTE LTD	17,996,213	-	17,996,213	2.48
10 SOCIAL SECURITY OFFICE	12,775,600	-	12,775,600	1.76
Total shareholding of the first 10 major shareholders	252,040,362	115,974,025	368,014,387	50.62
11 Others	289,536,758	69,401,355	358,938,113	49.38
Total	541,577,120	185,375,380	726,952,500	100.00

¹ CDIB & Partners Investment Holding (Cayman) Ltd. is a subsidiary of CDIB & Partners Investment Holding Corp.

After the upgrade to commercial bank status on July 1, 2005, the Commercial Banking Act B.E. 2505 was imposed on business operations. According to Section 5 bis. and 5 quinqué of the Act, no person shall hold more than 5% of the total amount of a commercial bank's shares sold except in the case where shareholders are governmental agencies, state enterprises under the law on budget procedures, the Financial Institutions Development Fund under the law on the Bank of Thailand, or juristic persons established under a specific law. Moreover, the amount of shares held by persons of Thai nationality shall not be less than three-fourths of the total amount of shares sold. On June 29, 2005, an exemption was granted by the BoT allowing CDIB & Partners Investment Holding Corporation to hold more than 5% of TISCO Bank shares but not greater than 12.85% and not exceeding the amount of 92,450,000 shares until March 30, 2009. Moreover, the Bank is allowed to have the number of shares held by the Bank's non-Thai shareholders to exceed 40%, but less than 80%, of all shares sold. After the exemption period, non-Thai shareholders will be allowed to hold such shares providing that no additional share purchase is made unless the aggregate amount is less than 49% of the total shares sold.

8.3 Dividend Policy

The Bank's dividend payment shall be made in accordance with the Bank's Articles of Association, Section 40, which states that no dividend shall be paid out of any money other than profits. In the event that the Bank has an accumulated loss or cannot retain regulatory capital requirements after dividend payment, no dividend shall be paid.

Dividends shall be paid equally according to the number of shares, unless otherwise specified for preferred shares, as in Article 8.1.1. Payment of dividends shall be subject to shareholder approval.

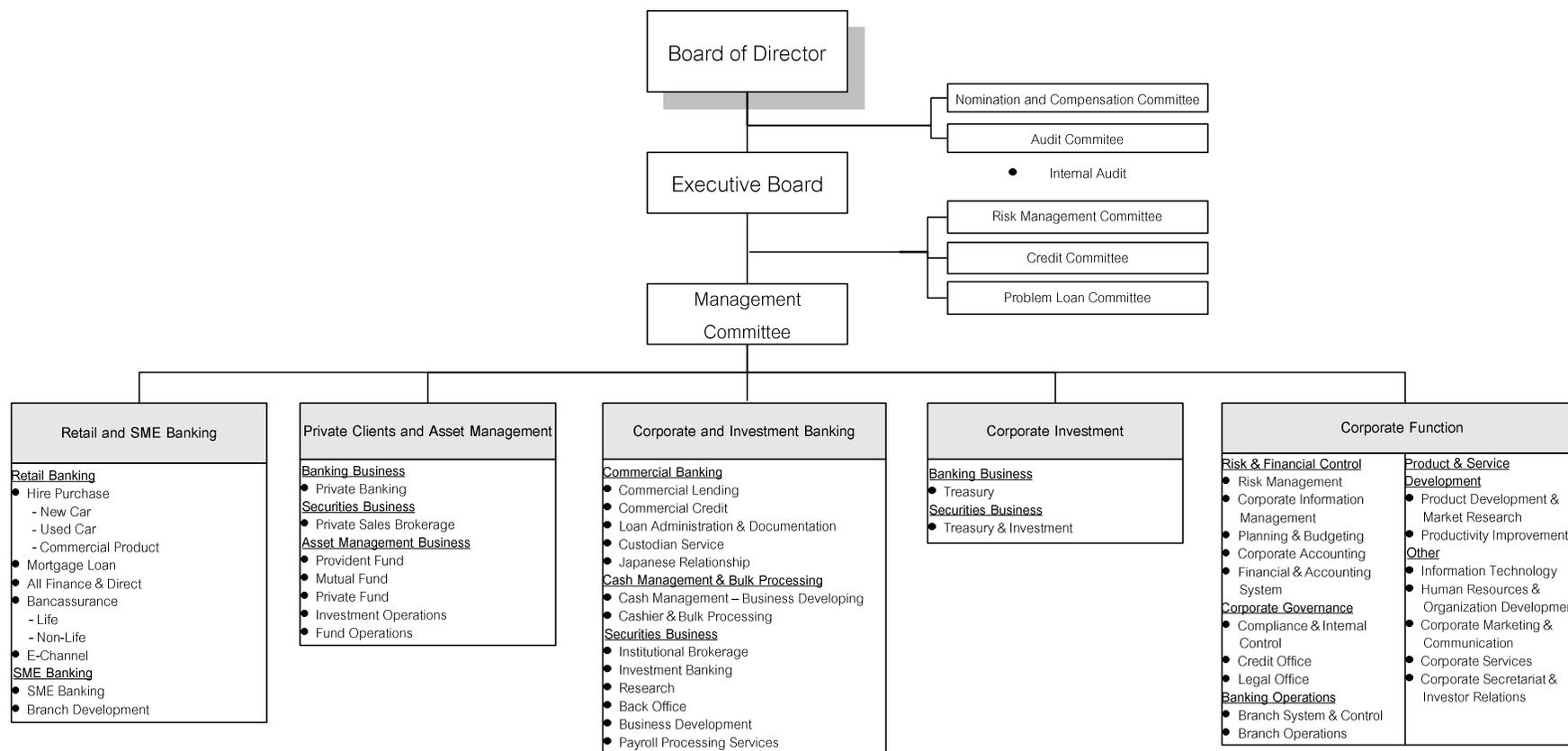
The Board of Directors may from time to time pay interim dividends when they see that the Bank has sufficient profit to do so, and, after the interim dividend has been paid, they shall report to the next meeting of shareholders.

Dividend policy of subsidiaries is to appropriate dividends to TISCO Bank based on performance, financial circumstances and the economic situation.

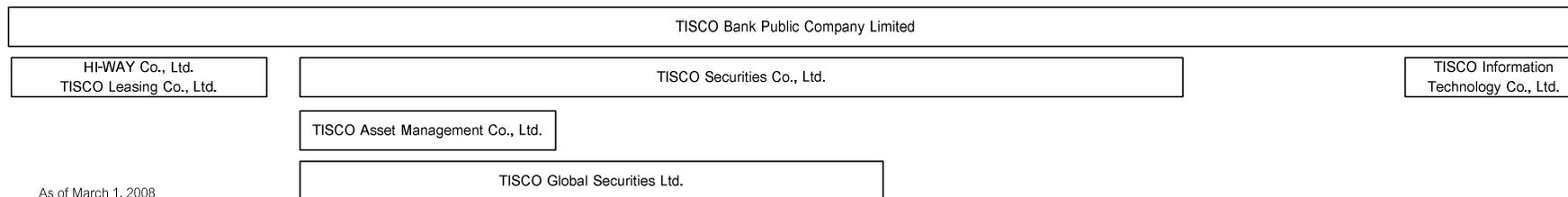
9. Management

9.1 Management Structure

The Board Structure is comprised of 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination and Compensation Committee. In addition, the Management Committee oversees and monitors the Bank and subsidiaries to ensure that all operations are in line with policy and planning as approved by the Board of Directors.



Operated by



As of March 1, 2008

9.1.1 Board of Directors

As of December 31, 2007, the Board of Directors consisted of the following directors:

Name	Position
1. Dr. Phisit Pakkasem	Chairman and Independent Director
2. Mr. Pliu Mangkornkanok	Director
3. Mrs. Krisna Theravuthi	Independent Director
4. Assoc.Prof.Dr. Angkarat Priebjrivat	Independent Director
5. Prof.Dr. Praipol Koomsup	Independent Director
6. Mr. Sangiam Santad	Independent Director
7. Dr. Kanit Sangsubhan	Independent Director
8. Mr. Mitsunobu Hasegawa	Director
9. Mr. Alexander H. Shing (Hon Kit Shing) ^{/1} (Assumed on April 26, 2007)	Director
10. Mr. Kah-Hua Yeo ^{/2} (Assumed on June 25, 2007)	Director
11. Mr. Pichai Chanvirachart	Director
12. Mrs. Oranuch Apisaksirikul	Director

^{/1} Appointed in replacement of Mr. Kah-Hua Yeo who was due to retire on April 20, 2007

^{/2} Appointed in replacement of Mr. Samuel Shih who resigned on May 14, 2007

Remark: - The qualifications of Independent Director prescribed in section 9.3
- Ms. Pakaporn Punyashthiti, Head of Corporate Secretariat and Investor Relations, is the Secretary to the Board of Directors

The Bank's authorized signatories are Mr. Pliu Mangkornkanok, Mr. Pichai Chanvirachart, Mr. Mitsunobu Hasegawa, Mrs. Oranuch Apisaksirikul and Mr. Alexander H. Shing. It is required that Mr. Pliu Mangkornkanok or Mr. Pichai Chanvirachart sign with the seal of the Bank affixed or Mr. Mitsunobu Hasegawa or Mrs. Oranuch Apisaksirikul or Mr. Alexander H. Shing jointly sign with the seal of the Bank affixed.

Under Mrs. Oranuch Apisaksirikul's supervision, the Corporate Secretariat and Investor Relations are responsible for coordinating meetings of the Board of Directors and shareholders as well as organizing the disclosure of Bank information in an equitable and transparent manner.

Authority and Responsibilities of the Board of Directors:

1. Define overall direction and strategies of TISCO Group, consider and approve policies and direction of TISCO Group's operations proposed by management, and ensure that they are implemented efficiently and effectively to protect the interests of TISCO Group and its shareholders.
2. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
3. Review TISCO Group's operations continuously to ensure executive directors' and management's compliance with the laws and approved policies.
4. Ensure competent management of TISCO Group including appointing senior executives.
5. Ensure the institution of effective systems for internal control and audit.
6. Ensure that management refers significant banking issues to the board.
7. Ensure that management have in place risk management policies, process and control, at least pertaining to credit risks, market risks, investment risks, liquidity risks, operation risks, reputation risks, legal risks, and strategic risks. The board shall be responsible for approval of these policies, and regular review of operations and policies.
8. Appoint Executive Board members, Audit Committee members, Nomination and Compensation Committee members and/or other committee members to take on tasks that require detailed review or in-depth consideration for the benefit of TISCO Group.
9. Designate a director(s) to conduct business on behalf of the Board of Directors.
10. Consider and approve functions and responsibilities of committees, changes in their composition as well as changes that significantly affect the committees' work.

11. Ensure that the Bank has policy on loan and investment to related-entities.
12. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the board. The board should receive these letters within 4 months after the end of an accounting period. If there is a long delay, the board should seek reasons for the delay from the management.
13. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the Bank, in particular the proportion or the number of independent directors on the board.
14. Ensure that the board receives sufficient information from the management to discharge its authorities and duties effectively.
15. Require directors to attend at least half of the board meetings every year.
16. Determine and amend authorized signatory.
17. Determine directors' remuneration in compliance with shareholders' approval.

Other matters such as increase or decrease the Bank's capital, issuance of debentures, sales or transfers of whole or important parts of Bank business to other persons; the purchase, acceptance, or transfer of business belonging to other companies; amendments to Bank Memorandum and Articles of Association as well as transactions between related parties and sale and purchase of important parts of the business as per regulations stipulated by the SET or other governmental agencies, must obtain resolutions from shareholder meetings.

In 2007, there were 7 Board of Directors' Meetings, surpassing the requirement in the Company's Articles of Association that the Board shall meet once every three months.

9.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors. As of December 31, 2007, the Executive Board comprised the following directors:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman of the Executive Board
2. Mr. Mitsunobu Hasegawa	Member of the Executive Board
3. Mr. Alexander H. Shing (Hon Kit Shing) ¹	Member of the Executive Board
4. Mr. Pichai Chanvirachart	Member of the Executive Board

¹ Assumed on December 18, 2007

Remark: - Ms. Pakaporn Punyashthiti, Head of Corporate Secretariat and Investor Relations, is the Secretary to the Executive Board.

Authority and responsibilities of Executive Board:

1. Determine business strategies, mergers & acquisition activities, new business ventures, and new products, including annual budgeting for TISCO Group.
2. Monitor the operations in accordance with the Bank's policies and related laws.
3. Approve credit with substantial amounts and/or transactions that involve high risks under TISCO Group's business framework.
4. Appoint and supervise other committees, inclusive of Risk Management Committee, Credit Committee and Problem Loan Committee, for specific operations in order to improve TISCO Group's efficiency.
5. Have in place risk management policies, process, control, at least pertaining to credit risks, market risks, investment risks, liquidity risks, operation risks, reputation risks, legal risks and strategic risks, and report to the board.
6. Have in place policy on loan and investment to related-entities.
7. Institute internal control policies, procedures and systems.
8. Report to the board on business performance and management, including the review of risk management, credit approvals and control, etc, for the Board of Directors' ratification

9. Handle urgent matters, which call for an immediate action by the Executive Board, though in ordinary circumstances such matters would require the board of directors' review. Such urgent matter should be reported to the Board of Directors for acknowledgement in the next Board meeting.
10. Conduct the businesses as assigned by the board in agreement of the Executive Board.

9.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of December 31, 2007, the Audit Committee comprises the following independent directors:

Name	Position
1. Assoc.Prof.Dr. Angkarat Priebjivat	Chairperson of the Audit Committee
2. Mrs. Krisna Theravuthi	Member of the Audit Committee
3. Prof.Dr. Praipol Koomsup	Member of the Audit Committee

Remark: - Mr. Pairat Srivilairit, Head of Internal Audit, is the Secretary to the Audit Committee.

Authority and responsibilities of Audit Committee:

1. Review the Bank's financial report to ensure accuracy and adequacy.
2. Review and evaluate the Bank has suitable and efficient internal control system and internal audit.
3. Review the performance of the commercial bank to ensure compliance with the Commercial Banking Act, the securities and exchange law, regulations of the exchange or laws relating to business of the commercial bank.
4. Consider, select, nominate and recommend remuneration of the Bank's external auditor.
5. Consider the disclosure of information of the Bank in case that there is a connected transaction or transaction that may lead to conflict of interest so as to ensure the accurateness and completeness.
6. Prepare Report of the Audit Committee and disclose it in an annual report. Such report must be signed by the Chairman of the Audit Committee.
7. Set up the duties of the Audit Committee including the changing in the composition and the change that significantly affect Audit Committee's performance (with the written papers) as approved by the Board of Directors and inform the shareholder in annual report.
8. Report to the Board of Directors in order that remedial action is taken within the time that the Audit Committee deems appropriate in case the Audit Committee finds or suspects any misconduct as follows;
 - Transaction which causes conflict of interest;
 - Fraud or irregularity or material defect in the internal control system;
 - Infringement of applicable laws. If the Board of Directors or Bank executives do not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to the BoT.
9. Perform any other act as assigned by the Board of Directors with approval of the Audit Committee.
10. Review the duties of member in the Audit Committee.

9.1.4 Nomination and Compensation Committee

The Nomination and Compensation Committee members were appointed by the Board of Directors. As of December 31, 2007, the Nomination and Compensation Committee comprises the following directors;

Name	Position
1. Mrs. Krisna Theravuthi ¹	Chairperson of the Nomination and Compensation Committee
2. Mr. Mitsunobu Hasegawa	Member of the Nomination and Compensation Committee
3. Mr. Alexander H. Shing (Hon Kit Shing) ²	Member of the Nomination and Compensation Committee

¹ Independent Director

² Assumed on June 22, 2007

Authority and Responsibilities of Nomination and Compensation Committee:

1. Formulate policy, criteria, and method for proposing candidates for directors and Chief Executive Officer to the Board for consideration and appointment.
2. Select and propose names of qualified candidates for the following positions to the Board of Directors;
 - Bank directors
 - Members of committees whose functions, responsibilities and authorities are directly given by the Board of Directors
 - Chief Executive Officer
3. Recommend size and composition of the Board that is appropriate for the organization and the business environment. Review tenure, expertise and experience of Board members periodically.
4. Review and recommend remuneration and benefit policy for the Board and TISCO Group's employees as proposed by the management with clear and transparent criteria.
5. Ensure that the Board remuneration is commensurate with their duties and responsibilities. Board members who take on extra assignments should be compensated accordingly.
6. Devise performance assessment criteria for board members and TISCO Group's employees for annual remuneration review, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.
7. Study and propose criteria and procedures for evaluating the Board's performance.
8. Ensure that succession plan for Chief Executive Officer position is properly developed to allow smooth and continuity of business operations, and that such plan is reviewed periodically.
9. Disclose the nomination policy and process in the annual report.

The details of meeting attendance of directors in 2007 are as follows:

Name	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of meetings (times)</i>	7	12	12	6
1. Dr. Phisit Pakkasem	7			
2. Mr. Pliu Mangkornkanok	7	12		
3. Mrs. Krisna Theravuthi	7		12	6
4. Assoc. Prof. Dr. Angkarat Priebjivat	7		12	
5. Prof. Dr. Praipol Koomsup	7		11	
6. Mr. Sangiam Santad	7			
7. Dr. Kanit Sangsubhan	7			
8. Mr. Mitsunobu Hasegawa	7	12		6
9. Mr. Samuel Shih (Resigned on May 14, 2007)	3 (out of 3 times)	4 (out of 4 times)		2 (out of 3 times)
10. Mr. Alexander H. Shing (Hon Kit Shing) (Assumed on April 26, 2007)	3 (out of 4 times)			2 (out of 2 times)
11. Mr. Kah-Hua Yeo (Assumed on June 25, 2007)	6 (out of 6 times)	6 (out of 6 times)		
12. Mr. Pichai Chanvirachart	7	12		
13. Mrs. Oranuch Apisaksirikul	7			

Remarks:

- Mr. Alexander H. Shing was appointed director by the Shareholder Ordinary General Meeting for the year 2007 in replacement of Mr. Kah-Hua Yeo
- On May 14, 2007, Mr. Samuel Shih resigned from directorship in the Board, Executive Board and the Nomination and Compensation Committee. The Board of Directors' Meeting No. 4/2007 on June 22, 2007, therefore, appointed Mr. Kah-Hua Yeo a director and Member of the Executive Board and appointed Mr. Alexander H. Shing a Member of the Nomination and Compensation Committee.
- The Board of Directors' Meeting No. 6/2007 on December 18, 2007 appointed Mr. Alexander H. Shing a Member of the Executive Board in replacement of Mr. Kah-Hua Yeo.

9.1.5 Management Committee

Management Committee members of the Bank and its subsidiaries were appointed by the Board of Directors. As of December 31, 2007, the Management Committee was comprised of the following members:

Name	Position	Company
1. Mr. Pliu Mangkornkanok	Chief Executive Officer	TISCO Bank Plc.
2. Mr. Pichai Chanvirachart	President and Chief Operating Officer	TISCO Bank Plc.
3. Mrs. Oranuch Apisaksirikul	Senior Executive Vice President Chief Financial Officer	TISCO Bank Plc.
4. Mr. Panya Wotticharoenvong	Executive Vice President - SME Banking	TISCO Bank Plc.
5. Ms. Nattamon Issaradharm	Executive Vice President Chief Governance Officer	TISCO Bank Plc.
6. Mr. Sakchai Peechapat	Executive Vice President - Retail Banking	TISCO Bank Plc.
7. Mr. Metha Pingsuthiwong	Executive Vice President - Treasury and Private Banking	TISCO Bank Plc.
8. Mr. Suthas Ruangmanamongkol	Managing Director	TISCO Asset Management Co., Ltd.
9. Ms. Araya Thirakomen	Deputy Managing Director	TISCO Asset Management Co., Ltd.
10. Mr. Paiboon Nalinthrangkurn	Managing Director	TISCO Securities Co., Ltd.

and Mr. Chatri Chandrangam as Financial Controller, and Ms. Chutintorn Vigasi as Head of Corporate Accounting.

Authority and Responsibilities of Management Committee:

The Management Committee shall oversee and monitor the operations of each business to be in line with policy and plan as approved by the Board of Directors. The Management Committee's authority and responsibilities are:

1. Formulate corporate plan and strategies to propose to the Board of Directors.
2. Direct, control, and monitor day-to-day operations as set out in the Bank's business plan and as approved by the Board of Directors.
3. Oversee resource management.

Nonetheless, the senior management of each subsidiary shall establish in-depth policy.

9.2 Directors and Management Nomination

9.2.1 Directors Nomination

The Nomination and Compensation Committee shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance, economics, law or any other fields deem appropriate, to the Board of Directors or the shareholders' meeting for consideration. The Nomination and Compensation Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors. A person to be nominated or appointed as an independent director must meet the requirements of the SEC, SET and the Bank's Corporate Governance Policy and Guideline as summarized in section 9.3.

The Nomination and Compensation Committee shall recommend the Board consider the appointment of new director for replacement of any vacancy occurring otherwise than by rotation, or propose the Shareholders the appointment of directors to replace those who retire by rotation or additional directors. The appointment and removal criteria are as follows:

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than nine, provided that not less than one half of the directors domicile in Thailand. In addition, the number of directors who are persons of Thai Nationality shall be in compliance with related law.
2. The general meeting of shareholders shall elect directors in accordance with rules and procedures as follows.
 - (1) Each shareholder shall have a number of votes equal to the number of shares multiplied by the number of the directors to be elected.
 - (2) Each shareholder may exercise all the votes he or she has under (1) to elect one or several persons as director or directors. If several persons are to be elected as directors, the shareholder may allot his or her votes to any person in any number.
 - (3) The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the remaining appointments shall be made by drawing lots.
3. At the general meeting of shareholders of each calendar year, the whole board of directors shall be simultaneously elected. However, the former board of directors shall remain in office to conduct the business of the company for the time being, as necessary, until the new board of directors takes office.
4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled by the remaining directors, unless the term of the original director was less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by a vote of not less than three-fourths the number of remaining Directors, but any person so appointed shall hold office only for the remainder of the term of the director to whom he has succeeded. If a general meeting of the shareholders removes a director, and appoints another in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.
5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths the number of shareholders present and eligible to vote. Such a motion must also represent an agreed number of shares equal to or not less than half the total number held by the shareholders present and eligible to vote.

In terms of balance of power, it was determined to be in the Bank's interest to have more non-executive directors than executive directors whereby representative from each shareholder shall be determined based on shareholding structure.

9.2.2 Management Nomination

After due consideration, the Nomination and Compensation Committee shall identify and propose qualified nominees with necessary expertise to be appointed the Chief Executive Officer for the Board's approval. The prerequisites in selection should generally include consideration on the candidates' character, technical competence, and employment experience in the financial services field. The successful candidate should share the board's operating philosophy and vision of the Bank's future in order to ensure that the institution's goals are met. It is important that mutual trust and a close working relationship are established.

For other senior executive positions in the Management Committee, the Chief Executive Officer shall identify and propose qualified nominees for the Nomination and Compensation Committee's consideration and further recommendation to the Executive Board for approval.

9.3 Qualifications of Independent Director

The following are the qualifications of an Independent Director set up in accordance with the Bank's Corporate Governance Policy and Guideline, which are stricter than those of the SEC and the SET.

1. Holding shares not more than 0.25% of paid-up capital of the Bank, parent company, subsidiary company, associated company or related company, which shall be inclusive of the shares held by related persons.
2. Not taking part in the management of being an employee, staff member, advisor who receives a regular salary, or has controlling authority in the Bank, parent company, subsidiary company, associated company, related company or major shareholders, who directly or indirectly hold shares in the Bank, parent company, subsidiary company, associated company and related company more than 5% of the paid-up capital.
3. Not having an immediate or legalized relationship to the management, major shareholders, controlling party or a person who is nominated to be management or controlling party of the Bank or subsidiary company. The relationship includes father, mother, spouse, brother, sister, children, son-in-law and daughter-in-law.
4. Not having any business relationship with the Bank, parent company, subsidiary company, associated company or any juristic persons who might have a conflict of interest that could be barrier to independent judgment; and not having other characteristics that prevent him/her from giving independent opinions towards the Bank's operation.
5. Not having direct or indirect benefit or interest in finance and management of the Bank, parent company, subsidiary company, associated company or major shareholders of the Bank.
6. Not having disqualification as prescribed by the Securities and Exchange Commission and the BoT.
7. Being independent from the major shareholders of the Bank or other shareholders within the group of the Bank.
8. Being able to protect equitable interests among shareholders of the Bank.
9. Being able to prevent any conflict of interest between the Bank and management, major shareholders or other companies, which have the same group of management and major shareholders.
10. Being able to attend the board of directors' meeting to make material decision for the Bank.
11. Having educational backgrounds, qualifications, skills, expertise, experiences, leadership and visions which will be beneficial to the Bank's operation.

9.4 Director and Management Remuneration

9.4.1 Director and Management Remuneration Policy

The remuneration of directors, proposed by the Nomination and Compensation Committee, has been approved by shareholders. The scale and components of remuneration for directors and management has been set by the Bank subject to the principle that such remuneration should be appealing enough to attract and retain quality directors, but avoid excessive pays. Remuneration for directors should be comparable to the general practice in the industry with regard to work experience and commitment, as well as the benefits each director brings.

Directors who are assigned with extra work (being members of a committee, for example) should be paid appropriately. The remuneration to be paid to such director or directors will be approved by the board. Remuneration for top executives/management shall be linked to the performance of the bank, and that of each executive/management. The remuneration should be determined in accordance with the principles and policies approved by the Executive Board with an endorsement from the board of directors.

To avoid conflict of interest and enhance transparency, remuneration shall always be approved from the higher level of command. Namely, shareholders approve the remuneration of the board of directors, the board of directors approves remuneration of the Executive Board, and the Executive Board approves remuneration of top executives upon the propose and consideration of the Nomination and Compensation Committee.

9.4.2 Financial Remuneration

Directors' remuneration as determined by the Bank for the year 2007 is as follows:

	<i>Monthly Fee (Baht)</i>	<i>Meeting Fee (Baht)</i>
<u>Board of Directors</u>		
Chairman	60,000	15,000 ¹
Ordinary Member	25,000	15,000 ¹
<u>Audit Committee</u>		
Chairperson	50,000	-
Ordinary Member	40,000	-
<u>Nomination and Compensation Committee</u>		
Chairperson	-	25,000
Ordinary Member	-	15,000
<u>Executive Board</u>		
Chairperson	40,000	-
Ordinary Member	35,000	-

¹ Only the ordinary board members who are not members in other committees

The details of Board of Director remuneration during January 1-December 31, 2007 are as follows:

Name of the Directors	Remuneration (Baht)					Total
	Board of Directors		Executive Board	Audit Committee	Nomination and Compensation Committee Meeting Fee	
	Monthly Remuneration	Meeting Fee				
1. Dr. Phisit Pakkasem	720,000	105,000				825,000
2. Mr. Pliu Mangkornkanok	300,000		480,000			780,000
3. Mrs. Krisna Theravuthi	300,000			500,000	150,000	950,000
4. Assoc. Prof. Dr. Angkarat Priebjivat	300,000			580,000		880,000
5. Prof. Dr. Praipol Koomsup	300,000			480,000		780,000
6. Mr. Sangiam Santad	300,000	105,000				405,000
7. Dr. Kanit Sangsubhan	300,000	105,000				405,000
8. Mr. Mitsunobu Hasegawa	300,000		420,000		90,000	810,000
9. Mr. Samuel Shih (Resigned on May 14, 2007)	100,000		140,000		30,000	270,000
10. Mr. Alexander H. Shing (Hon Kit Shing) (Assumed on April 26, 2007)	225,000				30,000	255,000
11. Mr. Kah-Hua Yeo (Assumed on May 29, 2006)	275,000	60,000	210,000			545,000
12. Mr. Pichai Chanvirachart	300,000		420,000			720,000
13. Mrs. Oranuch Apisaksirikul	300,000	105,000				405,000
Total	4,020,000	480,000	1,670,000	1,560,000	300,000	8,030,000

Remarks: - During January to February 2007, Mrs. Krisna Theravuthi was the Chairperson of the Audit Committee meanwhile Dr. Angkarat Priebjivat was Member of the Audit Committee. Starting from March 2007, Mrs. Krisna Theravuthi assumed the position of the Chairperson of the Nomination and Compensation Committee and a Member of the Audit Committee. Thus, Dr. Angkarat Priebjivat was appointed the Chairperson of the Audit Committee.

- Mr. Alexander H. Shing was appointed director by the Shareholder Ordinary General Meeting for the year 2007 in replacement of Mr. Kah-Hua Yeo

- On May 14, 2007, Mr. Samuel Shih resigned from directorship in the Board, Executive Board and the Nomination and Compensation Committee. The Board of Directors' Meeting No. 4/2007 on June 22, 2007, therefore, appointed Mr. Kah-Hua Yeo a director and Member of the Executive Board and appointed Mr. Alexander H. Shing a Member of the Nomination and Compensation Committee.

- The Board of Directors' Meeting No. 6/2007 on December 18, 2007 appointed Mr. Alexander H. Shing a Member of the Executive Board in replacement of Mr. Kah-Hua Yeo.

In 2007, the total remuneration for the Board of Directors, the Executive Board, the Audit Committee and the Management Committee was 168,144,480 Baht. This was paid in the form of monthly compensation, salaries, meeting fee, provident fund and bonuses, which varied according to the Bank's performance.

9.4.3 Other forms of Remuneration

Apart from the remuneration paid to directors in form of monthly compensation and meeting fee, the Bank provides a car to Chairman of the Board of Directors with full reimbursement on fuel charge, maintenance cost, registration cost and insurance.

In 2000, the annual general meeting of the Bank's shareholders passed a resolution approving the allocation to directors, only management directors, and employees of the Bank and its subsidiaries of 30 million, 5-year, non-negotiable warrants to purchase the Bank's preferred shares. The Allotment Committee considered warrants allocation based on employee's competence and potential. Three directors who are management of the Bank were allotted the warrants as follows:

Director	Amount of warrants allotted	% of total amount of warrants
1. Mr. Pliu Mangkornkanok	3,000,000	10.00
2. Mr. Pichai Chanvirachart	2,200,000	7.33
3. Mrs. Oranuch Apisaksirikul	1,700,000	5.67

Details of the said warrants are prescribed in Section 8. Capital Structure under 8.1.3 Warrants. The total amount of 30,000,000 warrants has been fully allotted since 2004.

9.5 Corporate Governance

Recognizing the significance of good corporate governance to an enterprise, the Bank has formulated a Corporate Governance Policy in full conformity with the principles of good corporate governance, as per international standards and national standards set out by domestic authorities, i.e. the Bank of Thailand, the Securities and Exchange Commission, and The Stock Exchange of Thailand. The policy aims to ensure that the Bank and its subsidiaries carry out their duties with maximum accountability, transparency, and equitable treatment for all stakeholders, while promoting managerial integrity, effectiveness, and efficiency in order to bolster enduring business growth in line with corporate planning and strategy.

The Corporate Governance Guidelines have been developed to assist the Board of Directors in effectively carrying out their duties in compliance with regulatory policy, the Bank's legal responsibilities, and business ethics. The Corporate Governance Guidelines embrace all key issues of the code of best practices for directors, and also include the role and structure of the Board of Directors, relationships with stakeholders, information disclosure, and applicable laws and regulations related to directors. Since the Corporate Governance Guidelines are significant to every level of the company; from directors to operations, the Bank has endeavored to ascertain that all employees adhere to the guidelines, thus conducive to good corporate governance (details of Corporate Governance Policy and Guidelines are presented on www.tisco.co.th). In addition, the Board of Directors has endorsed a code of conduct and compliance manual to be applied at the managerial and operational level in dealing with such matters as customer complaints, conflicts of interest, control of inside information, confidentiality, and related issues including securities trading by employees.

To ensure that all TISCO staff understand and effectively carry out their duties in compliance with the relevant regulations and business code of conduct, the Bank, in 2006, launched the Compliance and Human Resource Policy Test through the TISCO intranet system. The test was compulsory for all employees. The test results will be evaluated to determine the level of understanding so that appropriate communication methods will be carried out to enhance the staff's awareness of their roles and responsibilities in good corporate governance. The Bank has revised the test in compliance with changed regulations and below-benchmark employees are required to learn more and retest until they pass. In addition, all new staffs are required to complete this test as part of their evaluation during the probationary period.

The Bank's commitment to implement good corporate governance continuously and appropriately within the environment, structure, and needs of the company, has gained it much recognitions and honors from several institutes. The Board of Directors was recognized as "**Board of the Year for Exemplary Practice 2006/2007**" and also received a special honor as "**Board with Consistent Best Practices**" for having been honored with the Board of the Year Awards for three consecutive times. Both recognitions, which were jointly awarded by 6 institutes: the Thai Institute of Directors Association, The Stock Exchange of Thailand, Thai Chamber of Commerce, The Federation of Thai Industries, Thai Bankers Association and Thai Listed Companies Association, indicate the commitment and dedication of the Board to uphold their duties in a transparent way, to the best of their ability, with adherence to business ethics and the best interest of shareholders, while taking into account all stakeholders: namely investors, customers, trading partners, competitors, employees, as well as society and the environment.

Moreover, the Bank received the "**Best Shareholder Treatment Award**" on Shareholders' Day, which was jointly held for the first time in 2007 by Thailand Securities Depository Co., Ltd., the Thai Investors Association, the Thai Listed Companies Association, and the Thai Investor Relations Club. Such recognition reflects the Bank's focus on shareholders, demonstration of shareholder rights and duties, equitable treatment for shareholders, and transparency of information disclosure in accordance to the Bank's corporate governance principles. The Bank's Shareholder Ordinary General Meeting for the year 2007 has received an "Excellent" score from the Ordinary General Meeting Assessment Program conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. The Bank was also among the top 19 listed companies, out of 460 companies in the program, which scored over 100 points.

The Bank's Corporate Governance Policy is outlined as follows:

1. Rights of Shareholders

In recognition of the significance of the rights of shareholders who are the real owners, the Bank is committed to ensuring the equitable treatment of all shareholders. The shareholders' basic legal rights include buying, selling, or transferring shares; receiving their rightful portion of company profits; easily obtaining relevant and adequate information of the company on a regular basis; attending and voting in the shareholder meetings to elect or remove members of the Board of Directors, appointing the external auditor and determining auditing fees, and making decisions on any transactions that significantly affect the company. The Bank also encourages shareholders to fully and easily exercise their rights by providing them relevant information via its website, setting up a dedicated investor relations function for direct communication with investors, inviting shareholders to propose agenda items and qualified candidates for director positions and facilitating attendance in shareholder meetings.

With regard to shareholder meetings, in addition to the annual general meeting which must be convened within 4 months of the date ending the accounting period of the Bank, the Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number of shares sold may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of shares sold, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within one month of the date of receiving the notice.

The Bank gives great emphasis to shareholder meetings as important occasions in which where the shareholders have the right to participate in making any decisions that affect the company. The Bank strongly encourages shareholders to fully exercise their rights by facilitating in the following aspects:

- Invitation to shareholders to propose agenda items in the annual general meeting and nominate qualified candidates for director position

The Bank allocates a 3 month time frame beginning in October of each year for the shareholders to propose agenda items that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified director candidates. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the Bank. Regarding agenda items, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the notice of the annual general meeting. For nominations of qualified candidates for director positions, the Nomination and Compensation Committee shall review and propose candidates for the Board of Directors' consideration and recommendation to the shareholders at the annual general meeting. In cases wherein proposals are disapproved by the Board and/or the Nomination and Compensation Committee, the Bank shall state the reason for refusal to the shareholders in the shareholder meeting, on the Bank's website or any other appropriate information dissemination channels.

For the 2007 Shareholder Ordinary General Meeting, the Bank invited shareholders to propose agenda items and qualified director candidates within 3 months starting from October 2006.

- Notification of Meeting Details

The Bank prepares notice of the shareholder meeting in both Thai and English and notifies the meeting details to investors not less than 30 days before the date set for the meeting through the Stock Exchange of Thailand's information dissemination channel and the Bank's website to allow shareholders adequate time to study meeting materials. Such notice and materials shall be sent to the shareholders not less than 7 days before the date set for the meeting in accordance with the law. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders; which include (1) Notice of the meeting (2) Procedure for meeting registration (3) Profile of the independent directors nominated to serve as proxies for shareholders (4) the Bank's Articles of Association in the category of shareholder meetings and directors; with regard to the number of directors, an election of directors, and director's term of office (5) Meeting Agenda (6) Annual Report (7) Proxy Form and Registration and Voting Form (8) Return envelop, and (9) Meeting location map. In addition, the Bank shall publish notice of the shareholder meeting in a Thai daily newspaper for 3 consecutive days and not less than 3 days before the date set for the meeting. The order of the annual general meeting agenda shall be in accordance with the Bank's Articles of Association. All agenda items shall indicate clearly whether it is a matter being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the Board of Directors in said matters.

For the 2007 Shareholder Ordinary General Meeting on April 20, 2007, the Bank disclosed meeting materials in both Thai and English through the SET's information dissemination channel and the Bank's website on March 19, 2007, 30 days before the date of the meeting. The notice and agenda for the meeting was delivered to the shareholders on April 5, 2007 or 14 days prior to the date of the meeting.

- Meeting attendance

To protect shareholders' rights to attend the meeting and ensure equitable treatment for shareholders, the Bank assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, any shareholder could register to attend 2 hours in advance of the meeting time. The Bank utilized a computer and barcode system for registration and printing of voting forms for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration. In addition, shareholders are also able to register to attend and exercise their voting rights on impending agenda after the meeting's commencement. For shareholders unable to attend the meeting and would like to appoint a proxy, the Bank proposes more than one independent directors by presenting director profiles for the shareholders' selection, in addition to the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer or any other person attending the meeting on their behalf. Such proxy forms shall be sent

to shareholders together with registration and voting form which allows shareholders to identify their voting categories. Moreover, the shareholders can download other types of proxy forms from the Bank's website.

- Shareholders' opportunity for query and comment

Before the date set for the meeting, the bank invites shareholders to submit questions regarding the meeting agenda that requires clarification by the Board of Directors and the management at the meeting. The question may be submitted in advance via fax or email to Investor Relations. In the meeting, the Chairman shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries at the meeting as per the agenda. The Bank shall endeavor to arrange for all directors, executives of the Bank and subsidiaries, as well as the auditors to attend the shareholder meeting to answer the queries. The Bank's directors and management will clearly explain and clarify such matters.

At the 2007 Shareholder Ordinary General Meeting, all 12 directors, the Bank's external auditors and senior management namely the Executive Vice President-SME Banking, Executive Vice President-Chief Governance Officer, Executive Vice President-Retail Banking and Human Resources and Organization Development (Acting), Executive Vice President-Treasury and Private Banking, Managing Director of TISCO Securities Co., Ltd., Deputy Managing Director of TISCO Asset Management Co., Ltd., were in attendance.

- Conduct of the meeting and voting

The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the meeting resolves to change the order of the agenda with votes of not less than two-thirds of the number of shareholders present. The shareholders holding an aggregate number of shares not less than one-third of the total number of shares sold may request that the meeting consider other matters in addition to those specified in the notice of the meeting. Before the meeting starts considering the agenda, the shareholders will be informed of their voting rights, total votes required for each agenda and the voting process for each agenda. For the purpose of transparency and equitable treatment of the shareholders in the voting process, the Bank utilized voting forms for each agenda. The Bank assigns external auditors to check the transparency and accuracy of the voting. After the vote count is completed, voting results of each agenda will be announced to the meeting, by specifying the vote results as "For", "Against", and "Abstain".

The Shareholder Ordinary General Meeting for the year 2007 was conducted properly and smoothly as the Bank refrained from distributing meeting material containing additional information, adding or switching meeting agenda, or changing key information without prior notice to shareholders.

2. Equitable Treatment of Shareholders

The Bank treats all shareholders, majority or minority, individual or institutional, including foreign shareholders both executive and non-executive, fairly and equally. All shareholder shall receive the Bank's important and accurate information at the same time. Apart from the Bank's pledge to protect shareholders' right as described in Item 1 regarding the right to propose agenda items for the annual general meeting and qualified director candidates, to select independent directors for proxies, to receive meeting details and documents, and to express opinion and to raise questions, the Bank ensures that minority shareholders are able to fully exercise their rights in the following aspects;

For director election agenda, the Bank has introduced a Cumulative Voting process, which allows minority shareholders to take part in nominating and appointing Independent Directors. To ensure transparency and equitable treatment, shareholders are allowed to cast their votes for individual director.

The Bank shall give notification of the shareholder meeting resolutions to all investors immediately through the SET's information dissemination channel within the same day of the meeting, and shall also prepare the minutes of the meeting in which all relevant information, including all clarifications, queries, opinions, and resolutions are recorded and categorized into "For", "Against", and "Abstain" votes. The Bank shall disseminate the above minutes on its website and submit it to the Stock Exchange of Thailand within 14 days from the date of the meeting. The minutes of the meeting will be kept at the office. In addition, the Bank has arranged for a recording of the shareholder meeting to be available on CD. Shareholders who are interested may request a copy of the CD from Investor Relations Function.

For the 2007 Shareholder Ordinary General Meeting which was convened on April 20, 2007, the Bank gave notification of the shareholder meeting resolutions through the SET's information dissemination channel within the same day and disclosed the minutes of the meeting on May 4, 2007 in accordance with the above mentioned timeline.

Regarding measures taken to prevent conflict of interest, the Bank's Corporate Governance Guidelines requires employees to comply with stipulated laws and regulations, conduct their duties with integrity, consider the Bank's interests above their own, and refrain from exploiting inside information for their own benefit. The Bank has compiled business guidelines, relevant regulations and its

business code of conduct into a Compliance Manual published on the Bank's intranet system, or "mytisco". The manual includes relevant criteria and procedures to protect against conflict of interest.

The Bank has set out rules regarding securities trading by employees, stating that all employees must open trading accounts only with its subsidiary TISCO Securities. Also, employees are required to seek the approval of their supervisors and the Compliance Unit before executing trades. Moreover, the Bank also prohibits management and insiders from trading the Bank's shares from the last working day of the month until the day the Bank's financial statements or the summary statements of assets and liabilities (C.B. 1.1) are published, with penalties for any breaches as prescribed in the "Employee Code of Conduct".

Directors and management, including spouses and minor children, are required to inform the Bank of any change in their shareholdings with the Bank and to report such changes to the SEC in accordance to Section 59 of the Securities and Exchange Act B.E. 2535 within 3 business days from the date of the change. Furthermore, directors must notify the Audit Committee of their shareholdings at the end of each quarter.

The Bank has placed great emphasis on managing its business operations effectively under good governance guidelines. The Bank has no policy to encourage transactions between related parties or any other transactions that may result in a conflict of interest. Should any such transactions occur, they must be considered thoroughly by the Audit Committee. The Audit committee shall report and/or propose to the Board of Directors Meeting for approval, as the case may be. The Bank shall consider said transactions with the same conditions as those governing normal business transactions by the Bank and its subsidiaries. Persons with vested interests shall not be entitled to vote for the approval of said transactions.

3. Role of Stakeholders

It is the Bank's policy to ensure that the rights and interests of all stakeholders are fully protected. Since each stakeholder has different objectives and expectations, the Bank carefully considers the differing stakeholders' legal rights, and ensures that those rights are protected and treated with care. Co-operation between the Bank and various groups of stakeholders is promoted in order to ensure business relationships and stability.

Shareholders : The Bank focuses on the ownership rights of the shareholders and commits to providing shareholders with the best performance, and recognizes the important of quality services as well as an ever-expanding scope of opportunities for future achievement. The shareholders are empowered to exercise their rights as shown by the implementation of cumulative voting which allows minority shareholders to nominate directors. The Bank's policy regarding the protection of shareholder rights and interests is shown in Item 1. Rights of Shareholders and Item 2. Equitable Treatment of Shareholders.

For the Bank's dedication towards corporate governance best practices, the Bank was honored for "Best Shareholder Treatment Award" on Shareholders' Day organized by Thailand Securities Depository Co., Ltd. in collaboration with the Thai Investors Associations, the Listed Companies Association and the Thai Investor Relations Club.

Employees : The Bank recognizes and values the dedication and commitment of its staff in carrying out their duties. As an organization built on the solid foundation of good corporate governance, the Bank's goal is to equip the employees with the education and training they need to serve customers with the highest standards of professionalism. The Bank has provided employees with various training: for basic knowledge, job-specific skills, and specialized trainings in accordance to each annual policy. In 2007, the Individual Development Plan (IDP) Training Program was held to assist supervisors in preparing development plans for employees with good potential. The Effective Management Skills Program was also arranged for first-line supervisors, while Effective Service Skills Training was organized for customer service staff.

With regard to compensation, to ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all employees may enjoy the fruits of the Bank's success and be treated fairly and equitably. The Bank ensures that employee welfare is well taken care of, both in health and safety. Annual medical check-ups, life insurance, and travel insurance are provided, as well as recreational clubs, and an annual fire escape practice drill, for instance. Details regarding employee rights and interests is shown in Topic 9.8.2-9.8.4 of Section 9. Management.

- Customers : The Bank's Mission and Values (Details are shown in Topic 2.4 under Section 2. Overview of TISCO Business) reflect our Vision: "To be the Customers' First Choice". This means providing professional and practical solutions that fulfill customer needs, elevating the quality of the bank-client relationship by infusing excellence and integrity into all our dealings, and offering the knowledge base and experience of our integrated resources in accordance with the highest standards of professional ethics.
- The Bank also realizes that customer feedback is significant. The Bank thus invites customer comment and evaluation of our performance through counter service satisfaction surveys, both at the head office and branches. Customer feedback has enabled the Bank to evaluate the level of satisfaction and use it to improve our products and services. In addition, a dedicated function under the Compliance Committee directly and independently reporting to Management has been assigned to receive complaints. The Bank shall keep customer information confidential.
- In 2007, the Bank revised its business structure to facilitate a Client Centric strategy. Our goal is to offer the best services and products in order to fulfill customer needs. All service channels, such as branches and the sales force, have been expanded in order to maximize our reach, while quality improvements in all aspects: products, services, work process, and IT system, have been simultaneously carried out. In addition, the Bank focuses on branding and maintaining a good corporate image, as well as introducing a Customer Relationship Management system to expand business opportunities and maintain good relationships with our customers.
- From its commitment to the best customer care made the Bank be recognized for the second consecutive year as the **Best Bank in Thai Baht Corporate Bonds 2007** in the Asian Currency Bond Benchmark Awards by The Asset Magazine. The award was the result of both sell side and buy side surveys of institutional investors across 9 countries in Asia; comprising Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand.
- Business partners and Creditors : Any conditions within the agreements made with business partners and creditors will be served honorably by the Bank. The Bank refrains from accepting or giving any benefits in bad faith from business partners and creditors.
- Competitors : The Bank executes business with due regard for fair competition and integrity, operates within the framework of applicable competition regulations, and refrains from competitive action that may have a negative impact on the industry.
- Society : The Bank recognizes its social responsibility and has continually taken a leading role in making society a better place through a broad array of initiatives. Great emphasis is given on education and on creating opportunities for sustainable development in underprivileged communities. Moreover, the Bank also supports cultural and environmental activities.
- TISCO Group established the TISCO Foundation in 1982 to carry out long-term social activities including the provision of educational support for underprivileged students, medical care for disadvantaged and handicapped patients, vocational support for those in need, and cooperation with other charities in performing public and social services.
- In addition to ongoing charity services through the TISCO Foundation, the Bank also supports other social and community development programs such as donating educational materials, donating blood to the Red Cross, supporting Thai artists and religion, supporting the operation of several charity projects and foundations, i.e. Sarnelli House (an orphanage for HIV/AIDS and abandoned children in Nongkhai), Lampang Cancer Center, Special Olympics, Thailand, the Foundation for Consumers, the Engineering Innovation Promotion Foundation, etc. (Details of social responsibility activities in 2007 are shown in Topic 13.3 under Section 13. Others)

The environment : The Bank consistently supports activities aimed at conserving both its internal and external resources and the environment. The Bank strives to cultivate moral values, social responsibility and environmental awareness among all employees. In providing financial services, employees use the Bank's "Know Your Customers" guidelines to ensure that the services granted by TISCO as well as business advisory are given only to projects that operate in compliance with the environmental regulations and will not result in negative impacts on the community or the environment.

The main environmental conservation activities conducted by the Bank on an ongoing basis since 1989 are reforestation and forest preservation. With the cooperation of management and staff, the Bank's annual reforestation project has been successfully undertaken in three provinces, and serves to promote a sense of social and environmental responsibility, among all participants. TISCO staffs have planted more than 360,000 trees on 500 rai in Kanchanaburi, Nakornnayok and Petchaburi provinces.

Moreover, the Bank also encourages employees to save energy and resources by switching off unnecessary lights, using environmentally friendly office equipments, and reducing waste. (Details of socially responsible activities undertaken in 2007 are shown in Topic 13.3 under Section 13. Others Information)

The Bank has compiled policies regarding the protection of all stakeholders' rights and interests into a compliance manual, which employees can access and study on the Bank's intranet system, or "mytisco".

4. Disclosure and Transparency

The Bank recognizes the importance of information disclosure, with respect to financial reports and non-financial information, in an accurate, complete, transparent, equitable, and timely manner, in compliance with applicable laws and regulations. The disclosure is conducted in both Thai and English, through easy access channels including the Bank's website, press releases, analyst meetings, and the information dissemination channels of The Stock Exchange of Thailand and the Securities and Exchange Commission.

The Bank prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and accessibility. The Board of Directors shall provide a report indicating the performance of the Bank and important business activities over the course of the year to shareholders. Moreover, the Board of Directors is accountable for assessing the Bank's internal control system, which is carried out by the Executive Board and reviewed by the Audit Committee, and for certifying the accuracy of information in financial statements. The Board assigns the Audit Committee to review the financial statements of the Bank and ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the above-mentioned reports, while the Audit Committee provides reports on audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report are included in the Annual Registration Statement and Annual Report.

The Bank has set out a written policy of good corporate governance which is disclosed on the Bank's website. A compliance monitoring process is consistently conducted. On the Corporate Governance Survey of Listed Companies 2006 conducted by the Thai Institute of Directors Association in cooperation with the SEC and the SET, the Bank scored "Very Good" and ranked in the top 15 listed companies based on the OECD principles, which comprises 5 categories: Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Board Responsibilities. The Bank has reported the abovementioned evaluation result to the Audit Committee and presented said result to the Board of Directors meeting. The suggestions received have been taken into consideration for improvement and further development of the Bank's corporate governance system.

The Bank has arranged for the disclosure of the names and responsibilities of directors and other committees, the number of meetings, and each director's meeting attendance record for the previous year, as shown in detail in Topic 9.1 Management Structure under Section 9. Management. In addition, the activities of the Audit Committee and the Nomination and Compensation Committee in the previous year are also disclosed, as shown in the Annual Registration Statement and Annual Report attachment. The Bank also discloses the director and management remuneration policy, as well as the remuneration of each director in both financial and non-financial terms, as shown in Topic 9.4 Director and Management Remuneration under Section 9. Management.

The Bank has assigned its Corporate Secretariat and Investor Relations to represent the Bank in communications with all shareholders, investors, analysts, credit rating agencies, and regulatory agencies concerned. The Bank's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the Bank's website under the topic of "Investor Relation". The Bank's website received 747,492 visits in 2007.

Furthermore, the Bank has set up numerous Analyst Meetings and Press Conferences chaired by the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer with the objective of keeping investors, analysts, fund managers and interested parties well informed on the Bank's operating performance and to provide responses to inquires from investors.

In this respect, the activities arranged in 2007 were as follows;

1. 4 Quarterly Analyst Meetings: with approximately 35-40 persons in attendance at each meeting
2. 3 Press Conferences: with approximately 18 media representatives attending each conference
3. 35 One-on-one meetings with investors and equity analysts, both domestic and foreign; comprising 29 in-person interviews and 6 conference calls
4. Meetings with investors, both local and international in the United States, the United Kingdom, Hong Kong, and Singapore. The details are as follows:
 - 4.1. 2 Non-deal Roadshows: total of 17 investment companies
 - 4.2. 10 Investor Conferences; comprising 2 domestic conferences (total of 24 investment companies) and 8 international conferences (total of 133 investment companies)

For more information, please contact Investor Relations at:

Address	:	TISCO Bank Public Company Limited TISCO Tower, 48/2 North Sathorn Road, Bangrak, Bangkok, 10500
Telephone	:	0 2633 6868
Fax	:	0 2633 6818
Email	:	IR@tisco.co.th
Website	:	www.tisco.co.th

5. Responsibilities of the Board

5.1 Board Structure

The Board of Directors has approved written Guidelines for Board Composition and Selection Criteria which were recommended by the Nomination and Compensation Committee. The guidelines clearly defines the board's structure in compliance with corporate governance best practices. As such, the Board of Directors shall be comprised of 9-12 directors with not more than three executive directors, while one-third of the Board shall be independent directors who meet the qualifications as stipulated in Topic 9.3 under Section 9. Management. With regard to the board's composition representing major shareholders, the Bank has also issued a code of conduct concerning fair proportion of each group's investment to ensure that no single individual or group has unfettered power. In addition, the term of office of the Bank's directors is specified in the Articles of Association, whereby the whole board of directors shall be simultaneously elected. However, the former board of directors shall remain in office to conduct the business of the company as necessary until the new board of directors takes office.

Recognizing the crucial roles of the Board of Directors and senior management in devoting time and effort to managing the Bank, directors and senior management are allowed to assume the position of Chairman, executive director, or director with full signatory authority in no more than three business groups. The Bank's Corporate Governance Policy and Guidelines also prescribed that directors shall avoid other positions or jobs that may lead to conflicts of interest. The details of each director are disclosed in the Attachment of Annual Registration Statement and Annual Report.

In addition to the policy that the Chairman of the Board of Directors shall be independent and non-executive, and that the Chairman of the Board of Directors and the Chairperson of the Audit Committee shall not be a member in other committees, 2 top executive positions were established to jointly oversee comprehensive managerial tasks and to further promote managerial effectiveness. The Chief Executive Officer (CEO), who is also the Chairman of Executive Board, oversees long-term corporate strategies, policies, and shareholder wealth creation and protection. The Chief Operating Officer (COO), who reports to the CEO and is also a member of the Executive Board, oversees all day-to-day operations and short-term business performance. Moreover, the Chief Executive Officer chairs the Executive Board, but his position is separate from the Chairman of the Board of Directors. This is to ensure a balance of power and authority and to avoid a situation where a single individual has unfettered power in decision-making. Key roles and responsibilities of the Chairman of the Board, the CEO, and the COO are outlined as follows;

Chairman of the board

- Maintain the balance of power in the board
- Conduct board meetings and ensure effective contributions from all directors – executive and non-executive
- Ensure that all relevant issues are on the agenda and provide adequate information to board members
- Evaluate the performance of the board

The Chief Executive Officer

- Formulates strategic goals and business directions, and seeks support and approval of the board on long-term vision and mission, policies, strategies, and major action plans of TISCO group in a way that develops and protects the wealth of shareholders
- Identifies business opportunities and recommends to the Board long-term strategies to increase shareholder value and profit
- Responsible for selecting and developing senior management leadership capability, as well as defining and evaluating the performance of senior management and contributing to board performance evaluation
- Establish and maintain critical business relationships and alliances and serve as the top representative of TISCO group
- Oversee major capital expenditures, acquisitions, divestitures, and changes in financial controls, and report to the shareholders on the overall performance of the company
- Accountable to shareholders for good corporate governance

The Chief Operating Officer

- Defines and directs specific strategies, plans and actions to implement long-term goals and strategic directions and is responsible for group business performance i.e. overall profitability and growth of TISCO businesses and jointly manages and evaluates the overall performance of TISCO's senior management
- Oversees the stakes of strategic partners, investors, and shareholders, and establishes good governance operating systems.
- Directs investment, loan, interest, and reserve policies to ensure optimum monetary returns in accordance with availability of investment funds, government restrictions, and sound financial practices
- Evaluates financial statements and operating results indicators to recommend strategic policy changes due to changes in economic and fiscal conditions

On December 31, 2007, the Board of Directors was composed of 12 directors, a broad range of experts who possess competencies, knowledge and experience that are beneficial to the Bank's business operations. Of the 12 directors, 3 are executive directors, 3 are non-executive directors, and 6 are independent directors, which counts as 50% of the total of the Board of Directors. The Chairman of the Board, the Chief Executive Officer and the Chief Operating Officer is not the same person and the Chairman of the Board is an independent director. The Chairman of the Board of Directors and the Chairperson of the Audit Committee are not members of other committees.

The Bank assigns the Corporate Secretariat and Investor Relations to facilitate Board of Directors Meetings, and coordinate internally to ensure compliance with the Board's resolutions, as well as summarizing related regulations regarding directors and corporate governance best practices in the Directors' Manual and the Bank's Corporate Governance Policy and Guidelines for easy reference by each director.

5.2 Roles and Responsibilities of the Board

The Board of Directors plays a major role in overseeing the Bank's overall performance and ensures that key policies are implemented effectively and efficiently. To ensure high standards of performance, the Board delegates a large part of its administrative functions including day-to-day operations to other committees as illustrated in Topic 5.3 Other Committees.

Key roles of the Board of Directors are divided into 2 areas as follows;

(1) Performance roles of the Board – Strategy and policy formulation

The board oversee the development of a long-term strategic plan, which reflects the board's general business philosophy and vision for the future of the Company. Short-term business plans should outline specific and measurable targets that management adhere to and that are evaluated at regular intervals. The Board approves a 3-year rolling business plan as a guideline for staff and annual budgets prepared by the management. The business plan also includes key performance indicators and business targets wherein variation from these targets is regularly measured and analyzed. In addition, business performance analysis prepared

by management is regularly reported to the Board to provide updates on progress and achievement of targets. Timely performance monitoring and assessment helps the Bank identify significant deviations of results from predefined business plans in order to perform corrective actions promptly.

The Board determines the operational policies designed to regulate areas of fiduciary and insider activities, personnel administration, financial disclosure, auditing and investments that are consistent with the Bank's long-term and short-term strategic plans. By approving the implementation of such policies and procedures developed by management, the board defines what practices are acceptable and in line with the overall business philosophy of the institution. Policies should be devised to assist the institution's management in determining what actions to take in various situations, limiting unnecessary errors resulting from ill-informed judgments.

All major activities of the Bank are to be regulated by policy which shall be flexible. When required, they should extend to cover new or improved practices and adapt to changing business conditions. Having clearly written policies prevents miscommunication. Newly introduced activities should not be undertaken without proper implementation of policy. The Board should specify appropriate procedures in monitoring and reporting risk activity.

In implementing policies, clear standards of performance are communicated through all levels of the Company, providing a single, authoritative source of reference. The Board also establishes the norm of periodically reviewing policies and revising such policies as necessary to ensure that they remain consistent with the institution's long and short term strategic plans.

The Board of Directors puts great emphasis on maintaining an effective management system under the good corporate governance framework. It has thus arranged for a written corporate governance policy and a written code of business conduct to be in place as guidelines for ethical business conduct for all directors, executives and employees. Compliance to the code is closely monitored. And although the Bank has no policy to encourage transactions between related parties, should it occur, the Audit Committee shall conduct a careful review and treat such transactions the same as normal business transactions, and shall report them to the Board of Directors. In addition, persons with vested interests shall not be entitled to vote for the approval of said transactions. Disclosure of such information shall be made in a forthright manner.

(2) Compliance roles of the Board – Supervising, Monitoring, and Accountability

Although the Board delegates a substantial part of its administrative function including day-to-day operations to a full-time management team of executives, in fulfilling its compliance roles, the Board is responsible for monitoring the Bank's operations. The Board must be continually aware of the institution's operating environment. Directors are to be well informed of internal and external factors affecting the institution, including business environments, legal and regulatory frameworks. Directors also be aware of the potential liabilities imposed on them by law or regulations and ensure that the Company has appropriate policies and procedures in place to maintain compliance with them. Directors should also be aware and keep themselves updated on local, regional, national, and international financial trends and any statutory and regulatory changes affecting the Bank.

The primary mechanism for overseeing the Bank's operations is regular reports to the Board from the management containing relevant information regarding financial performance, management of the loan portfolio, liquidity risk, market risk, investment portfolio, asset/liability, and compliance. The Board shall carefully review reports and be aware of any warning signs of deteriorating performance, increased risk, abuse of power within the management, problems with internal control systems, compliance issues or issues relating to the accuracy and reliability of the reports.

In addition to providing the reports noted above, management should regularly brief the Board on the business environment, market trends, industry benchmarks, regulatory changes and macro-economic indicators. Management should be expected to promptly alert the board of any competitive threats, business opportunities, changes within the industry, or political procedures that may impact the institution or information which would assist the board in strategic planning, setting policy, or monitoring operations or business performance.

On the Board's role in supervising risk management, the Board ensures that management has identified potential risks and has established an adequate risk management process to assist in identification, measurement, monitoring and control of various categories of risk commonly encountered by financial institutions. It is the responsibility of the Board to approve and periodically review the Bank's risk management strategies that are ultimately implemented by senior management.

The Bank needs to comply with a large number of regulatory requirements, including various reporting obligations. It is the responsibility of the board to establish and maintain rigorous internal controls to ensure that the Company complies with all relevant laws and regulations and to highlight potential or actual breaches if and when they occur.

5.3 Other Committees

To optimize the efficiency of its corporate governance, the Board of Directors set up committees to take on tasks that require detailed review or in-depth consideration. Such committees as the Executive Board, the Audit Committee, the Nomination and Compensation Committee, and others if necessary, are entitled to make decisions on behalf of the Board of Directors or submit recommendations for consideration, depending on the committee's specific charter. The structure of each committee shall be determined by the size of business, the scope of operation, the composition of the committee, the experience and expertise of each director, and in compliance with the Principles of Good Corporate Governance. Details of the composition and responsibilities of other committees is shown in Topic 9.1 Management Structure under Section 9. Management.

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, and the Executive Board as detailed below;

Audit Committee

The Audit Committee assists the Board to discharge its duties in connection with the financial reporting, internal control and internal audit system. The Audit Committee is directly responsible for the audit function by verifying the independence of auditors and their opinion. The Audit Committee also serves the board in monitoring compliance with the board's policies, and internal and statutory regulations. It should ensure that management is taking appropriate corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors. The Audit Committee has an explicit authority to investigate any matters within its duties and able to obtain outside professional advice, if necessary, at the Bank's expense. Additionally, Audit Committee is responsible for the trustworthiness of financial report as well as recommendation of the auditor appointment and its audit fee.

Nomination and Compensation Committee

The Nomination and Compensation Committee is charged with the responsibility of identifying qualified candidates for directorships and the Chief Executive Officer position. The Committee ensures that only the most competent individuals, who can contribute to the institution and discharge their responsibilities in the interests of all shareholders, are appointed. The candidate shall be fit and proper for the office and shall be the best and most qualified candidate nominated for the office, taking into account the candidate's track record, age, experience, capabilities and other relevant factors. The Committee also ensures that the remuneration of directors is appropriate, with regard to their responsibilities and commitment. Directors who are assigned with extra work should receive additional compensation. In addition, the Committee reviews and recommends remuneration and benefit policy for the Board and TISCO Group's employees with clear and transparent criteria. The performance assessment criteria for board members and TISCO Group's employees for annual remuneration review should be devised by the Committee, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.

Executive Board

The Executive Board is authorized to act in operational matters that require in depth consideration in policy, procedural, human resources and administrative issues, which includes among other things, making recommendations to the board on matters of budget allocation. The Executive Board also handles matters that, in ordinary circumstances would require board review, but due to a particular circumstance needs immediate attention. This is usually relevant to urgent matters, which arise during the period between full board meetings. The Executive Board may also appoint and supervise other committees, inclusive of the Risk Management Committee, Credit Committee and Problem Loan Committee, for specific operations in order to improve TISCO Group's efficiency.

5.4 Board of Directors' Meeting

Board meetings are regularly scheduled in advance. The Board of Directors sets its meeting schedule in advance and notifies each director of the schedule so that each member of the board can manage their time to attend the meetings. Normally, a minimum of one meeting every two months is scheduled, surpassing the requirement of at least once every three months stipulated in the Bank's Articles of Association. Furthermore, in case of special agenda, additional meetings may be scheduled as necessary. The Board of Directors also assigns the Secretary to the Board to send out notice of the meeting together with documents relating to the meeting agenda, stating clearly which matters are to be acknowledged, approved, or considered, to every director at least 7 days prior to the date set for the meeting.

During meetings, the Chairman of the Board promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the executives to attend the Board of Directors Meeting to present additional information relevant to their

responsibilities and allows non-executive directors to hold meetings as necessary to discuss issues without executive attendance. After the meeting, the Secretary to the Board is responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly recorded and kept for inspection.

In addition to the Board of Directors Meeting, the Executive Board meets regularly every month. Meanwhile, the Audit Committee also sets up meetings to communicate with the Bank's auditor with regard to the Bank's financial statements without executive intervention. Such meetings are regularly conducted at least 4 times a year in order to summarize issues arising from the financial statement audit along with suggestions and to evaluate the Bank's cooperation in the auditing process. The Nomination and Compensation Committee meets at least twice a year to consider remuneration for directors and TISCO Group employees as well as to nominate qualified candidates for director positions. Notice of committee meetings is also sent out at least 7 days prior to the date set for the meeting.

In 2007, 7 Board Meetings were convened. In addition, there were 12 Executive Board Meetings, 12 Audit Committee Meetings and 6 Nomination and Compensation Committee Meetings. This ensured that business was conducted effectively and in compliance with related regulations. The details of directors' attendance is shown in Topic 9.1 Management Structure under Section 9. Management.

5.5 Board Self-assessment

In order to improve its performance, the Board of Directors has formulated an annual self-assessment policy. The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend Board Performance Self-assessment Guidelines for the Board's approval. The Nomination and Compensation Committee then reports the assessment result to the next Board Meeting.

Said assessment is essential to assess the appropriateness of the board's composition and board performance according to corporate governance best practices. The Board of Directors shall analyze the assessment results, recommendations and remarks from board members and consider to apply according to the Bank's business environment and operations.

In 2007, the Nomination and Compensation Committee revised the self-assessment form into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members. From the assessment result, it was found that the Board of Directors fully complied with all 6 areas in a satisfactory manner. Moreover, each director also gave insightful suggestions that will contribute to improving the Board's performance.

5.6 Remuneration

To ensure that the remuneration policies are set up with transparency, the Board of Directors assigns the Nomination and Compensation Committee to formulate director remuneration policies with clear and transparent criteria. Director remuneration shall reflect their duties and responsibilities. Directors who are assigned with extra work should receive appropriate remuneration for special assignments. The Committee shall propose the remuneration to the Board Meeting and Shareholder Meeting for approval. Remuneration for directors should be comparable to general practice in the industry with regard to work experience, expertise, commitment, as well as the contribution or benefit each director brings.

The Bank discloses Director Remuneration Policy and director remuneration payment in detail shown in Topic 9.4 Director and Management Remuneration under Section 9. Management.

5.7 Board and Management Training

When a new director is appointed to the Board, senior management will arrange for an orientation regarding the Bank's business operations and past performance to provide clear understanding and enable the director to fully perform his/her duties. The Bank shall also provide a copy of the Director Manual and the Corporate Governance Policy and Guidelines to said director.

It is the Bank's policy to encourage trainings and educational activities for directors on a regular basis. The Bank has arranged membership in The Thai Institute of Directors Association for all directors in order to keep abreast of news and updates as well as to attend trainings beneficial to a listed company directorship. Training schedules shall be regularly notified to the director in advance.

The details of director training attendance as of December 31, 2007, are as follows:

Director	Training Program	Institute
Mr. Pliu Mangkornkanok	Directors Certification Program Chairman 2000	Thai Institute of Directors Association Thai Institute of Directors Association
Mrs. Krisna Theravuthi	Audit Committee Program Director Certification Program Director Accreditation Program Effective Audit Committee and Best Practice Program Monitoring the System of Internal Control and Risk Management ¹ Role of Compensation Committee ²	Thai Institute of Directors Association Thai Institute of Directors Association
Assoc. Prof. Dr. Angkarat Priebjrivat	Audit Committee Program Director Certification Program Director Accreditation Program Monitoring the Internal Audit Function ³	Thai Institute of Directors Association Thai Institute of Directors Association Thai Institute of Directors Association Thai Institute of Directors Association
Prof. Dr. Praipol Koomsup	Director Certification Program Director Accreditation Program	Thai Institute of Directors Association Thai Institute of Directors Association
Mr. Sangiam Santad	Director Certification Program Director Accreditation Program	Thai Institute of Directors Association Thai Institute of Directors Association
Dr. Kanit Sangsubhan	Director Accreditation Program	Thai Institute of Directors Association
Mr. Kah-Hua Yeo	Director Certification Program	Thai Institute of Directors Association/ Australian Institute of Company Directors
Mr. Pichai Chanvirachart	Director Certification Program	Thai Institute of Directors Association
Mrs. Oranuch Apisaksirikul	Director Certification Program	Thai Institute of Directors Association

¹ Completed on January 24, 2008

² Completed on March 14, 2008

³ Completed on February 12, 2008

To ensure stability and continuity of the company in future circumstances, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of the Chief Executive Officer's succession plan. Said plan shall be regularly reviewed as appropriate. For other senior management positions, the Chief Executive Officer, Chief Operating Officer and Human Resource function shall consider and evaluate the successors for the Executive Board's approval.

In addition to management training, the Board also consistently encourages organizational and human resources development. Human Resources and Organizational Development reports its activities to the Board of Directors at every Board Meeting. In 2007, major activities were launched such as the Leadership Execution Capability Development Program, Individual Development Plan (IDP), and Executive Trainee which is an ongoing training program.

9.6 Business Ethics

The Bank has introduced a code of business ethics into the compliance manual and has established an Employee Code of Conduct to assist employees in performing their duties with integrity and fairness. The Good Corporate Governance Guidelines are displayed on the intranet system, "mytisco" for the management and employees at all level to follow. Additionally, in order to ensure honest and fair performance of the management and employees with regard to the bank, stakeholders and the public, the Bank requires compliance with these regulations, and will impose serious penalties for any violations. The Compliance Function is charged with monitoring performance in accordance with the code of business ethics. A summary of the Bank's code of business ethics is as follows:

1. Honest and fair conduct	Employees shall conduct their duties with honesty and fairness and refrain from exploiting their position for their own benefit or that of any particular group, or committing any dishonest action that may damage the Bank or customers.
2. Legal and regulatory compliance	Employees shall comply with applicable laws and regulations, and refrain from assisting others to violate any laws, regulations, or ethical principles. Employees shall make an effort to learn, understand, and monitor changes to relevant laws and regulations, as well as keep up to date with their professional code of conduct.
3. Supervisory responsibility	Supervisors shall be responsible for preventing their subordinates from violating applicable laws, regulations, and the professional code of conduct, as well as business ethics.
4. Record keeping and reporting duties	The Bank's financial and other record keeping must be accurate and complete. The Bank shall not withhold any information from appointed auditors or other supervisory agencies, and shall disclose information required to evaluate the accuracy of financial statements and the integrity of the Bank's operations.
5. Duty of confidentiality towards the Bank and customers	Confidentiality towards the Bank and customers is fundamental to the Bank's business operations. Financial information pertaining to the bank and customer transactions and activities is deemed confidential and shall not be exploited for any employees' own benefit, nor be disclosed to any other party.
6. Conflict of interest	Employees shall concentrate on their responsibilities to the Bank regardless of personal interest. Business decisions shall be made to ensure maximum benefit for the Bank and clients. Employees are not allowed to receive any benefits such as cash or gifts related to their involvement in situations or activities that lead or may lead to a conflict of interest between employees and the Bank or clients.
7. Political support	According to the rules laid down by the Bank, donations to political parties or political candidates including payments to government officials, is prohibited.

9.7 Control of Internal Information

The Bank's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Bank's compliance manual. With respect to Bank regulations governing employee securities trading, the Bank requires management and employees to open trading accounts with TISCO Securities, its subsidiary. In this regard, he or she must, however the case may be, seek approval from supervisors before executing trades or report to supervisors and the Compliance function after execution. Furthermore, the Bank also prohibits management and insiders from trading the Bank's shares from the last working day of the month until the day the Bank's monthly financial statements are published. Penalties shall be imposed for any breaches.

9.8 Human Resources

As of December 31, 2007, the total number of employees at the Bank and its subsidiaries was 2,336 (excluding senior management) of which 1,921 were permanent employees and 415 contract staff.

Major Function	As of December 31	
	2006	2007
1. Retail and SME Banking	1,122	1,341
2. Private Clients and Asset Management	248	229
3. Corporate and Investment Banking	169	164
4. Corporate Investment	14	16
5. Corporate Function	465	586
Total	2,018	2,336

The number of employees of the Bank and its subsidiaries at the end of 2007 was increased by 318 additional staff, or 15.8% increasing as a result of 12 branches expansion. For the year 2007, the Bank and its subsidiaries' total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 1,232,486,338.89 Baht. In the last 3 years, the Bank and its subsidiaries have adjusted personnel expenses to match business performance. The proportion of variable personnel expenses to total personnel expenses in 2005, 2006 and 2007 was 38%, 27% and 33% respectively.

9.8.1 TISCO Group Registered Provident Fund

TISCO Bank has established a Provident Fund in accordance with Ministerial Regulation 162 (B.E. 2526). The purpose of the fund is to encourage long-term savings among employees for their retirement or in the event of their leaving the Bank and its subsidiaries.

The fund, called the "TISCO Group Registered Provident Fund", as per Ministerial Regulation 162 (B.E. 2526), has been registered in compliance with the Provident Fund Act B.E. 2530 since June 21, 1990. Rules and regulations of the fund, including the rights of members for the entire duration of their membership to the fund, have been set up to comply with Provident Fund Act B.E. 2530.

Employee's Contribution: Members shall remit contributions to the fund by granting the Employer permission to make deductions from their monthly salary. Members have two alternatives; to remit contributions at 5% of monthly salary, or at the same rate as the employer's contribution, which can be changed once a year.

Employer's Contribution: Employer is obligated to contribute to the fund on the same day as the employee, and the percentage of the employer's contribution depends on the employee's years of service as follows:

Years of Service	Employer's Contribution (% of salary)
1	5
2	6
3	7
4	8
5	9
≥ 6	10

The fund is supervised by the fund committee, which is comprised of the employee's elected representatives and the employer's appointed representatives. Terms for fund committee members are valid for two years, and any individual can be re-elected or re-appointed. The fund committee is responsible for the supervision of fund management and investment policy.

In 2002, TISCO Bank established an additional fund to offer Employees an option to better match their desired risk and return profile named "TISCO Group Savings Registered Provident Fund." Also, the "TISCO Group Registered Provident Fund" was renamed "TISCO Group Investment Registered Provident Fund." These two funds differ only in investment policy, and members are able to switch between the two funds once a year if so desired.

As of December 31, 2007, the total fund size of "TISCO Group Investment Registered Provident Fund" was 674,629,877.43 Baht with 1,152 members. The total fund size of "TISCO Group Savings Registered Provident Fund" was 256,150,147.14 Baht with 665 members.

9.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality in 2007, the implementation of people-oriented practices is conducted at a high standard to reflect TISCO group's philosophy of human resources management. Although all **human resources policies** and some human resources operations are centralized for work efficiency and consistency, for example, payroll systems and employee data recording, decentralized authority and empowerment is embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry.

1. Principles of Dealing with People at TISCO Group

Because professionalism and trust in financial services is crucial, TISCO Bank has established a clear definition of its corporate values in order to foster their development in TISCO Officers. The Bank's values describe the four human behaviors that accommodate the journey of the organization towards success.

- 1 Customer Priority
- 2 Integrity
- 3 Reliability
- 4 Mastery

2. Hiring

In order to serve various business aims while maintaining a uniform corporate culture across the group, the hiring of TISCO group employees is based on three sets of competencies: Organizational Core Competencies, Functional Competencies and Leadership Competencies. Organizational and Leadership Competencies meet the same criteria across the group, whereas Functional Competencies can be varied to fit business strategy, business culture and competitive environment. TISCO Bank hires employees with the right attitude and professional abilities that enable them to develop a long-term relationship with the Bank.

To ensure good corporate governance, close relatives and immediate family members of the Board of Directors, the Executive Board, and the Management Committee, will not be considered for any job vacancy in the TISCO group. The same condition will apply to senior employees with managerial authority. Kin and immediate family members of other employees are to be considered on a case-by-case basis by senior management and the human resources function. Every candidate will be assessed to match their competency with the requirements of the position and potential for growth in the future.

The Human Resources function is responsible for providing adequate recruitment and selection tools. It is understood that each hiring decision is in the hands of the manager responsible.

Even while promoting employees intensively from within the organization, it is the role of management and HR to keep an eye on valuable candidates from outside and to benchmark internal skills with external offers.

It is as important to hire the right person as it is to integrate newcomers into the organization so that their skills and behaviors can merge smoothly with TISCO group culture.

3. Employment at TISCO Group

To uphold the highest standards of Good Corporate Governance, the Bank has established a "**Business Code of Conduct**" that demonstrates its determination to be a good corporate citizen in society. These principles are to be respected everywhere and under all circumstances. The management will implement the necessary processes to ensure that these principles are enforced at all levels. Employees who fail to abide with the Business Code of Conduct cannot be maintained in employment and will be asked to leave the organization. Employees should also inform vendors, suppliers and the providers of outsourced services of our Business Code of Conduct in the issues related to them and they should comply.

The Bank favors a policy of long-term employment. Separations are only for cases violating the Bank's principles, business misconduct, retirement, leaving voluntarily, and falling into the separation criteria as stated in the rules and regulations that the Bank has registered with the Department of Labor. Whenever an operation or business cannot be maintained under TISCO Bank's umbrella, reasonable steps will be undertaken to avoid overall loss of employment and by fully respecting all related labor laws. Reasonable efforts will be undertaken to reduce, as much as possible, the suffering of our employees.

4. People Assessment and Development

4.1 Assessment

Human value creation starts with the quality of the people that fit with TISCO group's strategy, culture, technology and environment. Therefore, employee assessments shall be employed in all steps of employee movements from selection of new candidates to promotion, career development and succession planning. The Human Resources function will provide assessment tools at the corporate level, whereas business units will have the freedom to customize assessment tools under corporate HR consultation to suit each business environment while maintaining corporate standards of people quality.

4.2 Development

To sustain organizational growth, TISCO has prioritized human resources development as a primary policy. Learning culture is established by providing development solutions that satisfy both organizational requirements and individual development. A policy that encourages continuous self-improvement through learning leads to sustainable growth and, finally, a High Performance Organization.

The Human Resources function is responsible for providing knowledge and skills development at the corporate level for corporate competitive advantage. At the Business Unit level, the Human Resources function provides consultation and advice on development methodology and techniques to maximize learning and development of human capital to add value to the business. Human Resources is also responsible for the recording of organizational knowledge and the skills inventory of all business units in TISCO group.

5. Career Management

To motivate employees and build up the organization's strength, every employee has opportunities for career progression, both vertically and horizontally. TISCO group emphasizes "*promotion from within*" for available job positions. Should there be no best fit within the organization, hiring from outside then comes into consideration.

Career development and progression are open for upwards, downwards and lateral movements both within business units and functions and cross-functions across TISCO group. Open communication in career development and progression is mandatory between line managers and employees to ensure transparency and clear expectations.

6. Performance Management

The objective of Performance Management is to build a workforce committed to the delivery of quality service while building a trusting relationship between line managers and job performers. Performance Management will be a key responsibility of every employee who assumes a supervisory role. Regular counseling and guidance are the best tools for improving performance and helping people develop their skills. Efficient performance management emphasizing the achievement of agreed objectives is a prime responsibility for each manager. Candidates for managerial positions should clearly have demonstrated a willingness and ability to apply the performance management system and process. The components of the performance management system and process are outlined in the guidelines and manuals that support this policy and will be developed, updated and maintained by the Human Resources function.

7. Employee Compensation and Benefits

The Bank recognizes that its employees are its most important resource and thus places great emphasis on their health, safety and well being. The Bank arranges for all employees to have annual physical checkups, and has set up facilities for aerobic exercise, yoga, badminton, football, golf, and other activities, for the use of its employees. Regarding employee safety, the Bank provides life and travel insurance for each employee as well as arranging fire drills annually under the Workplace Safety Committee's supervision. Additionally, the Bank has also set up the Employee Welfare Committee to be responsible for monitoring, attending to and recommending policies regarding employee welfare.

TISCO group favors competitive, stimulating and fair remuneration structures offering an overall competitive and attractive compensation package. Various forms of compensation are designed in combination to best match the nature of various jobs, as well as supply and demand. Remuneration includes salary, fixed and variable incentives/bonuses, social welfare, health care and other benefits.

TISCO group has adopted the broad banding system specifically to facilitate the implementation of a flat organizational structure. The system is flexible so as to be able to adapt to the evolution of market conditions. The broad banding structure allows sufficient flexibility to effectively reward high professional insight and performance as well as individual potential in both generalist and specialist employees.

The Bank will establish a compensation practice based on relevant external compensation levels as well as the

requirement of internal fairness. It is the responsibility of each manager to propose, within the framework of Bank policy, the remuneration of his/her employees, taking into account the local market, competency in financial industry, individual performance, skills and potential for development.

It is also the responsibility of each manager, if needed, with the support of the Human Resources function, to communicate properly, clearly and with sufficient transparency, the individual remuneration of each staff member regarding his/her specific responsibilities. The quality of communication in these matters is an essential part of the dialogue that each manager will have with his/her employees. It should be realized that, however important remuneration is for each employee, it is not remuneration alone that will stimulate the motivation of staff.

TISCO group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

All jobs in TISCO group are clearly identified by key roles and responsibilities and slotted into the broad banding system. Certain pay levels are determined for each job by market surveys and benchmarking. The jobholders will be rewarded within the pay range of their particular job and band.

Individual remuneration is considered from skills, knowledge, behavior, attitude and potential to contribute to the business. Development of competency level will be valued and rewarded. Line managers have a direct responsibility to assess team members for a fair reward.

7.2 Pay for performance

Performance objectives and targets for each employee are preset and agreed at the beginning of the financial year. Employees who meet their target are entitled to earn rewards in the form of monetary bonuses or incentives of any form that the Bank will announce in the future.

Different types of businesses in TISCO group can have different combinations and methods of pay, with senior management agreement and CEO and COO approval, in order to drive business success.

8. Human Resources Administration

To be fully in compliance with labor laws and regulations, all HR practices related to labor laws are centralized at the Human Resources function so as to be handled properly. Any policies and/or HR practices that contradict national labor laws will be automatically superceded and the Bank's rules will be revised in accordance with new labor laws.

Employee data recording is centralized at the Human Resources function for overall and high-level workforce management. Transfers or changes in employee status at all business units across TISCO group are to be reported and processed according to the corporate HR guidelines and procedures.

9. Succession Planning

To prepare the organization for the future, all key positions are required to develop successors and put development plans in place. Succession planning is overseen by the CEO and COO with support from the Human Resources function.

For senior management positions, the Executive Board, with authorized delegation from the Board of Directors, will form a committee to screen and assess successors with support from the CEO, COO and the Human Resources function.

9.8.3 Organizational Development

TISCO Bank and its subsidiaries have focused a great deal of energy towards becoming a "learning organization" through performance and competency development, productivity improvement, leadership and developmental effectiveness. This has led the Bank to undertake many changes and pursue a strategy of continuous development. In 2007, the Bank continued implementing development programs as follows:

1. Leadership & Execution Capabilities Development Program

Since 2006, the bank has implemented a Leadership & Execution Capabilities Development Program with the aim of improving the organization's focus and success in achieving our top goals. The development process includes execution surveys, 360-degree leadership assessments, and leadership and execution intensive workshops for management committees and selected key function heads.

In 2007, our interest in strategy execution continued to grow, given its potential for sharpening our organizational focus and achieving our top goals. The organizational development team therefore arranged an Execution Workshop. Involving key

heads from all business and support functions, it was aimed at making consistency of focus and executive efficiency one of the organization's top priorities. Held in conjunction with Performance Management System 2007, the workshop helped participants design a specific plan of action by identifying each team's wildly important goals (WIGs), critical lag and lead measures, which cascaded down to each team member in the form of functional KPIs. This engaged everyone in devising ways of accomplishing the WIGs and staying on track to achieve them.

2. Sales Competency Development Program for Hire Purchase Car Marketing Representatives (CMR)

Auto Loan Protection (ALP) is a new product that was launched in association with American International Assurance (AIA) and specially designed for TISCO Hire Purchase customers. This insurance is very beneficial to customers, because in case of death or disability, their remaining car loans are paid off and protected from being in default.

To increase customer acceptance of this product, the Organization Development team initiated the ALP Sales Competency Development Program. This is aimed at encouraging Car Marketing Representatives (CMR) to embrace cross selling concepts and develop related skills and techniques, especially with regard to ALP products. The training process included developing a best practices demonstration on a master DVD, as well as making it available for viewing on the OD Homepage under Sales Dialogue Guidelines. Afterwards, the OD team arranged onsite visits to each branch and organized ½-day Training Programs for CMRs focusing on basic selling skills and techniques followed by independent practice and feedback in pairs using DVD cameras to record performance throughout the sessions. Each CMR later received an individual DVD record of their role-playing performance for personal review after the workshop.

The project was a resounding success, putting TISCO at the top of ALP sales volume ahead of other competitors in the market. Furthermore, the penetration rate achieved by all branches has been growing consistently throughout the year and is expected to be sustained well into next year.

3. Professional Induction Program for Personal Banking Officers (PBO)

In line with the corporate goal of creating a customer-centric business model, one aspect focused on Savings, Investment, and Protection (SIP). Under this program, the bank recruited new staff as personal banking officers and managers at all branches who are responsible for recruiting and retaining customers for Savings and Fixed Deposit Accounts.

The Professional Induction Program was arranged with the aim of providing new personal banking staff, officers and managers with a formal warm welcome, business information review, and networking opportunities among the members, key function heads, and the management committees for future working cooperation. The program also included brainstorming sessions engaging Personal Banking Officers and Managers from all branches to exchange knowledge and experiences and assist them in working effectively in order to achieve their targets.

All the findings from the sessions, with regard to potential clients, their expectations about TISCO products and services, as well as staff, have been presented to all heads in charge in order to take any necessary development and/or corrective actions. The regional sessions will be continued in 2008 and beyond in order to collect and record a system of best practices and useful information concerning clients and the market development process. The aim is to develop a set of agreed guidelines and working procedures for future PBO function.

4. Effectiveness Development Program

The Bank consistently supports the development of organizational effectiveness. Staff development is fostered through a variety of skills enhancement programs including Effective Business Presentation, Professional Financial Advisory for Mutual Fund and Provident Fund marketing personnel, and Effective Meeting Workshops for Information Technology personnel.

5. Self-Development through Sharpen the Saws Corner and Organizational Development Homepage

The bank constantly encourages staff to value self development and continuous learning at all times, providing many possible channels for easy access to knowledge and information. Sharpen The Saws Corner is like a public library or learning center where employees can borrow various kinds of books at any time. In order to promote this resource library to all employees, the "Sharpen The Saw Road Show Activity" was launched in the form of a small exhibition displaying all the interesting books on offer at the 1st floor of the banking hall area in order to increase awareness and facilitate the lending and borrowing of books.

Moreover, the OD Homepage has launched 3 new multimedia channels for broadcasting VDO clips. This has created a catalogue of more advanced visual media presentations for all users and allows easy access to facilitate self learning at any time.

9.8.4 Human Resources Development

In 2007, TISCO Bank focused mainly on expanding customer service distribution channels based on the customer-centric approach. Training and development activities therefore were aligned with corporate goals and direction, and was the HR Development Plan aimed at promoting and retaining officers with high potential. These policy objectives were delivered through training and development programs as follows:

1. Basic Training Courses and Specific Knowledge and Skills Training

In 2007, training courses were provided for both existing and new staff in order to align their knowledge and understanding with the requirements of their functions. This process enhanced their knowledge and abilities, as well as diversified their creativity, better enabling them to assess and adapt to future situations with sound rationale.

Specific Knowledge and Skills Training assists business units in developing their staff according to specific requirements. To accomplish this, HRD organized internal training courses or sent staff to attend external courses. Internal training programs included Coaching and Feedback Skills for managers, Receiving Feedback Skills for staff, AMLO, Passport Check, Personality Development and Social Manners for counter service staff and marketing staff, Team Activity, IT applications and more. Also, staff attended several external courses besides licensing courses for fund and securities representatives such as Tax, Accounting, Risk and Financial Advisory.

2. 2007 Strategic Policy Training

Human resources development policy in 2007 concentrated on 2 major groups: line managers and talent. Line managers were required to attend Individual Development Plan Workshops which set guidelines for developing talented subordinates within their functions. Also, employees displaying exceptional talent were provided with training courses according to their individual needs. Unit heads and junior managers were also provided with the Effective Management Skills course by HRD to refresh and enhance their skills.

Customer service staff, including front counter and marketing representatives, were trained in the correct way to serve today's customers. As a financial services provider, staff must be made aware of new service concepts. To this end, HRD provided Effective Service Skills as well.

3. Executive Trainee

In 2007, TISCO Group continued the implementation of its Executive Trainee Development Program. The participants were employees with a minimum of a Master's degree in their field and high performance potential, as well as experienced TISCO staff with exceptional leadership qualities. Executive trainees learned all of the Bank's business strategies and key success factors, were given an overview of the need for good governance, and benefited from lectures aimed at sharing expertise delivered by top managers in TISCO Group, as well as some external resources. This program, which grooms fresh prospects to become exemplary "TISCO Officers" capable of becoming TISCO executives in the future, encourages staff to initiate, analyze, and be knowledgeable in all aspects of the business.

4. Individual Development Plan

Ever since TISCO Bank adopted the competency concept as an HRM tool, the Bank has extended it in many ways, including recruitment, development, assessment and retention. In 2007, competency was used to create Individual Development Plans for top talent. To this end, HRD organized IDP Workshops for all function heads. The objectives of the workshops were to understand the importance of IDPs, as well as how to create an IDP using a step-by-step method. After the workshop, the IDPs were retained and will be used as a guideline for developing talent in 2008.

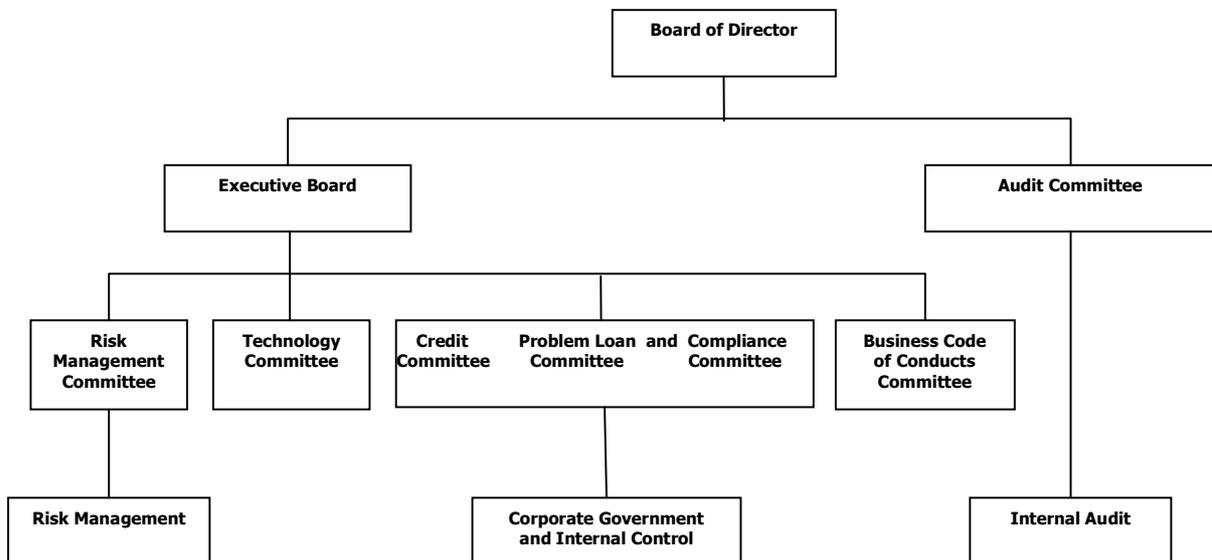
10. Internal Control

10.1 Internal Control Overview

The importance of an internal control system has always been a key focus of the Bank and its subsidiaries. Special emphasis is placed on the adequacy and appropriateness of the internal control system on all business operations, with the ability to protect the Bank and its subsidiaries’ assets from any damage or misconduct on the part of employees or management. Meanwhile, recommendations on internal controls from the independent external auditor and the BoT’s auditor are seriously taken into consideration.

For all business operations, clear goals and operating guidelines have been set up in a measurable way to ensure operational efficiency. The Bank also sets up training programs to increase staff knowledge and skills at many levels in order to improve efficiency and reduce operational errors. In addition, an operating compliance manual and an IT user manual have been put into place to create thorough understanding and compliance to the rules and regulations of the Bank.

The Board of Directors oversees all of the internal control system through the Executive Board and the Audit Committee, with the following organizational structure:



1. The Executive Board oversees all the internal control systems of the Bank through delegated sub-committees, namely: the Risk Management Committee, the Credit Committee, the Problem Loan Committee, the Compliance Committee, the Business Code of Conducts Committee, and the Technology Committee. Effective policies and guidelines for internal controls and risk management have been set up with clearly-defined roles and responsibilities and are documented in writing.

- The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of the Bank and its subsidiaries to ensure comprehensive and timely risk monitoring and control. The Risk Management function supports the committee in assessing and monitoring bank risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses for the Bank and its subsidiaries.
- The Credit Committee and Problem Loan Committee are responsible for setting up credit granting criteria and controlling loan approval procedures at the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Office supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.

- The Compliance Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed.
- The Business Code of Conduct Committee is responsible in developing corporate code of conducts and makes decision regarding ethical issues of employees.
- The Corporate Governance and Internal Control division, which is comprised of credit offices, internal controls, compliance and legal functions, is responsible for reviewing and monitoring the internal controls system at the transaction level and reporting to the Chief Governance Officer. The Chief Governance officer regularly reviews the internal controls system of all business operations, while ensuring good compliance with the internal guidelines and related laws and regulations.
- The Technology Committee is responsible for setting up an effective IT technology policy and prudent operating guidelines to ensure accuracy and security of information.

2. The Audit Committee independently reviews the assessment of the adequacy of the Bank's internal control system, as annually prepared by the Executive Board, in relation to the Bank's risks, and assesses that financial statement reports are transparent and accurate. The committee also reviews the policy and guidelines for internal audit to effectively assess that all business operations have adequate internal controls and are in compliance with laws and regulations.

The Internal Audit function is responsible for regular auditing of business operations in compliance with policies and guidelines, and reporting to the Audit Committee. Internal Audit also coordinates with management and relevant business units to improve the effectiveness of internal control systems.

10.1.1 Audit Committee Report

The Audit Committee held 12 meetings in Year 2007. Major issues considered by the Committee were as follows:

1. Reviewing quarterly, semi-annual and annual financial statements audited by the certified public accountant and recommending to the Board of Directors.
2. Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions.
3. Selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Bank and its subsidiaries for the Year 2007.
4. Reviewing the disclosure of information of the Bank and its subsidiaries and the regulatory reporting in the case of connected transactions or transactions that may lead to conflict of interest.
5. Meeting with Head of Compliance and Head of Legal in acknowledging the status of litigation against the Bank and its subsidiaries, annual compliance reports and non-compliance issues arising during the year.
6. Reviewing functions of Corporate Governance and Internal Control of TISCO Bank and its subsidiaries to assure that the Bank and its subsidiaries comply with the rulings governed by relevant regulators.
7. Meeting with management in updating and monitoring on the compliance and risk management issues such as Basel II implementation, Know Your Customer/ Customer Due Diligence procedures, Anti-Money Laundering & Combating the Financing of Terrorism Policy, and changes in accounting standards.
8. Acknowledging the results of external assessment and examinations by the Bank of Thailand and the Securities and Exchange Commission, Thailand, and assessing corrective actions on important findings.
9. Endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit, and acknowledging the results of audits.
10. Conducting Audit Committee's self assessment to develop an annual Audit Committee plan and reviewing the charter of Audit Committee before proposing to the Board of Directors for acknowledgement.

In conducting Audit Committee's self assessment, the Audit Committee compared the Committee's activities to the charter of Audit Committee and leading practices. The Audit Committee opined that Audit Committee members carried out their duties and responsibilities adequately and effectively according to the Charter of Audit Committee and as delegated by the Board of Directors.

The Audit Committee has recognized continuously the significance of good corporate governance and business ethics. The Committee is very pleased to report that the Bank's Corporate Governance Report 2006 was rated in a "Very Good" category among Thai listed companies by the Thai Institute of Directors Association.

In addition, the Audit Committee agrees with the certified public accountant that the Bank's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles. The Audit Committee also opines that the Bank has an appropriate and efficient internal control system, and properly follows all necessary rules and regulations imposed by the related regulators.

See the Report of the Audit Committee in Attachment 4.

10.2 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2008 on February 26, 2008, where all Audit Committee members and independent directors were present, the Board assessed the Bank's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Bank's internal control system is adequate based upon the assessment of five aspects: Organisational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 6.

10.3 Independent Auditor's Comment on Internal Control System

In year 2007, Ernst & Young Office Limited as independent auditor of the bank had no comments on the internal control system.

11. Related Party Transactions

During the year 2007, the Bank had a transaction with related company which its authorized director is the director of the Bank. However, this transaction is considered as a supporting normal business transaction with the size of the transaction less than 0.03% of net tangible assets of the Bank as of September 30, 2007 according to the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transaction. Nevertheless, in light of good corporate governance, such transaction was considered and approved by the Audit Committee and ratified by the Board of Directors.

11.1 Measures or procedures for approval of related party transactions

All transactions between related parties shall be done on the same basis and conditions as applied to external parties. Information will be disclosed in a transparent manner to satisfy the Bank's Good Governance rules and all related regulations.

11.2 Future related transaction policy

The Bank puts a strong emphasis on effective management under Good Governance, and therefore has no policy to encourage transactions between related parties. Should any such transactions occur, the conditions would be the same as in normal business transactions for the Bank and its subsidiaries.

12. Financial Status and Performance**12.1 Financial Statements****12.1.1 Auditor's Report***The Consolidated Financial Statements of the Bank and its Subsidiaries for the Year Ended December 31, 2005 and 2006*

The independent auditor for the Bank's financial statements and the Bank's and its subsidiaries' consolidated financial statements for the year ended December 31, 2005 and 2006 was Mr. Narong Puntawong, Certified Public Accountant (Thailand) No. 3315, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Bank and its subsidiaries, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

The Consolidated Financial Statements of the Bank and its Subsidiaries for the Year Ended December 31, 2006 and 2007

The independent auditor for the Bank's financial statements and the Bank's and its subsidiaries' consolidated financial statements for the year ended December 31, 2006 and 2007 was Mr. Narong Puntawong, Certified Public Accountant (Thailand) No. 3315, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Bank and its subsidiaries, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

12.1.2 Changes in Accounting Policies

In 2007, the Bank adopted new accounting standards as mandated by the Federation of Accounting Profession (FAP). The new accounting standards concerning:

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

TAS 45 (revised 2007) Investment in Associates

TAS 46 (revised 2007) Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after January 1, 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries, jointly controlled entities and associates in the separate financial statements in order to comply with above mentioned accounting standards. The effect from change in accounting standard is described in section 12.2.8.

Table Depicting the Consolidated Financial Statements of the Bank and its Subsidiaries

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES			
BALANCE SHEETS			
AS AT DECEMBER 31			
	Unit: Baht		
	2005	2006	2007
ASSETS			
CASH	203,952,651	210,224,762	439,899,137
INTERBANK AND MONEY MARKET ITEMS			
Domestic			
Interest bearing	338,991,696	201,922,475	249,079,891
Non-interest bearing	618,458,009	502,547,476	623,051,763
Foreign items			
Interest bearing	547,963,075	187,328,700	82,039,317
Non-interest bearing	-	132,436,705	95,983,409
Total Interbank and money market items – net	1,505,412,780	1,024,235,356	1,050,154,380
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	2,000,000,000	1,718,000,000	2,400,000,000
INVESTMENT IN SECURITIES			
Current investment – net	826,593,131	774,660,668	1,575,024,537
Long-term investment – net	4,378,779,842	3,618,540,549	4,205,541,687
Net investments	5,205,372,973	4,393,201,217	5,780,566,224
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	61,191,433	256,710,155	29,422,882
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Loans and receivable	63,948,411,845	74,641,231,101	86,420,407,816
Securities business receivable	1,275,269,335	667,250,225	1,405,656,785
Total loans and receivable	65,223,681,180	75,308,481,326	87,826,064,601
Accrued interest receivable	113,987,295	143,399,168	155,649,753
Total loans, receivable and accrued interest receivable	65,337,668,475	75,451,880,494	87,981,714,354
Less : Allowance for doubtful accounts	(3,181,001,341)	(2,771,223,476)	(2,805,418,008)
Less : Allowance for loss on debt restructuring	(303,731,217)	(22,403,970)	(538,175)
Net Loans, receivable and accrued interest receivable	61,852,935,917	72,658,253,048	85,175,758,171
PROPERTY FORECLOSED – net	1,206,694,763	1,042,803,295	1,042,318,525
LAND, PREMISES AND EQUIPMENT – Net	1,559,496,070	1,602,800,147	1,563,081,469
DEFERRED TAX ASSETS	682,854,387	655,771,653	426,542,297
OTHER ASSETS	1,004,850,554	1,219,421,878	1,045,353,206
TOTAL ASSETS	75,282,761,528	84,781,421,511	98,953,096,291

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31

	Unit: Baht		
	2005	2006	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS IN BAHT	34,450,801,235	40,567,860,158	35,714,173,953
INTERBANK AND MONEY MARKET ITEMS			
Domestic – interest bearing	6,415,252,821	2,156,981,126	5,852,187,820
LIABILITY PAYABLE ON DEMAND	247,287,192	477,515,807	475,067,616
BORROWINGS			
Short-term borrowings	12,322,795,836	25,720,283,810	32,744,785,052
Long-term borrowings	5,167,743,812	361,700,000	8,005,054,853
Total borrowings	17,490,539,648	26,081,983,810	40,749,839,905
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	566,490,815	365,137,963	576,524,037
SECURITIES BUSINESS PAYABLE	1,347,282,618	710,639,235	866,189,116
ACCRUED INTEREST PAYABLE	247,144,460	462,185,329	782,340,521
OTHER LIABILITIES	1,436,296,502	1,276,255,960	1,563,168,325
TOTAL LIABILITIES	62,201,095,291	72,098,559,388	86,579,491,293
SHAREHOLDERS' EQUITY			
Share capital			
Registered	11,002,000,000	11,002,000,000	11,002,000,000
Issued and paid up			
182,775,380 preferred shares of Baht 10 each	1,809,476,300	1,851,276,300	1,827,753,800
544,617,120 ordinary shares of Baht 10 each	5,410,201,200	5,412,771,200	5,446,171,200
Share premium			
Share premium of preference shares	43,128,630	73,190,950	84,925,420
Share premium of ordinary shares	36,500,000	36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	1,011,780,646	662,956,136	751,139,152
Translation adjustments	98,315,392	82,146,613	73,872,818
Retained earnings			
Appropriated – statutory reserve	344,800,000	422,100,000	486,800,000
Unappropriated	3,882,251,279	3,715,079,758	3,666,442,608
Equity attributable to Bank's shareholders	12,650,698,211	12,256,020,957	12,373,604,998
Minority interest - equity attributable to minority shareholders of subsidiaries	430,968,026	426,841,166	-
TOTAL SHAREHOLDERS' EQUITY	13,081,666,237	12,682,862,123	12,373,604,998
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	75,282,761,528	84,781,421,511	98,953,096,291

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER

	Unit: Baht		
	2005	2006	2007
INTEREST AND DIVIDEND INCOME			
Loans	589,703,186	943,334,215	1,044,299,001
Interbank and money market items	144,857,642	438,037,356	441,708,308
Hire purchase and financial lease income	3,544,059,627	4,068,351,456	5,173,014,718
Investments	288,778,023	255,587,949	285,165,468
Total interest and dividend income	4,567,398,478	5,705,310,976	6,944,187,495
INTEREST EXPENSES			
Deposit	1,049,806,386	2,344,239,878	2,195,247,918
Interbank and money market items	130,461,116	127,926,648	134,657,541
Short-term borrowings	70,391,099	295,086,990	858,962,585
Long-term borrowings	213,500,000	131,989,790	267,509,933
Total interest expenses	1,464,158,601	2,899,243,306	3,456,377,977
Net interest and dividend income	3,103,239,877	2,806,067,670	3,487,809,518
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS (BAD DEBT AND DOUBTFUL ACCOUNTS)	186,221,513	50,310,979	(695,066,913)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	3,289,461,390	2,856,378,649	2,792,742,605
NON-INTEREST INCOME			
Brokerage fees	621,950,517	648,525,326	627,339,484
Gain on investments	334,062,523	455,375,963	376,087,382
Gain on derivatives	-	-	22,143,500
Fees and service income			
Acceptances, aval and guarantees	2,250,197	6,620,546	10,203,762
Others	874,605,453	880,431,520	1,194,333,873
Gain on exchange	2,284,331	4,722,384	(1,572,285)
Other income	221,902,068	297,540,794	226,031,878
Total non-interest income	2,057,055,089	2,293,216,533	2,444,408,832
Total Net Income	5,346,516,479	5,149,595,182	5,237,151,437
NON-INTEREST EXPENSES			
Personnel expenses	1,205,427,967	1,216,248,371	1,487,382,356
Premises and equipment expenses	415,841,048	451,629,893	511,497,512
Taxes and duties	73,128,868	101,466,463	117,984,924
Fees and service expenses	588,622,501	728,456,160	360,703,187
Directors' remuneration	7,185,000	7,695,000	8,050,000
Other expenses	602,635,872	441,572,879	462,768,020
Total non-interest expenses	2,892,841,256	2,947,068,766	2,948,385,999
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST	2,453,675,223	2,202,526,416	2,288,765,438
CORPORATE INCOME TAX	(635,010,183)	(633,420,167)	(637,583,504)
EARNINGS BEFORE MINORITY INTEREST	1,818,665,040	1,569,106,249	1,651,181,934
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES	(27,815,796)	(23,573,140)	(70,484)
NET EARNINGS FOR THE YEAR	1,790,849,244	1,545,533,109	1,651,111,450
Diluted earnings per share	2.21	1.87	2.01

Remarks Change was made to statement of earnings for the year ended December 31, 2006 due to reclassification of non-interest income and non-interest expenses.

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER

	Unit: Baht		
	2005	2006	2007
Cash flows from operating activities			
Net earnings	1,790,849,244	1,545,533,109	1,651,111,450
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:-			
Minority interest in earnings of subsidiary company	27,815,796	23,573,140	70,484
Depreciation and amortisation	170,020,564	210,802,077	230,523,768
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts)	(94,434,943)	95,816,882	991,164,564
Unrealised loss (gain) on revaluation of investment	13,876,397	(5,797,556)	(13,973,134)
Allowance for impairment of property foreclosed (reversal)	(34,168,243)	(33,490,244)	9,055,388
Gain on disposal of investments	(347,938,920)	(449,578,736)	(368,592,309)
Unrealised loss on exchange rate	-	3,819,200	4,334,311
Unrealised gain from derivatives	-	-	(12,000,000)
Gain on disposal of equipment	(8,792,526)	(8,225,985)	(4,669,267)
Loss from written-off equipment	-	116,573	-
Unrealised loss on valuation of securities held for trading	-	-	312,809
Loss on disposal of property foreclosed	187,406,361	(71,018,230)	(9,162,537)
Decrease in deferred tax assets	176,754,079	182,799,738	141,213,278
Decrease (increase) in accrued interest and dividend receivable	8,489,950	(29,956,606)	(13,331,986)
Decrease (increase) in other receivable	(3,484,609)	5,099,493	(37,174,399)
Increase (decrease) in accrued interest payable	57,170,996	215,040,869	328,898,589
Increase (decrease) in accrued expenses	24,822,687	8,761,107	83,779,072
Earnings from operating activities before changes in operating assets and liabilities	1,968,386,833	1,693,294,831	2,981,560,081
Decrease (increase) in operating assets			
Interbank and money market items	13,896,978	477,358,224	(77,147,030)
Securities purchased under resale agreements	105,000,000	282,000,000	(682,000,000)
Investment in securities – held for trading	-	-	647
Trading transactions with securities companies	97,834,412	(195,518,722)	239,287,273
Loans and receivable	(9,796,797,459)	(12,414,384,742)	(15,395,219,857)
Securities business loans and receivable	(51,472,569)	608,019,110	(738,406,560)
Property foreclosed	832,148,188	1,182,745,079	1,531,579,373
Other assets	(111,558,588)	(244,356,916)	222,171,626

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED 31 DECEMBER

	Unit: Baht		
	2005	2006	2007
Increase (decrease) in operating liabilities			
Deposits	(4,837,001,084)	6,117,058,923	(4,853,686,205)
Interbank and money market items	2,107,985,901	(4,258,271,695)	3,946,613,745
Liabilities payable on demand	247,287,192	230,228,615	(2,448,191)
Short-term borrowings	10,504,256,177	8,591,444,162	11,596,223,512
Trading transactions with securities companies	435,495,884	(201,352,852)	211,386,074
Securities business payable	(34,965,896)	(636,643,383)	155,549,882
Other liabilities	(26,727,205)	(182,695,978)	284,790,778
Net cash flows from (used in) operating activities	1,453,768,764	1,048,946,656	(579,744,852)
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(9,970,851,702)	(1,434,251,692)	(12,256,561,803)
Cash received from disposal of investment in securities held for investment	10,011,616,371	2,209,231,397	11,244,424,257
Cash paid for purchase of property, plant and equipment	(237,502,454)	(208,584,734)	(161,128,723)
Cash received from disposal of equipment	17,448,612	10,038,337	5,288,486
Cash received from capital return from a subsidiary	-	-	512,461,232
Net cash flows from (used in) investing activities	(179,289,173)	576,433,308	(655,516,551)
Cash flows from financing activities			
Dividend paid	(1,147,827,330)	(1,663,104,630)	(1,633,234,980)
Cash paid for redemption of long-term debenture and debt instrument			(48,000,000,000)
Cash received from issue of long-term debenture and debt instrument			7,884,832,583
Cash received from exchange of warrants to purchase preference shares	59,289,680	74,432,320	21,611,970
Net cash flows from (used in) financing activities	(1,088,537,650)	(1,588,672,310)	1,473,209,573
Translation adjustment	14,244,764	(30,413,543)	(8,273,795)
Net increase in cash and cash equivalents	200,186,705	6,272,111	229,674,375
Cash and cash equivalents at beginning of the year	3,765,946	203,952,651	210,224,762
Cash and cash equivalents at the end of the year	203,952,651	210,224,762	439,899,137

12.1.3 Important Financial Ratios

		2005	2006	2007
Profitability Ratio				
Gross Profit Margin	(%)	66.2	49.9	56.5
Net Profit Margin	(%)	33.5	30.0	31.5
Return on Average Shareholders' Equity	(%)	14.0	12.0	13.2
Interest Income Ratio	(%)	6.7	7.5	7.9
Interest Expense Ratio	(%)	2.7	4.6	4.6
Interest Spread	(%)	4.0	2.9	3.4
Return on Investment	(%)	12.0	14.8	13.0
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.4	3.5	3.8
Return on Average Assets	(%)	2.5	1.9	1.8
Total Asset Turnover	(times)	0.1	0.1	0.1
Financial Ratio				
Debt to Equity Ratio	(times)	4.8	5.7	7.0
Total Loans to Total Borrowing and Deposits	(%)	122.5	111.2	112.3
Total Loans to Public Borrowing	(%)	185.6	184.0	242.0
Public Borrowing to Total Liabilities	(%)	55.4	56.3	41.3
Dividend Payout Ratio	(%)	91.3	105.7	n.a.
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	5.3	3.7	3.2
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	1.0	0.7	0.7
Non-accrued loans ¹ to Total loans	(%)	4.1	3.8	3.9
Loan loss provision to Non-performing loans	(%)	119.6	81.0	74.8
Accrued Interest Receivable to Total Loans	(%)	0.2	0.2	0.2
Other Ratios				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.02	0.01	0.02
Capital funds to Risk Weighted Asset (BIS)	(%)	15.9	13.4	11.9
Net Capital Rule (TISCO Securities)	(%)	103.0	181.2	108.4

¹ according to the Bank of Thailand's definition

12.2 Explanation and Analysis of Financial Status and Performance

Movement of Money Market and Capital Market in 2006

In 2007, Bank of Thailand (BoT) changed policy rate from Repo 14-days to Repo 1-day. In the first half of 2007, BoT consecutively lowered its policy rate from 4.9375% at the end of 2006 to 4.00% at the end of the second quarter and further lowered the rate twice in the second half, ending at 3.25%. The policy rate cut was aimed to alleviate strong Baht appreciation arising from foreign capital inflow, and help stimulate domestic economy. Consequently, average 1-year fixed deposit rates of commercial banks continuously declined in the first half of 2007 from 4.35% in December 2007 to 2.41% in June 2007 and slightly increased during the second half, ending at 2.50% in the fourth quarter of 2007.

In 2007, the SET index improved by 178.26 points from December 2006, closed at 858.10 in December 2007 mainly resulted from improved political climate with general election taking place during year end. Despite Thai capital market was affected by sub prime crisis in U.S., the increase of trading volume from foreign investor and improvement in overall capital market have contributed to the improvement of SET index. The average daily turnover in 2007 was 17,097.05 million Baht, increased by 816.14 million Baht.

The Management Discussion and Analysis compares operating performance and financial position of the year 2007 with those of the year 2006.

12.2.1 Operating Results for the Year 2007

In 2007, the Bank and its subsidiaries recorded net profit of 1,651.11 million Baht, increased by 105.58 million Baht (6.8% YoY) mainly from continuous growth in core businesses especially hire-purchase business together with improvement in loan spread. Loan spread strongly increased from 3.1% to 3.5% YoY as the Bank managed to maintain loan yield by increasing used-car portion in hire-purchase portfolio from the second quarter onwards. Meanwhile, cost of fund declined following declining market interest rates.

Non-interest income increased by 6.6% YoY following continuous business expansion in most areas including bancassurance business while asset management business was very successful in terms of growth of asset under management and higher management fee. Additionally, investment banking business recorded strong growth since the second quarter of 2007 mainly due to realignment of business strategy in coping with change in capital market environment.

Diluted earnings per share in 2007 was 2.01 Baht, increased from 1.87 Baht in 2006. Average return on equity (ROAE) was 13.18% compared with 12.00% at the end of 2006.

(1) Consolidated Revenue Structure

The Bank and its subsidiaries' consolidated revenue structure in 2007 and 2006 is illustrated in Table1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2006		2007		Change
	Amount (Bt. Million)	%	Amount (Bt. million)	%	% YoY
Interest and dividend income					
Interest on loans	943.33	18.5	1,044.30	17.6	10.7
Interest on interbank and money market items.	438.04	8.6	441.71	7.4	0.8
Hire purchase and financial lease income	4,068.35	79.8	5,173.01	87.2	27.2
Investments	255.59	5.0	285.17	4.8	11.6
Total interest and dividend income	5,705.31	111.9	6,944.19	117.1	21.7
Interest expenses	(2,899.24)	(56.9)	(3,456.38)	(58.3)	19.2
Net interest and dividend income	2,806.07	55.0	3,487.81	58.8	24.3
Non-interest income	0.00	0.0	0.00	0.0	0.0
Brokerage Fees	648.53	12.7	627.34	10.6	(3.3)
Gain on securities	455.38	8.9	398.23	6.7	(12.5)
Fees and services income	887.05	17.4	1,194.33	20.1	34.6
Others	302.26	5.9	224.50	3.8	(25.7)
Total non-interest income	2,293.22	45.0	2,444.41	41.2	6.6
Total income before bad debts and doubtful accounts	5,099.28	100.0	5,932.22	100.0	16.3
Bad debt and doubtful accounts	(548.99)		(719.25)		
Bad debt written back revenue	599.30		24.19		
Total income – net of bad debts and doubtful accounts	5,149.60		5,237.15		
Non-interest expenses	(2,947.07)		2,948.39		
Profit before income tax and minority interest	2,202.53		2,288.77		
Corporate income tax	(633.42)		(637.58)		
Minority interest in net earnings in subsidiary company	(23.57)		(0.07)		
Net Profit	1,545.53		1,651.11		

(2) Net Interest and Dividend Income

Net interest and dividend income in 2007 was 3,487.81 million Baht, increased by 681.74 million Baht (24.3%YoY), interest and dividend income was 6,944.19 million Baht, increased by 1,238.88 million Baht (21.7% YoY) mainly due to strong expansion in hire purchase business. In 2007, the Bank has changed its accounting method for recognition of initial commissions and direct expenses in hire purchase business (referred to supplemental explanation on changing significant accounting policies, page 8). By excluding the effect of changes in accounting policy, interest and dividend income would otherwise be 7,080.15 million Baht, increased by 1,374.84 million Baht (24.1% YoY). Meanwhile, interest expenses increased by 557.13 million Baht (19.2% YoY) in line with continuous growth in loan portfolio.

Loan spread strongly improved from 3.1% to 3.5% YoY. By excluding the effect of change in accounting policy, loan spread would otherwise increase from 3.1% to 3.7% YoY. The improvement in loan spread was mainly resulted from decline in funding cost following declining market interest rates, while loan yield was well-maintained at high level with higher used-car portion in loan portfolio.

Table 2: Interest spread

%	2006	2007
Yield on Loans	7.5	7.6
Cost of fund	4.4	4.1
Loan spread	3.1	3.5

(3) Non-interest Income

Non-interest income for 2007 was 2,444.41 million Baht, increased by 151.19 million Baht (6.6%YoY), mainly as a result of an increase in fee and service income. Fee and service income totaled 1,194.33 million Baht, increased by 307.28 million Baht (34.6% YoY) mainly contributed by the higher volume in banking business, higher commission fee from bancassurance business, as well as higher contribution from asset management business following strong growth in asset under management and exceptional equity fund performance.

(4) Non-interest Expenses

Non-interest expenses for 2007 were 2,948.39 million Baht, slightly increased by 1.32 million Baht. The key elements were:

- Personnel expense was 1,487.38 million Baht; increased by 271.13 million Baht (22.3% YoY) in line with branch network expansion and increase in sales and services coverage.
- Premises and equipment expenses was 511.50 million Baht, increased by 59.87 million Baht (13.3% YoY) mainly from the investment in new branches and system infrastructure in supporting increased business volume and services coverage.

(5) Bad Debt and Doubtful Accounts

In 2007, the Bank and its subsidiaries recorded net bad debts and doubtful accounts totaling 695.07 million Baht compared to reversal of net bad debts and doubtful accounts amounting 50.31 million in 2006. Also, there was accounting reclassification of net bad debts and doubtful accounts which were previously booked as other income and other expense amounting 3.14 million Baht and 148.31 million Baht respectively (For 2006, the amounts were 2.50 million Baht and 169.04 million Baht respectively) In addition, the Bank and its subsidiaries recorded net bad debt written back revenue amounting 24.19 million Baht in 2007 compared to 599.30 million Baht in 2006.

(6) Corporate Income Tax

In 2007, the corporate income tax was 637.58 million Baht, equivalent to the effective tax rate of 27.9%, compared with effective tax rate of 28.8% in 2006.

12.2.2 Financial Position

(1) Assets

The Bank and its subsidiaries' total assets as of December 31, 2007 were 98,953.10 million Baht, increased by 14,171.67 million Baht (16.7% YoY). The increase was mainly resulted from strong hire purchase loan growth. Investment was 5,780.57 million Baht, increased by 1,387.37 million Baht (31.6% YoY), mainly due to improvement in market pricing. Moreover, the transfer of hire purchase portfolio from subsidiary company in the first quarter of 2007 amounting 601.45 million Baht was also recorded as investment according to the accounting standard.

Table 3: Assets Breakdown

Assets	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	210.22	0.2	439.90	0.4	109.3
Interbank and Money Market Items	1,024.24	1.2	1,050.15	1.1	2.5
Securities purchased under resale agreements	1,718.00	2.0	2,400.00	2.4	39.7
Fixed income	1,168.58	1.4	1,390.83	1.4	19.0
Equity	3,224.62	3.8	4,389.73	4.4	36.1
Corporate Loans	14,573.64	17.2	15,616.55	15.8	7.2
Retail Loans	56,249.53	66.3	66,572.29	67.3	18.4
Other Loans	3,818.06	4.5	4,231.56	4.3	10.8
Allowance for doubtful accounts and for loss on debt restructuring	(2,793.63)	(3.3)	(2,805.96)	(2.8)	0.4
Other Assets	5,588.16	6.6	5,668.02	5.7	1.4
Total – The Bank and Subsidiaries	84,781.42	100.0	98,953.09	100.0	16.7

(a) Investments

At the end of 2007, total investment in securities totaled 5,780.56 million Baht, increased 31.6% from the end of 2006. Investment in equity increased by 36.1% to 4,389.73 million Baht, due to an increase in investment at proper market timing to replace realized investment in the previous year. The investment in debt instrument also increased 19.0% to 1,390.83 million Baht owing to an increase of investment in short-term debt instruments.

(b) Loans and Receivables Breakdown

Total loans and receivables as of December 31, 2007 were 86,420.41 million Baht, an increase of 15.8% YoY due to a continuous increase of hire purchase loan since the second quarter of 2006. From this, retail lending was accounted to 77.0%, while commercial lending and other loans were 18.1% and 4.9% of loan portfolio. In addition, loans and receivables breakdown is displayed in the following table.

Table 4: Loans and Receivables Breakdown

Type of Business	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	7,329.45	9.8	7,821.51	9.1	6.7
Real estate and construction	4,808.79	6.4	5,041.33	5.8	4.8
Public utilities and services	2,337.48	3.1	2,648.16	3.1	13.3
Agriculture and mining	97.91	0.1	105.55	0.1	7.8
Commercial Lending	14,573.64	19.5	15,616.55	18.1	7.2
Hire purchase	54,244.65	72.7	64,684.40	74.8	19.2
Housing	2,004.88	2.7	1,887.89	2.2	(5.8)
Retail Lending	56,249.53	75.4	66,572.29	77.0	18.4
Others	3,818.06	5.1	4,231.56	4.9	10.8
Total – The Bank and Subsidiaries	74,641.23	100.0	86,420.41	100.0	15.8

Loans categorized by contractual maturity periods was mentioned in Note to financial statement 3.6.2

(c) Non-performing Loans

As of December 31, 2007, non-performing loans (NPLs) to total loans ratio was 4.3% decreased from 4.6% at the end of previous year. Meanwhile, the NPL to total retail loans and NPL to total commercial loans were 2.5% and 7.6% respectively. NPLs of the Bank and its subsidiaries were 3,751.41 million Baht (contained Bank's NPLs of 3,231.52 million Baht and subsidiaries' NPLs of 519.88 million Baht), increased by 302.14 million Baht (8.8%YoY), which was considered relatively low compared to loan growth.

Table 5: NPLs Breakdown by Area

Type of Business	December 31, 2006			December 31, 2007			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	5.8	423.46	12.3	5.6	435.13	11.6	2.8
Real estate and construction	16.9	813.06	23.6	14.2	717.70	19.1	(11.7)
Public utilities and services	0.5	12.62	0.4	1.2	32.33	0.9	156.2
Agriculture and mining	0.9	0.86	0.0	0.3	0.35	0.0	(59.2)
Commercial Lending	8.6	1,250.00	36.2	7.6	1,185.51	31.6	(5.2)
Hire purchase	1.8	997.96	28.9	2.2	1,413.36	37.7	41.6
Housing	13.1	263.31	7.6	12.1	229.07	6.1	(13.0)
Retail Lending	2.2	1,261.27	36.6	2.5	1,642.43	43.8	30.2
Others	20.9	938.01	27.2	16.4	923.46	24.6	(1.6)
Total – The Bank and Subsidiaries	4.6	3,449.27	100.0	4.3	3,751.41	100.0	8.8

(d) Allowance for Doubtful Accounts and Losses on Debt Restructuring

The Bank and its subsidiaries' allowance for doubtful accounts and revaluation allowance for debt restructured totaled 2,805.96 million Baht, and the ratio of the allowance to NPLs was 74.8%. The Bank's allowance was 2,465.46 million Baht, consisting of specific reserve of 2,243.01 million Baht and general reserve of 222.45 million Baht. The Bank's allowance was higher than the minimum requirement of the Bank of Thailand, which was 2,085.20 million Baht. This followed a conservative provisioning policy aimed to protect the Bank from potential risks from business operations. Moreover, the Bank and its subsidiaries had set aside excess provisions to fully cover the effect from the BoT new rules and regulations since the fourth quarter of 2006. However, the specific reserve was completely set following the new rules and regulations on the second quarter of 2007 which was ahead of the BoT's requirement for fully compliance by December 2007.

(e) Foreclosed Properties

Net foreclosed property as of December 31, 2007 slightly decreased to 1,042.32 million Baht as a result of change in foreclosed properties mix.

(2) Liabilities

Total liabilities as of December 31, 2007 were 86,579.49 million Baht, increased by 14,480.93 million Baht (20.1% YoY) mainly driven by an increase in borrowings to support strong expansion in loan portfolio. In the second quarter, the Bank issued long term debentures in order to replace debenture maturing in the second half with lower interest rate. Specifically, these long term debentures, namely 3-year long term debenture amounting 3,000.00 million Baht with interest rate of 3.75%, and 5-year long-term debenture amounting 1,000.00 million Baht, with interest rate of 4.04%, were issued to replace long-term and short-term debentures amounting 4,800.00 million Baht with average interest rate of 4.36%, which were matured during the second half of 2007.

Table 6: Liabilities Breakdown by Area

Type of Borrowings	December 31, 2006		December 31, 2007		%
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits and short-term borrowings	66,288.14	91.9	68,458.96	79.1	3.3
Interbank and money market items	2,156.98	3.0	5,852.19	6.8	171.3
Long-term borrowings	361.70	0.5	8,005.05	9.2	2,113.2
Others	3,291.73	4.6	4,263.29	4.9	29.5
Total – The Bank and Subsidiaries	72,098.56	100.0	86,579.49	100.0	20.1

(3) Shareholders' Equity

Shareholder's equity and unappropriated retained earnings as of December 31, 2007 were 12,373.60 million Baht and 3,666.44 million Baht, respectively, decreased by 309.26 million Baht (2.4% YoY) and 48.64 million Baht (1.3% YoY) respectively. In 2007, shareholder's equity was increased by previous year net profit of 1,545.53 million Baht, and decreased by dividend payment in the second quarter amounting 1,633.23 million Baht. Book value per share (BVPS) as of December 31, 2007 amounting 17.01 Baht, decreased from 17.46 Baht as at December 31, 2006.

(4) Commitments and contingent liabilities

The Bank's commitments and contingent liabilities included Avals, Guarantees of loans, and other obligations in 2007 and 2006 amounted to 3,501.17 million Baht and 6,194.32 million Baht, respectively. A decrease was mainly arisen from a decrease in other guarantees. The detail of commitments and contingent liabilities was demonstrated in Note to financial statement 3.30.

12.2.3 Business Segment Performances**(1) Banking Business****Loans**

Total consolidated loans and receivables were 86,420.41 million Baht, up by 11,779.18 million Baht (15.8% YoY), mainly contributed by the resumption of aggressive growth in hire purchase business since the second quarter of 2006.

The composition of loan portfolio was 18.1% of corporate loans, 77.0% of retail loans, and 4.9% of other loans.

Corporate lending portfolio of the Bank and its subsidiaries totaled 15,616.55 million Baht, up by 1,042.91 million Baht (7.2% YoY), mainly due to an increase in loans to public utilities and services, real estate and construction industry, and manufacturing and commerce.

Retail lending portfolio consisted of 97.2% of car, motorcycle, and other hire purchase and 2.8% of mortgage loans. The outstanding hire purchase loans equaled 64,684.40 million Baht, rose by 10,439.76 million Baht (19.2% YoY). Car hire purchase new business volume amounted 37,016.81 million Baht, increased by 6,579.53 million Baht (21.6% YoY). The domestic car sales in 2007 reported at 631,243 units lowered from 682,693 units in 2006 (7.5% YoY), resulting in higher new car penetration rate from 7.7% to 9.4%.

Deposit and Short-Term Borrowings

Total deposit and short-term borrowings totaled 68,458.96 million Baht, increased by 2,170.82 million Baht (3.3% YoY). The portion of saving accounts and current accounts contributed to 6.2% of total deposits and short-term borrowings, increased from 4.3% as of December 31, 2006. The expansion of the saving accounts and current accounts was resulted from the Bank's success in launching of special-rate saving accounts and current accounts via variety of products. In the first quarter of 2007, the Bank signed agreement with Thailand Post Co., Ltd. in providing alternative deposit and payment channels at post office branches nationwide.

Table 7: Deposits Structure

Type of Deposits	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	1,389.98	2.1	2,089.34	3.1	50.3
Saving accounts	1,464.16	2.2	2,157.76	3.2	47.4
Fixed accounts	32,194.22	48.6	28,089.72	41.0	(12.7)
Negotiate certificate deposit	547.10	0.8	994.30	1.5	81.7
Promissory notes and Bill of exchange	4,972.40	7.5	2,383.05	3.5	(52.1)
Total deposits	40,567.86	61.2	35,714.17	52.2	(12.0)
Short-term borrowings	25,720.28	38.8	32,744.79	47.8	27.3
Total	66,288.14	100.0	68,458.96	100.0	3.3

The loans to deposits and short-term borrowings ratio increased from 112.6% to 126.2% following increased funding activities in supporting strong loan growth.

(2) Securities Business

At the end of year 2007, the SET index ended at 858.10 points, increased from 679.84 points at the end of previous year, with average daily turnover of 17,097.05 million Baht, compared to 16,280.91 million Baht in year 2006. The improvement of SET index was due to improvement in investor confidence toward clearer political climates.

In 2007, daily average turnover of TISCO Securities Co., Ltd. remained at previous year level at 1,049.24 million Baht with average market share of 3.03%, while brokerage commission income slightly decreased from 648.53 million Baht to 627.34 million Baht. Meanwhile, TISCO brokerage volume comprised of 34.9% of foreign institutions, 26.5% of domestic institutions, and 38.6% of retail customers.

Furthermore, in October 2007, TISCO Securities Co., Ltd. and Sacombank Securities Co., Ltd., a leading financial advisory firm in Vietnam, became business partners in expanding opportunities of investment banking business in Vietnam. This partnership was the first cooperation between two leading Thai and Vietnamese securities firms after the signing of a cooperative agreement between the Stock Exchange of Thailand (SET) and the Ho Chi Minh Stock Exchange (HOSE) on September 10, 2007.

Fee income from investment banking business continuously improved since the second quarter after realigning business strategy to cope with changing capital market situation. Investment banking fee significantly increased from 8.72 million Baht to 36.84 million Baht mainly from underwriting of debentures (4 companies) and equities (2 companies) including debentures of Thai Airway International Plc. amounting 500.00 million Baht, debentures of Supalai Plc. amounting 1,000.00 million Baht, and shares of Major Development Plc. amounting 940.00 million Baht.

(3) Asset Management Business

The total asset under management of TISCO Asset Management Co., Ltd. was 107,713.31 million Baht, increased by 22,976.54 million Baht (27.1% YoY). The composition of total asset under management was 58.2% of provident fund, 28.2% of private fund, and 13.6% of mutual fund. In 2007, TISCO Asset Management Co., Ltd. was re-appointed by the Government Pension Fund for the third time to manage both equity and fixed-income funds. Also, it was appointed to manage provident fund of the Bank of Thailand, provident fund of the Securities and Exchange Commission, and provident fund of the Stock Exchange of Thailand. In 2007, TISCO Asset Management Co., Ltd. was a market leader in foreign investment fund (FIF) by being the pioneer in launching FIF invested in country with high rate of return, including Japan, China, India, UK and Australia.

The fee from asset management totaled 453.73 million Baht, increased by 160.52 million Baht (54.7% YoY), owing to strong growth in asset under management and superior fund performance especially equity funds. In addition, TISCO Asset Management Co., Ltd. earned additional fee income for exceptional fund performance in provident fund business.

Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2007 was 4.8%, ranking 8th in the market. The market share of provident fund and private fund was 14.2% and 17.3%, ranking 2nd in the market for both fund types. For mutual fund, the market share was 0.9%, ranking 17th in the market.

Table 8: Assets under Management Breakdown by Type of Fund

Type of Fund	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	53,016.04	62.6	62,702.81	58.2	18.3
Private Fund	24,392.49	28.8	30,416.85	28.2	24.7
Mutual Fund	7,328.23	8.6	14,593.65	13.5	99.1
Total	84,736.77	100.0	107,713.31	100.0	27.1

12.2.4 Liquidity

As of December 31, 2007, the Bank and its subsidiaries' cash was 439.90 million Baht, an increase of 229.67 million Baht. This was mainly comprised of 1,473.21 million Baht in net cash flows from financing activities mainly arose from an issue of long term debenture and debt instrument. On the other hand, there was net cash flows from used in operating activities and investing activities of 579.74 million Baht and 655.52 million Baht respectively. In addition, an increase from net cash flows used investing activities contributed mainly by an increase in purchase of investment in securities held for instrument according to market timing.

12.2.5 Sources and Uses of Funds

As the end of 2007, the funding structure as shown in the consolidated financial statement comprised of 86,579.49 million Baht in liabilities and 12,373.60 million Baht in shareholders' equity, resulting in a debt-to-equity ratio of 7.0. The major source of funds on liabilities side was deposits, which accounted for 41.3% of total source of funds. Other sources of funds included interbank and money market items and borrowing, accounted for 6.8% and 47.1% of total, respectively.

As of December 31, 2007, the Bank and its subsidiaries major use of funds was loans, amounting 86,420.41 million Baht, resulting in a loan-to-deposit ratio of 212.0%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

More details of deposits and loans appear in Part 2, Section 1 : Risk Factors, 1.3 Liquidity Risk.

12.2.6 Capital Requirements

As of December 31, 2007, the capital base was 12,373.60 million Baht, declined by 2.4% comparing with the estimated capital at risk of 7,689.91 million Baht, increased by 18.9%, due to normal business expansion during the year. Capital surplus remained high at 37.9% of total capital adjusted by excess loan loss reserve, reflecting a continuously strong capital position to support future business expansion. The regulatory capital adequacy ratio (BIS ratio) remained at 11.9%, with a tier-I capital ratio of 11.6%, higher than the minimum requirement of the Bank of Thailand at 8.5% and at 4.3% respectively. The net capital ratio (NCR) of TISCO

Securities Co., Ltd. stood at 108.4% comparing with the minimum of 7.0% required by the SEC. Details of the capital adequacy ratio of the Bank are as follows:

Table 9: Capital Adequacy Ratio

Capital Adequacy Ratio	December 31, 2006	December 31, 2007
Tier-I Capital	12.73	11.58
Total Capital	13.42	11.94

Table 10: Average Duration Mismatch of Assets and Liabilities and Its Impact

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase	
	2006	2007	2006	2007
	Assets	1.30	1.41	279.82
Liabilities	0.40	0.49	(431.05)	(563.07)
Net Gap	0.90	0.92	(151.23)	(250.79)

12.2.7 Auditor's Fee**(1) Audit Fee**

The Bank and subsidiaries paid the audit fee for the year 2007 of 6,593,419 Baht to Ernst & Young Office Limited.

(2) Non-audit Fee

The Bank and TISCO Securities Hong Kong Ltd. paid non-audit fees in 2007 amounted to 419,179 Baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand and for taxation service.

12.2.8 Credit Rating

In 2007, TISCO Bank PLC has been rated by 2 leading credit rating agencies.

(1) TRIS Rating Co., Ltd.

On November 9, 2007, TRIS Rating has affirmed the company rating of TISCO Bank PLC and the ratings of all TISCO's senior debentures at "A" with a "stable" outlook.

The ratings reflect TISCO's capable management team, well-diversified sources of income, good asset quality, a strong market position in auto hire purchase lending, and ability to sustain profitability. The ratings also take into account TISCO's higher financial liquidity and flexibility, and long-term opportunities in banking business. Additionally, TISCO's good risk management system will help mitigate future downside risks from the uncertain economic and business environment. Details of credit ratings by TRIS Rating are shown in the following table.

Credit Rating	Credit Rating Announcement Date		
	December 9, 2005	December 27, 2006	November 9, 2007
Company Rating Issue Ratings (Senior debentures ratings)	A	A	A
TSCO077A: Bt 2,000 million senior debentures due 2007	A	A	/ ¹
TSCO077B: Bt 1,000 million senior debentures due 2007	A	A	/ ¹
TSCO070A: Bt 1,800 million senior debentures due 2007	A	A	/ ¹
TSCO105A: Bt 3,000 million senior debentures due 2010 ²	-	-	A
TSCO125A: Bt 1,000 million senior debentures due 2012 ²	-	-	A
Rating outlook	Stable	Stable	Stable

¹ Matured in 2007

² Issued in 2007

(2) Fitch Ratings (Thailand) Ltd.

On March 20, 2007, Fitch Ratings (Thailand) has affirmed TISCO Bank PLC National ratings at Long-term 'A(thai)' with a Stable Outlook and National Short-term rating at 'F1(thai)'.

The ratings reflect TISCO's strong asset quality, capital and profitability, as well as, its conservative management track record. Details of Credit Rating by Fitch Ratings are shown in the following table.

Credit Rating (unsolicited rating)	Credit Rating Announcement Date		
	June 28, 2005	July 17, 2006	March 20, 2007
Long - Term National Rating	A (thai)	A (thai)	A (thai)
Short - Term National Rating	F1 (thai)	F1 (thai)	F1 (thai)
Rating Outlook	Stable	Stable	Stable

12.2.8 Supplemental explanation on changing significant accounting policies

1. Investment in subsidiaries

The company would like to report on the effect of the change in accounting for investment in subsidiary as follows:

In the three-month period ended March 31, 2007, the company changed its accounting policy regarding investment in a subsidiary so that the separate financial statement, which formerly reported investment using the equity method, now reports using the cost method. This is to comply with TAS 44. Thus the company restated its financial statement by using the historical cost as the cost of the investment in a subsidiary of the separate financial statement. This adjustment caused the net income on the separate financial statement to differ from the reported in the consolidated financial statement. The company had net income of 1,651.11 million Baht for the year ended December 31, 2007, according to the consolidated financial statement. However, the separate financial statement over the same period showed a net income of December 1,292.90 million Baht with the additional information as follows:

1. Net income for the year ended December 31, 2007 and December 31, 2006 decreased by 358.21 million Baht and 432.12 million Baht (That is, decreased by 0.49 Baht per share and 0.59 Baht per share) respectively, since the separate financial statement did not include any share of profits from investment.

2. The separate balance sheet for the quarter ended December 31, 2007 showed an investment in subsidiary decreased by 736.10 million Baht and the retained earnings increased by 50.69 million Baht. The cumulative effect of the accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiaries in the separate financial statements" in the statement of changes in shareholders' equity.

The change of accounting policy did not have any effect on the consolidated financial statements or business fundamentals.

2. Commissions and direct expenses of the hire purchase business

The Bank has changed its accounting method for recognition of initial commissions and direct expenses arising in respect of hire purchase contracts originating from 1 January 2007, from recording them as fee and service expenses when they occur to amortizing them by the effective interest rate method, and deducting them from interest income over the installment period. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract. The effects to the financial statements are summarized as follows;

1. Profit and loss statement states the decrease in hire purchase and financial lease income and fees and service expenses, equivalent to the amount of realized commissions and direct expenses.
2. Balance sheet states the increase in loans and receivable, equivalent to deferred commissions and direct expenses

However, the change does not apply to financial statements of 2007 for comparison purpose.

13. Others

13.1 Corporate Social Responsibility

TISCO places great importance on its corporate commitment to social responsibility as one of the group's core values. Not only are the group's Corporate Social Responsibility ("CSR") projects and activities focused on the sustainable development of the nation's people, culture and environment, they are supported by the active participation of TISCO employees. Working groups for specific projects have been set up to maintain continuity in the activities and to evaluate whether the project's desired outcome has been attained.

TISCO's focus on corporate social responsibility takes into account all stakeholder groups, including shareholders, customers, employees and society. Guided by its code of ethical conduct and the principles of good corporate governance, TISCO strives to achieve the goals of social responsibility and environmental conservation which leads to sustainable development would not be possible. The key considerations for behaving in a socially responsible manner that have been the foundation of TISCO's practices for almost 40 years are as follows:

1. Business ethics
2. Continuous implementation derived from organizational culture
3. Beginning within the organization, then expanding to external society
4. Recognizing the importance of the environment

13.2 General Policy on Social Responsibility

TISCO realizes that success in business is not measured solely by profitability or performance growth, but also by good corporate citizenship, business ethics, involvement in community development and helping underprivileged people to be self-reliant and independent. The Bank recognizes that building a society with a solid foundation is a critical factor for sustainable development, and therefore conducts its business responsibly.

In addition to its focus on business ethics and good corporate governance through internal controls, compliance and risk management policies closely monitored by management, the board of directors encourages the company to initiate and participate in social development programs, which are followed up on through reports at the board's meeting annually. The board also encourages TISCO's local branches to participate in community development activities, all of which are undertaken as long-term projects and closely monitored from year to year.

TISCO Bank is thoroughly committed to maintaining high standards of corporate governance. It is the Bank's policy to ensure that the rights and interests of all stakeholders are well protected (see more details in Part 2 Section 9.5 Corporate Governance). The board carefully considers the various stakeholders' legal rights, and ensures that those rights are protected and treated with care. Co-operation between the Bank and all stakeholders is promoted in order to secure profits and business stability.

Shareholders TISCO Bank respects the ownership rights of shareholders. To protect their interests, the Bank is committed to achieving the best performance possible in order to offer maximum shareholder value, as well as quality service that takes into account an ever-expanding scope of opportunities for future achievement. The shareholders are empowered to exercise their rights, for example, through the implementation of cumulative voting that allows minority shareholders to nominate directors (see more details in Part 2, Section 9.5 Corporate Governance, 2. Shareholders: Rights and Equitable Treatment).

Customers TISCO Bank has embraced the policy of continuous development with the aim of becoming a fully-customer centric organization. To maximize client value, three business areas serving all key clients have been identified, comprising Retail and SME Banking, Private Clients and Asset Management, and Corporate and Investment Banking.

TISCO Group's financial products and services do not inflict negative consequences on society. TISCO Bank does not provide personal loans or credit card service, which may result in overspending and huge debts. The products and services of TISCO Bank are mainly offered in the form of consumer loans and related financial services, in response to customer demand for housing, vehicles, and cash flow for business operations. TISCO Bank also provides savings and investment products to boost long term savings and prudent investment under the advisory services of well trained investment consultants and marketing officers, and offers monthly seminars for customers seeking a better understanding of financial services.

Furthermore, to provide the best financial services, the Bank requires that its employees follow the guidelines set out in its "Know Your Customers" measures and under the "Customer Due Diligence" policy, bank employees must ensure that the services granted by TISCO are given at an appropriate risk level for each customer. This policy also requires that projects financed by the Bank operate in compliance with environmental regulations and do not create any adverse effects for the community and environment. In

2007, TISCO Bank launched a new product called "TISCO Direct", a paperless, fast track service requiring only one card as identification for in-person transactions, eliminating the need to fill in transaction forms. To promote the use of a more economical, cleaner burning fuel, the Bank launched an "NGV loan" program for transportation and logistics businesses seeking to install Natural Gas for Vehicles (NGV) engine modifications in their fleets.

Trading partners and Creditors Any conditions within the agreement made with trading partners and creditors will be served honorably by the Bank. The Bank refrains from accepting or giving any benefits in bad faith from trading partners and creditors.

Competitors The Bank executes its business under the principles of fair competition and integrity.

Employees The Bank recognizes and values the dedication and commitment of staff in carrying out their duties. As an organization built on the solid foundation of good corporate governance, the Bank's goal is to equip employees with the education and training they need to serve customers with the highest standards of professionalism. To ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all may enjoy the fruits of the Bank's success. As proof that all employees are treated fairly and equitably, the Bank has traditionally enjoyed a low staff turnover rate. In 2007, TISCO Group's employee turnover rate was 12.58%, compared to 15-16% turnover rate of banking industry.

Furthermore, the Bank places a high value on education and learning as an important part of its corporate culture. As such, training and development activities are therefore aligned with corporate goals and policy directives. While every employee is responsible for their own career path development, the Bank encourages them to express their goals and expectations through the performance management system and equips them with appropriate tools. The Bank also invests in human resources development to improve employee potential, thus enabling them to meet the highest requirements of professional ethics (See more details in Part 2, Section 9.8 Human Resources).

The Bank's policies and objectives are delivered through continuous training and development programs as follows:

1. Specific Knowledge and Skills Training, which requires business units to plan staff development activities according to specific requirements.
2. Basic Training Courses designed to align employee knowledge and understanding with the requirements of their functions.
3. Strategic Policy Training

In 2007, TISCO Bank and its subsidiaries placed great emphasis on establishing an organizational culture in pursuit of continuous development. The Bank implemented 254 training sessions totaling 2,924 hours, and 101 internal and 153 external development programs, each totaling 623 hours and 2,301 hours respectively.

Society The Bank recognizes its responsibility for taking a leading role in making society a better place. Therefore, the Bank exercises this responsibility through a broad array of initiatives aimed at creating opportunities for sustainable development. TISCO's charitable works include scholarships for needy students and donations to support worthy causes. The Bank also extends its support to cultural and environmental activities.

Environment The Bank consistently supports activities aimed at conserving both internal and external resources and the environment. The Bank strives to cultivate the values of social responsibility and environmental awareness among all employees.

The Bank's policy for protecting the rights and interests of shareholders, employees, customers, trading partners, creditors and competitors is disclosed in Part 2, Section 9.5 Corporate Governance.

13.3 Corporate Social Responsibility Highlights in 2007

TISCO Bank has a long-term commitment to social responsibility. Through the TISCO Foundation for Charity, the Bank has handed out many scholarships for needy students, provided medical funding assistance for destitute patients, helped underprivileged people get back on their feet with business start-up funds, and supported a wide array of important social and community activities as follows:

1. Social Supports

1.1 TISCO Foundation for Charity

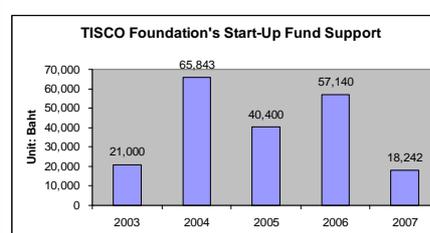
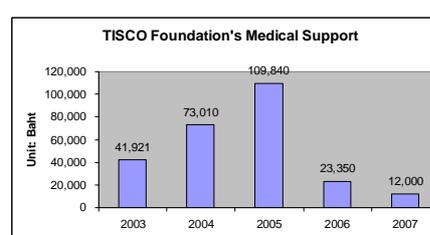
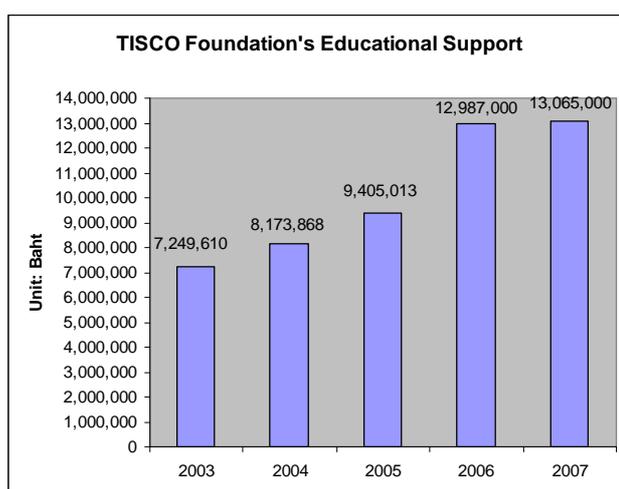
As a demonstration of TISCO's long-term commitment to sustainable development, the "TISCO Foundation for Charity" was established in 1982 to work towards the long-term goal of improving society and the nation. Since then, TISCO's major social contributions have been made through the work of TISCO Foundation, which has four primary charitable purposes as follows:

- 1) Providing nationwide educational scholarships for needy students,
- 2) Providing medical funding for destitute patients,
- 3) Providing business start-up funds for underprivileged people to promote self-reliance, and
- 4) Providing support for social and community activities.

Apart from the interest generated by the foundation's capital fund, the foundation has received regular support from TISCO Group, TISCO employees and the general public. The interest income from such funds has been donated to many charitable projects in accordance with the foundation's objectives. In 2007, donations from TISCO Bank and its subsidiaries totaled 13,095,242 baht.

TISCO Foundation's Social Support Activities (Unit: Baht)

Year	Educational Support	Medical Support	Start-Up Fund	Total
1982-2005	94,882,612	4,001,336	1,741,379	100,625,357
2006	12,987,000	23,350	57,140	13,067,490
2007	13,065,000	12,000	18,242	13,095,242



In 2007, TISCO Foundation has provided 4,804 scholarships to primary and secondary school students and also students in vocational and university level throughout Thailand, amounted to 13,065,000 baht, i.e., 1,219 scholarships in the Northern region, 1,200 scholarships in the Northeastern region, 300 scholarships in the Eastern region, 380 scholarships in the Central region, 721 scholarships in the Southern region and 1,088 scholarships in Bangkok and its vicinity. More than 60% of these scholarships is from regular supporters. Moreover, TISCO Foundation has provided medical support and start-up fund for small businesses, 12,000 baht for medical support and 18,242 baht for start-up fund, for those socially disadvantaged' need both in Bangkok and local areas. In 2007, on the occasion of TISCO Foundation's 25th anniversary, the Foundation also donated 100,000 notebooks to needy students.

Follow-up Progress

TISCO Foundation has regularly followed-up and made outcome evaluations of the scholarships to maximize its benefits in the future. TISCO Foundation's committee members, staff and voluntary working group usually made follow-up progress in every November by visiting schools and homes of the granted students and also the prospective ones.

In 2007, TISCO Foundation's staff followed up 442 granted students from 27 educational institutions in Lopburi, Chaiyaphum, Phetchabun, Ayutthaya and Bangkok. For the start-up fund support, after a couple of months, the Foundation's staffs visit the recipients to see how they are doing and how the support meets the Foundation's objective.

1.2 Support for the Three Southernmost Provinces of Thailand

The South Thailand insurgency is the national critical problem which needs support and cooperation from every part. Several private and public organizations held special projects to help people in those affected areas. TISCO Bank has joined a number of relief programs as follow;

Donation to Southern Teachers with Workpoint Entertainment Plc.

TISCO Bank joined up with Workpoint Entertainment Plc. to promote "Tod Sa Gun Game (Who's Who?) helps Southern Teachers", a fund raising game show program currently on air on Modern Nine TV to help teachers in those affected areas of the recent insurgency in the southern most of Thailand through the Sai Jai Thai Foundation under the Royal Patronage. The project started from August 2007 to December 2007.

Saving for Father

As a member of the Thai Bankers' Association (TBA), TISCO Bank participated in the project called "doing good deeds in dedication to His Majesty the King" by organizing an activity entitled "Saving for Father" to persuade Thai people nationwide to save their money amounting to 80 Baht per person or more on multiple basis. Money can be deposited in the savings account named "Savings for Fathers" at all the branches nationwide from 1 September to 30 November 2007 for a period of three months. The Thai Bankers' Association will collect all the money saved and use it as educational assistance for the fellow Thais in the three southern-border provinces as royal charity.

Promoting and supporting peacefulness in southern border provinces

TISCO Bank and other 15 commercial banks joined with the Thai Bankers' Association (TBA) making donation to "The fund for promoting and supporting peacefulness in southern border provinces", the project initiated by The Secretariat of the Cabinet

Support for "UNICEF for Schools in the South"

TISCO Bank made donation through the UNICEF to support 30,000 students who suffered from arson attacks on schools in three Southernmost of Thailand. The donation will be used for the school reconstruction and acquisition of other basic necessities.

1.3 Other Social Support Activities

Apart from continuous social support activities through TISCO Foundation, TISCO Bank also supports other social and community development as follow;

Tools for Schools

TISCO Bank donated 120 used computers to 18 needy schools in rural area of Thailand, i.e. Meajai Kindergarten School in Phayao, Ban Tham School in Chiang Rai, Sri Don Tan School in Lamphun, Ban Nong Sawang Wit School in Roi-Et, Yard Fah Rat Niyom School in Yasothon, Ban Kao Ruak (Ruam Mitr Pattana) in Saraburi and Anuratchprasit School in Nonthaburi.

Blood Donation for the Thai Red Cross Society

TISCO Bank organized blood donation for the Thai Red Cross Society on a quarterly basis at its headquarters for 9 consecutive years. In 2007, a total of 464,000 cc of blood was donated by approximately 300 regular TISCO employee donors.

Support Underprivileged Children through UNICEF

TISCO Bank donated financial support to "The Sixth Khun Anand Panyarachun Charity Golf International for UNICEF Thailand" project to be used for UNICEF Thailand's operation, which its main objective is to help disadvantaged children.

Support to Foundation for Consumers

TISCO Bank donated financial support to Foundation for Consumers, to sponsor "Thai Consumer Protection Day 2007; Buy Smart, Sell Smart, Use Smart, Eat Smart" to encourage cooperation among enterprises, consumers networks and organizations in consumer protection, and to promote consumer responsibility among business enterprises.

Support to "The Foundation for Infant in Slum"

TISCO Bank donated financial support to "The Foundation for Infant in Slum" under the patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra in the Celebrations on Auspicious Occasion of HRH's 84th Birthday Anniversary in year 2007. The financial support will be used for the construction of the foundation's new building for infants.

Safety Vest Support

Being involved in community is the policy that TISCO Bank is always committed to. In 2007, TISCO Bank's Ayutthaya Branch donated light-reflected safety vests to local traffic policemen which are necessary for their work.

Support to Lampang Cancer Center

Cancer in Thailand is becoming a significant health problem as one of the highest causes of death, second to heart disease. Because of its severity and high death rate, TISCO Bank recognized this problem and therefore supported for ambulance procurement for patient service of Lampang Cancer Center.

Support to the Special Olympics of Thailand's Activity

TISCO Bank sponsored Khun Anand Panyarachun Charity Golf Invitational Tournament for the Special Olympics of Thailand to raise fund for the Special Olympics of Thailand, an organization aiming to improve the lives of people with intellectual disabilities.

Support to Engineering Innovation Promotion Foundation

TISCO Bank sponsored the Engineering Innovation Promotion Foundation of Chulalongkorn University Engineering Alumni for the foundation's operations, i.e. promoting and supporting engineering education, research and development of students and engineers, promoting cooperation among other domestic and international organizations, implementing study and research and development in engineering innovation, and supporting research fellowship program to create more researchers for the society.

Support to Sarnelli House

TISCO Bank donated financial support and consumer products to Sarnelli House in Nongkhai, an orphanage for HIV/AIDS and abandoned children.

2. Activities regarding the Auspicious Occasion of His Majesty the King's 80th Birthday Anniversary

On the Auspicious Occasion of His Majesty the King's 80th Birthday Anniversary 5 December 2007, TISCO Bank has joined the celebrations as follow;

Savings Accounts for Sufficiency Lifestyle' project

TISCO Bank and other 15 financial institutions, in conjunction with the Bangkok Metropolitan Administration (BMA), joined the "Savings Accounts for Sufficiency Lifestyle' project" in accordance with the sufficiency economy philosophy of His Majesty the King to promote savings habits by opening a saving account at a participated bank. People are welcome to open a savings account with a special saving book from 21 September to 31 December 2007. BMA will collect the participants' name list and present them to His Majesty afterwards.

BOT's Book Corner Project

TISCO Bank joined "Book Corner Project", a project held by Bank of Thailand (BOT) to mark the Auspicious Occasion of His Majesty the King's 80th Birthday Anniversary 5 December 2007. 19 Commercial banks participated in and sponsored the project by delivering 170 book series and bookshelves to 1,280 schools nationwide with the objective to promote reading habits among young Thai people.

Support to Chaipattana Foundation

TISCO Bank supported the Chaipattana Foundation, a Royally-initiated development project, and the Royal Chitralada Project for the research and development support for the Chaipattana Aerator production process and also offered 60 Chaipattana Aerators on the auspicious occasion of the Sixtieth Anniversary Celebrations of His Majesty's Accession to the Throne.

Sponsor "Ruam Jai Pak Rak Nai Luang" Fair

TISCO Bank sponsored "Ruam Jai Pak Rak Nai Luang", a big fair held by the Council for National Security and many public and private sectors to celebrate on the Auspicious Occasion of His Majesty the King's 80th Birthday Anniversary 5 December 2007 with the concept "United Hearts with Love for His Majesty the King". The event started on 1 – 9 September 2007 at Challenger, IMPACT Muang Thong Thani.

3. Environmental Conservation

Reforestation Project

TISCO Group and its staff have embarked on numerous charity ventures focused on preserving the environment. In 2007, the group organized its 20th annual reforestation trip with participation from management and 250 staff, mostly new recruits, to plant more than 3,000 young trees on a 10-rai plot of land at the Huay Sai Royal Development Center in Petchaburi Province. Since the reforestation project began in 1989, TISCO staffs have planted more than 270,000 trees on 500 rai in Kanchanaburi, Nakornnayok and Petchaburi provinces.

In addition, TISCO Bank's environmental conservations also include resource management policy. TISCO Bank places great importance on creating mindset for energy and environmental conservation among TISCO employees, for instance, power saving, journey planning, using environmental-friendly office supplies and waste reducing.

4. Support for the Arts and Cultures

Art in the Reign of King Rama IX: Six Decades of Thai Art

Apart from social and environmental support, TISCO Group has been a pioneer and continuous supporter of Thai contemporary art since 1970, realizing that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, TISCO consistently supported a number of initiatives and collected more than 300 Thai contemporary and modern arts.

In 2007 TISCO Bank assisted the Rama IX Art Museum Foundation in promoting Thai art by supporting Chamras Khietkong Artist's painting and Chamruang Vichienket Artist's sculpture. The Bank also supported the Foundation's exhibition encompassing six decades of Thai art in the occasion of the 60th anniversary of the accession to the throne of His Majesty King.

Religious support

Supporting of religious traditions in rural areas has long been an important annual activity for TISCO. Because the temple has for centuries been the center of village life, our contributions to these activities directly support local communities. Also, by working through TISCO Bank's provincial branch network, TISCO Bank hosted Kathin ceremony at Wat Don Thong, Nakorn Pathom and hosted Papar Samukkee ceremony at Wat Pra That Bang Puan, Nong Khai in 2007.

Summary of Corporate Social Responsibility Donations and Supports in 2007

1. Social support

1.1 TISCO Foundation for Charity

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2007	Educational Support	To provide nationwide educational scholarships for needy students	13,065,000
All Year 2007	Medical Support	To provide medical funding for destitute patients	12,000
All Year 2007	Start-Up Fund	To provide business start-up funds for underprivileged people to promote self-reliance	18,242
	Total		13,095,242

1.2 Support for the Three Southern Border Provinces' Relief

Date/Month	Activities	Objectives	Amount (Baht)
Aug-Dec 07	Support to Southern Teachers with Workpoint Entertainment Plc.	To help teachers in those affected areas of the recent insurgency in the deep south of Thailand through the Sai Jai Thai Foundation under the Royal Patronage, which will be raised through "Tod Sa Gun Game (Who's That) helps Southern Teachers"	200,000
1 Jul 07 - 30 Nov 07	Saving for Father	The Thai Bankers' Association will collect all the money saved and use it as educational assistance for the fellow Thais in the three southern-border provinces as royal charity.	235,214
9 Jul 07	Promoting and supporting peacefulness in southern border provinces.	To donate financial support to "The Fund for promoting and supporting peacefulness in southern border provinces" of The Secretariat of the Cabinet	40,000
5 Sep 07	Support for "UNICEF for Schools in the South"	To donate financial support to 30,000 students in the southern area who suffered from arson attacks on schools in the Deep South	50,000
	Total		525,214

1.3 Other Social Support Activities

Date/Month	Activities	Objectives	Amount (Baht)
3 Feb 07	Support to UNICEF	To donate financial support to "The Sixth Khun Anand Panyarachun Charity Golf International for UNICEF Thailand" project to be used for UNICEF Thailand's operation	100,000
29 Apr 07	Support to Foundation for Consumers	To donate financial support to Foundation for Consumers, to sponsor "Thai Consumer Protection Day 2007; Buy Smart, Sell Smart, Use Smart, Eat Smart"	30,000
10 May 07	Support to "The Foundation for Infant in Slum"	The financial support will be used for the construction of the foundation's new building for infants.	100,000
20 Oct 07	Support to Sarnelli House, Nongkhai	To donate financial support and consumer products to Sarnelli House in Nongkhai, an orphanage for HIV/AIDS and abandoned children.	87,000
7 Nov 07	Support to Lampang Cancer Center	To support for ambulance procurement for patient service of Lampang Cancer Center	300,000
10 Nov 07	Support to the Special Olympics of Thailand	To raise fund for the Special Olympics of Thailand, an organization aiming to improve the lives of people with intellectual disabilities.	50,000
14 Nov 07	Support to Engineering Innovation Promotion Foundation	To sponsor the Engineering Innovation Promotion Foundation of Chulalongkorn University Engineering Alumni for the foundation's operation	100,000
25 Dec 07	Support to TISCO Foundation for Charity	To sponsor TISCO Foundation for Charity for the foundation's operation	1,500,000
	Total		2,267,000

2. Activities regarding the Auspicious Occasion of His Majesty the King's 80th Birthday Anniversary

Date/Month	Activities	Objectives	Amount (Baht)
25 May 07	BOT's Book Corner Project	To deliver 170 book series and bookshelves to 1,280 schools nationwide with the objective to promote reading habits among young Thai people.	500,000
6 Aug 07	Support to Chaipattana Foundation, a Royally-initiated development project, and the Royal Chitralada Project	To support for the research and development support for the Chaipattana Aerator production process and also offered 60 Chaipattana Aerators	333,333
27 Sep 07	Sponsor to "Ruam Jai Pak Rak Nai Luang" Fair	To celebrate on the Auspicious Occasion of His Majesty the King's 80th Birthday Anniversary	500,000
	Total		1,333,333

3. Environmental Conservation

Date/Month	Activities	Objectives	Amount (Baht)
7-8 Jul 07	Reforestation Project	To organize its 20th annual reforestation trip to plant more than 5,000 young trees on a 10-rai plot of land at the Huay Sai Royal Development Center in Petchaburi Province.	375,000
	Total		375,000

4. Support for the Arts and Cultures

Date/Month	Activities	Objectives	Amount (Baht)
22 Jan 07	Support to Chamras Khietkong Artist's painting	To support the Rama IX Art Museum Foundation's exhibition encompassing six decades of Thai art	60,000
22 Jan 07	Support to Chamruang Vichienket Artist's sculpture	To support Thai Artist	20,000
19-20 Oct 07	Host paprasamukkee ceremony at Wat Pra That Bang Puan, Nongkhai	To donate financial support and school supplies for novice monks in Pariyattitham School, Nongkhai	392,294
10 Nov 07	Host kathin ceremony at Wat Don Thong, Nakorn Pathom	To support for the temple's operation	313,749
	Total		786,043
Total			18,381,832

The Bank strives to do the job well in all our CSR projects and activities undertaken in parallel with our business operations. We take pride in what is accomplished each year. The Bank is committed and feels encouraged continuing working towards the goal of strong and vibrant communities in the years ahead.

13.4 The Committee's Planning and Implementation for Corporate Social Responsibility

TISCO Bank's CEO and three top executives are TISCO Foundation' Board of Directors, together with other six expertise, who will formulate the Foundation's strategies for maximizing the usefulness of the Foundation's annual budget. In addition, 20 TISCO employees volunteered to assist the Foundation's staff as a working group each year, such as organizing scholarship presentation ceremonies, scholarship follow-up and implementing other fund-raising activities.

For other social activities and charitable events, the Foundation's Board of Directors also advises and approves the budget and then implemented by the project's working group.

The key factor that makes TISCO Bank enable to put its planning into implementation is the organizational culture that supports increased cooperation. Each project has its own in-charge person and working group to plan and implement the project, continue follow-up progress and communicate efficiently and continuously for increased cooperation.

Performance Report to the Foundation's Board of Directors for Evaluation and Consideration

Most of social activities are long-term projects and are implemented through TISCO Foundation by the Foundation's Board of Directors and working group. TISCO Bank's Board of Directors is regularly reported the Foundation's activities and other social activities in the Board meeting annually.

In addition, TISCO Bank published a Corporate Social Responsibility Special Report in 2007, apart from Corporate Social Responsibility Report enclosed in the Annual Report, to convey TISCO's social responsibility ideas and activities that TISCO Bank and its subsidiaries participated.

13.5 Honors & Awards in 2007

Awards are recognition of professional success, a reflection of TISCO Group's achievements, and proof of the quality of service and standardized operational policies that TISCO provides. In 2007, TISCO Bank received honored awards as follow;

Shareholder Awards 2007

TISCO Bank received the "Shareholder Awards 2007" for the Best Shareholder Treatment. The Shareholder Awards 2007, organized by Thailand Securities Depository Co., Ltd. (TSD) in collaboration with Thai Investors Associations (TIA), Thai Listed Companies Association (LCA) and Thai Investor Relations Club (TIRC), to honor listed companies who demonstrated high standard of shareholders' treatment and good corporate governance.

Best Corporate Bond House (Thai Baht) 2007

TISCO ranks first in the Asset Currency Bond Benchmark Survey for Thai Baht Corporate Bonds Market as "Best Bank in Thai Baht Corporate Bond 2007" for the second consecutive year. The result of a survey of more than 300 institutional investors across nine markets in Asia as follows ; Hong Kong, India, Indonesia, Korea, Malaysia, Philippine, Singapore, Taiwan and Thailand, reflects their opinions in dealer services in this region.

Board of the Year 2006/07

TISCO Bank received the Board of the Year Awards 2006/07 from the Thai Institute of Directors Association (IOD), in collaboration with the Stock Exchange of Thailand (SET), The Thai Chamber of Commerce, The Federation of Thai Industries, the Thai Bankers Association and the Thai Listed Companies Association. This year TISCO Bank received 2 prestigious awards, "Board of the Year for Exemplary Practice" for the best performing board and "Board with Consistent Best Practices" for having been honored with the Board of the Year Awards for 3 consecutive times. The awards were held once every two years to honor the top performing boards of the listed companies and helped promote good corporate governance practice.

Attachment 1

Details of Directors, Management and Controlling Persons

1.1 Details of Directors, Management and Controlling Persons

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 07 (Shares) ¹	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years								
					Period	Position	Company / Organization	Type of Business					
1. Dr. Phisit Pakkasem Chairman of the Board and Independent Director	75	-	-	Ph.D. (Development Economics) University of Pittsburgh, USA MPA. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	2005-Present	<i>TISCO Group</i> Chairman of the Board Independent Director	TISCO Bank Public Co., Ltd.	Bank					
					2005-2006	Chairman of the Nomination Committee	TISCO Bank Public Co., Ltd.	Bank					
					2002-2005	Chairman of the Board Independent Director Chairman of the Audit Committee Chairman of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance					
					1998-2002	Chairman of the Board Independent Director Chairman of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance					
					2007-present	<i>Others</i> member, Asian Wise Person's Group	Asian Development Bank	Bank					
					2003-present	Chairman of the Board	Thai Smart Card Co.,Ltd	Smart Card					
					1995-present	Executive Advisor	C.P.Group of Companies	Agro-Industries, Retail and Communications					
					1994-present	Director	Toyota Thailand Foundation	Foundation					
					1985-2006	Director	Thailand Development Research Institute Foundation (TDRI Foundation)	Foundation					
					2002-2005	Vice Chairman	Vinythai Public Co., Ltd.	Import, export and wholesale of petrochemical products					
					2001-2003	Chairman of the Board	Thai Sugar Millers Corporation Ltd.	Manufacture of Sugar					
					2. Mr. Pliu Mangkornkanok Director and Chairman of the Executive Board Chief Executive Officer (Authorized Signatory)	60	Common 600 Preferred 2,962,700	-	M.B.A. (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association Chairman 2000 Program Thai Institute of Directors Association	2005-present	<i>TISCO Group</i> Director Chairman of the Executive Board Chief Executive Officer	TISCO Bank Public Co., Ltd.	Bank
										2005-2006	Secretary to the Nomination Committee	TISCO Bank Public Co., Ltd.	Bank
2002-2005	Director Chairman of the Executive Board Member of the Nomination Committee Chief Executive Officer	TISCO Finance Public Co., Ltd.	Finance										
2007-present	<i>Others</i> Executive Director	The Thai Bankers' Association	Association										
2006-present	Director	Amata Spring Development Co., Ltd.	Golf Course										
2004-present	Councillor	Thai Management Association	Association										
1994-present	Director	Phelps Dodge Thailand Co., Ltd.	Manufacture of wire and cable products										
2003-2006	Director	Thai Agro Exchange Co., Ltd.	Fruits & Vegetables Wholesale										
2002-2005	Chairman	Association of Finance Company	Association										
2001-2005	Director Chairman of the Compensation Committee Member of the Audit Committee Chairman of the Nomination Committee	Singer (Thailand) Public Co., Ltd.	Manufacture and trading of electrical appliances										
2000-2004	Director	Thai Oil Co., Ltd.	Oil refinery										

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 07 (Shares) ¹		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
3. Mrs. Krisna Theravuthi Independent Director, Chairperson of the Nomination and Compensation Committee and Member of the Audit Committee	58	Common	12	-	M.B.A. (Marketing) University of Wisconsin-Madison, USA B.A. (Accounting) Chulalongkorn University Audit Committee Program Thai Institute of Directors Association Director Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association Effective Audit Committee and Best Practice Program Thai Institute of Directors Association Monitoring the System of Internal Control and Risk Management Thai Institute of Directors Association Role of Compensation Committee Thai Institute of Directors Association	2007-present 2005- present 2005- 2007 1998-2005 2004-present 2004-present 1986-present 1986-present	<i>TISCO Group</i> Chairperson of the Nomination and Compensation Committee Member of the Audit Committee Independent Director Chairperson of the Audit Committee Independent Director Member of the Audit Committee <i>Others</i> Secretary-general Vice President Executive Director Executive Director	TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Finance Public Co., Ltd. Women's Association of Thailand - Udonthani The North-Eastern Mentally Retarded Welfare Center Tavornudorn Co., Ltd. Food Manufacturing Co., Ltd.	Bank Bank Bank Finance Association Foundation Hotel Food Industry
4. Assoc.Prof.Dr. Angkarat Priebjriwat Independent Director and Chairperson of the Audit Committee	53	-	-	-	Ph.D (Accounting) New York University, USA M.S. (Accounting) Thammasat University B.B.A. (Accounting) Thammasat University Audit Committee Program Thai Institute of Directors Association Director Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association Monitoring the Internal Audit Function Thai Institute of Directors Association	2007-present 2005-present 2005-2007 2006-present 2005-present 2004-present 2004-present 2002-present 1997-present 1992-present 2002-2005 2001-2005	<i>TISCO Group</i> Chairperson of the Audit Committee Independent Director Member of the Audit Committee <i>Others</i> Director and Chairperson of the Audit Committee Chairperson of the Accounting Standard Setting Committee Member of the Consultative Subcommittee on Cost Accounting Development Project Independent Director Advisor Advisor to the Audit Committee Associate Professor Advisor to the Listing and Disclosure Department Specialist - Financial Institutions Policy Group Associate Dean of Administrative Affair and Director of the Executive MBA Program	TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. National Housing Authority Federation Of Accounting Professions Commission on Higher Education Association of Investment Management Companies The Comptroller General's Department, Ministry of Finance TOT Corporation Public Co., Ltd. National Institute of Development Administration (NIDA) The Stock Exchange of Thailand The Bank of Thailand National Institute of Development Administration (NIDA)	Bank Bank Bank State Enterprise Federation Commission on Higher Education Association Government Communication Educational Institute The Stock Exchange of Thailand The Bank of Thailand Educational Institute
5. Prof.Dr. Praipol Koomsup Independent Director and Member of the Audit Committee	60	Common	22,000 ²	-	Ph.D (Economics) Yale University, USA M.A. (Economics) Thammasat University B. Economics University of Western Australia, Australia Director Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association	2005-present 2007-present 2005-present 1993-present 1993-present 1986-present 1983-2004 1996-2003	<i>TISCO Group</i> Independent Director Member of the Audit Committee <i>Others</i> Independent Director Professor Director Senior Economic Consultant Economics Advisor Associate Professor Director	TISCO Bank Public Co., Ltd. PTT Public Co., Ltd. Faculty of Economics, Thammasat University Energy Conservation Fund Business & Economic Research Associates Co., Ltd. (BERA) Panya Consultant Co., Ltd. Faculty of Economics, Thammasat University Aromatics (Thailand) Public Co., Ltd.	Bank Energy Industry Educational Institute Fund Research business Consultant Educational Institute Petrochemical industry

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 07 (Shares) ¹	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
6. Mr. Sangiam Santad Independent Director	61	-	-	MPA. National Institute of Development Administration (NIDA) LL.B. Ramkhamhang University Director Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association	2005-present 2004-2005 2006-present 2005-2007 2004-2007 2003-2006 2002-2005	<u>TISCO Group</u> Independent Director Independent Director <u>Others</u> Independent Director and Member of the Audit Committee Inspector General Director Director Legal Advisor	TISCO Bank Public Co., Ltd. TISCO Finance Public Co., Ltd. IRPC Public Co., Ltd. The Office of Permanent Secretary, Ministry of Finance Provincial Electricity Authority Dairy Farming Promotion Organization of Thailand The Office of Permanent Secretary, Ministry of Finance	Bank Finance Petrochemical industry Government State Enterprise State Enterprise Government
7. Dr. Kanit Sangsubhan Independent Director	50	-	-	Ph.D. (Economics) University of Toronto, Canada M.A. (Economics) Thammasat University B.A. (Economics) Thammasat University Director Accreditation Program Thai Institute of Directors Association	2006-present 2005-present 2005-present 2005-present 2004-present 2004-present 2000-present 2005-2006 2004-2006 2004	<u>TISCO Group</u> Independent Director <u>Others</u> Director Director Director Director Honorary Advisor Director Director Member of Advisory Board Director	TISCO Bank Public Co., Ltd. Dhanarak Asset Development Co., Ltd. Asia Bond Market Development, Ministry of Finance DAD SPV Co., Ltd. Thailand Outlook Co., Ltd. Thailand Investment Service Center (TISC) Fiscal Policy Research Institute FPRI Education Co., Ltd. Asian Development Bank Institute (ADB), Tokyo, Japan Thanachart Securities Co., Ltd.	Bank Asset Development Government The Specific Purpose Juristic Person Media & Publishing Investment Service Center Research Institute Institute Securities
8. Mr. Mitsunobu Hasegawa Director, Member of the Executive Board, and Member of the Nomination and Compensation Committee (Authorized Signatory)	45	-	-	B.A. (Economics) Keio University, Tokyo Japan	2007 - present 2005 - present 2005 - 2006 2003-present	<u>TISCO Group</u> Member of the Nomination and Compensation Committee Director and Member of the Executive Board Member of the Nomination Committee <u>Others</u> Managing Director	TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. MHCB Consulting (Thailand) Co., Ltd.	Bank Bank Bank Consultant
9. Mr. Alexander H. Shing Director, Member of the Executive Board, Member of the Nomination and Compensation Committee (Authorized Signatory)	31	-	-	B.Sc. (Economics) Massachusetts Institute of Technology, USA	2008-present 2007-present 2005-Present 2005-Present 2005-Present 2004-2005 2003-2004 2001-2003	<u>TISCO Group</u> Member of the Executive Board and Director Member of the Nomination and Compensation Committee <u>Others</u> Director Senior Vice President Director Vice President/Advisor President, International Sales and alliance/Advisor President, Vaultus Software	TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. CDIB & Partners Asset Management Holding Ltd. CDIB & Partners Investment Holding Corporation Quintus Capital Group Ltd. China Development Industrial Bank, Taipei Vaultus Mobile Technologies, Inc. Vaultus Mobile Technologies, Inc.	Bank Bank Investment Investment Investment Bank Information Technology Information Technology

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 07 (Shares) ¹	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
10. Mr. Kah Hua Yeo Director	55	-	-	B.B.A. (Finance & Marketing) University of Singapore, Singapore Director Certification Program (Class 16/2002) Thai Institute of Directors/Australian Institute of Company Directors	2007-present 2007 2006-2007 2007-present 2006-2007 2004-2007 1999-2007 1999-2007 2004-2005 1999-2004	<u>TISCO Group</u> Director Member of the Executive Board Director <u>Others</u> Consultant Advisor Vice President Director Director Independent Director Managing Director	TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. CDIB & Partners Investment Holding (Cayman) Ltd. SCS Enterprise Systems (Thailand) Ltd. China Development Industrial Bank, Taipei Orna Steel Enterprise Corporation (M) Sdn.Bhd. Group Steel Corporation (M) Sdn. Bhd. BFIT Securities Public Co., Ltd. BFIT Securities Co., Ltd.	Bank Bank Bank Investment Information Technology Bank Steel Manufacturer Steel Manufacturer Securities Securities
11. Mr. Pichai Chanvirachart Director, Member of the Executive Board, President and Chief Operating Officer (Authorized Signatory)	58	Common 2,136 Preferred 1,770,000	-	B.B.A. (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2005-present 2001-2005 1993-present 2000-2006	<u>TISCO Group</u> Director, Member of the Executive Board, President and Chief Operating Officer Director, Member of the Executive Board, President and Chief Operating Officer <u>Others</u> Director Director	TISCO Bank Public Co., Ltd. TISCO Finance Public Co., Ltd. Mizuho Corporate Leasing (Thailand) Co., Ltd. AXA Insurance Public Co., Ltd.	Bank Finance Leasing Insurance
12. Mrs. Oranuch Apisaksirikul Director, Senior Executive Vice President and Chief Financial Officer (Authorized Signatory)	50	Common - Preferred 1,759,400	-	M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association	2005-present 2000-2007 2000-2007 2005 2002-2005 2004-present 2001-present	<u>TISCO Group</u> Director Senior Executive Vice President and Chief Financial Officer Director Director Director Senior Executive Vice President and Chief Financial Officer <u>Others</u> Member of Risk Management Committee Member of Risk Management Sub-Committee	TISCO Bank Public Co., Ltd. TISCO Global Securities Ltd. TISCO Securities Hong Kong Ltd. TISCO Finance Public Co., Ltd. TISCO Finance Public Co., Ltd. Small Industry Credit Guarantee Corporation The Stock Exchange of Thailand	Bank Securities Securities Finance Finance Specialized Financial Institution The Stock Exchange of Thailand
13. Mr. Panya Wotticharoenvong Executive Vice President -SME Banking	54	Common 44 Preferred -	-	M.S (Accounting) Thammasat University B.A. (Accounting) Thammasat University LL.B. Thammasat University Graduate Diploma Program in Business Law Thammasat University Directors Certification Program Thai Institute of Directors Association Certified Public Accountants C.P.A. Thailand	2006-present 2005-2006 2005 2002-2004	<u>TISCO Group</u> Executive Vice President-SME Banking Executive Vice President-Retail Banking Executive Vice President-Retail Banking Head of Retail Finance and Head of Special Asset Management <u>Others</u> -	TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Finance Public Co., Ltd. TISCO Finance Public Co., Ltd.	Bank Bank Finance Finance

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 07 (Shares) ^{/1}		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
14. Ms. Nattamon Issaradharm Executive Vice President and Chief Governance Officer	54	Common 70,000 Preferred 481,700	-	B.A. (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association Certified Public Accountants C.P.A. Thailand	2007-Present	<u>TISCO Group</u> Director	TISCO Asset Management Co., Ltd.	Asset Management Bank	
					2005-Present	Executive Vice President and Chief Governance Officer	TISCO Bank Public Co., Ltd.		
					2002-2005	Executive Vice President and Chief Governance Officer	TISCO Finance Public Co., Ltd.	Finance	
					1998-2006	<u>Others</u> Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC)	The Bank of Thailand	The Bank of Thailand	
					2002-2005	Representative	Association of Finance Companies	Association	
15. Mr. Sakchai Peechapat Executive Vice President - Retail Banking	41	-	-	M.B.A. (International Business) University of Hawaii at Manoa, USA B.E. (Civil Engineering) (Honour) Kasetsart University Director Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association Japan-focused Management Program Japan-America Institute of Management Science, USA	2006-present	<u>TISCO Group</u> Executive Vice President-Retail Banking	TISCO Bank Public Co., Ltd.	Bank Bank	
					2006-2008	Executive Vice President-Human Resources and Organization Development (Acting)	TISCO Bank Public Co., Ltd.		
					2005-2006	Executive Vice President-Human Resources and Organization Development	TISCO Bank Public Co., Ltd.	Bank	
					2004-2005	Head of Human Resources and Organization Development	TISCO Finance Public Co., Ltd.	Finance	
					2002-2004	Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting)	TISCO Finance Public Co., Ltd.	Finance	
					2006-present	<u>Others</u> Director	AXA Insurance Public Co., Ltd.	Insurance	
16. Mr. Metha Pingsuthiwong Executive Vice President - Treasury and Private Banking	41	Common - Preferred 178,000	-	M.B.A. (Finance) University of Wisconsin-Milwaukee, USA B.Eng. (Electrical Engineering) (Honour) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2005-present	<u>TISCO Group</u> Executive Vice President-Treasury and Private Banking	TISCO Bank Public Co., Ltd.	Bank Finance	
					2005	Executive Vice President-Treasury and Funding	TISCO Finance Public Co., Ltd.		
					2002-2005	Head of Securities Investment and Trading	TISCO Securities Co., Ltd.	Securities	
					1999-present	<u>Others</u> Director	K-Line (Thailand) Co., Ltd.	Transportation	
17. Mr. Suthas Ruangmanamongkol Director and Managing Director of TISCO Asset Management Co., Ltd.	47	Common - Preferred 2,110,000	-	M.S. (Finance & Banking) University of Wisconsin-Madison, USA M.B.A. (Finance) Western Illinois University, USA B.Eng. (Computer) Chulalongkorn University Director Certification Program Thai Institute of Directors Association	2005-present	<u>TISCO Group</u> Director and Managing Director	TISCO Asset Management Co., Ltd.	Asset Management Finance	
					2002-2005	Head of Commercial Finance, Treasury and Funding	TISCO Finance Public Co., Ltd.		

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 07 (Shares) ^{1/1}		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
18. Ms. Araya Thirakomen Deputy Managing Director of TISCO Asset Management Co., Ltd.	46	Common	5,000	-	M.B.A. (Finance) University of New Haven, USA B.A. (Finance) Chulalongkorn University Director Certification Program Thai Institute of Directors Association	2005-present 2003-2005 1999-2003 2006-present 2004-present 2002-present 2002-present 2002-2004	<u>TISCO Group</u> Deputy Managing Director Head of Provident Fund Business Head of Provident Fund-Marketing <u>Others</u> Member of National Pension Sub-Committee Deputy Chairman, Chairperson of Provident Fund Business Group, and Chairperson of Sub Committee – Provident Fund Investment Performance Standard Member of Sub Committee on Pension and Provident Fund Reform Member of Sub Committee on Consideration of draft Notifications on Supervision of Security Business Member of Sub Committee on Consideration of the Amendment to Provident Fund Act.	TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. Fiscal Policy Office, Ministry of Finance Association of Investment Management Company ("AIMC") Fiscal Policy Office, Ministry of Finance The Securities and Exchange Commission (SEC) The Securities and Exchange Commission (SEC)	Asset Management Asset Management Asset Management Government Agency Association Government Agency Independent Agency & Regulator Independent Agency & Regulator
19. Mr. Paiboon Nalinthrangkum Director, Managing Director of TISCO Securities Co., Ltd.	42	Common	-	-	M.B.A. (Finance) Indiana University at Bloomington, USA B.A. (Computer Science) University of California at Santa Cruz, USA C.F.A. C.F.A. Institute, USA Director Accreditation Program Thai Institute of Directors Association	2006-present 2005-present 2005-2006 2001-2005 2007-present 2006-present 2006-present 2006-present 2003-2005	<u>TISCO Group</u> Managing Director Director Deputy Managing Director and Head of Brokerage Equity Director and Head of Equity and Research <u>Others</u> Director Director Representative of the Sub-Committee on Standard Setting of CISA Program Deputy Chairman Director and Secretary-General	TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. Futures Industry Club Association of Securities Companies Thailand Securities Institute (TSI) Securities Analysts Association Securities Analysts Association	Securities Securities Securities Securities Club Association Institute Association Association
20. Mr. Chatri Chandrangam Financial Controller	38	Common	-	-	C.F.A. C.F.A. Institute, USA M.Sc. (Finance) Imperial College, University of London M.B.A. (International Business) Schiller International University B.A. (Banking & Finance) Chulalongkorn University	2007 - present 2005 - present 2000-2005	<u>TISCO Group</u> Director Financial Controller Head of Risk Management <u>Others</u> -	TISCO Asset Management Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Finance Public Co., Ltd.	Asset Management Bank Finance
21. Ms. Chutintorn Vigasi Head of Corporate Accounting	46	Common	324	-	M.B.A (Accounting) Thammasat University B.A. (Accounting) Chulalongkorn University	2005-present 2002-2005	<u>TISCO Group</u> Head of Corporate Accounting Head of Corporate Accounting <u>Others</u> -	TISCO Bank Public Co., Ltd. TISCO Finance Public Co., Ltd.	Bank Finance

^{1/1} Including spouse and minor children

^{1/2} All 22,000 common shares were sold on February 13, 2008

Remarks : The Company's Authorized Signatories comprise Mr. Pliu Mangkornkanok, Mr. Pichai Chanvirachart, Mr. Mitsunobu Hasegawa, Mrs. Oranuch Apisaksirikul and Mr. Alexander H. Shing

It is required that Mr. Pliu Mangkornkanok or Mr. Pichai Chanvirachart sign with the seal of the Company affixed or Mr. Mitsunobu Hasegawa or Mrs. Oranuch Apisaksirikul or Mr. Alexander H. Shing, two persons jointly sign with the seal of the Company affixed.

1.2 Details of Directors, Management and Controlling Persons of the Bank in Subsidiaries (As of December 31, 2007)

Name	TBANK	Subsidiaries						
		TSEC	TASSET	TLEASE	HI-WAY	TISCOGS	TISCOIT	TISCOHK*
1 Dr. Phisit Pakkasem	C,I							
2 Mr. Pliu Mangornkanok	D,E,M							
3 Mrs. Krisna Theravuthi	A,I,NCC							
4 Assoc.Prof.Dr.Angkarat Priebjrivat	A,I							
5 Prof.Dr.Praipol Koomsup	A,I							
6 Mr. Sangiam Santad	I							
7 Dr. Kanit Sangsubhan	I							
8 Mr. Mitsunobu Hasegawa	D,E,NCC							
9 Mr. Alexander H. Shing	D,E,NCC							
10 Mr. Kah Hua Yeo	D							
11 Mr. Pichai Chanvirachart	D,E,M							
12 Mrs. Oranuch Apisaksirikul	D,M							
13 Mr. Panya Wotticharoenvong	M							
14 Ms. Nattamon Issaradharm	M		D					
15 Mr. Sakchai Peechapat	M							
16 Mr. Metha Pingsuthiwong	M							
17 Mr. Suthas Ruangmanamongkol			D,M					
18 Ms. Araya Thirakomen			D,M					
19 Mr. Paiboon Nalinhrangkurn		D,M						
20 Mr. Chatri Chandrangam	FC		D					
21 Ms. Chutintorn Vigasi	AC							

* Ceased its business operation since November 30, 2007

Remarks 1 : C = Chairman D = Director E = Executive Board Member A = Audit Committee
I = Independent Director M = Management Committee AC = Head of Corporate Accounting FC=Financial Controller
NCC = Nomination and Compensation Committee

Remarks 2 : TBANK = TISCO Bank Public Co., Ltd. TSEC = TISCO Securities Co., Ltd. TASSET = TISCO Asset Management Co., Ltd.
TLEASE = TISCO Leasing Co., Ltd. HI-WAY= Hi-Way Co., Ltd. TISCOGS = TISCO Global Securities Ltd.
TISCOIT = TISCO Information Technology Co., Ltd. TISCOHK = TISCO Securities Hong Kong Ltd.

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

Changes in TISCO Shareholdings by Directors and Management¹

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of December 31, 2007	Increase (Decrease) During the Year	As of December 31, 2007
1	Dr. Phisit Pakkasem	0	0	0	0
2	Mr. Pliu Mangkornkanok	-70,000	600	300,000	2,962,700
3	Mrs. Krisna Theravuthi	0	12	0	0
4	Assoc.Prof.Dr.Angkarat Priebjriwat	0	0	0	0
5	Prof.Dr.Praipol Koomsup	22,000	22,000 ²	0	0
6	Mr. Sangiam Santad	0	0	0	
7	Dr. Kanit Sangsubhan	0	0	0	0
8	Mr. Mitsunobu Hasegawa	0	0	0	0
9	Mr. Alexander H. Shing	0	0	0	0
10	Mr. Kah Hua Yeo	0	0	0	0
11	Mr. Pichai Chanvirachart	0	2,136	0	1,770,000
12	Mrs. Oranuch Apisaksirikul	0	0	0	1,759,400
13	Mr. Panya Wotticharoenwong	0	44	0	0
14	Ms. Nattamon Issaradharm	70,000	70,000	-55,300	481,700
15	Mr. Sakchai Peechapat	0	0	0	0
16	Mr. Metha Pingsuthiwong	0		0	178,000
17	Mr. Suthas Ruangmanamongkol	0	0	0	2,110,000
18	Ms. Araya Thirakomen	0	5,000	2,500	173,000
19	Mr. Paiboon Nalinthrangkurn	0	0	0	220,000
20	Mr. Chatri Chandrangam	0	0	-20,000	0
21	Ms. Chutintorn Vigasi	0	324	-15,000	0

¹ Including spouse and minor children

² All 22,000 common shares were sold on February 13, 2008

Attachment 3

Details of Directors in Subsidiaries

Details of Directors of Subsidiaries as of December 31, 2007

Attachment 3

Name	TSEC	TASSET	TLEASE	HI-WAY	TISCOGS	TISCOIT	TISCOHK*
Mr. Paiboon Nalinthrangkurn	X						
Ms. Aunchana Grisa-ard	X						
Ms. Pakaporn Punyashthiti	X						
Mr. Suthas Ruangmanamongkol		X					
Mrs. Supaporn Aramtiantamrong		X					
Mrs. Duangrat Kittivitayakul		X					
Ms. Araya Thirakomen		X					
Ms. Nattamon Issaradharm		X					
Mr. Chatri Chandrangam		X					
Mrs. Yutiga Sonthayanavin		X				X	
Mrs. Sasinee Phattiyakul		X	X			X	
Ms. Charuphee Chinapongpaisaln			X				
Mr. Songsak Niltiean			X				
Mr. Yuttpong Sriwongjanya			X	X			
Mr. Teerayuth Prasertrattanadacho			X	X			
Mr. Charnchai Rakanantachai				X			
Mr. Worapan Luanguthai				X			
Mr. Supachai Boonsiri				X			
Mr. Lee Kin Lam					X		X
Mr. Pithak Limratanadamrong					X		X
Ms. Umaporn Dechavijit					X		X
Mrs. Suwandee Khaolaorr						X	

* Ceased its business operation since November 30, 2007

Remark 1 : TSEC = TISCO Securities Co., Ltd.
TLEASE = TISCO Leasing Co., Ltd.
TISCOGS = TISCO Global Securities Ltd.
TISCOIT = TISCO Information Technology Co., Ltd.

Remark 2 : X = Director

TASSET = TISCO Asset Management Co., Ltd.
HI-WAY = Hi-Way Co., Ltd.
TISCOHK = TISCO Securities Hong Kong Ltd.

Attachment 4

Report of the Audit Committee

Report of the Audit Committee

The Audit Committee members of TISCO Bank Public Company Limited currently comprise three independent directors:

- | | |
|--|------------------------------------|
| 1. Assoc. Prof. Dr. Angkarat Priebjrivat | Chairperson of the Audit Committee |
| 2. Mrs. Krisna Theravuthi | Member of the Audit Committee |
| 3. Prof. Dr. Praipol Koomsup | Member of the Audit Committee |

The Audit Committee has performed duties and responsibilities according to the charter of Audit Committee and as delegated by the Board of Directors. The Audit Committee has carried out duties independently and without restrictions as to access to information. The Audit Committee supports the Bank's good corporate governance in accountability, transparency, fairness, integrity, and check & balance, which will serve the best interests of not only shareholders but also employees and other stakeholders.

The Audit Committee held 12 meetings in Year 2007. Major activities performed by the Committee were as follows:

1. Reviewing quarterly, semi-annual and annual financial statements audited by the certified public accountant and recommending to the Board of Directors.
2. Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions.
3. Selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Bank and its subsidiaries for the Year 2007.
4. Reviewing the disclosure of information of the Bank and its subsidiaries and the regulatory reporting in the case of connected transactions or transactions that may lead to conflict of interest.
5. Meeting with Head of Compliance and Head of Legal in acknowledging the status of litigation against the Bank and its subsidiaries, annual compliance reports and non-compliance issues arising during the year.
6. Reviewing functions of Corporate Governance and Internal Control of TISCO Bank and its subsidiaries to assure that the Bank and its subsidiaries comply with the rulings governed by relevant regulators.
7. Meeting with management in updating and monitoring on the compliance and risk management issues such as Basel II implementation, Know Your Customer/ Customer Due Diligence procedures, Anti-Money Laundering & Combating the Financing of Terrorism Policy, and changes in accounting standards.
8. Acknowledging the results of external assessment and examinations by the Bank of Thailand and the Securities and Exchange Commission, Thailand, and assessing corrective actions on important findings.
9. Endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit, and acknowledging the results of audits.
10. Conducting Audit Committee's self assessment to develop an annual Audit Committee plan and reviewing the charter of Audit Committee before proposing to the Board of Directors for acknowledgement.

In conducting Audit Committee's self assessment, the Audit Committee compared the Committee's activities to the charter of Audit Committee and leading practices. The Audit Committee opined that Audit Committee members carried out their duties and responsibilities adequately and effectively according to the Charter of Audit Committee and as delegated by the Board of Directors.

The Audit Committee has recognized continuously the significance of good corporate governance and business ethics. The Committee is very pleased to report that the Bank's Corporate Governance Report 2006 was rated in a "Very Good" category among Thai listed companies by the Thai Institute of Directors Association.

In addition, the Audit Committee agrees with the certified public accountant that the Bank's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles. The Audit Committee also opines that the Bank has an appropriate and efficient internal control system, and properly follows all necessary rules and regulations imposed by the related regulators.

Assoc. Prof. Dr. Angkarat Priebjrivat

Assoc. Prof. Dr. Angkarat Priebjrivat
Chairperson of the Audit Committee
February 11, 2008

Attachment 5

Report of the Nomination and Compensation Committee

Report of the Nomination and Compensation Committee

The Nomination and Compensation Committee was appointed by the Board of Directors on January 24, 2007 in replacement of the Nomination Committee established in 2002. The Committee is charged with the responsibility of identifying and nominating qualified candidates for director and senior management positions, formulating the compensation policy and recommending directors and senior management remuneration to the board of directors or shareholder meeting in order to preserve an appropriately effective and efficient board and management structure.

The Committee consists of three non-management directors and is chaired by an independent director. Currently, the committee members are;

- | | |
|---------------------------|--|
| 1. Mrs. Krisna Theravuthi | Chairperson of the Nomination and Compensation Committee |
| 2. Mr. Mitsunobu Hasegawa | Member of the Nomination and Compensation Committee |
| 3. Mr. Alexander H. Shing | Member of the Nomination and Compensation Committee |

In 2007, the Nomination and Compensation Committee convened 6 meetings to carry out the following activities:

1. Adopting the Board Performance Self-assessment Guideline for the year 2006 and 2007 which provided the board an opportunity to reflect on how well the board fulfilled its responsibilities and to identify opportunities for continuous improvement that would increase the board's overall performance and enhance the board's relationship with management.
2. Reviewing the directors' remuneration in order to ensure that remuneration for directors was in line with the general practice of the industry with regard to work experience and commitment, as well as the benefits each director brought to the Bank.
3. Adopting the Guideline for Board Composition and Qualifications Criteria and the number of directors, nominating and recommending qualified candidates for director position to the Board of Directors and the Shareholder Ordinary General Meeting for the year 2007 for approval.
4. Revising the Charter of the Nomination and Compensation Committee and the Charter of the Executive Board to be in compliance with the commercial bank's corporate governance best practices.
5. Acknowledging the results of the Board Performance Self-assessment for the year 2006 and proposing for the Board of Directors' review and acknowledgement.
6. Reviewing and recommending the appointment of members of other committees.
7. Approving criteria and formula in calculating employees compensation and compensation amount for TISCO Group employees for the year 2007.

Krisna Theravuthi

Krisna Theravuthi
Chairperson of the Nomination and Compensation Committee
January 18, 2008

Attachment 6

Evaluation of the Sufficiency of Internal Control System

Internal Control System Assessment Questionnaire

TISCO Bank Public Company Limited

February 26, 2008

This questionnaire was completed by the Bank's Board of Directors. It reflects the Board's opinion on the adequacy of the Bank's internal control system.

Part 1 Organizational Control and Environment Measure

The term "organizational control and environment" refers to a strong organizational structure and environment, which are significant foundations for an effective internal control system. It is necessary to create an environment or factors that help the Company's internal control system to function as intended. The control environment would encourage staff to realize the importance of the internal control system. The control environment includes management's emphasis on business ethics, the appropriate organizational structure and clear description of duties as well as written policies and guidelines.

- 1.1 Does the Board ensure that the Company develops clear and measurable operating goals to be used as working guidelines for staff?

Yes No

The board approves the 3-year rolling business plan as a guideline for staff and annual budget prepared by the management. The business plan also includes key performance indicators and business targets where the variation from these targets is regularly measured and analyzed. In addition, business performance analysis is regularly reported to the Management and business managers for update on progress and achievement of targets.

- 1.2 Does the Board review the operating goals to ensure that the goals were set circumspectly and all possibilities to achieve the goals were taken into account? Are the staff's incentive or compensation targets reasonable? Is there undue pressure to achieve unrealistic targets that may lead to fraudulent activities, for example, too high a sales target that may encourage window dressing of the sales amount?

Yes No

There is no undue pressure to achieve unrealistic targets as targets are basically formulated and proposed by operational functions. Therefore the targets were anticipated from the functions to be achievable. The targets will also be reviewed periodically, i.e. 6 months or whenever there is significant factor affecting the Group's operations. TISCO also implements incentive system that will reward employees in form of annual bonus based on their performance.

- 1.3 Has the Company's structure been properly organized to help management operate the Company effectively?

Yes No

The company's organization structure has been well defined according to the group's client-centric business strategies. Business functions have well aligned business directions, which are formulated and implemented for each client segment focus group. This enable different functions to operate their diversified business activities independently in the most effective way, while also remaining focused in the group common directions, and effectively utilizing group's resources.

- 1.4 Does the Company have a written code of conduct and regulations prohibiting the activities of management and staff that would cause a conflict of interest with the Company? Are there disciplinary procedures for any violations of these regulations?

Yes No

The code of conduct is a part of compliance manual which are distributed /communicated to every employees.

- 1.5 Does the Company develop written policies and guidelines for financial transactions, purchasing and general management transactions? Are they appropriate and able to detect fraud?

Yes No

The Bank, the Internal Control function, regularly review the policies and guidelines as appropriate. Internal Audit will audit actual operation in accordance with the policies and guidelines to protect fraud and report results to the management and the Audit Committee of the Bank regularly.

1.6 Is fairness to counter-parties taken into account in determining the Company's policies and guidelines for the Company's benefit in the long run?

Yes

No

The Bank emphasizes in customer and business partner satisfaction in its operation in order to strengthen long-term relationship following the Bank's policy of being customer's first choice. In addition, the Bank strictly follows related customer protection law and ensures that product and service information has been adequately provided to customers through well-trained staff. Also, any complaints from customers are handled by function under compliance committee who reports directly to the Management.

Part 2 Risk Management Measures

The company faces a variety of business risks from internal to external sources. Examples of internal factors causing risk are lack of integrity and ethics by management; and failure by the working system and monitoring to cope with rapid business expansion. External risk factors include changes in technology or consumer behavior, which erode market share. To deal with these risks, management has to carry out the following duties regularly:

- (1) Identify risks
- (2) Analyze risks, concentrating on various scenarios and their effects.
- (3) Manage risks

2.1 Does the company regularly assess both internal and external risk factors that materially affect the Company's businesses?

Yes No

Planning function constantly assesses internal and external risk factors from strategic and business stand point while Risk Management function regularly assesses financial risks, particularly in the areas of credit, market, and liquidity risks.

2.2 Does the Company analyze its businesses to identify situations that cause risk?

Yes No

Businesses are analyzed in an ongoing basis in order to identify situations that cause risks. While business strategy and action plan revisit is performed semiannually, risks from business activities are analyzed and reported for Risk Management Committee review in an ongoing basis.

2.3 Does the Company have mechanisms to deal with risks and measures to mitigate them?

Yes No

Procedures and systems to measure and integrate all risks have been set up in writing, including policies and guidelines to manage the risks according to the economic and business condition each year, with the objective to receive returns that is justified for the controlled risks.

2.4 Does the Company communicate risk management strategy to relevant employees for acknowledgement and action?

Yes No

The Bank has documented policies specifying risk management methodologies and strategies which are distributed to relevant employees for acknowledgement and compliance. Employee awareness to comply with the policies is regularly reinforced with key risk information regularly communicated to relevant employees.

2.5 Does the Company have monitoring systems to ensure that all departments have complied with prescribed risk management procedures?

Yes No

The Bank follows up compliance to the risk management guidelines and limits on a daily basis. Compliance to the guidelines is also regularly assessed by independent internal auditors through established procedures.

Part 3 Management Control Activities

Management control activities are integral procedures that help ensure management directives are carried out. The control activities include:

- (1) appropriate authorization and approvals
- (2) segregation of duties
- (3) Proper procedures for transactions executed with major shareholders, directors, management and related persons to protect the Company from improper transfer of benefits
- (4) Compliance with applicable laws and regulations

3.1 Does the Company have a clear, written scope of authority and approval limits?

- Yes No

The Bank has a clear power of attorney and approval limits for employees to act on behalf of the Bank. For the loan approval authority, the Bank has a clear chart of delegation levels of approval authority.

3.2 Is there a complete segregation of the following duties for crossed-checks (1) approval (2) accounting records and information (3) custody of assets?

- Yes No

The duties of approval, accounting records and custody of assets are separately responsible by business function, accounting function and cashiering & bulk processing function, respectively. Moreover there are specific committees to control risk in any aspects, e.g. Risk Management Committee, Credit Committee and Problem Loan Committee, in separation of business function.

3.3 Does the Company have adequate procedures to ensure that transactions with major shareholders, directors, management or related persons are properly approved as required?

- Yes No No such cases

As the Bank's transactions with major shareholders, directors, management or related persons are on arm's length basis, they are then processed through the same procedures as other clients are. The Bank also discloses such information for transparency in accordance with the principles of good corporate governance. If a director has a personal interest in a matter, the director shall disclose the interest to the board, excuse himself or herself from participation in the discussion and shall not vote on the matter

3.4 Are only persons without conflict of interest authorized to approve the transactions mentioned in 3.3?

- Yes No No such cases

3.5 Is approval for transactions in 3.3 made on "an arm's length" basis and for maximum benefit of the Company?

- Yes No No such cases

3.6 Are there measures to ensure that terms and conditions are complied with throughout the contract period (for example, timely loan repayment and revision of contract) in cases where long-term transactions with related persons are approved (for example, purchase and sell agreement, loan and guaranty)?

- Yes No No such cases

3.7 Do the procedures for transactions mentioned in 3.3 cover cases whereby major shareholders, directors, management or related persons might have used opportunities or benefits of the Company for themselves?

Yes No No such cases

3.8 Does the Company monitor the operation of subsidiaries and related companies regularly as well as set policy directions for persons nominated by the Company to be directors or management of such companies?

Yes No No such cases

Similar to the Bank's standard of performance monitoring, the operation of subsidiaries has been monitored with clearly defined business strategies while key performance indicators and business targets have also been set in alignment with the bank's business direction.

3.9 Does the Company have measures to ensure that its operations comply with applicable laws for the purpose of mitigating operational risks and protecting its reputation?

Yes No

The Bank assigns Compliance Function to assure the Bank's compliance with all regulations. It shall encourage all business and operational functions in the Bank to operate in compliance with all regulations. In order to strengthen the compliance practice within the Group, the compliance function is progressively rolling out comprehensive compliance program, including communication, and monitoring of business and operational practices across the Group employing industry and regulatory best practices. On top of that the Bank also appoint Compliance Committee to oversee, advise, and settle all compliance issues and customer's complaints with assistance from Legal Function and Compliance Function.

3.10 Does the Company have preventive and corrective measures to ensure the non-recurrence of activities that were not in compliance with law, in case the Company used to have such activities?

Yes No No such cases

As a preventive measure, a standard policy and compliance manual, reviewed by Internal Control Function and Compliance Function, have been developed and implemented to ensure good compliance with law. The Bank also has Internal Audit Function to regularly audit all activities and independently report to the Audit Committee. Meanwhile, as a corrective measure, all activities founded not in compliance with law shall be brought to the Compliance Committee to consider and take necessary action to ensure the non-recurrence of such activities and immediately reported to the Audit Committee.

Part 4 Information and Communication Measures

To carry out their responsibilities carefully, Board members, management, shareholders or other related persons need to make decisions based on accurate and adequate information, both financial and general. Therefore, effective communication with related parties is essential and supports an efficient internal control system. Information should be:

- (1) instructive
- (2) complete
- (3) up-to-date
- (4) in an easy to understand format
- (5) well-arranged

4.1 Does the Company provide sufficient and relevant information on issues put before the Board of Directors for their consideration and decisions? (Such information includes details, reasons, effects and options.)

- Yes No

The Bank has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the Bank. The Executive Board will then assign Management to perform part of the Executive Board's responsibilities. Management will regularly report their activities and provide adequate information required by the Executive Board for decision making on a monthly basis. The Executive Board will propose the matters to the Board of Directors for acknowledgement or approval.

4.2 Do Board members receive advance notice of the meeting and documents, which contain relevant and sufficient details for consideration at the meeting, at least within the minimum number of days required by law?

- Yes - average 7 days before meeting No

The Bank shall send a notice of meeting and related documents to Board members for consideration not less than 7 days in advance of the date of the meeting with the exception in the case of urgency such as an immediate report from government agencies which the Bank receives very close to the meeting date.

4.3 Do minutes of the Board's meetings contain sufficient information for the shareholders to oversee the activities of the Board members? The information includes the Board members' inquiries, opinions and observations as well as the opinions of members who do not agree with the proposed recommendations, along with their reasons.

- Yes No

The Board members' observations, inquiries, opinions and resolutions are always included in the minutes of the Board's meetings.

4.4 Does the Company maintain complete and categorized accounting records and documents? Do the auditors ever report any related deficiency? Have reported deficiencies, if any, been corrected?

- Yes No

The auditors have never reported any deficiency in accounting records.

4.5 Does the Board consider whether the management has already adopts generally accepted accounting principles suitable for the Company's business type and not adopt ones that might cause the Company to report incorrect operating results?

- Yes No

The Board of Directors emphasize that the Bank must adopt conservative framework as its principle accounting policy.

Part 5 Monitoring

To operate effectively and efficiently, the Company has to monitor on an ongoing basis to ensure that predefined objectives are achieved, internal controls systems are functioning, improvements are made in association with changing situations and deficiencies are resolved in a timely fashion.

5.1 Does the Board compare the actual operational results with the predefined business plan?

Yes No No such cases

The Management reports business performance and financial results compared with predefined business targets to the Executive Board on a monthly basis, and the Board on a bi-monthly basis.

5.2 Does the Company take corrective and timely action in cases where there is variance between the predefined plan and actual results?

Yes No No such cases

The Executive Board reviews business performance with Management monthly. In addition Performance Dashboard Meeting are organized on a monthly basis among the Management and business line managers. The meeting helps to monitor, evaluate and respond to business performance in timely and proactive manners. Any significant deviation of the results from predefined business plans will be identified and discussed so that any corrective actions can be performed promptly.

5.3 Have periodic evaluations of internal control systems been conducted?

Yes No

The internal control systems of each business activities have been evaluated by internal auditors periodically.

5.4 Do the internal auditors report their audit results directly to the Board or Audit Committee to ensure that internal auditors are able to work independently and report the audit results openly?

Yes No No such cases

The internal auditors report their audit results directly to the Audit Committee. The Audit Committee will then consider the matters and recommend on corrective action to management as well as follow up the disposition and report to the Board.

5.5 Are significant deficiencies, if founded, reported directly to the Board/Audit Committee for corrective and timely action?

Yes No No such cases

The internal auditors shall inform and discuss with the management about their findings and corrective action to be taken. The audit results together with management's response shall instantly be reported to the Audit Committee for additional advice, if any.

5.6 Does the Company have to report the progress of corrective action taken to the Board/Audit Committee?

Yes No

It is reported to the Audit Committee continuously and systematically. The Audit Committee, in turn, will present report summaries to the Board continuously.

5.7 Does the Company have a policy for management to report immediately to the Board in cases of fraud or suspected fraud, activities that are not in compliance with the law and other abnormal activities which might have a material impact on the Company's reputation or financial position?

Yes No No such cases

The Bank will report the significant cases of fraud or suspected fraud, lawsuit filed on the Bank and other abnormal activities to the Audit Committee instantly so that the Audit Committee can examine the cases as well as providing corrective actions to the Board immediately.

Attachment 7

**Responsibility of the Board of Directors for Financial Statements and
Auditor's Report and Financial Statement**

Statement of the Board of Directors' Responsibility for Financial Statements

The Board of Directors of TISCO Bank Public Company Limited is responsible for the Bank's financial statements, the consolidated financial statements of the Bank and its subsidiaries, and all financial information presented in the annual report. The financial statements have been prepared in accordance with generally accepted accounting standards applicable in Thailand, which are based on appropriate accounting policies, consistently applied and practiced, prudent judgment and best accounting estimates. All material information has been sufficiently disclosed in the notes to financial statements. These financial statements also have been made in compliance with the stipulations of the Notification of the Bank of Thailand, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The financial statements have been audited and expressed with unqualified audit opinion by an independent auditor, which reflected fair and transparent financial position and operating performance that is useful information for shareholders and general investors.

The Board of Directors has established effective risk management and internal control systems to ensure that the reliability and completeness of financial information are in place, with the ability to protect the Bank's assets, as well as identifying the weaknesses of operation in order to adequately prevent operational risk.

In this regard, the Board of Directors has appointed the Audit Committee, comprising independent directors, to oversee qualitative aspects of financial reporting and internal control systems. The opinion of the Audit Committee with regard to these matters appears in the Report of the Audit Committee in this annual report.

The Board of Directors views that the Bank's internal control systems are satisfactory and provide reasonable assurance as to the reliability of both the Bank's financial statements and the consolidated financial statements of the Bank and its subsidiaries as of December 31, 2007.

Dr. Phisit Pakkasem

Dr. Phisit Pakkasem
Chairman of the Board

Mr. Pliu Mangkornkanok

Mr. Pliu Mangkornkanok
Chief Executive Officer

Report of Independent Auditor

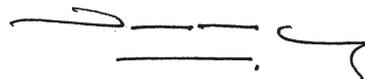
To the Shareholders of TISCO Bank Public Company Limited

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

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

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

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



Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok: 11 February 2008

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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



TISCO
ธนาคารทิสโก้ จำกัด (มหาชน)
TISCO Bank Public Company Limited

Mr. Pichai Chanvirachart
(President)



Mrs. Oranuch Apisaksirikul
(Director and Senior Executive Vice President)

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

Consolidated financial statements

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

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

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

1.1 Basis of preparation

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

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

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

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

1.2 Basis of consolidation

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

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

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

1.3. Adoption of new accounting standards

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

a) Accounting Standards which are effective for the current year

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

TAS 45 (revised 2007) Investments in Associates

TAS 46 (revised 2007) Interests in Joint Ventures

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

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

TAS 25 (revised 2007) Cash Flow Statements

TAS 29 (revised 2007) Leases

TAS 31 (revised 2007) Inventories

TAS 33 (revised 2007) Borrowing Costs

TAS 35 (revised 2007) Presentation of Financial Statements

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

TAS 41 (revised 2007) Interim Financial Reporting

TAS 43 (revised 2007) Business Combinations

TAS 49 (revised 2007) Construction Contracts

TAS 51 Intangible Assets

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

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

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

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

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

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fee

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

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

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

e) Fees and service income

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

1.4.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

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

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

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

1.4.3 Investments in securities

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

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

1.4.4 Investments in receivable purchased or transferred in

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

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

1.4.5 Securities purchased under resale agreements

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

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

1.4.6 Receivable from Clearing House/ Payable to Clearing House

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

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

1.4.7 Loans and receivables

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

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

1.4.8 Allowance for doubtful accounts and losses from troubled debt restructuring

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

Year 2007

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

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

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

Year 2006

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

The timeline for implementing these provisioning guidelines is presented below.

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

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

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

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

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

1.4.9 Troubled debt restructuring

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

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

1.4.10 Recognition and amortisation of customer deposits

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

1.4.11 Borrowing and lending of securities

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

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

1.4.12 Property foreclosed

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

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

1.4.13 Depreciation and amortisation

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

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

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

No depreciation is provided on land.

Depreciation is included in determining income.

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

1.4.14 Income tax

- a) Current tax

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

- b) Deferred tax

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

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

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

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

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

1.4.15 Impairment of assets

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

1.4.16 Sales of commercial paper

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

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

1.4.17 Foreign currencies

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

Gains and losses on exchange are included in determining income.

1.4.18 Employee benefits

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

1.4.19 Provisions

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

1.4.20 Derivatives

a) Interest rate swap contracts

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

b) Derivatives-Futures contracts

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

1.4.21 Financial instruments

a) Financial risk management

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

b) Fair value of financial instruments

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

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

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

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

1.4.22 Earnings per share

Calculation of earnings per share is summarised below.

Basic earnings per share

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

Diluted earnings per share

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

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

1.4.23 Use of accounting estimates

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

1.4.24 Reclassification

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

2. GENERAL INFORMATION

2.1 The Bank's information

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

2.2 Share capital

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

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

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

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

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

2.5 Provident fund

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

2.6 Related party transactions

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

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

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

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

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

3. DETAILS OF FINANCIAL STATEMENTS

3.1 Consolidated financial statements

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

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

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

3.2 Interbank and money market items (assets)

(Unit: Baht)

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

(Unit: Baht)

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

(Unit: Million Baht)

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

3.3 Securities purchased under resale agreements

(Unit: Million Baht)

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

3.4 Investments

(Unit: Baht)

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

(Unit: Baht)

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

(Unit: Baht)

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

(Unit: Baht)

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

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

(Unit: Million Baht)

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

3.4.2 Investments subject to restriction

(Unit: Million Baht)

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

3.4.3 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

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

(Unit: Baht)

Consolidated financial statements as at 31 December 2006

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

(Unit: Baht)

Separate financial statements as at 31 December 2007

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

(Unit: Baht)

Separate financial statements as at 31 December 2006

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

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

(Unit: Baht)

Consolidated financial statements/

Separate financial statements

As at 31 December 2007

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

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

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

(Unit: Baht)

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

(Unit: Baht)

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

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

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

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

(Unit: Baht)

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

3.5 Investments in subsidiary companies

(Unit: Million Baht)

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

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

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

3.6 Loans, receivables and accrued interest receivable

3.6.1 Classified by type of loan and receivable

(Unit: Baht)

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

3.6.2 Classified by remaining periods of contracts

(Unit: Baht)

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

3.6.3 Classified by type of business

(Unit: Baht)

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

(Unit: Baht)

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

(Unit: Baht)

Consolidated financial statements as at 31 December 2006

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

(Unit: Baht)

Separate financial statements as at 31 December 2006

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

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

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

⁽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.

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

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

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

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

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

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

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

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

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

3.6.7 Troubled debt restructuring

- Debt restructuring during the year

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

- Debtors which were restructured

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

- The balance of the restructured debts

(Unit: Million Baht)

Separate financial statements

As at

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

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

(Unit: Million Baht)

Allowance for doubtful accounts /

Separate financial statements

allowance for loss on debt restructuring

As at

	31 December 2007	31 December 2006
Amount to be provided under BOT's guidelines	2,097	2,142
Amount already recorded by the Bank	2,465 ⁽¹⁾	2,486 ⁽¹⁾
Amount in excess of the required amount	368	344

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

3.7.1 Allowance for doubtful accounts

(Unit: Baht)

Consolidated financial statements as at 31 December 2007

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

(Unit: Baht)

Consolidated financial statements as at 31 December 2006

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

(Unit: Baht)

Separate financial statements as at 31 December 2007

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

(Unit: Baht)

Separate financial statements as at 31 December 2006

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

3.7.2 Allowance for loss on debt restructuring

(Unit: Baht)

Consolidated financial statements/

Separate financial statements

As at

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

3.7.3 Non-performing loans and receivables

(Unit: Million Baht)

Separate financial statements

As at

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

3.8 Classification of assets

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

(Unit: Million Baht)

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

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

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

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

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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

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

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

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

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

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

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

(Unit: Million Baht)

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

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

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

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

(Unit: Million Baht)

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

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

(Unit: Million Baht)

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

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

3.9 Property foreclosed

(Unit: Baht)

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

3.10 Land, premises and equipment

(Unit: Baht)

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

(Unit: Baht)

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

3.11 Other assets

(Unit: Baht)

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

3.12 Deposits

3.12.1 Classified by type of deposits

(Unit: Baht)

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

3.12.2 Classified by the remaining period of contract

(Unit: Baht)

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

*Including fully-mature deposit contract

3.13 Interbank and money market items (liabilities)

(Unit: Baht)

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

(Unit: Baht)

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

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

3.14 Borrowings

(Unit: Baht)

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

3.14.1 Subordinated debentures

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

3.14.2 Unsubordinated unsecured debentures

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

3.14.3 Bills of exchange

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

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

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

3.14.4 Promissory note

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

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

3.15 Other liabilities

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

3.16 Preference shares converted to ordinary shares

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

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

3.17 Warrants

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

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

3.18 Capital funds

(Unit: Thousand Baht)

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

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

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

(Unit: Baht)

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

3.20 Gain on investments

(Unit: Baht)

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

3.21 Gain on derivatives

(Unit: Baht)

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

3.22 Other income

(Unit: Baht)

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

3.23 Other expenses

(Unit: Baht)

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

3.24 Corporate income tax

(Unit: Baht)

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

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

(Unit: Thousand Baht)

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

3.25 Provident fund

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

3.26 Number of employees and related expenses

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

3.27 Reconciliation of diluted earnings per share

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

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

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

3.28 Related party transactions

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

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

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

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

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

Directors and management's remuneration

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

3.29 Financial information by segment

3.29.1 Financial information by business segment

(Unit: Million Baht)

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

(Unit: Million Baht)

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

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

3.29.2.1 Financial position by activity

(Unit: Million Baht)

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

3.29.2.2 Operating results by activity

(Unit: Million Baht)

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

3.30 Commitments and contingent liabilities

3.30.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

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

3.30.2 Litigation

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

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

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

3.30.3 Other commitments

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

3.31 Financial instruments

3.31.1 Credit risk

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

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

3.31.2 Interest rate risk

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

(Unit: Million Baht)

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

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2006

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

(Unit: Million Baht)

Separate financial statements

As at 31 December 2007

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

(Unit: Million Baht)

Separate financial statements

As at 31 December 2006

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

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2007

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2006

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

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

3.31.3 Liquidity risk

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

(Unit: Million Baht)

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2006

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2007

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2006

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

3.31.4 Foreign exchange risk

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

3.31.5 Derivatives

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

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

a) Interest rate swap

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

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

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

b) Call option

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

c) SET50 Index Futures

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

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

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

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

3.31.6 Fair value of financial instruments

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

4. SIGNIFICANT EVENTS DURING THE YEARS AND OTHER INFORMATION

4.1 Share holding restructuring

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

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

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

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

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

4.2 Dividend payment

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

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

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

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

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

4.4 Related party transactions

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

During the year ended 31 December 2007

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

4.5 Significant events of subsidiaries

4.5.1 Share capital increase of a subsidiary

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

4.5.2 Dissolution registration of subsidiaries

TISCO Group Company Limited

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

Thai Commercial Auto Company Limited

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

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

VLT Leasing Company Limited

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

4.5.3 Capital returns from subsidiaries

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

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

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

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

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

6. APPROVAL OF FINANCIAL STATEMENTS

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