

TISCO Bank Public Company Limited
Report and financial statements
For the years ended 31 December 2008 and 2007

Report of Independent Auditor

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying balance sheets of TISCO Bank Public Company Limited as at 31 December 2008 and 2007, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my 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 2008 and 2007, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok: 6 February 2009

TISCO Bank Public Company Limited

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Assets			
Cash		595,120,161	439,197,848
Interbank and money market items	3.1		
Domestic			
Interest bearing		13,113,647,326	-
Non-interest bearing		34,692,996	555,659,355
Foreign			
Non-interest bearing		-	95,252,768
Total interbank and money market items - net		13,148,340,322	650,912,123
Securities purchased under resale agreements		-	2,400,000,000
Investments	3.2,3.3,3.6		
Current investment - net		2,521,088,917	924,589,793
Long-term investment - net		1,841,528,286	3,676,094,933
Investment in subsidiaries - net		96,063,931	2,966,664,271
Net investments		4,458,681,134	7,567,348,997
Loans, receivables and accrued interest receivable	3.4,3.6		
Loans and receivables		101,530,926,903	82,321,854,739
Accrued interest receivable		110,754,580	110,306,176
Total loans, receivables and accrued interest receivable		101,641,681,483	82,432,160,915
Less: Allowance for doubtful accounts	3.5.1	(1,604,457,372)	(2,464,917,060)
Less: Allowance for loss on debt restructuring	3.5.3	(18,258)	(538,175)
Net loans, receivables and accrued interest receivable		100,037,205,853	79,966,705,680
Property foreclosed - net	3.7	1,003,254,030	1,032,381,620
Land, premises and equipment - net	3.8	701,210,952	1,066,991,797
Deferred tax assets	3.21	182,534,215	221,131,399
Other assets	3.9	1,425,798,806	819,568,922
Total assets		<u>121,552,145,473</u>	<u>94,164,238,386</u>

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Liabilities and shareholders' equity			
Deposits in baht	3.10	58,875,780,866	35,728,808,527
Interbank and money market items			
Domestic - Interest bearing	3.11	3,951,717,928	6,402,426,150
Liability payable on demand		496,740,597	475,067,616
Borrowings	3.12		
Short-term borrowings		40,028,191,682	29,954,388,462
Long-term borrowings		4,899,301,740	8,005,054,853
Total borrowings		44,927,493,422	37,959,443,315
Accrued interest payable		868,991,067	782,253,814
Other liabilities	3.13	1,097,305,714	1,178,736,950
Total liabilities		110,218,029,594	82,526,736,372

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Shareholders' equity			
Share capital			
Registered	2.2	<u>11,002,000,000</u>	<u>11,002,000,000</u>
Issued and fully paid-up			
183,500,430 Preference shares of Baht 10 each (2007: 182,775,380 preference shares of Baht 10 each)		1,835,004,300	1,827,753,800
544,651,820 Ordinary shares of Baht 10 each (2007: 544,617,120 ordinary shares of Baht 10 each)		<u>5,446,518,200</u>	<u>5,446,171,200</u>
		7,281,522,500	7,273,925,000
Share premium			
Share premium of preference shares		93,951,250	84,925,420
Share premium of ordinary shares		36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	3.17	5,575,057	38,216,329
Retained earnings			
Appropriated - statutory reserve	2.3	547,000,000	486,800,000
Unappropriated		<u>3,369,567,072</u>	<u>3,717,135,265</u>
Total shareholders' equity		<u>11,334,115,879</u>	<u>11,637,502,014</u>
Total liabilities and shareholders' equity			
		<u>121,552,145,473</u>	<u>94,164,238,386</u>
		0	0
Off-balance sheet items - contingencies			
	3.27		
Aval to bills and guarantees of loans		70,696,967	51,925,000
Other commitments		6,224,774,821	3,397,849,378

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

.....
 Mr. Suthas Ruangmanamongkol
 (President)

.....
 Mrs. Oranuch Apisaksirikul
 (Director)

TISCO Bank Public Company Limited

Income statements

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Interest and dividend income			
Loans		1,215,475,030	1,046,345,614
Interbank and money market items		284,769,504	371,553,848
Hire purchase income		4,982,758,508	4,214,182,642
Investments		1,104,696,119	622,928,175
Total interest and dividend income		7,587,699,161	6,255,010,279
Interest expenses			
Deposits		1,776,545,685	2,188,784,978
Interbank and money market items		150,864,971	122,132,409
Short-term borrowings		1,201,737,752	717,812,980
Long-term borrowings		194,655,549	267,509,933
Total interest expenses		3,323,803,957	3,296,240,300
Net interest and dividend income		4,263,895,204	2,958,769,979
Bad debts and doubtful accounts		(706,730,835)	(336,960,679)
Net interest and dividend income after bad debt and doubtful accounts		3,557,164,369	2,621,809,300
Non-interest income			
Gain (loss) on investments	3.18	(1,157,527,839)	220,421,564
Fees and service income			
Acceptances, aval and guarantees		10,201,047	10,203,762
Insurance services		673,001,138	511,193,208
Others		154,858,748	119,138,601
Loss on exchange		(9,805,581)	(6,900,252)
Other income	3.19	380,164,026	158,906,128
Total non-interest income		50,891,539	1,012,963,011
Total net income		3,608,055,908	3,634,772,311
Non-interest expenses			
Personnel expenses		952,793,212	882,630,606
Premises and equipment expenses		594,321,967	474,391,112
Taxes and duties		105,991,556	110,236,687
Fees and service expenses		178,385,885	184,298,863
Directors' remuneration	2.4	7,550,000	8,050,000
Other expenses	3.20	417,801,819	335,299,694
Total non-interest expenses		2,256,844,439	1,994,906,962
Income before income tax		1,351,211,469	1,639,865,349
Corporate income tax	3.21	(147,504,191)	(346,961,822)
Net income for the year		1,203,707,278	1,292,903,527
Earnings per share			
Basic earnings per share	3.23	1.40	1.52
Diluted earnings per share		1.40	1.52

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

TISCO Bank Public Company Limited**Cash flow statements****For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Income before corporate income tax	1,351,211,469	1,639,865,349
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	195,879,588	169,591,939
Bad debt and doubtful accounts	1,115,338,253	606,353,067
Allowance for impairment of investment (reversal)	44,329,201	(13,973,134)
Allowance for impairment of property foreclosed	14,953,680	13,629,174
Loss (gain) on disposal of investments	1,113,198,638	(206,448,430)
Unrealised loss on exchange rate	9,805,581	6,900,252
Gain on sales of property, plant and equipment	(47,952,462)	(1,127,986)
Gain from disposal of property foreclosed	(27,885,032)	(4,452,183)
Decrease (increase) in other accrued income	10,174,609	(1,077,956)
Increase in accrued expenses	1,201,094	33,835,952
Income from operating activities before changes in operating assets and liabilities	3,780,254,619	2,243,096,044
Decrease (increase) in operating assets		
Interbank and money market items	(12,498,004,809)	(75,591,309)
Securities purchased under resale agreements	2,400,000,000	(682,000,000)
Loans and receivables	(22,679,069,458)	(15,188,163,143)
Property foreclosed	1,314,014,974	1,015,039,861
Other assets	(257,642,076)	378,464,571

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

TISCO Bank Public Company Limited

Cash flow statements (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	<u>2008</u>	<u>2007</u>
Increase (decrease) in operating liabilities		
Deposits	23,146,972,339	(4,939,307,747)
Interbank and money market items	(2,460,375,435)	3,836,347,691
Liability payable on demand	21,672,981	(2,448,191)
Borrowings	6,981,022,056	11,371,032,418
Other liabilities	<u>99,030,992</u>	<u>(32,699,502)</u>
	(152,123,817)	(2,076,229,307)
Net interest and dividend income	(4,263,895,204)	(2,958,769,979)
Cash received from interest	6,895,895,784	5,800,039,533
Cash paid for interest	(3,237,932,569)	(2,966,345,828)
Cash paid for corporate income tax	<u>(277,885,230)</u>	<u>(158,173,748)</u>
Net cash flows used in operating activities	<u>(1,035,941,036)</u>	<u>(2,359,479,329)</u>
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(9,887,024,735)	(10,963,039,197)
Cash received from disposal of investment in securities held for investment	8,762,827,476	10,601,207,183
Cash received from dividend	895,918,439	1,097,051,124
Cash paid for purchase of equipment	(242,548,824)	(132,603,263)
Cash received from disposal of property, plant and equipment	486,921,839	1,302,679
Cash received from capital returned from subsidiaries (Note 4.4.2)	667,370,466	512,461,232
Cash received from disposal of investment in subsidiaries (Note 4.3)	<u>1,981,546,810</u>	<u>-</u>
Net cash flows from investing activities	<u>2,665,011,471</u>	<u>1,116,379,758</u>
Cash flows from financing activities		
Dividend paid	(1,489,771,452)	(1,633,234,980)
Cash paid for the redemption of long-term debentures and debt instruments	-	(4,800,000,000)
Cash received from issue long-term debentures and debt instruments	-	7,884,832,583
Cash received from exchange of warrants to purchase preference shares	<u>16,623,330</u>	<u>21,611,970</u>
Net cash flows from (used in) financing activities	<u>(1,473,148,122)</u>	<u>1,473,209,573</u>
Net increase in cash	155,922,313	230,110,002
Cash at beginning of year	<u>439,197,848</u>	<u>209,087,846</u>
Cash at end of year	<u>595,120,161</u>	<u>439,197,848</u>
	-	-
Supplemental cash flows information		
Conversion of preference shares to ordinary shares	347,000	33,400,000

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Issued and fully paid-up share capital		Share premium		Surplus (deficit) from changes in the value of investment	Statutory reserve	Unappropriated retained earnings	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares				
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
Income (expenses) recognised directly in equity:								
Increase in fair value of investments	-	-	-	-	313,966,321	-	-	313,966,321
Deferred tax recognised in shareholders' equity	-	-	-	-	(94,189,896)	-	-	(94,189,896)
Income (expenses) recognised directly in equity	-	-	-	-	219,776,425	-	-	219,776,425
Net income for the year	-	-	-	-	-	-	1,292,903,527	1,292,903,527
Total income (expenses) for the year	-	-	-	-	219,776,425	-	1,292,903,527	1,512,679,952
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	<u>1,827,753,800</u>	<u>5,446,171,200</u>	<u>84,925,420</u>	<u>36,500,000</u>	<u>38,216,329</u>	<u>486,800,000</u>	<u>3,717,135,265</u>	<u>11,637,502,014</u>
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
Income (expenses) recognised directly in equity:								
Decrease in fair value of investments	-	-	-	-	(46,630,389)	-	-	(46,630,389)
Deferred tax transferred out from shareholders' equity	-	-	-	-	13,989,117	-	-	13,989,117
Income (expenses) recognised directly in equity	-	-	-	-	(32,641,272)	-	-	(32,641,272)
Net income for the year	-	-	-	-	-	-	1,203,707,278	1,203,707,278
Total income (expenses) for the year	-	-	-	-	(32,641,272)	-	1,203,707,278	1,171,066,006
Dividend paid (Note 4.2)	-	-	-	-	-	-	(1,489,771,452)	(1,489,771,452)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,304,019)	(1,304,019)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	60,200,000	(60,200,000)	-
Warrants converted to preference shares	7,597,500	-	9,025,830	-	-	-	-	16,623,330
Preference shares converted to ordinary shares	(347,000)	347,000	-	-	-	-	-	-
Balance as at 31 December 2008	<u>1,835,004,300</u>	<u>5,446,518,200</u>	<u>93,951,250</u>	<u>36,500,000</u>	<u>5,575,057</u>	<u>547,000,000</u>	<u>3,369,567,072</u>	<u>11,334,115,879</u>

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

TISCO Bank Public Company Limited

Notes to financial statements

For the years ended 31 December 2008 and 2007

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

1.1 Basis of preparation

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

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Bank of Thailand dated 3 August 2008 “Preparation and presentation of a commercial bank and a holding company which is the parent company of the financial business group”.

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

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

1.2 Financial statements after holding restructuring of TISCO Group

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

No consolidated financial statements for the year 2008 of the Bank and its subsidiaries (TISCO Leasing Company Limited and TISCO Securities Hong Kong Limited) have been prepared since TISCO Financial Group Public Company Limited, a parent company with registered office located at 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok, has already presented the consolidated financial statements. Therefore, the Bank presented only the separate financial statements.

For comparative purpose and to facilitate comparison by the financial statement users, the consolidated financial statements of the Bank and its subsidiaries (“TISCO Group” before holding restructuring) for the year 2007 were presented with the consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries (“TISCO Group” after holding restructuring).

1.3 Adoption of new accounting standards

1.3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

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 become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 31, TAS 33 and TAS 49 are not relevant to the business of the Bank, while TAS 25, TAS 29, TAS 35, TAS 39, TAS 41, TAS 43 and TAS 51, do not have any significant impact on the financial statements for the current year.

1.3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase income is 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 to cease accruing income. For hire purchase accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from the Bank and interest then recognised as income on a cash basis.

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

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

b) Interest and dividends on investment in securities

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

- c) Gain (loss) on trading in securities

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

- d) Fees and service income

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

1.4.2 Expense recognition

- a) Interest expenses

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

- b) Commissions and direct expenses of the hire purchase business

The Bank recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, by the effective interest rate method, and deducting them from unearned income over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded as expenses when occurred for hire purchase contract originated before 1 January 2007.

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

1.4.3 Investments in securities

- a) Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining income.
- b) Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- c) Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).
- e) Investments in subsidiaries in the separate financial statements are determined at cost net of allowance for impairment (if any).
- f) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) The Bank will record losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.
- i) The moving average method is used for computation of the cost of investments.
- j) In the event the Bank reclassifies their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

1.4.4 Investments in receivable purchased or transferred in

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

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

1.4.5 Securities purchased under resale agreements

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 recognised on an accrual basis over the term of the transaction, and are presented as interest income.

1.4.6 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 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.

1.4.7 Allowance for doubtful accounts and losses from troubled debt restructuring

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

2008

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

For non-performing loans and receivables which are classified as substandard, doubtful and doubtful of loss (except for non-performing hire purchase receivables), the Bank records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications.

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

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

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.

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the balance sheet date.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense 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.

1.4.8 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 fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, 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.

1.4.9 Property foreclosed

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transferred date, not exceed the legally claimable amount of outstanding debt) and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses.

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

1.4.10 Depreciation and amortisation

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

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

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

No depreciation is provided on land.

Depreciation is included in determining income.

- b) Software license fees are deferred and amortised over the period of the license agreements, which are 5 and 10 years (with the exception of the amortisation of software licenses, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years).

1.4.11 Income tax

- a) Current tax

The Bank calculates corporate income tax in accordance with tax legislation.

- b) Deferred tax

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

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

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

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

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

1.4.12 Impairment of assets

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

Impairment losses are recognised in the income statement.

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

1.4.13 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".

1.4.14 Foreign currencies

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

Gains and losses on exchange are included in determining income.

1.4.15 Employee benefits

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

1.4.16 Provisions

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

1.4.17 Derivatives

Since the first quarter of 2008, the Bank has changed its accounting method in recording derivatives from accrual basis to fair value method. The Bank records gains (losses) from changes in the fair value of derivatives in the income statements. 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 recording of derivatives using fair value method is in accordance with the principles for recording derivatives under IAS 39 "Financial Instruments: Recognition and Measurement". The Bank has not restated the financial statements of the period 2007 for comparative purposes because the impact of such change is not material to the prior year's financial statements.

1.4.18 Financial instruments

a) Financial risk management

The Bank's 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, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.28 to the financial statements.

b) Fair value of financial instruments

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

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities purchased under resale agreements, deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the balance sheet approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- Loans and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value, which is the book value, less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debentures and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

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

1.4.19 Earnings per share

Basis of computation of earnings per share is summarised below.

Basic earnings per share

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

Diluted earnings per share

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

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

1.4.20 Significant accounting judgments and estimates

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

Allowance for doubtful accounts for loans and receivables

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

Fair value of financial instruments

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

Impairment of investments

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

Deferred tax assets

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

Recognition and derecognition of assets and liabilities

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. 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 2008, the Bank has 33 branches in Thailand.

2.2 Share capital

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

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Bank pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Bank does not declare dividend payment to the ordinary shareholders, the Bank may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Bank has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders 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 and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 - 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 related parties, which are reference to the terms and price as charged to other customers.

The Bank has neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management-level employees, with the exception of loans to parent company and loans to employees under the employee welfare scheme, as mentioned in Note 3.24 to the financial statements.

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

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

3. Details of financial statements

3.1 Interbank and money market items (assets)

(Unit: Baht)

	As at					
	31 December 2008			31 December 2007		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development						
Fund	6,353,554	13,110,000,000	13,116,353,554	508,519,066	-	508,519,066
Commercial banks	28,339,442	-	28,339,442	47,140,289	-	47,140,289
Total	34,692,996	13,110,000,000	13,144,692,996	555,659,355	-	555,659,355
Add: Accrued interest	-	3,647,326	3,647,326	-	-	-
Total domestic	34,692,996	13,113,647,326	13,148,340,322	555,659,355	-	555,659,355
Foreign						
Hong Kong dollar	-	-	-	95,252,768	-	95,252,768
Total	-	-	-	95,252,768	-	95,252,768
Add: Accrued interest	-	-	-	-	-	-
Total foreign	-	-	-	95,252,768	-	95,252,768
Total domestic and foreign	34,692,996	13,113,647,326	13,148,340,322	650,912,123	-	650,912,123

3.2 Investments

(Unit: Baht)

	As at			
	31 December 2008		31 December 2007	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investments				
Available-for-sales securities				
Debt securities:				
Government and state enterprise securities	416,231,175	417,580,327	759,753,123	759,930,058
Debt securities of private sector	101,616,915	100,007,500	162,828,893	101,806,733
Foreign debt securities	1,869,822,358	1,668,501,090	-	-
Total	2,387,670,448	2,186,088,917	922,582,016	861,736,791
Add (less): Allowance for changes in value	8,069,337		(431,225)	
Exchange difference	(208,190,868)		-	
Less: Allowance for impairment	(1,460,000)		(60,414,000)	
Debt securities - net	2,186,088,917		861,736,791	
Equity securities:				
Domestic marketable equity securities	-	-	103,869,880	62,853,002
Add (less): Allowance for changes in value	-		(41,016,878)	
Net equity securities	-		62,853,002	
Total available-for-sales securities	2,186,088,917		924,589,793	

(Unit: Baht)

	As at			
	31 December 2008		31 December 2007	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Held-to-maturity debt securities - due within 1 year				
Debt Securities:				
Government and state enterprise securities	335,000,000		-	
Total held-to-maturity debt securities - due within 1 year	335,000,000		-	
Net current investments	2,521,088,917		924,589,793	
<u>Long-term investments</u>				
Available-for-sales securities				
Debt securities:				
Debt securities of private sector	100,000,000	99,895,030	100,000,000	99,230,140
Add (less): Allowance for changes in value	(104,970)		(769,860)	
Debt securities - net	99,895,030		99,230,140	
Equity securities:				
Domestic marketable equity securities	-		1,865,480,660	1,962,293,380
Add (less): Allowance for changes in value	-		96,812,720	
Net equity securities	-		1,962,293,380	
Total available-for-sales securities	99,895,030		2,061,523,520	
Held-to-maturity debt securities				
Debt securities:				
Government and state enterprise securities	-		335,000,000	
Total held-to-maturity debt securities	-		335,000,000	
Other investments				
Equity securities:				
Domestic non-marketable equity securities	705,797,590		731,170,450	
Investment in receivables	1,138,771,537		609,341,235	
Total	1,844,569,127		1,340,511,685	
Less: Allowance for impairment	(102,935,871)		(60,940,272)	
Total other investments	1,741,633,256		1,279,571,413	
Net long-term investments	1,841,528,286		3,676,094,933	
<u>Investment in subsidiaries</u>				
Investments in subsidiaries (cost method)	96,063,931		2,966,664,271	
Investments in subsidiaries - net	96,063,931		2,966,664,271	
Net investments	4,458,681,134		7,567,348,997	

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

(Unit: Million Baht)

	As at		Remark
	31 December 2008	31 December 2007	
Government bonds	331	331	These bonds are redeemable within a 10-year period, maturing in 2009, and carry interest at rates of 4% and 5% per annum.

3.2.2 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	31 December 2008	31 December 2007	
Government debt securities	4	3	Pledged for electricity usage
Government debt securities	-	65	Pledged under agreement to swap a floating interest rate for a fixed interest rate, expired in June 2008

3.2.3 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

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

(Unit: Baht)

	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	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

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

(Unit: Baht)

	As at 31 December 2008		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

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

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

(Unit: Baht)

Name	As at					
	31 December 2008			31 December 2007		
	Book value (Cost method)	Unpaid amounts	Percentage of holding %	Book value (Cost method)	Unpaid amounts	Percentage of holding %
<u>Insurance:</u>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<u>Services:</u>						
TISCO Securities Hong Kong Limited (in the process of liquidation)	66,482,955	-	100	66,482,955	-	100
TISCO Securities Co., Ltd.	-	-	-	1,499,999,930	-	99.99
TISCO Asset Management Co., Ltd.	-	-	-	219,848,681	-	99.99
TISCO Information Technology Co., Ltd.	-	-	-	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
<u>Leasing and hire purchase:</u>						
Hi-Way Co., Ltd. (ordinary shares and preference shares)	-	-	-	272,891,729	-	99.99
TISCO Leasing Co., Ltd.	29,570,976	-	99.99	863,570,976	-	99.99
TISCO Tokyo Leasing Co., Ltd. (formerly known as "Tokyo Leasing (Thailand) Co., Ltd." or "Mizuho Corporate Leasing (Thailand) Co., Ltd.")	-	-	-	1,849,050	-	21
<u>Trading import and export:</u>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	4,291,200	-	10	3,966,300	-	10
<u>Real estate:</u>						
Prosperity Industrial Estate Co., Ltd.	45,227,553	-	10	45,289,171	-	10
UMI Property Co., Ltd.	8,842,500	-	10	10,156,500	-	10
<u>Industrial:</u>						
Siam Art Ceramic Co., Ltd.	16,555,000	-	10	16,291,000	-	10

3.2.6 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	As at 31 December 2007	
	Book value	Percentage of holding
	Baht	%
TISCO Tokyo Leasing Co., Ltd. (formerly known as "Tokyo Leasing (Thailand) Co., Ltd." or "Mizuho Corporate Leasing (Thailand) Co., Ltd.")	1,849,050	21

In December 2008, the Bank sold a 19% holding in TISCO Tokyo Leasing Company Limited to TISCO Financial Group Public Company Limited as mentioned in Note 4.3 d) to the financial statements.

3.3 Investments in subsidiaries

Company's name	Nature of Business	Paid-up share capital		Cost		Dividend received	
		as at		as at		for the years ended	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Subsidiaries directly held by the Bank:							
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	HKD 20 million	HKD 20 million	66	66	-	-
TISCO Securities Co., Ltd.	Securities business	1,500	1,500	-	1,500	244	240
TISCO Asset Management Co., Ltd.	Asset management	100	100	-	220	205	110
TISCO Leasing Co., Ltd.	Leasing	56	890	30	864	209	-
Hi-Way Co., Ltd.	Hire purchase	100	100	-	273	102	-
TISCO Information Technology Co., Ltd.	Services	20	20	-	44	10	-
TISCO Financial Group Plc.	Holding	-	-	-	-	-	-
				96	2,967	770	350

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

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

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

On 22 August 2008, TISCO Bank set up TISCO Financial Group Public Company Limited and holds 95% of its called-up share capital of Baht 10,000. This Company was established as a holding company, to be the parent company of TISCO Group instead of TISCO Bank, in accordance with the restructuring plan, as mentioned in Note 4.1 to the financial statements.

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

3.4 Loans, receivables and accrued interest receivable

3.4.1 Classified by type of loan and receivable

	(Unit: Baht)	
	As at	
	31 December 2008	31 December 2007
<u>Loans and receivables</u>		
Loans	20,799,531,372	15,656,604,839
Hire purchase		
Hire purchase	92,232,993,997	75,894,051,457
Add (less): Unearned income	(12,123,019,770)	(9,572,456,334)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	621,421,304	343,654,777
Net hire purchase receivables	80,731,395,531	66,665,249,900
Total loans and receivables	101,530,926,903	82,321,854,739
Add: Accrued interest receivable	110,754,580	110,306,176
Less: Allowance for doubtful accounts	(1,604,457,372)	(2,464,917,060)
Less: Allowance for loss on debt restructuring	(18,258)	(538,175)
Net loans, receivables and accrued interest receivable	<u>100,037,205,853</u>	<u>79,966,705,680</u>

3.4.2 Classified by remaining periods of contracts

(Unit: Baht)

	As at	
	31 December	31 December
	2008	2007
Loans and receivables		
Not over 1 year (included contract which are due)	12,074,778,031	9,666,075,497
Over 1 year	89,456,148,872	72,655,779,242
Total loans and receivables	101,530,926,903	82,321,854,739
Add: Accrued interest receivable	110,754,580	110,306,176
Total loans, receivables and accrued interest receivable	<u>101,641,681,483</u>	<u>82,432,160,915</u>

3.4.3 Classified by type of business

(Unit: Baht)

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

(Unit: Baht)

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	-	-	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
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

3.4.4 Hire purchase receivables

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

(Unit: Million Baht)

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

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

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

(Unit: Million Baht)

The Bank	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Loans and receivables for which the recognition of interest income has ceased ⁽¹⁾	3,241	2,927	3,405 ⁽³⁾	3,285 ⁽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 1,396 million (2007: Baht 2,473 million), for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account by account basis.

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

(Unit: Million Baht)

	As at	
	31 December 2008	31 December 2007
	Unearned interest income ⁽¹⁾	11,751

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

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

(Unit: Million Baht)

	As at 31 December 2008
Restructured loans and receivables ⁽¹⁾	302
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.

3.4.8 Troubled debt restructuring

- Debt restructuring during the year

	For the years ended 31 December	
	2008	2007
Number of debtors (number)	38	32
Loan balances before restructuring (million Baht)	578	828
Interest income on restructured receivables (million Baht)	82	68
Receipt of principal and interest (million Baht)	767	530
Loss on troubled debt restructuring (million Baht)	-	-

- Debtors which were restructured

Type of restructuring	As at 31 December 2008			
	Number of receivables	Outstanding loan	Type of assets transferred	Fair value
		balance before restructuring		of transferred assets
		Million Baht	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	1,183	24,526		
Total	1,271	35,075		5,051

- The balance of the restructured debts

(Unit: Million Baht)

	As at	
	31 December 2008	31 December 2007
The balance of the restructured debts	1,142	2,143

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

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring	As at	
	31 December 2008	31 December 2007
Amount to be provided under BOT's guidelines	1,270	2,097
Amount already recorded by the Bank	1,604 ⁽¹⁾	2,465 ⁽¹⁾
Amount in excess of the required amount	334	368

⁽¹⁾ The allowance for doubtful debts consists of allowance for doubtful debts of Baht 758 million (2007: Baht 1,700 million) set aside for the unsecured portion of loans amounting Baht 1,396 million (2007: Baht 2,473 million) at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 846 million (2007: Baht 765 million) set up for the other loans and receivables.

3.5.1 Allowance for doubtful accounts - Classified by the receivables classification

(Unit: Baht)

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

(Unit: Baht)

	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>

3.5.2 Allowance for doubtful - Classified by loan loss provisioning method

(Unit: Baht)

	As at 31 December 2008		
	Individual	Collective	Total
	impairment	impairment	
Balance - beginning of year	2,010,651,499	454,265,561	2,464,917,060
Increase (decrease) in allowance for doubtful accounts during the year	(153,684,408)	1,267,466,709	1,113,782,301
Bad debt written-off	(1,075,012,118)	(899,229,871)	(1,974,241,989)
Balance - end of year	781,954,973	822,502,399	1,604,457,372

3.5.3 Allowance for loss on debt restructuring

(Unit: Baht)

	As at	
	31 December	31 December
	2008	2007
Balance - beginning of year	538,175	22,403,970
Increase during the year	18,258	-
Written-off/transfer to general reserve	(538,175)	(21,865,795)
Balance - end of year	18,258	538,175

3.5.4 Non-performing loans and receivables

(Unit: Million Baht)

	As at	
	31 December	31 December
	2008	2007
Non-performing loans and receivables	2,566	3,232
Allowance for doubtful accounts	911	1,976

3.6 Classification of assets

3.6.1 Investments in companies with weak financial position and poor operating results

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at		as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Debt instruments - debentures ⁽²⁾	1	60	-	-	1	60
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6
Equity instruments - preference shares ⁽³⁾	-	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.

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

(Unit: Million Baht)

	Debt balance		Debt balance after net of collateral		Allowance for doubtful accounts			
	as at		as at		Amounts to be provided under BOT's guidelines		Amounts already set up by the Bank	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Loans and receivables ⁽¹⁾⁽²⁾⁽³⁾								
Pass	105,512	74,305	92,419	63,431	380	161	396	183
Special mentioned	6,563	4,785	6,489	4,746	30	95	30	95
Substandard	978	712	954	689	147	226	147	226
Doubtful	378	248	337	209	139	122	139	122
Doubtful of loss	1,210	2,272	588	1,500	575	1,492	625	1,628
Total	114,641	82,322	100,787	70,575	1,271	2,096	1,337	2,254
Loss on receivables under troubled debt restructuring	-	-	-	-	-	1	-	1
Total	114,641	82,322	100,787	70,575	1,271	2,097	1,337	2,255
General reserve							267	210
Total							1,604	2,465
Investments in securities								
Doubtful of loss								
Debt instruments	203	62	203	62	203	62	203	62
Equity instruments	67	340	67	340	67	340	67	340
Total	270	402	270	402	270	402	270	402

(Unit: Million Baht)

	Debt balance		Debt balance after		Allowance for doubtful accounts			
	as at		net of collateral		Amounts to be provided under		Amounts already set up	
	as at		as at		BOT's guidelines		by the Bank	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
2008	2007	2008	2007	2008	2007	2008	2007	
Investments in receivables								
Doubtful of loss	36	8	36	1	36	1	36	1
Properties foreclosed								
Doubtful of loss	43	29	43	29	43	29	43	29
Total classified assets	114,990	82,761	101,136	71,007	1,620	2,529	1,953	2,897

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

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

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2008	2007	2008	2007	2008	2007	2008	2007
Hire purchase receivables⁽¹⁾								
Pass	72,859	(a)	72,859	(a)	0.43 ⁽³⁾	(a)	316	(a)
Special mentioned	6,375	(a)	6,375	(a)	0.43 ⁽³⁾	(a)	27	(a)
Substandard	937	681	937	681	32 ⁽³⁾	32, 100 ⁽²⁾	130	218
Doubtful	324	193	324	193	32 ⁽³⁾	32, 100 ⁽²⁾	126	106
Doubtful of loss	236	137	236	137	32 ⁽³⁾	32, 100 ⁽²⁾	223	130

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

⁽²⁾ As at 31 December 2007, the Bank set aside provision for non-performing hire purchase receivables which are in the legal process at 100% and which are not yet in the legal process at 32%.

⁽³⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

- (a) As at 31 December 2007, the Bank did not use a collective approach in provisioning for hire purchase receivables that were classified as pass and special mentioned.

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

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
				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	3	12	279	519	182	-	147	519
3. Listed companies whose shares have been suspended from trading	-	1	-	15	-	-	-	15
4. Listed companies under rehabilitation	2	5	92	136	12	16	81	120
5. Companies which have loan settlement problems or have defaulted on payment of debts	2	21	339	1,236	276	658	63	710
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	7	39	710	1,906	470	674	291	1,364

3.7 Property foreclosed

	(Unit: Baht)	
	As at	
	31 December 2008	31 December 2007
Foreclosed assets		
Immovable assets		
Balance - beginning of year	1,017,130,703	1,031,612,996
Additions	1,502,192	4,683,840
Disposals	(31,904,612)	(19,166,133)
Balance - end of year	<u>986,728,283</u>	<u>1,017,130,703</u>
Movable assets		
Balance - beginning of year	43,967,955	29,621,289
Additions	1,967,415,635	1,080,415,209
Disposals	(1,951,369,625)	(1,066,068,543)
Balance - end of year	<u>60,013,965</u>	<u>43,967,955</u>
Allowance for impairment		
Balance - beginning of year	28,717,038	16,293,546
Increase	20,297,807	25,523,362
Decrease	(5,526,627)	(13,099,870)
Balance - end of year	<u>43,488,218</u>	<u>28,717,038</u>
Property foreclosed - net	<u>1,003,254,030</u>	<u>1,032,381,620</u>

On 30 December 2008, the Bank sold the foreclosed assets with cost value of Baht 15 million to TISCO Financial Group Public Company Limited in accordance with the holding company restructuring plan, as mentioned in Note 4.3 d) to the financial statements.

3.8 Land, premises and equipment

(Unit: Baht)

	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles	Total
<u>Cost:</u>						
31 December 2007	345,004,767	698,539,936	385,344,826	376,948,087	75,043,054	1,880,880,670
Additions	-	-	153,772,422	87,705,403	1,071,000	242,548,825
Disposals	(184,509,184)	(397,671,350)	(11,729,939)	(89,291,810)	-	(683,202,283)
31 December 2008	160,495,583	300,868,586	527,387,309	375,361,680	76,114,054	1,440,227,212
<u>Accumulated depreciation:</u>						
31 December 2007	-	294,933,719	304,978,488	168,673,880	45,302,786	813,888,873
Depreciation for the year	-	37,996,456	71,678,097	46,354,586	13,195,864	169,225,003
Depreciation on disposals	-	(187,498,732)	(7,858,794)	(48,740,090)	-	(244,097,616)
31 December 2008	-	145,431,443	368,797,791	166,288,376	58,498,650	739,016,260
<u>Net book value:</u>						
31 December 2007	345,004,767	403,606,217	80,366,338	208,274,207	29,740,268	1,066,991,797
31 December 2008	160,495,583	155,437,143	158,589,518	209,073,304	17,615,404	701,210,952
<u>Depreciation for the years ended 31 December:</u>						
2007						146,287,415
2008						169,225,003

As mentioned in Note 4.3 d) to the financial statements, on 30 December 2008 the Bank sold some of its land, office condominium units and equipment, with net book value totaling approximately Baht 438 million, to TISCO Financial Group Public Company Limited, in accordance with the holding company restructuring plan. The Bank recorded gain on the sale of these assets totaling approximately Baht 48 million.

3.9 Other assets

	(Unit: Baht)	
	As at	
	31 December 2008	31 December 2007
Value added tax - net	243,749,262	217,317,189
Accrued interest receivable	24,812,518	20,948,570
Fee and charges receivable	91,925,319	102,099,926
Deferred computer system development cost - net	111,730,218	82,356,406
Deposits	21,137,048	13,639,269
Other receivables	539,343,766	274,009,511
Financial derivatives assets	197,909,233	-
Other assets	195,191,442	109,198,051
Total other assets	1,425,798,806	819,568,922

3.10 Deposits

3.10.1 Classified by type of deposits

	(Unit: Baht)	
	As at	
	31 December 2008	31 December 2007
Promissory notes	2,399,539	2,383,053,853
Deposits		
Current accounts	6,467,619,839	2,103,970,843
Saving accounts	5,140,404,361	2,157,756,433
Fixed accounts		
- not over 6 months	727,196,529	368,906,160
- over 6 months and less than 1 year	2,297,400,375	173,387,558
- over 1 year	1,019,142,113	1,682,157,654
Certificates of deposit/negotiable certificates of deposit	43,221,618,110	26,859,576,026
Total	58,875,780,866	35,728,808,527

3.10.2 Classified by the remaining period of contract

	(Unit: Baht)	
	As at	
	31 December 2008	31 December 2007
Not over 1 year*	56,972,419,521	32,798,341,703
Over 1 year	1,903,361,345	2,930,466,824
Total deposits	58,875,780,866	35,728,808,527

*Including fully-mature deposit contract

3.11 Interbank and money market items (liabilities)

(Unit: Baht)

	As at					
	31 December 2008			31 December 2007		
	At call	Term	Total	At call	Term	Total
Commercial banks	13,144,133	-	13,144,133	618,011,649	1,500,000,000	2,118,011,649
Other banks and financial institutions	842,280,991	3,096,292,804	3,938,573,795	745,529,733	3,538,884,768	4,284,414,501
Total	855,425,124	3,096,292,804	3,951,717,928	1,363,541,382	5,038,884,768	6,402,426,150

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 3.28.5 to the financial statements.

3.12 Borrowings

(Unit: Baht)

	As at	
	31 December 2008	31 December 2007
<u>Domestic borrowings</u>		
Subordinated debentures	331,000,000	331,000,000
Unsubordinated unsecured debentures	4,000,000,000	4,000,000,000
Bills of exchange	40,558,889,537	33,590,350,756
Promissory note	37,603,885	38,092,559
Total	44,927,493,422	37,959,443,315

3.12.1 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.

3.12.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value	Balance as at		Maturity in the year	Interest rate
		31 December	31 December	per unit	(Million Baht)			
		2008	2007	(Baht)	31 December	31 December		
				2008	2007			
2007	Unsubordinated and unsecured long - term debentures	3 million	3 million	1,000	3,000	3,000	2010	3.75 percent per annum.
2007	Unsubordinated and unsecured long - term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total					4,000	4,000		

3.12.3 Bills of exchange

Bills of exchange bear fixed interest rates between 2.25 and 5.00 percent per annum and mature in 2009 and 2010.

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 3.28.5 to the financial statements.

3.12.4 Promissory note

As of 31 December 2008, the Bank had an outstanding promissory note amounting to Baht 38 million, carrying interest at a fixed rate of 1% plus a reference rate specified in the contract that is calculated based on the SET50 Index, and 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 3.28.5 to the financial statements.

3.13 Other liabilities

	(Unit: Baht)	
	As at	
	31 December 2008	31 December 2007
Corporate income tax payable	-	87,877,272
Withholding income tax and other tax payable	123,432,700	103,385,747
Accrued insurance premium	623,428,234	618,943,031
Other liabilities	350,444,780	368,530,900
Total other liabilities	1,097,305,714	1,178,736,950

3.14 Preference shares converted to ordinary shares

Up to 31 December 2008, 444,451,820 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2008, there are 183,500,430 preference shares which are convertible to ordinary shares.

3.15 Warrants

	As at					
	31 December 2008			31 December 2007		
	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	<u>3,777,750</u>	21.88	<u>82,657,170</u>	<u>3,018,000</u>	21.88	<u>66,033,840</u>
	27,952,250		<u>373,473,750</u>	27,192,500		<u>356,850,420</u>
Unexercised warrants	970,250			1,740,000		
Warrants received from						
resigned employees	569,000			841,500		
Expired warrants	<u>508,500</u>			<u>226,000</u>		
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.

Under the holding company restructure plan, all 970,250 unexercised warrants of TISCO Bank were exchanged for warrants to purchase preference shares of TISCO Financial Group Public Company Limited.

3.16 Capital funds

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

Capital funds of the Bank are as follows:

	(Unit: Thousand Baht)	
	As at	
	31 December 2008	31 December 2007
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,273,925
Premium on share capital	130,451	121,425
Statutory reserve	486,800	422,100
Retained earnings-unappropriated	2,491,136	2,251,422
Total Tier I	<u>10,389,910</u>	<u>10,068,872</u>
<u>Tier II</u>		
Subordinated debentures	66,200	132,400
Reserve for loans classified as pass	380,640	159,503
Surplus from revaluation of equity securities - available for sale	-	25,108
Total Tier II	<u>446,840</u>	<u>317,011</u>
Total capital fund	<u>10,836,750</u>	<u>10,385,883</u>

Capital ratios	As at			
	31 December 2008		31 December 2007	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	11.23%	4.25%	11.58%	4.25%
Total capital to risk assets	11.71%	8.50%	11.94%	8.50%

As at 31 December 2008, capital funds are calculated in accordance with the Bank of Thailand's Notification dated 27 November 2008 regarding governance of capital funds for commercial banks.

3.17 Surplus (deficit) on changes in the value of investments

(Unit: Baht)

	As at 31 December	
	2008	2007
Balance - beginning of year	54,594,756	(259,371,566)
Increase (decrease) from changes in the value of securities during the year	(46,630,390)	313,966,322
	7,964,366	54,594,756
Add (less): The effect of deferred tax assets / liabilities	(2,389,309)	(16,378,427)
Balance - end of year	5,575,057	38,216,329

3.18 Gain (loss) on investments

(Unit: Baht)

	For the years ended 31 December	
	2008	2007
Unrealised gain (loss) on investments	(44,329,201)	13,973,134
Realised gain (loss) on investments	(1,113,198,638)	206,448,430
Total	(1,157,527,839)	220,421,564

3.19 Other income

(Unit: Baht)

	For the years ended 31 December	
	2008	2007
Penalty fee income from loans	123,488,397	96,295,427
Gains on disposal of property foreclosed	27,885,032	4,452,183
Rental income	23,972,665	16,256,179
Others	204,817,932	41,902,339
Total	380,164,026	158,906,128

3.20 Other expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2008	2007
Contributions to the Financial Institutions Development		
Fund/Deposit Protection Agency	170,932,163	166,387,832
Allowance for impairment of property foreclosed	14,953,680	13,629,174
Mailing expenses	26,857,531	21,607,187
Loan losses from court - ordered executions	15,658,084	7,242,893
Transportation expenses	57,877,824	47,504,342
Advertising and promotion expenses	36,545,687	17,008,111
Others	94,976,850	61,920,155
Total	<u>417,801,819</u>	<u>335,299,694</u>

3.21 Corporate income tax

	(Unit: Baht)	
	For the years ended 31 December	
	2008	2007
Income tax payable on taxable profit for the year	89,395,383	210,960,195
Add (less): Net decrease (increase) in deferred tax on temporary differences	52,586,300	136,001,627
Adjustment in respect of current income tax of prior year	5,522,508	-
Income tax expenses - net	<u>147,504,191</u>	<u>346,961,822</u>

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

	(Unit: Thousand Baht)	
	As at	
	31 December 2008	31 December 2007
Allowance for doubtful accounts (general reserve)	266,589	222,446
Allowance for impairment of investments	190,122	170,464
Allowance for impairment of property foreclosed	43,488	28,717
Non-accrual of interest income	606,620	657,287
Depreciation of assets	78,998	55,896
Revaluation deficit (surplus) on changes in the value of investments	(7,964)	(54,595)
Unrealised gain on derivatives	(866)	-
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(621,421)	(343,655)
Deferred subsidised income	52,273	-
Others	608	545
	<u>608,447</u>	<u>737,105</u>
Deferred tax assets (30%)	<u>182,534</u>	<u>221,131</u>

3.22 Provident fund

	For the years ended	
	31 December 2008	31 December 2007
Amounts contributed to the provident fund (Million Baht)	37	30

3.23 Earnings per share

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

	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income	1,203,707	1,292,904				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(183,401)	(184,568)				
	1,020,306	1,108,336	728,035	726,983	1.40	1.52
Effect of dilutive potential ordinary shares						
Warrants to purchase preferences shares	-	-	-	2,150		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,020,306	1,108,336	728,035	729,133	1.40	1.52

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).

In calculating diluted earnings per share for the year ended 31 December 2008, the number of potential ordinary shares that the Bank may have to issue warrants to purchase preference shares has not been taken into account, because exercise price of the warrants is higher than the fair value of the Bank's preference shares.

3.24 Related party transactions

(Unit: Thousand Baht)

	Balance - beginning of year	Increase	Decrease	Balance - end of year
<u>Outstanding balance as at 31 December 2008</u>				
Parent company				
Loan to:				
TISCO Financial Group Plc.	-	2,600,000	-	2,600,000
Deposits in Baht:				
TISCO Financial Group Plc.	-	27,992	-	27,992
Subsidiary company				
Dividend receivables form subsidiary:				
TISCO Leasing Co., Ltd.	-	209,150	(209,150)	-
Other assets:				
TISCO Leasing Co., Ltd.	6,120	168,000	(6,120)	168,000
Deposits in Baht:				
TISCO Leasing Co., Ltd.	7,862	3,893	(9,605)	2,150
Other liabilities:				
TISCO Leasing Co., Ltd.	909	-	(909)	-
Borrowings:				
TISCO Leasing Co., Ltd.	20,000	-	(20,000)	-
Related companies				
Dividend receivables from related companies:				
Hi-Way Co., Ltd.	-	101,711	(101,711)	-
TISCO Securities Co., Ltd.	-	244,500	(244,500)	-
TISCO Asset Management Co., Ltd.	-	204,599	(204,599)	-
TISCO Information Technology Co., Ltd.	-	10,460	(10,460)	-
Other assets:				
TISCO Information Technology Co., Ltd.	-	911	(911)	-
TISCO Securities Co., Ltd.	7,363	70,062	(43,159)	34,266
Deposits in Baht:				
Hi-Way Co., Ltd.	2,984	16,907	(2,052)	17,839
TISCO Information Technology Co., Ltd.	3,789	1,290	-	5,079
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	631,328	-	(502,366)	128,962
TISCO Asset Management Co., Ltd.	19,008	8,086	-	27,094
Borrowings:				
Hi-Way Co., Ltd.	-	75,000	(52,000)	23,000
TISCO Information Technology Co., Ltd.	10,000	5,000	(13,000)	2,000

(Unit Thousand Baht)

	2008	2007	Terms and pricing policy
			(For the year 2008)
<u>Transactions occurred during the years ended</u>			
<u>31 December</u>			
Subsidiary companies and related companies			
Risk and financial management fee income and human resources management fee income	28,651	28,446	In accordance with the centralised policy for supporting activities of the Bank and related companies, which is in accordance with the Bank of Thailand's announcement
Accounts receivable management fee income and office administration fee income	14,283	20,121	With reference to the terms and prices offered to other customers
Other income	3,783	5,412	With reference to the terms and prices offered to other customers
Computer system advisory service expenses and office administration expenses	138,000	129,828	In accordance with the centralised policy for supporting activities of the Bank and related companies, which is in accordance with the Bank of Thailand's announcement
Insurance rebate expenses	1,684	4,629	With reference to the terms and prices offered to other customers
Others expenses	2,639	8,313	With reference to the terms and prices offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 December 2008	31 December 2007
Loans	2,939	3,675

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

Directors and management's remuneration

In 2008, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 160 million (2007: Baht 168 million).

3.26 Financial information by segment

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

3.27 Commitments and contingent liabilities

3.27.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	31 December 2008	31 December 2007
Avals	70,697	51,925
Guarantees of loans	984,125	886,889
Obligations covering principal under interest rate swap agreements (Note 3.28.5)	1,045,000	2,495,000
Obligations covering principal under call option agreements (Note 3.28.5)	15,960	15,960
Obligations for cross currency swap agreements (Note 3.28.5)	4,179,690	-
	<u>6,295,472</u>	<u>3,449,774</u>

3.27.2 Litigation

As at 31 December 2008, the Bank has been sued for compensation totaling approximately Baht 147 million. Final judgments have not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 211 million as at 31 December 2008). However, suit has not been filed with a court in respect of this claim.

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

3.27.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3 years.

As at 31 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable within:	
Less than 1 year	49
1 to 5 years	63

- c) The Bank has outstanding capital commitments of approximately Baht 34 million in respect of the office improvements and installment of computer systems.

3.28 Financial instruments

3.28.1 Credit risk

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

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

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

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

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

Credit risk of hire purchase receivables classified by quality of credit as at 31 December 2008 is as follow:

	(Unit: Million Baht)
Neither past due nor impaired	
Very high grade	53,755
High grade	16,642
Medium grade	2,462
Sub total	<u>72,859</u>
Hire purchase receivable - overdue 31 - 90 days	6,375
Hire purchase receivable - overdue more than 90 days	1,497
Total	<u><u>80,731</u></u>

3.28.2 Market risk

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

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

3.28.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Value at Risk	
	<u>2008</u>	<u>2007</u>
Marketable financial assets		
Equity securities	581	1,310
Debts securities	6	18
Derivatives	-	28
Foreign currencies	18	44

3.28.2.2 Market risk sensitivity - Interest bearing assets and liabilities

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

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income	
	<u>2008</u>	<u>2007</u>
Change in interest rate		
Increase 1 percent	(241.15)	(256.08)
Decrease 1 percent	241.15	256.08

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual, the interest rate sensitivity is estimated at 20% to 50% of the net interest income presented in the table above.

3.28.2.3 Interest rate risk

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

(Unit: Million Baht)

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

(Unit: Million Baht)

		As at 31 December 2007			
		Outstanding balances of financial instruments			
<u>Transactions</u>	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	
Investment - 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>	

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

(Unit: Million Baht)

As at 31 December 2008							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	13,113	-	-	-	13,113	2.7258
Investment - net	39	2,115	797	565	1	3,517	5.3980
Loans and receivables	3,669	9,301	19,603	56,726	1,568	90,867	7.3760
	<u>3,708</u>	<u>24,529</u>	<u>20,400</u>	<u>57,291</u>	<u>1,569</u>	<u>107,497</u>	
Financial liabilities							
Deposits	2,485	30,060	12,820	1,825	78	47,268	3.3823
Interbank and money market items	825	1,071	716	1,310	-	3,922	3.9940
Borrowings	3,383	30,401	6,168	4,974	1	44,927	3.7406
	<u>6,693</u>	<u>61,532</u>	<u>19,704</u>	<u>8,109</u>	<u>79</u>	<u>96,117</u>	

(Unit: Million Baht)

As at 31 December 2007							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Securities purchased under resale agreements	-	2,400	-	-	-	2,400	3.2005
Investment - 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>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>75,688</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.

3.28.3 Liquidity risk

Counting from the balance sheet date, as at 31 December 2008 and 2007, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2008							Non performing Loans*	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified			
Financial assets									
Cash	595	-	-	-	-	-	-	-	595
Interbank and money market items	35	13,113	-	-	-	-	-	-	13,148
Investments - net	678	2,115	827	735	1	103	-	-	4,459
Loans and receivables	2,762	9,433	21,644	61,432	3,130	-	3,241	-	101,642
	<u>4,070</u>	<u>24,661</u>	<u>22,471</u>	<u>62,167</u>	<u>3,131</u>	<u>103</u>	<u>3,241</u>	<u>-</u>	<u>119,844</u>
* Non performing loans according to the BOT's guidelines									
Financial liabilities									
Deposits	14,093	30,060	12,820	1,825	78	-	-	-	58,876
Interbank and money market items	855	1,071	716	1,310	-	-	-	-	3,952
Liabilities payable on demand	497	-	-	-	-	-	-	-	497
Borrowings	3,383	30,401	6,168	4,974	1	-	-	-	44,927
	<u>18,828</u>	<u>61,532</u>	<u>19,704</u>	<u>8,109</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,252</u>
Off-balance sheet items									
Aval to bills and guarantees of loans	-	15	46	12	-	-	-	-	71
Other commitments	28	4,587	511	680	-	419	-	-	6,225

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2007							Non performing Loans*	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified			
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>-</u>	<u>93,489</u>
* Non performing loans according to the BOT's guidelines									
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>-</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

3.28.4 Foreign exchange risk

As at 31 December 2008, the Bank had the following significant financial instruments in foreign currencies.

- a) Investment in a subsidiary company amounting to HKD 20 million (under the cost method equivalent to Baht 66 million).
- b) Investment in foreign debt securities amounting to KRW 59,946 million (amortised cost amounting to Baht 1,870 million), of which the Bank entered into cross currency swap agreements to hedge risk on the whole amount, as discussed in Note 3.28.5 c) to the financial statements.

3.28.5 Derivatives

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

As at 31 December 2008, the Bank has the following financial derivative instruments.

- a) Interest rate swap agreement

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

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2009	365	(2)
2010	380	(13)
2012	300	13

- b) Call option agreement

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 contract is intended to hedge the risk associated with the promissory note mentioned in Note 3.12.4 to the financial statements.

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2009	16	1

c) Cross currency swap agreement

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

<u>Maturity</u>	<u>Number of contracts</u>	<u>Notional amount</u> (Million Baht)	<u>Fair value gain (loss)</u> (Million Baht)
February 2009	2	1,384	60
February 2009	2	1,412	79
March 2009	2	1,384	60

3.28.6 Fair value of financial instruments

As at 31 December 2008, the fair values of significant financial instruments of the Bank as follows:

<u>Transactions</u>	(Units: Million Baht)	
	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial assets</u>		
Interbank and money market items	13,148	13,148
Investments - net	4,459	4,459
Loans and receivables	100,037	100,784
<u>Financial liabilities</u>		
Deposits	58,876	58,876
Interbank and money market items	3,952	3,952
Liabilities payable on demand	497	497
Borrowings	44,927	44,902

In determining the fair value of financial instruments, the estimated fair value will be adjusted by reserve with respective risk. The book value of financial instruments is the net value, after adjusting for loan loss reserve.

4. Significant events during the year and other information

4.1 Holding restructuring

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

Under the holding company restructuring plan, a non-bank public company limited will be set up as a holding company and become the parent company in place of the Bank. The holding company will acquire all shares of the Bank and other subsidiary companies (at the same proportion as the Bank previously held). After this restructuring, the holding company will become a listed company instead of the Bank. The holding company will make a tender offer to acquire all securities of the Bank (ordinary shares, preference shares and warrants to purchase preference shares) from the Bank's shareholders in exchange for newly issued securities of the holding company of the same type and having same rights and conditions as the existing securities of the Bank. The swap price will be set at the market price of the Bank's share, and the swap ratio will be 1:1.

On 14 March 2008, the Bank received preliminary approval of the holding restructuring plan from the Stock Exchange of Thailand.

On 5 August 2008, the Bank submitted a formal holding restructuring plan to the Bank of Thailand. This plan differs from the existing plan in that the holding company is to purchase all investments in its subsidiaries (except those companies in the process of dissolution or liquidation) from the Bank, together with the investments and other assets as defined in the holding restructuring plan.

On 22 August 2008, in accordance with the holding restructuring plan, a holding company was established and registered as a public limited company under Thai law, with the name TISCO Financial Group Public Company Limited.

On 13 November 2008, the holding restructuring plan was approved by the Bank of Thailand.

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

On 15 January, 2009 TISCO Bank delisted its securities from the Stock Exchange of Thailand in accordance with the TISCO Group shareholding restructuring plan, and the securities of TISCO Financial Group Public Company Limited were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

4.2 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid	Dividend payment period
		Preference share	Ordinary share		
		Baht per share	Baht per share	Million Baht	
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
Dividend for the year 2008	The 2008 Annual General Meeting of the Shareholders on 25 April 2008	2.80	1.80	1,490	May 2008

4.3 Related party transactions

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

- a) On 31 July 2008, the Bank entered into an assignment agreement to claim against hire purchase receivables of its subsidiary, TISCO Leasing Company Limited, for a total consideration of approximately Baht 926 million. This was paid to the subsidiary on 4 August 2008. The transaction was approved by the Executive Board of Directors' Meeting No.6/2008 on 20 June 2008, gave rise to no profit or loss.
- b) On 30 September 2008, the Bank entered into an assignment agreement to claim against lease receivables of its subsidiary, TISCO Leasing Company Limited, for a total consideration of approximately Baht 256 million. This was paid to the subsidiary on 7 October 2008. The subsidiary recorded a gain from the sale of Baht 49 million.

- c) In November 2008, The Bank sold its investments in listed securities to TISCO Securities Company Limited for a total of approximately Baht 480 million, and recorded losses from the sale of the investments of approximately Baht 981 million.
- d) To implement the TISCO Group shareholding restructuring plan, the Bank has the following significant related party transactions.
 - d.1) The Bank loaned Baht 2,600 million to TISCO Financial Group Public Company Limited, carrying a fixed interest rate of 5% per annum and maturing within 2010. As at 31 December 2008, the Bank recorded this loan under "Loans and receivables" in the balance sheet.
 - d.2) The Bank sold its investments in group subsidiaries to TISCO Financial Group Public Company Limited in accordance with the holding restructuring plan, and has already received the payment of such sale approximately to Baht 1,980 million. The Bank recorded loss on the sale of such investments amounting to approximately Baht 56 million.
 - d.3) The Bank sold 19% holding in TISCO Tokyo Leasing Company Limited to TISCO Financial Group Public Company Limited and has already received the payment of such sale approximately to Baht 21 million. The Bank recorded gain from the sale of such investment amounting to approximately Baht 19 million.
 - d.4) The Bank sold office condominium units, furniture and fixtures and office equipment to TISCO Financial Group Public Company Limited, and has already received the payment of such sale approximately to Baht 515 million (including VAT). The Bank recorded gain on the sale of such assets amounting to approximately Baht 48 million.

4.4 Significant events of subsidiaries

4.4.1 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.

On 25 March 2008, the Company registered its liquidation with the Ministry of Commerce.

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.

TISCO Securities Hong Kong Limited

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

TISCO Global Securities Limited

On 26 June 2008, the General Meeting of the Shareholders passed a special resolution to dissolve the Company. TISCO Global Securities Limited (a subsidiary of TISCO Securities Company Limited) was deregistered on 26 June 2008 and is currently in the process of liquidation.

4.4.2 Capital returns from subsidiaries

- During the second quarter of 2007, the Bank received returns of capital from Thai Commercial Auto Company Limited (in the process of liquidation) and TISCO Group Company Limited (already liquidated and deregistration) totaling Baht 512.5 million.
- In March 2008, the Bank received the return of capital totaling Baht 1.4 million from TISCO Group Company Limited.
- In October 2008, the Bank received a returns of capital from the reduction of registered share capital of TISCO Leasing Company Limited totaling Baht 666 million, as mentioned in Note 4.4.3 a) to the financial statements.
- In January 2009, the Bank received the returns of capital from the reduction of registered share capital of TISCO Leasing Company Limited totaling Baht 168 million, as mentioned in Note 4.4.3 b) to the financial statements.

4.4.3 Reduction of a subsidiary's registered share capital

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

4.5 Economic crisis

The financial crisis experienced by the United States over the past year has had far reaching adverse effect on the global economy and may effect economic and operating results of Thailand enterprises. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to its normalcy. These financial statements have been prepared on the bases of facts currently known to the Bank, and on estimates and assumptions currently considered appropriate, which may change due to future uncertainties.

6. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 6 February 2009.