

TISCO Financial Group Public Company Limited  
and its subsidiary companies  
Report and financial statements  
For the year ended 31 December 2008

## **Report of Independent Auditor**

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated balance sheet of TISCO Financial Group Public Company Limited and its subsidiaries ("TISCO Group" after holding restructuring) as at 31 December 2008, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year ended 31 December 2008, and the separate financial statements of TISCO Financial Group Public Company Limited as at 31 December 2008, and for the period as from 22 August 2008 (the Company's incorporation date) to 31 December 2008. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The balance sheet as at 31 December 2008 of one subsidiary was audited by another auditor, whose report has been furnished to me. My opinion, insofar as it relates to the amounts included in the consolidated financial statements for this subsidiary, is based solely on the report of this other auditor. The Company acquired the investment in this subsidiary and gained control over such subsidiary on 31 December 2008. Total assets of the subsidiary as at 31 December 2008 of approximately Baht 1,979 million were included in the consolidated balance sheet and no operating results were included in the consolidated income statement.

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

In my opinion based on my audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2008, and the results of their operation, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above-mentioned financial statements, I draw attention to the matters as described in Notes 1.2 and 4.1 to the financial statements. The Company was established according to the holding restructuring plan and, in the period between 1 December 2008 and 9 January 2009, made a tender offer to acquire all securities of TISCO Bank (i.e. ordinary shares, preference shares and warrants to purchase preference shares) and issued new shares to shareholders of TISCO Bank who had expressed an intention to sell their shares. As of 9 January 2009, the Company had been able to acquire 99.51% of the securities of TISCO Bank. This holding restructuring plan was thus completed in compliance with the criteria approved by the regulators and the securities of the Company, instead of those of TISCO Bank, were listed on the Stock Exchange of Thailand on 15 January 2009. The Company has recognised investment in TISCO Bank amounting to Baht 13,244 million, proportionate to the 99.51% shareholding acquired under the plan, and prepared the consolidated financial statements that include the financial statements of TISCO Bank and the subsidiaries in TISCO group under the business combination of entities under common control, as if the implementation of the holding restructuring plan in compliance with the criteria approved by the regulators had been completed in 2008. The management has exercised judgment and determined that this recognition of investment and the preparation of such consolidated financial statements were in accordance with the relevant accounting standards, since the separate financial statements and the consolidated financial statements of TISCO Group reflect the substance of the holding restructuring of the group and facilitate understanding by the financial statement users.

As mentioned in Note 1.2 to the financial statements, the Company has presented the consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries (“TISCO Group” before holding restructuring) to facilitate comparison by the financial statement users, since the holding company restructuring plan represents a business combination of entities under common control and has been implemented in compliance with the criteria approved by regulators, as described in Note 4.1 to the financial statements. The consolidated balance sheet as at 31 December 2007 and the related consolidated statements of income, changes in shareholders’ equity, and cash flows for the year ended 31 December 2007, together with notes to the consolidated financial statements, as presented herein for comparative purposes, form a part of the consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries (“TISCO Group” before holding restructuring) which I previously audited and on which I expressed an unqualified opinion, under my report dated 11 February 2008.

Narong Puntawong  
Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited  
Bangkok: 6 February 2009

TISCO Financial Group Public Company Limited and its subsidiary companies

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

		After holding restructuring	Before holding restructuring	
		Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	Note	2008	2007	2008
<b>Assets</b>				
Cash		595,570,347	439,899,137	-
Interbank and money market items	3.2			
Domestic				
Interest bearing		13,469,082,429	249,079,891	27,992,087
Non-interest bearing		44,195,931	623,051,763	-
Foreign				
Interest bearing		77,693,216	82,039,317	-
Non-interest bearing		26	95,983,409	-
Total interbank and money market items - net		13,590,971,602	1,050,154,380	27,992,087
Securities purchased under resale agreements		-	2,400,000,000	-
Investments	3.3,3.4,3.7			
Current investment - net		2,706,174,952	1,575,024,537	-
Long-term investment - net		2,649,306,996	4,205,541,687	-
Investment in subsidiaries - net		-	-	15,297,196,349
Net investments		5,355,481,948	5,780,566,224	15,297,196,349
Receivable from clearing house		700	29,422,882	-
Loans, receivables and accrued interest receivable	3.5,3.7			
Loans and receivables		103,109,705,688	86,420,407,816	-
Securities and derivatives business receivables		667,372,933	1,405,656,785	-
Total loans and receivables		103,777,078,621	87,826,064,601	-
Accrued interest receivable		136,704,347	155,649,753	-
Total loans, receivables and accrued interest receivable		103,913,782,968	87,981,714,354	-
Less: Allowance for doubtful accounts	3.6.1	(1,854,509,254)	(2,805,418,008)	-
Less: Allowance for loss on debt restructuring	3.6.3	(18,258)	(538,175)	-
Net loans, receivables and accrued interest receivable		102,059,255,456	85,175,758,171	-
Property foreclosed - net	3.8	1,005,709,117	1,042,318,525	-
Land, premises and equipment - net	3.9	1,658,578,523	1,563,081,469	772,831,040
Deferred tax assets	3.22	417,081,532	426,542,297	-
Other assets	3.10	1,490,488,212	1,045,353,206	14,125,187
<b>Total assets</b>		<b>126,173,137,437</b>	<b>98,953,096,291</b>	<b>16,112,144,663</b>

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

		After holding restructuring	Before holding restructuring	
	Note	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
		<u>2008</u>	<u>2007</u>	<u>2008</u>
<b>Liabilities and shareholders' equity</b>				
Deposits in baht	3.11	58,822,617,507	35,714,173,953	-
Interbank and money market items				
Domestic - Interest bearing	3.12	5,727,882,862	5,852,187,820	2,600,000,000
Liability payable on demand		496,740,597	475,067,616	-
Borrowings	3.13			
Short-term borrowings		41,768,420,409	32,744,785,052	-
Long-term borrowings		4,899,301,740	8,005,054,853	-
Total borrowings		46,667,722,149	40,749,839,905	-
Payable to clearing house		339,141,179	576,524,037	-
Securities and derivative business payables		292,190,840	866,189,116	-
Accrued interest payable		878,535,993	782,340,521	-
Other liabilities	3.14	1,412,268,512	1,563,168,325	272,179,993
<b>Total liabilities</b>		<u>114,637,099,639</u>	<u>86,579,491,293</u>	<u>2,872,179,993</u>

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

		After holding restructuring	Before holding restructuring	
		Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	Note	2008	2007	2008
<b>Shareholders' equity</b>				
<b>Share capital</b>				
Registered	2.2	11,002,010,000	11,002,000,000	11,002,010,000
Issued and fully paid-up - registered				
Preference shares		-	1,827,753,800	-
(2007: 182,775,380 preference shares of Baht 10 each)				
1,000 Ordinary shares of Baht 10 each		10,000	5,446,171,200	10,000
(2007: 544,617,120 ordinary shares of Baht 10 each)				
		10,000	7,273,925,000	10,000
Issued and fully paid-up - awaiting to register	4.1			
183,427,226 Preference shares of Baht 10 each		1,834,272,260	-	1,834,272,260
541,179,179 Ordinary shares of Baht 10 each		5,411,791,790	-	5,411,791,790
		7,246,064,050	-	7,246,064,050
Share premium				
Share premium of preference shares		-	84,925,420	1,614,159,589
Share premium of ordinary shares		-	36,500,000	4,383,551,350
		-	121,425,420	5,997,710,939
		7,246,074,050	7,395,350,420	13,243,784,989
Adjustment from business combination of entities				
under common control under holding restructuring plan	1.2	656,755,136	-	-
Revaluation surplus (deficit) on changes in the value of investment	1.2, 3.17	(398,991,796)	751,139,152	-
Translation adjustment	1.2	78,101,573	73,872,818	-
Retained earnings				
Appropriated-statutory reserve	2.3	-	486,800,000	-
Unappropriated (deficit)	1.2	3,835,778,528	3,666,442,608	(3,820,319)
Equity attributable to the Company's shareholders		11,417,717,491	12,373,604,998	13,239,964,670
Non-controlling interest - equity attributable to minority shareholders of subsidiaries		118,320,307	-	-
<b>Total shareholders' equity</b>		<b>11,536,037,798</b>	<b>12,373,604,998</b>	<b>13,239,964,670</b>
<b>Total liabilities and shareholders' equity</b>		<b>126,173,137,437</b>	<b>98,953,096,291</b>	<b>16,112,144,663</b>
<b>Off-balance sheet items - contingencies</b>	3.27			
Aval to bills and guarantees of loans		70,696,967	51,925,000	-
Other commitments		7,477,492,093	3,449,249,378	-

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

Mr. Pliu Mangkornkanok  
(Group Chief Executive Officer)

Mrs. Oranuch Apisaksirikul  
(President)

TISCO Financial Group Public Company Limited and its subsidiary companies

Income statements

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
Note			
<b>Interest and dividend income</b>			
Loans	1,214,895,743	1,044,299,001	-
Interbank and money market items	333,885,837	441,708,308	8,957
Hire purchase and financial lease income	5,679,673,468	5,173,014,718	-
Investments	357,367,145	285,165,468	-
<b>Total interest and dividend income</b>	<b>7,585,822,193</b>	<b>6,944,187,495</b>	<b>8,957</b>
<b>Interest expenses</b>			
Deposits	1,789,712,880	2,195,247,918	-
Interbank and money market items	153,626,516	134,657,541	712,329
Short-term borrowings	1,286,199,736	858,962,585	-
Long-term borrowings	194,655,549	267,509,933	-
<b>Total interest expenses</b>	<b>3,424,194,681</b>	<b>3,456,377,977</b>	<b>712,329</b>
<b>Net interest and dividend income</b>	<b>4,161,627,512</b>	<b>3,487,809,518</b>	<b>(703,372)</b>
<b>Bad debt and doubtful accounts</b>	<b>(980,498,975)</b>	<b>(695,066,913)</b>	<b>-</b>
<b>Net interest and dividend income after bad debt and doubtful accounts</b>	<b>3,181,128,537</b>	<b>2,792,742,605</b>	<b>(703,372)</b>
<b>Non-interest income</b>			
Brokerage fees	521,211,961	627,339,484	-
Gain (loss) on investments	3.18 (218,389,416)	376,087,382	-
Gain (loss) on derivatives	3.19 (4,219,300)	22,143,500	-
Fees and service income			
Acceptances, aval and guarantees	10,201,047	10,203,762	-
Insurance services	673,440,258	512,609,114	-
Fund management	418,677,637	418,373,630	-
Others	336,916,262	253,147,367	-
Loss on exchange	(11,057,779)	(1,527,285)	-
Other income	3.20 407,546,947	226,031,878	-
<b>Total non-interest income</b>	<b>2,134,327,617</b>	<b>2,444,408,832</b>	<b>-</b>
<b>Total net income</b>	<b>5,315,456,154</b>	<b>5,237,151,437</b>	<b>(703,372)</b>

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



TISCO Financial Group Public Company Limited and its subsidiary companies

Income statements (continued)

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
Note			
<b>Non-interest expenses</b>			
Personnel expenses	1,662,418,691	1,487,382,356	-
Premises and equipment expenses	622,305,457	511,497,512	-
Taxes and duties	113,370,452	117,984,924	1,006,701
Fees and service expenses	317,017,056	360,703,187	1,860,086
Directors' remuneration	2.4 7,550,000	8,050,000	-
Other expenses	3.21 511,143,940	462,768,020	250,160
<b>Total non-interest expenses</b>	<b>3,233,805,596</b>	<b>2,948,385,999</b>	<b>3,116,947</b>
<b>Income (loss) before income tax</b>	<b>2,081,650,558</b>	<b>2,288,765,438</b>	<b>(3,820,319)</b>
Corporate income tax	3.22 (361,039,168)	(637,583,504)	-
<b>Net income (loss) for the year</b>	<b>1,720,611,390</b>	<b>1,651,181,934</b>	<b>(3,820,319)</b>
<b>Net income attributable to:</b>			
Equity holders of the parent	1,714,138,180	1,651,111,450	<b>(3,820,319)</b>
Non-controlling interests of the subsidiaries	6,473,210	70,484	
	<b>1,720,611,390</b>	<b>1,651,181,934</b>	
<b>Earnings (loss) per share</b>			
3.24			
Basic earnings (loss) per share			
Net income (loss) attributable to equity holders of the parent	2.11	2.02	(0.26)
Diluted earnings (loss) per share			
Net income (loss) attributable to equity holders of the parent	2.11	2.01	(0.26)

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

**TISCO Financial Group Public Company Limited and its subsidiary companies**

**Cash flow statements**

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
<b>Cash flows from operating activities</b>			
Income (loss) before corporate income tax	2,081,650,558	2,288,765,438	(3,820,319)
Adjustments to reconcile net income (loss) before corporate income tax to net cash provided by (paid from) operating activities			
Depreciation and amortisation	251,295,706	230,523,768	-
Bad debt and doubtful accounts	1,513,482,986	991,164,564	-
Allowance for impairment of investments (reversal)	11,585,602	(13,973,134)	-
Allowance for impairment of property foreclosed	14,953,680	9,055,388	-
Loss (gain) on disposal of investments	115,517,328	(368,592,309)	-
Unrealised loss on exchange rate	11,057,779	4,334,311	-
Unrealised gain on derivatives	-	(12,000,000)	-
Loss (Gain) on sales of equipment	866,719	(4,669,267)	-
Unrealised loss from trading securities	122,595,714	312,809	-
Gain from disposal of property foreclosed	(34,371,263)	(9,162,537)	-
Decrease (increase) in other accrued income	24,098,766	(37,174,399)	-
Increase in accrued expenses	81,405,233	83,779,072	-
Income from operating activities before changes in operating assets and liabilities	4,194,138,808	3,162,363,704	(3,820,319)
Decrease (increase) in operating assets			
Interbank and money market items	(12,529,908,932)	(77,147,030)	(27,992,087)
Securities purchased under resale agreements	2,400,000,000	(682,000,000)	-
Investment in trading securities	27,719,550	647	-
Receivable from clearing house	29,422,182	239,287,273	-
Loans and receivables	(19,280,238,280)	(15,531,180,034)	-
Securities and derivatives business receivables	738,283,852	(738,406,560)	-
Property foreclosed	1,703,167,228	1,531,579,373	-
Other assets	(288,448,554)	380,372,271	(14,125,187)

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

**TISCO Financial Group Public Company Limited and its subsidiary companies**

**Cash flow statements (continued)**

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
Increase (decrease) in operating liabilities			
Deposits	23,108,443,554	(4,853,686,205)	-
Interbank and money market items	(1,943,571,386)	3,946,613,745	2,600,000,000
Liability payable on demand	21,672,981	(2,448,191)	-
Borrowings	5,930,854,194	11,596,223,512	-
Payable to clearing house	(237,382,858)	211,386,074	-
Securities and derivative business payables	(573,998,276)	155,549,882	-
Other liabilities	21,865,822	79,320,049	1,716,111
	3,322,019,885	(582,171,490)	2,555,778,518
Net interest and dividend income	(4,161,627,512)	(3,487,809,518)	703,372
Cash received from interest	7,779,649,681	6,882,701,195	8,957
Cash paid for interest	(3,341,445,163)	(3,132,796,810)	(712,329)
Cash paid for corporate income tax	(538,866,696)	(426,795,353)	-
<b>Net cash flows from (used in) operating activities</b>	<b>3,059,730,195</b>	<b>(746,871,976)</b>	<b>2,555,778,518</b>
<b>Cash flows from investing activities</b>			
Cash paid for purchase of investment in securities held for investment	(11,503,235,200)	(12,256,561,803)	-
Proceed from sales of investment in securities held for investment	9,568,282,118	11,244,424,257	-
Cash paid for purchase of property, plant and equipment	(261,215,672)	(161,128,723)	(502,367,158)
Cash received from disposal of equipment	6,694,651	5,288,486	-
Cash received from dividend	138,835,219	167,127,124	-
Cash received from capital returned from subsidiaries (Note 4.4.1)	667,370,466	512,461,232	-
Cash paid for purchase of a subsidiary (Note 4.3)	(51,871,200)	-	(2,053,421,360)
<b>Net cash flows used in investing activities</b>	<b>(1,435,139,618)</b>	<b>(488,389,427)</b>	<b>(2,555,788,518)</b>
<b>Cash flows from financing activities</b>			
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 issue ordinary shares	-	-	10,000
Cash received from exchange of warrants to purchase preference shares	16,623,330	21,611,970	-
<b>Net cash flows from (used in) financing activities</b>	<b>(1,473,148,122)</b>	<b>1,473,209,573</b>	<b>10,000</b>
<b>Translation adjustment</b>	<b>4,228,755</b>	<b>(8,273,795)</b>	<b>-</b>
<b>Net increase in cash</b>	<b>155,671,210</b>	<b>229,674,375</b>	<b>-</b>
Cash at beginning of year	439,899,137	210,224,762	-
<b>Cash at end of year</b>	<b>595,570,347</b>	<b>439,899,137</b>	<b>-</b>
	-	-	
<b>Supplemental cash flows information</b>			
Conversion of preference shares to ordinary shares	347,000	33,400,000	-
Issuance securities for swap ordinary shares and preference shares under holding restructure under common control (Note 1.2)	-	-	13,243,774,989

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Before holding restructuring - Consolidated financial statements of TISCO Bank Plc. and its subsidiaries													
Equity attributable to the parent's shareholders													
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)				Adjustment from business combination		Revaluation			Unappropriated retained earnings	Total equity attributable to the parent's shareholders	Non-controlling interest equity attributable to minority shareholders of subsidiaries	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	of entities under common control under holding restructuring plan	Revaluation surplus (deficit) on changes in value of investment	Translation adjustment	Statutory reserve					
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	-	662,956,136	82,146,613	422,100,000	3,715,079,758	12,256,020,957	426,841,166	12,682,862,123	
<b>Incomes (expenses) recognised directly in equity</b>													
Increase in fair value of investments	-	-	-	-	-	125,975,737	-	-	-	125,975,737	-	125,975,737	
Decrease in translation adjustment	-	-	-	-	-	-	(8,273,795)	-	-	(8,273,795)	-	(8,273,795)	
Deferred tax recognised in shareholder equity	-	-	-	-	-	(37,792,721)	-	-	-	(37,792,721)	-	(37,792,721)	
<b>Incomes (expenses) recognised directly in equity</b>	-	-	-	-	-	88,183,016	(8,273,795)	-	-	79,909,221	-	79,909,221	
Net income for the year	-	-	-	-	-	-	-	-	1,651,111,450	1,651,111,450	70,484	1,651,181,934	
<b>Total incomes (expenses) for the year</b>	-	-	-	-	-	88,183,016	(8,273,795)	-	1,651,111,450	1,731,020,671	70,484	1,731,091,155	
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	-	(1,633,234,980)	(1,633,234,980)	-	(1,633,234,980)	
Income tax from unpaid dividend	-	-	-	-	-	-	-	-	(1,813,620)	(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	-	21,611,970	
Preference shares converted to ordinary shares	(33,400,000)	33,400,000	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interest in subsidiary company	-	-	-	-	-	-	-	-	-	-	(426,911,650)	(426,911,650)	
<b>Balance as at 31 December 2007</b>	<b>1,827,753,800</b>	<b>5,446,171,200</b>	<b>84,925,420</b>	<b>36,500,000</b>	<b>-</b>	<b>751,139,152</b>	<b>73,872,818</b>	<b>486,800,000</b>	<b>3,666,442,608</b>	<b>12,373,604,998</b>	<b>-</b>	<b>12,373,604,998</b>	

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Statements of changes in shareholders' equity (Continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

After holding restructuring - Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries													
Equity attributable to the parent's shareholders													
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)				Adjustment from business combination		Revaluation			Unappropriated retained earnings	Total equity attributable to the parent's shareholders	Non-controlling interest equity attributable to minority shareholders of subsidiaries	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	of entities under common control under holding restructuring plan	Revaluation surplus (deficit) on changes in value of investment	Translation adjustment	Statutory reserve					
<b>Balance as at 31 December 2007</b>	1,827,753,800	5,446,171,200	84,925,420	36,500,000	-	751,139,152	73,872,818	486,800,000	3,666,442,608	12,373,604,998	-	12,373,604,998	
<b>Incomes (expenses) recognised in equity</b>													
Decrease in fair value of investments	-	-	-	-	-	(1,643,044,211)	-	-	-	(1,643,044,211)	-	(1,643,044,211)	
Increase in translation adjustment	-	-	-	-	-	-	4,228,755	-	-	4,228,755	-	4,228,755	
Deferred tax recognised in shareholder equity	-	-	-	-	-	492,913,263	-	-	-	492,913,263	-	492,913,263	
<b>Incomes (expenses) recognised in equity</b>	-	-	-	-	-	(1,150,130,948)	4,228,755	-	-	(1,145,902,193)	-	(1,145,902,193)	
Net income for the year	-	-	-	-	-	-	-	-	1,714,138,180	1,714,138,180	6,473,210	1,720,611,390	
<b>Total incomes (expenses) for the year</b>	-	-	-	-	-	(1,150,130,948)	4,228,755	-	1,714,138,180	568,235,987	6,473,210	574,709,197	
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	-	(1,489,771,452)	(1,489,771,452)	-	(1,489,771,452)	
Income tax from unpaid dividend	-	-	-	-	-	-	-	-	(1,304,019)	(1,304,019)	-	(1,304,019)	
Issuance of ordinary shares	-	10,000	-	-	-	-	-	-	-	10,000	-	10,000	
Warrants converted to preference shares	7,597,500	-	9,025,830	-	-	-	-	-	-	16,623,330	-	16,623,330	
Preference shares converted to ordinary shares	(347,000)	347,000	-	-	-	-	-	-	-	-	-	-	
Adjustment from business combination of entities under common control under holding restructuring plan (Note 1.2)	(732,040)	(34,726,410)	(93,951,250)	(36,500,000)	656,755,136	-	-	(486,800,000)	(53,726,789)	(49,681,353)	-	(49,681,353)	
Decrease in non-controlling interest in subsidiary company	-	-	-	-	-	-	-	-	-	-	111,847,097	111,847,097	
<b>Balance as at 31 December 2008</b>	<u>1,834,272,260</u>	<u>5,411,801,790</u>	<u>-</u>	<u>-</u>	<u>656,755,136</u>	<u>(398,991,796)</u>	<u>78,101,573</u>	<u>-</u>	<u>3,835,778,528</u>	<u>11,417,717,491</u>	<u>118,320,307</u>	<u>11,536,037,798</u>	

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

**TISCO Financial Group Public Company Limited and its subsidiary companies**

**Statements of changes in shareholders' equity (continued)**

**For the period as from 22 August 2008 to 31 December 2008**

(Unit: Baht)

	Separate financial statements						Total
	Issued and fully paid-up share capital	Issued and fully paid-up share capital awaiting for registered		Share premium		Unappropriated retained earnings	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	(deficit)	
<b>Balance as at 22 August 2008</b>	-	-	-	-	-	-	-
Issuance of ordinary shares	10,000	-	-	-	-	-	10,000
Net loss for the period	-	-	-	-	-	(3,820,319)	(3,820,319)
Issuance of preference shares to the shareholders under holding restructuring							
under common control (Note 1.2)	-	1,834,272,260	-	1,614,159,589	-	-	3,448,431,849
Issuance of ordinary shares to the shareholders under holding restructuring							
under common control (Note 1.2)	-	-	5,411,791,790	-	4,383,551,350	-	9,795,343,140
<b>Balance as at 31 December 2008</b>	<u>10,000</u>	<u>1,834,272,260</u>	<u>5,411,791,790</u>	<u>1,614,159,589</u>	<u>4,383,551,350</u>	<u>(3,820,319)</u>	<u>13,239,964,670</u>

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

**TISCO Financial Group Public Company Limited and its subsidiary companies**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2008**

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

**1.1 Basis of preparation**

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

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 separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

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

## 1.2 Basis of consolidation

- a) As mentioned in Note 4.1 to the financial statements, the Company has implemented the holding restructuring plan and, as of 9 January 2009, had been able to acquire 99.51% of securities of TISCO Bank Public Company Limited (“TISCO Bank”), consisting of ordinary shares, preference shares and warrants to purchase preference shares of TISCO Bank in exchange for its newly issued shares. This holding restructuring plan was completed in compliance with the criteria approved by regulators and so, as at 31 December 2008, the Company had recognised investment in TISCO Bank amounting to Baht 13,244 million, proportionate to the 99.51% shareholding acquired under the plan. The Company prepared consolidated financial statements that include the financial statements of TISCO Bank and subsidiaries in TISCO Group 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 regulators in 2008. The management has exercised judgment in preparation of the financial statements in respect of the following;
- a.1) The management believed that the financial statements fairly present the financial position, results of its operation, and cash flows.
- a.2) The management considered that the recognition of the 99.51% investment in TISCO Bank and the preparation of consolidated financial statements as if implementation of the holding restructuring plan had been completed in compliance with the criteria approved by regulators in 2008, were both appropriate and in accordance with Thai Accounting Standard No. 35 “Presentation of Financial Statements”. The basis for this decision was that the Company considered all transactions related to the holding restructuring plan, which was completed as of 9 January 2009 to be a single transaction. As a result of this recognition of investment and preparation of the consolidated financial statements, the separate and consolidated financial statements are presented fairly and reflect in substance the holding restructuring of the group to facilitate understanding of the financial statement users.
- b) The consolidated financial statements of TISCO Group after holding restructuring include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.



- d) As mentioned in Note 4.1 to the financial statements, the Company made a tender offer to acquire all securities of TISCO Bank (ordinary shares, preference shares and warrants to purchase preference shares) by means of a share swap with interested shareholders of TISCO Bank in a ratio of 1:1. The swap price was set based on the weighted average market price of TISCO Bank securities, whereby the swap prices for the ordinary shares and preference shares were equal to Baht 18.10 and Baht 18.80 per share, respectively. The Company acquired capital of TISCO Bank totaling Baht 13,244 million, consisting of 541,179,179 ordinary shares of TISCO Bank amounting to Baht 9,795 million, and 183,427,226 preference shares of TISCO Bank amounting to Baht 3,449 million. This represented 99.51% of the total outstanding paid-up shares of TISCO Bank, and TISCO Bank therefore became a subsidiary of the Company under holding restructuring plan.

Because the holding restructuring is considered to be a business combination of entities under common control, the Company has combined all financial statements of its subsidiaries in the consolidated financial statements. In preparing the consolidated financial statements, the Company included the operating results of the subsidiaries, presenting the transaction through shareholders' equity, as if the business combination had taken place at the beginning of the year. The Company presented the net amount between share premium and the excess of the purchase price over the net book value of the consolidated financial statements of TISCO Bank and its subsidiaries ("TISCO Group") after adjusted equity transactions as if the business combination had taken place at the beginning of the year as "Adjustment from business combination of entities under common control under holding restructuring plan" in shareholders' equity of the consolidated financial statements, as detailed below.

	(Unit: Million Baht)
Share premium of preference shares	1,614
Share premium of ordinary shares	4,384
Total share premium	<u>5,998</u>
The difference of the purchase price and the net book value of the consolidated financial statements of TISCO Group after adjusted equity transactions as if the business combination had taken place at the beginning of the year	<u>(5,341)</u>
Adjustment from business combination of entities under common control under holding restructuring plan	<u>657</u>

- e) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.
- f) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies.
- g) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing average exchange rates as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of "Translation adjustment" in shareholders' equity.
- h) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- i) Non-controlling interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- j) For comparative purposes and to facilitate comparison by the financial statement users, the Company has presented consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries ("TISCO Group" before holding restructuring), consisting of consolidated balance sheet as at 31 December 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year ended 31 December 2007, together with notes to the consolidated financial statements.

### **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 Company, 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 and financial lease income are recognised over the installment period, using the effective interest rate.

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

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

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fee

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

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

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

e) Fees and service income

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

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

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

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

a) Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining income.

b) Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

c) Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).

e) Investments in subsidiaries which present in the separate financial statements are determined at cost net of allowance for impairment (if any).

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

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

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

#### **1.4.7 Loans and receivables**

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

Hire purchase and financial lease receivables are stated at outstanding balance, net of unearned interest income. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

Securities and derivative business receivables are the net balances of securities and derivative business receivables. Securities business receivables include customer cash accounts, customers' securities borrowing and lending accounts, and other receivables such as securities receivable that are being enforced by courts, and being compromised, or being settled in installments.

#### **1.4.8 Allowance for doubtful accounts and losses from troubled debt restructuring**

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

##### 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 subsidiary 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 subsidiary company records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications.



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

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

#### 2007

The subsidiary company 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 subsidiary company 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 subsidiary 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 subsidiary company sets aside provision using a collective approach based on past experience of actual loss or damage.

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

- c) For the subsidiary companies operating hire purchase and financial lease business, an allowance for doubtful accounts is based on a percentage of the outstanding balance, net of unearned interest income, for each age of receivable. The subsidiaries also estimate the allowances for doubtful accounts on the basis of historical statistical data, assessment of the risk associated with the receivable, the nature of the collateral provided, and the actual losses arising from such debtors in the past, while emphasising the principal of conservatism. Furthermore, the adequacy of the allowance at the balance sheet date has been reviewed and evaluated in relation to the current status of the receivables. Bad debts are written off for accounts considered to be uncollectible.
- d) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the balance sheet date.
- e) Increase (decrease) in allowance for doubtful accounts is recorded as expense in the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.

#### **1.4.9 Troubled debt restructuring**

The subsidiary 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 subsidiary records the assets or equities transferred to the subsidiary for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates prevailing at the restructuring date. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

#### **1.4.10 Recognition and derecognition of customer deposits**

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

#### **1.4.11 Borrowing and lending of securities**

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

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

#### **1.4.12 Property foreclosed**

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of 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.

#### 1.4.13 Depreciation and amortisation

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

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

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

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).

#### **1.4.14 Income tax**

a) Current tax

The Company and its subsidiaries calculate corporate income tax in accordance with tax legislation.

b) Deferred tax

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

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

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

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

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

#### **1.4.15 Impairment of assets**

The Company and its subsidiaries assess 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 Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 Company and its subsidiaries 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 Company estimates the asset's recoverable amount. An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed.

#### **1.4.16 Sales of commercial paper**

Commercial paper sold without recourse is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance and sold with recourse, is recorded as a liability under the caption of "Liabilities from sale of commercial paper". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

#### **1.4.17 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. 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.

#### **1.4.18 Employee benefits**

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses on an accrual basis.

#### **1.4.19 Provisions**

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

#### **1.4.20 Derivatives**

Since the first quarter of 2008, a subsidiary operating banking business changed its accounting method in recording derivatives from accrual basis to fair value method. The subsidiary 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 subsidiary has not restated the financial statements of the year 2007 for comparative purposes because the impact of such change is not material to the prior year's financial statements.

A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in the income statements, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

#### **1.4.21 Financial instruments**

a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), securities purchased under resale agreement, investments, receivable from clearing house, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, borrowings, payable to clearing house, and securities and derivative business payables. The financial risks associated with these financial instruments and how they are managed is described in Note 3.28 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 Company and its subsidiaries in estimating the fair value of financial instruments are as follows.

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities purchased under resale agreements, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, payable to clearing house, and securities and derivative business payables, 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 receivable 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.

#### **1.4.22 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.

#### **1.4.23 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 and receivables 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 quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

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

The Company and its subsidiaries treat 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.

### ***Leases***

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

### ***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.

### ***Consolidation and deconsolidation of subsidiaries***

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

In addition, as mentioned in Note 1.2 to the financial statements, the management exercise judgment to prepare consolidated financial statements that included the financial statements of TISCO Bank and its subsidiaries, according to the holding company restructuring plan.

## **2. General information**

### **2.1 The Company's information**

On 22 August 2008, TISCO Group Holding Public Company Limited was incorporated as a public company under Thai law and on 4 September 2008, the Company changed its name to TISCO Financial Group Public Company Limited (“the Company”). The Company's principal activity is a holding company, being a parent company of TISCO Group instead of TISCO Bank in accordance with the holding company restructuring plan (as mentioned in Note 4.1 to the financial statements).

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

Implementation of the restructuring plan of TISCO Group has been completed in accordance with the conditions approved by regulators and, on 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

### **2.2 Share capital**

As at 31 December 2008, the Company has a registered capital of Baht 11,002,010,000 which consists of 544,652,820 ordinary shares and 555,548,180 preference shares both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Company pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Company does not declare dividend payment to the ordinary shareholders, the Company may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Company has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders will be equal to those of the ordinary shareholders.

### **2.3 Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution.

### **2.4 Directors' remuneration**

Directors' remuneration represents the benefits paid to the Company'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 Company, its six subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 - 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 Company, whether directly or indirectly, or which are under common control with the Company. They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

The Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Company, the Company's directors or management-level employees, with the exception of loans to related party and loans to employees under the employee welfare scheme, as mentioned in Note 3.25 to the financial statements.

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

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

### 3. Details of financial statements

#### 3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements of TISCO Group after the holding restructuring as at 31 December 2008 is provided below.

(Unit: Percentage)					
Company's name	Country of incorporation	Percentage of shares held by the Company as at 31 December 2008	Subsidiaries' total assets as a percentage to the consolidated total as at 31 December 2008	Subsidiaries' total revenues	Subsidiaries' net income (loss)
				as a percentage to the consolidated total for the year ended 31 December 2008	as a percentage to the consolidated total for the year ended 31 December 2008
<b><u>Subsidiaries directly owned by the Company</u></b>					
TISCO Bank Public Company Limited	Thailand	99.51	93.98	70.25	85.50
TISCO Securities Co., Ltd.	Thailand	99.99	1.62	12.06	11.42
TISCO Asset Management Co., Ltd.	Thailand	99.99	0.24	9.33	10.92
Hi-Way Co., Ltd.	Thailand	99.99	1.83	6.65	5.48
TISCO Information Technology Co., Ltd.	Thailand	99.99	0.03	0.01	(11.32)
TISCO Tokyo Leasing Co., Ltd.	Thailand	49.00	1.57	-	-
<b><u>Subsidiaries indirectly owned by the Company</u></b>					
TISCO Leasing Co., Ltd.	Thailand	99.99	0.05	1.56	(0.82)
TISCO Securities Hong Kong Ltd. (in the process of liquidation)	China-Hong Kong	100.00	0.06	0.02	(0.18)
TISCO Global Securities Ltd. (in the process of liquidation)	China-Hong Kong	100.00	0.01	0.01	(1.17)

A list of subsidiaries included in the consolidated financial statements of TISCO Group before holding restructuring as at 31 December 2007 is provided below.

(Unit: Percentage)

Company's name	Country of incorporation	Percentage of shares held by TISCO Bank as at 31 December 2007	Subsidiaries' total assets as a percentage to the consolidated total as at 31 December 2007	Subsidiaries' total revenues as a percentage to the consolidated total for the year ended 31 December 2007	Subsidiaries' net income (loss) as a percentage to the consolidated total for the year ended 31 December 2007
<b>Subsidiaries directly owned by TISCO Bank</b>					
TISCO Securities Co., Ltd.	Thailand	99.99	2.73	17.10	20.21
TISCO Asset Management Co., Ltd.	Thailand	99.99	0.35	9.21	13.05
Hi-Way Co., Ltd.	Thailand	99.99	2.85	8.78	9.26
TISCO Information Technology Co., Ltd.	Thailand	99.99	0.02	0.02	(8.98)
TISCO Leasing Co., Ltd.	Thailand	99.99	1.75	1.78	1.61
TISCO Securities Hong Kong Ltd. (in the process of liquidation)	China - Hong Kong	100.00	0.07	0.22	(1.05)
<b>Subsidiary indirectly owned by TISCO Bank</b>					
TISCO Global Securities Ltd. (in the process of liquidation)	China - Hong Kong	100.00	0.08	0.02	(0.02)

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

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2008			31 December 2007		
	At call	Term	Total	(Before holding restructuring)		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development						
Fund	6,408,371	13,110,000,000	13,116,408,371	508,571,379	-	508,571,379
Commercial banks	127,745,632	263,496,602	391,242,234	286,437,891	75,495,913	361,933,804
Total	134,154,003	13,373,496,602	13,507,650,605	795,009,270	75,495,913	870,505,183
Add: Accrued interest	1,629,916	3,997,839	5,627,755	747,439	879,032	1,626,471
Total domestic	135,783,919	13,377,494,441	13,513,278,360	795,756,709	76,374,945	872,131,654
<b>Foreign</b>						
Hong Kong dollar	9,865,944	22,589,419	32,455,363	117,722,871	-	117,722,871
US dollar	251,503	44,986,376	45,237,879	59,982,324	-	59,982,324
Others	-	-	-	317,531	-	317,531
Total	10,117,447	67,575,795	77,693,242	178,022,726	-	178,022,726
Add: Accrued interest	-	-	-	-	-	-
Total foreign	10,117,447	67,575,795	77,693,242	178,022,726	-	178,022,726
Total domestic and foreign	145,901,366	13,445,070,236	13,590,971,602	973,779,435	76,374,945	1,050,154,380



(Unit: Baht)

	Separate financial statements as at		
	31 December 2008		
	At call	Term	Total
<u>Domestic</u>			
Commercial banks	27,992,087	-	27,992,087
Total	27,992,087	-	27,992,087
Add: Accrued interest	-	-	-
Total domestic	27,992,087	-	27,992,087

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements		Type of pledge
	as at		
	31 December 2008	31 December 2007 (Before holding restructuring)	
Cash at banks of local subsidiary	10	10	To secure facilities provided for bank overdraft

### 3.3 Investments

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2008		31 December 2007	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Current investments</b>				
<b>Trading securities</b>				
Equity securities:				
Domestic marketable equity securities	35,392,608	37,650,756	28,032,401	27,719,550
Add (less): Allowance for changes in value	2,258,148		(312,851)	
Net equity securities	37,650,756		27,719,550	
<b>Total trading securities</b>	37,650,756		27,719,550	
<b>Available-for-sales securities</b>				
Debt securities:				
Government and state enterprise securities	416,952,466	418,305,147	760,471,078	760,647,986
Debt securities of private sector	201,616,916	200,108,860	732,828,893	672,943,585
Foreign debt securities	1,869,822,358	1,668,501,090	-	-
Total	2,488,391,740	2,286,915,097	1,493,299,971	1,433,591,571
Add (less): Allowance for changes in value	8,174,225		705,600	
Exchange difference	(208,190,868)		-	
Less: Allowance for impairment	(1,460,000)		(60,414,000)	
Debt securities - net	2,286,915,097		1,433,591,571	
Equity securities:				
Domestic marketable equity securities	-	-	103,869,880	62,853,002
Unit trust	60,000,000	45,746,975	-	-
Total	60,000,000	45,746,975	103,869,880	62,853,002
Add (less): Allowance for changes in value	(14,253,025)		(41,016,878)	
Net equity securities	45,746,975		62,853,002	
<b>Total available-for-sales securities</b>	2,332,662,072		1,496,444,573	
<b>Held-to-maturity debt securities - due within 1 year</b>				
Debt securities:				
Government and state enterprise securities	335,860,124		856,414	
Debt securities of private sector	2,000		4,000	
<b>Total held-to-maturity debt securities - due within 1 year</b>	335,862,124		860,414	
<b>Other Investments</b>				
Equity securities:				
Unit trusts	-		50,000,000	
<b>Total other investments</b>	-		50,000,000	
<b>Net current investments</b>	2,706,174,952		1,575,024,537	

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2008		31 December 2007	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Long-term investments</b>				
<b>Available-for-sales securities</b>				
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	1,086,032,360	767,562,880	2,434,567,527	2,485,058,099
Other securities - unit trusts	9,156,787	5,510,922	-	-
Total	1,095,189,147	773,073,802	2,434,567,527	2,485,058,099
Add (less): Allowance for changes in value	(322,115,345)		50,490,572	
Net equity securities	773,073,802		2,485,058,099	
<b>Total available-for-sales securities</b>	<b>872,968,832</b>		<b>2,584,288,239</b>	
<b>Held-to-maturity debt securities</b>				
Debt securities:				
Government and state enterprise securities	-		337,135,499	
<b>Total held-to-maturity debt securities</b>	<b>-</b>		<b>337,135,499</b>	
<b>Other investments</b>				
Equity securities:				
Domestic non-marketable equity securities	712,984,649		738,343,910	
Investments in receivables	1,133,545,787		606,714,311	
Total	1,846,530,436		1,345,058,221	
Less: Allowance for impairment	(70,192,272)		(60,940,272)	
<b>Total other investments</b>	<b>1,776,338,164</b>		<b>1,284,117,949</b>	
<b>Net long-term investments</b>	<b>2,649,306,996</b>		<b>4,205,541,687</b>	
<b>Net investments</b>	<b>5,355,481,948</b>		<b>5,780,566,224</b>	

	(Unit: Baht)	
	Separate financial statements as at	
	31 December 2008	
	Cost /	
	Book value	Fair value
<b><u>Investment in subsidiaries</u></b>		
Investments in subsidiaries (cost method)	15,297,196,349	
<b>Investments in subsidiaries - net</b>	<u>15,297,196,349</u>	
<b>Net investments</b>	<u><u>15,297,196,349</u></u>	

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

	Consolidated financial statements		(Unit: Million Baht)
	as at		Remark
	31 December 2008	31 December 2007	
	(Before holding restructuring)		
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.

### 3.3.2 Investments subject to restriction

	Consolidated financial statements		(Unit: Million Baht)
Type of investment	as at		Type of restriction
	31 December 2008	31 December 2007	
	(Before holding restructuring)		
Government debt securities	6	5	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

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

(Unit: Baht)

Consolidated financial statements as at 31 December 2008				
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	415,854,970	-	1,097,496	416,952,466
Debt securities of private sector	31,552,768	270,064,148	-	301,616,916
Foreign debt securities	1,869,822,358	-	-	1,869,822,358
Total	2,317,230,096	270,064,148	1,097,496	2,588,391,740
Add (less): Allowance for changes in value	8,156,052	(141,237)	54,440	8,069,255
Exchange difference	(208,190,868)	-	-	(208,190,868)
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	2,115,735,280	269,922,911	1,151,936	2,386,810,127
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	335,860,124	-	-	335,860,124
Debt securities of private sector	2,000	-	-	2,000
Total	335,862,124	-	-	335,862,124
<b>Total debt securities</b>	<b>2,451,597,404</b>	<b>269,922,911</b>	<b>1,151,936</b>	<b>2,722,672,251</b>

(Unit: Baht)

Consolidated financial statements as at 31 December 2007				
(Before holding restructuring)				
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	760,471,078	-	-	760,471,078
Debt securities of private sector	60,414,000	772,414,893	-	832,828,893
Total	820,885,078	772,414,893	-	1,593,299,971
Add (less): Allowance for changes in value	176,908	(241,168)	-	(64,260)
Less: Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	760,647,986	772,173,725	-	1,532,821,711
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	856,414	337,135,499	-	337,991,913
Debt securities of private sector	4,000	-	-	4,000
Total	860,414	337,135,499	-	337,995,913
<b>Total debt securities</b>	<b>761,508,400</b>	<b>1,109,309,224</b>	<b>-</b>	<b>1,870,817,624</b>

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

(Unit: Baht)

	Consolidated financial statements		
	as at 31 December 2008		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

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

### 3.3.5 Investments where the Company and its subsidiaries hold not less than 10 percent of the equity of the investees

(Unit: Baht)

Name	Consolidated financial statements as at					
	31 December 2008			31 December 2007		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
				(Before holding restructuring)		
			%			%
<b><u>Insurance:</u></b>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<b><u>Services:</u></b>						
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-		37,334,990	-	10
<b><u>Leasing and hire purchase:</u></b>						
TISCO Tokyo Leasing Co., Ltd. (Formerly known as "Tokyo Leasing (Thailand) Co., Ltd." or "Mizuho Corporate Leasing (Thailand) Co., Ltd.")	-	-	-	1,849,050	-	21
<b><u>Trading import and export:</u></b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	4,291,200	-	10	3,966,300	-	10
<b><u>Real estate:</u></b>						
Prosperity Industrial Estate Co., Ltd.	45,227,553	-	10	45,289,171	-	10
UMI Property Co., Ltd.	10,156,500	-	10	10,156,500	-	10
<b><u>Industrial:</u></b>						
Siam Art Ceramic Co., Ltd.	16,555,000	-	10	16,291,000	-	10

(Unit: Baht)

Name	Separate financial statements as at		
	31 December 2008		
	Book value (Cost method)	Unpaid amounts	Percentage of holding %
<b>Services:</b>			
TISCO Bank Public Company Limited	13,243,774,989	-	99.51
TISCO Securities Co., Ltd.	1,575,065,134	-	99.99
TISCO Asset Management Co., Ltd.	110,075,340	-	99.99
TISCO Information Technology Co., Ltd.	22,117,205	-	99.99
<b>Leasing and hire purchase:</b>			
Hi-Way Co., Ltd. (ordinary shares and preference shares)	272,918,665	-	99.99
TISCO Tokyo Leasing Co., Ltd.	73,245,016	-	49.00

### 3.4 Investments in subsidiary companies

Company's name	Nature of Business	(Unit: Million Baht)		
		Paid-up share capital as at	Cost as at	Dividend received for the period as from
		31 December 2008	31 December 2008	22 August 2008 to 31 December 2008
<b>Subsidiary companies directly held by the Company:</b>				
TISCO Bank Public Company Limited	Banking	7,282	13,244	-
TISCO Securities Co., Ltd.	Securities business	1,500	1,575	-
TISCO Asset Management Co., Ltd.	Asset management	100	110	-
Hi-Way Co., Ltd.	Hire purchase	100	273	-
TISCO Information Technology Co., Ltd.	Services	20	22	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	60	73	-
			<u>15,297</u>	<u>-</u>

### 3.5 Loans, receivables and accrued interest receivable

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

	(Unit: Baht)	
	Consolidated financial statements	
	As at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
<b><u>Loans and receivables</u></b>		
Loans	18,200,353,365	15,657,461,101
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	97,436,863,199	81,273,774,155
Add (less): Unearned income	(13,200,245,468)	(10,813,828,832)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	698,790,471	429,061,936
: Advances received from financial lease receivables	(26,055,879)	(126,060,544)
Net hire purchase and financial lease receivables	84,909,352,323	70,762,946,715
Total loans and receivables	103,109,705,688	86,420,407,816
Add: Accrued interest receivable	136,704,347	155,649,753
Less: Allowance for doubtful accounts	(1,852,875,157)	(2,801,776,443)
Less: Allowance for loss on debt restructuring	(18,258)	(538,175)
Net loans, receivables and accrued interest receivable	101,393,516,620	83,773,742,951
<b><u>Securities and derivatives business receivables</u></b>		
Securities business receivable		
Customers' cash accounts	665,835,392	1,357,156,735
Customers' securities borrowings and lending accounts		
Guarantee deposit receivables	-	25,878,060
Securities borrowing receivables	-	20,674,000
Other receivables		
Installment receivables	1,537,541	1,947,990
Total securities business receivables	667,372,933	1,405,656,785
Less: Allowance for doubtful accounts	(1,634,097)	(3,641,565)
Net securities business receivables	665,738,836	1,402,015,220
Net loans, receivables and accrued interest receivable	102,059,255,456	85,175,758,171



### 3.5.2 Classified by remaining periods of contracts

(Unit: Baht)

Consolidated financial statements  
as at

	31 December 2008	31 December 2007 (Before holding restructuring)
Loans and receivables		
Not over 1 year (included contract which are due)	10,116,664,282	10,687,741,681
Over 1 year	92,993,041,406	75,732,666,135
Total loans and receivables	103,109,705,688	86,420,407,816
Add: Accrued interest receivable	136,704,347	155,649,753
Total loans, receivables and accrued interest receivable	103,246,410,035	86,576,057,569

### 3.5.3 Classified by type of business

(Unit: Baht)

Consolidated financial statements as at 31 December 2008

	Subsidiary company operating banking business						Other subsidiaries	Total
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss	Total		
	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	-	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	-	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	-	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	4,178,778,785	77,287,966,849
Housing loans	1,479,727,790	38,356,878	25,644,460	24,382,016	137,914,535	1,706,025,679	-	1,706,025,679
Securities	-	-	-	-	-	-	667,372,933	667,372,933
Others	4,035,184,664	124,621,782	17,229,940	12,236,841	438,368,375	4,627,641,602	-	4,627,641,602
Total loans, receivables and securities business receivables	89,801,896,387	6,562,947,529	977,678,253	378,462,799	1,209,941,935	98,930,926,903	4,846,151,718	103,777,078,621
Add: Accrued interest receivable	26,633,480	84,121,100	-	-	-	110,754,580	25,949,767	136,704,347
Total loans, receivables and securities business receivables and accrued interest receivable	89,828,529,867	6,647,068,629	977,678,253	378,462,799	1,209,941,935	99,041,681,483	4,872,101,485	103,913,782,968

## Consolidated financial statements as at 31 December 2007

	(Before holding restructuring)						Other	
	Subsidiary company operating banking business						Subsidiaries	Total
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	101,375,497	3,824,981	351,403	-	-	105,551,881	-	105,551,881
Manufacturing and commerce	7,298,262,830	88,112,978	27,054,507	6,403,522	401,672,267	7,821,506,104	-	7,821,506,104
Real estate and construction	4,253,934,634	69,697,174	17,420,371	6,403,354	693,877,123	5,041,332,656	-	5,041,332,656
Public utilities and services	2,571,086,451	44,743,745	10,574,666	6,332,634	15,422,912	2,648,160,408	-	2,648,160,408
Personal use								
Hire purchase	55,215,829,660	4,474,592,392	623,254,632	171,891,892	101,138,095	60,586,706,671	4,097,696,816	64,684,403,487
Housing loans	1,629,990,311	28,828,939	19,236,169	31,337,021	178,497,599	1,887,890,039	-	1,887,890,039
Securities	-	-	-	-	-	-	1,405,656,785	1,405,656,785
Others	3,234,412,709	75,637,539	13,969,758	25,756,326	880,930,648	4,230,706,980	856,261	4,231,563,241
Total loans, receivables and securities business								
receivables	74,304,892,092	4,785,437,748	711,861,506	248,124,749	2,271,538,644	82,321,854,739	5,504,209,862	87,826,064,601
Add: Accrued interest receivable	40,504,215	69,801,961	-	-	-	110,306,176	45,343,577	155,649,753
Total loans, receivables and securities business receivables and accrued interest receivable	74,345,396,307	4,855,239,709	711,861,506	248,124,749	2,271,538,644	82,432,160,915	5,549,553,439	87,981,714,354

### 3.5.4 Hire purchase and finance lease receivables

As at 31 December 2008, net receivables of the subsidiaries under hire purchase agreements and financial leases amount to Baht 84,909 million and mostly comprise hire purchase agreements and financial leases for cars, motorcycles, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008					
Amounts of installments due under the contract					
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Hire purchase and financial lease receivables	31,928	61,303	1,505	2,701	97,437
Unearned income*	(5,323)	(6,331)	(46)	(802)	(12,502)
Advances received from financial lease receivable	(7)	(19)	-	-	(26)
Hire purchase and financial lease receivables - net	<u>26,598</u>	<u>54,953</u>	<u>1,459</u>	<u>1,899</u>	<u>84,909</u>
Allowance for doubtful accounts					<u>1,070</u>

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

### 3.5.5 Loans and receivables for which the recognition of interest income has ceased of a subsidiary company operating banking business

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines <sup>(2)</sup>		Amounts calculated under TISCO 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 <sup>(1)</sup>	3,241	2,927	3,405 <sup>(3)</sup>	3,285 <sup>(3)</sup>

<sup>(1)</sup> These amounts are calculated on an account by account basis.

<sup>(2)</sup> Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

<sup>(3)</sup> Loans and receivables totaling Baht 1,396 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.

Other subsidiaries	(Unit: Million Baht)	
	As at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Securities business loans and receivables, hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	411 <sup>(1)</sup>	525 <sup>(1)</sup>

<sup>(1)</sup> Baht 30 million of such amounts being loans and receivables (2007: Baht 75 million), for which a 100 percent allowance for doubtful debts has been provided.

### 3.5.6 Unearned interest income which is presented as a deduction against loans and receivables of subsidiaries.

	(Unit: Million Baht)	
	Consolidated financial statements as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Unearned interest income <sup>(1)</sup>	12,751	10,634

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

### 3.5.7 Outstanding balances (net of collateral) of restructured loans and receivables and receivables which are being restructured of a subsidiary company operating banking business

	(Unit: Million Baht)	
	as at 31 December 2008	
Restructured loans and receivables <sup>(1)</sup>		302
Loans and receivables which are being restructured		-

<sup>(1)</sup> As a result of restructuring, the due date for the first repayment of these restructured loans and receivables has been rescheduled.

### 3.5.8 Troubled debt restructuring of a subsidiary company operating banking business

#### - Debt restructuring during the year

	For the years ended	
	31 December 2008	31 December 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

### 3.6 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 TISCO Bank	1,604 <sup>(1)</sup>	2,465 <sup>(1)</sup>
Amount in excess of the required amount	334	368

<sup>(1)</sup> 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.

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

(Unit: Baht)

	Consolidated financial statements as at 31 December 2008						Total
	Pass	Special- mentioned	Sub- Standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of year	212,466,334	107,864,920	340,528,650	182,654,912	1,749,593,975	212,309,217	2,805,418,008
Increase (decrease) in allowance for doubtful accounts during the year	204,398,559	(18,821,406)	333,485,968	540,389,853	280,810,230	54,429,493	1,394,692,697
Bad debt written-off	(5,358,732)	(51,221,066)	(428,366,236)	(527,253,273)	(1,333,402,144)	-	(2,345,601,451)
Balance - end of year	411,506,161	37,822,448	245,648,382	195,791,492	697,002,061	266,738,710	1,854,509,254

(Unit: Baht)

## Consolidated financial statements as at 31 December 2007

	(Before holding restructuring)						Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of year	625,452,082	72,020,965	119,659,639	140,135,831	1,719,724,337	94,230,622	2,771,223,476
Increase (decrease) in allowance for doubtful accounts during the year	(405,536,988)	47,874,125	348,531,707	263,949,808	253,187,470	118,158,052	626,164,174
Bad debt written-off	(7,448,760)	(12,030,170)	(127,662,696)	(221,430,727)	(223,317,832)	(79,457)	(591,969,642)
Balance - end of year	<u>212,466,334</u>	<u>107,864,920</u>	<u>340,528,650</u>	<u>182,654,912</u>	<u>1,749,593,975</u>	<u>212,309,217</u>	<u>2,805,418,008</u>

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

(Unit: Baht)

Consolidated financial statements  
as at 31 December 2008

	Individual impairment	Collective impairment	Total
	Balance - beginning of year	2,104,294,823	701,123,185
Increase (decrease) in allowance for doubtful accounts during the year	(181,547,753)	1,576,240,450	1,394,692,697
Bad debt written-off	(1,101,257,786)	(1,244,343,665)	(2,345,601,451)
Balance - end of year	<u>821,489,284</u>	<u>1,033,019,970</u>	<u>1,854,509,254</u>

## 3.6.3 Allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Baht)

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

### 3.6.4 Non-performing loans and receivables of a subsidiary company operating banking business

(Unit: Million Baht)

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

### 3.7 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts <sup>(1)</sup>	
	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 <sup>(2)</sup>	1	60	-	-	1	60
Equity instruments - ordinary shares <sup>(3)</sup>	6	6	-	-	6	6
Equity instruments - preference shares <sup>(3)</sup>	-	2	-	-	-	2

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

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

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



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

(Unit: Million Baht)

	Allowance for doubtful accounts							
	Debt balance		Debt balance after		Amounts to be provided under		Amounts already set up	
	as at		net of collateral		BOT's guidelines		by TISCO 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	
<b>Loans and receivables</b> <sup>(1)(2)(3)</sup>								
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
<b>Investments in securities</b>								
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
<b>Investments in receivables</b>								
Doubtful of loss	36	8	36	1	36	1	36	1
<b>Properties foreclosed</b>								
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

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

<sup>(2)</sup> Interest receivables are not included in the pass and special mentioned debt balances.

<sup>(3)</sup> Loans and receivables include investment in debt securities under resale agreements of BOT and loans to financial institutions (which presented as part of interbank and money market items in the balance sheet).

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

(Unit: Million Baht)

	Debt balance		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
<b>Hire purchase receivables<sup>(1)</sup></b>								
Pass	72,859	(a)	72,859	(a)	0.43 <sup>(3)</sup>	(a)	316	(a)
Special mentioned	6,375	(a)	6,375	(a)	0.43 <sup>(3)</sup>	(a)	27	(a)
Substandard	937	681	937	681	32 <sup>(3)</sup>	32,100 <sup>(2)</sup>	130	218
Doubtful	324	193	324	193	32 <sup>(3)</sup>	32,100 <sup>(2)</sup>	126	106
Doubtful of loss	236	137	236	137	32 <sup>(3)</sup>	32,100 <sup>(2)</sup>	223	130

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

<sup>(2)</sup> As at 31 December 2007, TISCO 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%.

<sup>(3)</sup> These percentages off allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

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

3.7.4 Loans and receivables includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

	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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7</b>	<b>39</b>	<b>710</b>	<b>1,906</b>	<b>470</b>	<b>674</b>	<b>291</b>	<b>1,364</b>

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

(Unit: Million Baht)

	Securities business receivables and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Doubtful	2	2	2	2	2	2
General reserve					-	2
Total					2	4

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

(Unit: Million Baht)

	Debt balance		Percentage of allowance for doubtful accounts set up %	Allowance for doubtful account		Debt balance - net	
	as at			as at		as at	
	31 December 2008	31 December 2007		31 December 2008	31 December 2007	31 December 2008	31 December 2007
Current	3,026	2,335	1	11	23	3,015	2,312
Overdue							
1 month	325	601	1	3	6	322	595
2 - 3 months	411	640	2	8	13	403	627
4 - 6 months	197	234	32, 50, 100*	99	115	98	119
7 - 12 months	114	120	32, 50, 100*	57	60	57	60
Over 12 months	70	103	32, 50, 100*	35	54	35	49
Debtors under litigation	35	66	100	35	6	-	-
Total	4,178	4,099		248	337	3,930	3,762

\* The subsidiary companies apply provisioning rate of 32% for non-performing loan of auto-hire purchase receivables, 50% for motorcycle-hire purchase receivables, and 100% for financial lease receivables.

### 3.8 Property foreclosed

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Foreclosed assets		
Immovable assets		
Balance - beginning of year	1,017,130,703	1,019,802,996
Additions	1,502,192	4,683,840
Disposals	(17,214,600)	(19,166,133)
Related transactions	(14,690,012)	11,810,000
Balance - end of year	986,728,283	1,017,130,703
Movable assets		
Balance - beginning of year	54,247,684	44,210,456
Additions	2,598,928,757	1,807,294,909
Disposals	(2,590,696,234)	(1,797,257,681)
Balance - end of year	62,480,207	54,247,684
Allowance for impairment		
Balance - beginning of year	29,059,862	21,210,157
Increase	20,297,807	34,735,629
Decrease	(5,858,296)	(26,885,924)
Balance - end of year	43,499,373	29,059,862
Property foreclosed - net	1,005,709,117	1,042,318,525

### 3.9 Land, premises and equipment

(Unit: Baht)

Consolidated financial statements							
	Operating assets					Assets for operating lease contracts	Total
	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles		
<b>Cost:</b>							
31 December 2007	522,039,947	1,052,341,516	578,395,092	482,453,232	106,965,361	42,778,888	2,784,974,036
Additions	-	-	166,645,995	89,687,002	2,177,375	2,705,300	261,215,672
Additions from acquisition of a subsidiary company	-	-	9,241,958	1,700,000	623,900	86,977,787	98,543,645
Disposals	-	-	(14,801,306)	-	-	(35,339,422)	(50,140,728)
Transfer from foreclosed asset	5,432,573	9,474,878	-	-	-	-	14,907,451
31 December 2008	527,472,520	1,061,816,394	739,481,739	573,840,234	109,766,636	97,122,553	3,109,500,076
<b>Accumulated depreciation:</b>							
31 December 2007	-	394,203,498	483,876,382	256,157,323	60,098,931	27,556,433	1,221,892,567
Depreciation for the year	-	61,333,584	81,016,963	51,667,160	19,405,703	5,293,743	218,717,153
Additions from acquisition of a subsidiary company	-	-	6,087,148	1,188,603	370,253	43,147,439	50,793,443
Depreciation on disposals	-	-	(11,955,254)	-	-	(28,526,356)	(40,481,610)
31 December 2008	-	455,537,082	559,025,239	309,013,086	79,874,887	47,471,259	1,450,921,553
<b>Net book value:</b>							
31 December 2007	522,039,947	658,138,018	94,518,710	226,295,909	46,866,430	15,222,455	1,563,081,469
31 December 2008	527,472,520	606,279,312	180,456,500	264,827,148	29,891,749	49,651,294	1,658,578,523
<b>Depreciation for the years ended 31 December:</b>							
2007							199,279,697
2008							218,717,153

(Unit: Baht)

## Separate financial statements

	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Total
<b><u>Cost:</u></b>					
22 August 2008	-	-	-	-	-
Additions	265,851,981	462,953,407	3,473,932	40,551,720	772,831,040
Disposals	-	-	-	-	-
31 December 2008	265,851,981	462,953,407	3,473,932	40,551,720	772,831,040
<b><u>Accumulated depreciation:</u></b>					
22 August 2008	-	-	-	-	-
Depreciation for the period	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
31 December 2008	-	-	-	-	-
<b><u>Net book value:</u></b>					
22 August 2008	-	-	-	-	-
31 December 2008	265,851,981	462,953,407	3,473,932	40,551,720	772,831,040
<b><u>Depreciation:</u></b>					
For the period as from 22 August 2008 to 31 December 2008					-

As mentioned in Note 4.3 to the financial statements, the Company purchased its land, office condominium units and equipment from its subsidiary companies on 30 December 2008, in accordance with the holding restructuring plan of TISCO Group. Therefore, no depreciation for the period recorded in the separate financial statements.

Leased assets of a subsidiary company are operating leases for cars, computers and office equipment with terms of 3 to 5 years. Payment conditions are monthly and quarterly.

As at 31 December 2008, these assets will generate the following minimum amounts of lease income in future.

	(Unit: Thousand Baht)
Not over 1 year	24,210
1 - 5 years	10,064
Total	<u>34,274</u>

### 3.10 Other assets

	(Unit: Baht)		
	Consolidated financial statements		Separate
	as at		financial statements
	31 December	31 December	as at
	2008	2007	31 December
		(Before holding restructuring)	2008
Value added tax - net	248,020,663	218,674,405	3,895,116
Accrued interest receivable	25,675,989	21,895,938	-
Fee and charges receivable	192,009,872	216,761,152	-
Prepaid income tax	31,097,336	15,186,162	-
Deferred computer system development cost - net	143,643,730	95,871,927	10,228,781
Deposits	25,865,183	18,479,086	-
Other receivables	368,939,756	276,348,485	-
Financial derivatives assets	197,909,233	-	-
Other assets	257,326,450	182,136,051	1,290
Total other assets	<u>1,490,488,212</u>	<u>1,045,353,206</u>	<u>14,125,187</u>



### 3.11 Deposits

#### 3.11.1 Classified by type of deposits

	(Unit: Baht)	
	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Promissory notes	2,399,539	2,383,053,853
Deposits		
Current accounts	6,414,670,683	2,089,336,269
Saving accounts	5,140,190,158	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	<u>58,822,617,507</u>	<u>35,714,173,953</u>

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

	(Unit: Baht)	
	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Not over 1 year*	56,919,256,162	32,783,707,129
Over 1 year	1,903,361,345	2,930,466,824
Total deposits	<u>58,822,617,507</u>	<u>35,714,173,953</u>

\*Including fully-mature deposit contract

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

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2008			31 December 2007		
	At call	Term	Total	(Before holding restructuring)		
	At call	Term	Total	At call	Term	Total
Commercial banks	29,728,657	1,815,717,271	1,845,445,928	648,108,994	1,570,000,000	2,218,108,994
Other banks and financial institutions	697,799,064	3,184,637,870	3,882,436,934	95,194,057	3,538,884,769	3,634,078,826
<b>Total</b>	<b>727,527,721</b>	<b>5,000,355,141</b>	<b>5,727,882,862</b>	<b>743,303,051</b>	<b>5,108,884,769</b>	<b>5,852,187,820</b>

(Unit: Baht)

	Separate financial statements as at		
	31 December 2008		
	At call	Term	Total
Commercial banks	2,600,000,000	-	2,600,000,000
<b>Total</b>	<b>2,600,000,000</b>	<b>-</b>	<b>2,600,000,000</b>

The subsidiary company operating banking business has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange for a fixed interest rate, as mentioned in Note 3.28.5 to the financial statements.

A subsidiary company that operates a leasing business entered into interest rate swap agreements to pay interest at a fixed rate and receive interest at a floating rate, associated with its interest-bearing financial liabilities, amounting to Baht 1,253 million, as mentioned in Note 3.28.5 to the financial statements.

### 3.13 Borrowings

(Unit: Baht)

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
<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	42,299,118,264	36,380,747,346
Promissory note	37,603,885	38,092,559
Total	<u>46,667,722,149</u>	<u>40,749,839,905</u>

#### 3.13.1 Subordinated debentures

In 1999, the subsidiary company operating banking business 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 subsidiary company by purchasing its 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 subsidiary company 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.

#### 3.13.2 Unsubordinated unsecured debentures

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

### 3.13.3 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 subsidiary company operating banking business 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.

### 3.13.4 Promissory note

As of 31 December 2008, the subsidiary company operating banking business 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.

That subsidiary company 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.

## 3.14 Other liabilities

	Consolidated financial statements		(Unit: Baht) Separate financial statements
	as at		as at
	31 December 2008	31 December 2007	31 December 2008
		(Before holding restructuring)	
Corporate income tax payable	42,246,528	220,096,941	-
Withholding income tax and other tax payable	166,999,229	162,259,377	600
Accrued insurance premium	634,126,924	631,030,922	-
Other liabilities	568,895,831	549,781,085	272,179,393
Total other liabilities	<u>1,412,268,512</u>	<u>1,563,168,325</u>	<u>272,179,993</u>

### 3.15 Warrants

Under the holding company restructuring plan, the Company received the transfer of 970,250 warrants to purchase preference shares from TISCO Bank. These warrants were allocated in the year 2004 and have an exercise price of Baht 21.88 per share, with the exercise period ending in August 2009.

### 3.16 Capital funds

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

Capital funds of the subsidiary company operating banking business 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	
	TISCO Bank	Requirement	TISCO 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)

	Consolidated financial statements	
	as at 31 December	
	2008	2007
		(Before holding restructuring)
Balance - beginning of year	756,633,812	608,259,541
Increase (decrease) from changes in the value of securities during the year	(1,252,962,617)	148,374,271
	(496,328,805)	756,633,812
Add (less): The effect of deferred tax assets / liabilities	97,337,009	(5,494,660)
Balance - end of year	(398,991,796)	751,139,152

### 3.18 Gain (loss) on investments

(Unit: Baht)

	Consolidated financial statements	
	for the years ended	
	31 December	
	2008	2007
		(Before holding restructuring)
Unrealised gain (loss) on investments	(134,181,316)	13,660,324
Realised gain (loss) on investments	(84,208,100)	362,427,058
Total	(218,389,416)	376,087,382

### 3.19 Gain (loss) from trading derivatives

(Unit: Baht)

	Consolidated financial statements	
	for the years ended	
	31 December	
	2008	2007
		(Before holding restructuring)
Unrealised gain on derivatives (reversal)	(12,000,000)	12,000,000
Realised gain on derivatives trading	7,780,700	10,143,500
Total	<u>(4,219,300)</u>	<u>22,143,500</u>

### 3.20 Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial
	for the years ended		statements
	31 December		for the period as from
	2008	2007	22 August 2008 to
		(Before holding restructuring)	31 December 2008
Penalty fee income from loans	142,119,030	114,433,037	-
Gains on disposal of property foreclosed	34,371,263	9,162,537	-
Rental income	21,617,538	13,839,647	-
Others	209,439,116	88,596,657	-
Total	<u>407,546,947</u>	<u>226,031,878</u>	<u>-</u>

### 3.21 Other expenses

	Consolidated financial statements		(Unit: Baht)
	for the years ended		Separate financial
	31 December		statements
	2008	2007	for the period as from
			22 August 2008 to
			31 December 2008
		(Before holding	
		restructuring)	
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	9,055,388	-
Mailing expenses	36,766,901	32,556,178	-
Loan losses from court - ordered executions	29,288,877	22,671,226	-
Transportation expenses	71,294,286	60,893,442	-
Advertising and promotion expenses	38,066,651	19,617,173	-
Others	149,841,382	151,586,781	250,160
Total	511,143,940	462,768,020	250,160

### 3.22 Corporate income tax

	Consolidated financial statements		(Unit: Baht)
	for the years ended		
	31 December		
	2008	2007	
			(Before holding
			restructuring)
Income tax payable on taxable profit for the year	237,271,794	496,370,226	
Add (less): Net decrease (increase) in deferred tax on temporary differences	114,273,032	141,213,278	
Adjustment in respect of current income tax of prior year	9,494,342	-	
Income tax expenses - net	361,039,168	637,583,504	



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

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		as at 31 December	
		2008	2007
		(Before holding restructuring)	
Allowance for doubtful accounts (general reserve)		509,268	559,514
Allowance for doubtful accounts for VAT receivables		4,047	58,248
Allowance for impairment of investments		218,824	170,464
Allowance for impairment of property foreclosed		43,499	29,060
Non-accrual of interest income		689,976	757,760
Depreciation of assets		117,636	91,734
Financial leases		4,587	137,352
Revaluation deficit (surplus) on changes in the value of investments		325,994	(18,316)
Unrealised gain on derivatives		(866)	(12,000)
Deferred commissions and direct expenses of incurred at the initiation of hire purchase		(692,248)	(421,062)
Loss on disposal of property foreclosed		112,613	66,507
Deferred subsidised income		52,273	-
Others		4,669	2,547
		<u>1,390,272</u>	<u>1,421,808</u>
<b>Deferred tax assets (30%)</b>		<u>417,082</u>	<u>426,542</u>
Financial leases		91,183	-
Allowance for doubtful accounts		(3,060)	-
Loss carry forwards		(81,390)	-
Allowance for impairment of other assets		(900)	-
		<u>5,833</u>	<u>-</u>
<b>Deferred tax Liabilities (30%)</b>		<u>1,750</u>	<u>-</u>

### 3.23 Provident fund

	Consolidated financial statements	
	for the years ended	
	31 December	
	2008	2007
Amounts contributed to the provident fund (million Baht)	67	56

### 3.24 Earnings per share

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

	Consolidated financial statements					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
		(Before holding restructuring)		(Before holding restructuring)		(Before holding restructuring)
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Net income attributable to equity holders of the parent	1,714,138	1,651,111				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(183,401)	(184,568)				
	1,530,737	1,466,543	724,490	726,983	2.11	2.02
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to purchase preferences shares	-	-	-	2,150		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,530,737	1,466,543	724,490	729,133	2.11	2.01

Separate financial statements		
For the period as from 22 August 2008 to 31 December 2008		
Net loss	Weighted average number of ordinary shares	Loss per share
Thousand Baht	Thousand shares	Baht
<b>Basic loss per share</b>		
Net loss attributable to equity holders of the parent	(3,820)	
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(183,401)	
	(187,221)	724,490
		(0.26)
<b>Effect of dilutive potential ordinary shares</b>		
Warrants to purchase preferences shares	-	-
<b>Diluted earnings per share</b>		
Net loss of ordinary shareholders assuming the conversion to ordinary shares	(187,221)	724,490
		(0.26)

Dividend paid to preference shares in preference to the ordinary shares for the years calculated from the rights and benefits that the holders of preference shares receive dividend for each of the year that the Company 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 Company may have to issue for warrants to purchase preference share has not been taken into account, because exercise price of the warrants is higher than the fair value of the Company's preference shares.

The holding restructuring plan of TISCO Group is considered to be a business combination of entities under common control, treated as if it had been taken place at the beginning of the year. Therefore, the weighted average number of ordinary shares used in determining earning per share for the year ended 31 December 2008 in the consolidated financial statements and separate financial statements is calculated from the weighted average number of ordinary shares and preference shares of TISCO Bank in issue during the year, less the number of TISCO Bank shares that minority shareholders did not swap under the holding restructuring plan.

### 3.25 Related party transactions

(Unit: Thousand Baht)

	Balance - Beginning of the period	Increase	Decrease	Balance - end of the period
<b><u>Outstanding balance as at 31 December 2008</u></b>				
(Eliminate in consolidated financial statements)				
<b>Subsidiary companies</b>				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited.	-	27,992	-	27,992
Interbank and money market items (liabilities):				
TISCO Bank Public Company Limited.	-	2,600,000	-	2,600,000
Other Liabilities:				
TISCO Leasing Company limited.	-	270,464	-	270,464

(Unit: Thousand Baht)

<u>Separate financial statements</u>	<u>Terms and pricing policy</u>
	(For the year 2008)

#### **Transactions occurred during the period as from**

#### **22 August 2008 to 31 December 2008**

(Eliminate in consolidated financial statement)

#### **Subsidiary company**

Interest expenses	712	With reference to the terms and prices offered to other customers
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Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
Loans	2,939	3,675

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

Directors and management's remuneration

In 2008, the Company and its subsidiaries 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**

3.26.1 Financial information by business segment

(Unit: Million Baht)

	For the years ended 31 December									
	Bank		Securities		Other business		Elimination		Total	
	business/financial		business		business					
	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>
Net interest and dividend										
income after bad debt										
and doubtful accounts	3,889	3,067	62	75	-	1	(770)	(350)	3,181	2,793
Non-interest income	302	1,169	1,050	1,315	221	181	561	(221)	2,134	2,444
Non-interest expenses	(2,506)	(2,292)	(820)	(770)	(213)	(164)	305	278	(3,234)	(2,948)
Corporate income tax	(268)	(444)	(93)	(194)	-	-	-	-	(361)	(638)
Net income	<u>1,417</u>	<u>1,500</u>	<u>199</u>	<u>426</u>	<u>8</u>	<u>18</u>	<u>96</u>	<u>(293)</u>	<u>1,720</u>	<u>1,651</u>

<sup>(1)</sup> Before holding restructuring

(Unit: Million Baht)

As at 31 December

	Bank									
	business/financial									
	service business		Securities business		Other business		Elimination		Total	
	2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>
Investments	4,506	7,571	1,002	1,245	15,298	1	(15,451)	(3,036)	5,355	5,781
Loans, receivables and accrued										
interest receivable - net	103,997	83,774	666	1,420	-	-	(2,604)	(18)	102,059	85,176
Other assets	17,683	7,323	1,003	1,323	857	39	(784)	(689)	18,059	7,996
Total assets	126,186	98,668	2,671	3,988	16,155	40	(18,839)	(3,743)	126,173	98,953

<sup>(f)</sup> Before holding restructuring

### 3.26.2 Significant financial positions and operating results by domestic and foreign activities

#### 3.26.2.1 Financial position by activity

(Unit: Million Baht)

	As at							
	31 December 2008				31 December 2007			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
	(Before holding restructuring)							
Total assets	144,898	114	(18,839)	126,173	102,508	188	(3,743)	98,953
Interbank and money								
market items (assets)	13,747	78	(234)	13,591	1,626	119	(695)	1,050
Loans, receivables and								
accrued interest								
receivable - net	104,663	-	(2,604)	102,059	85,171	23	(18)	85,176
Investments	20,806	-	(15,451)	5,355	8,817	-	(3,036)	5,781
Deposits in Baht	58,876	-	(53)	58,823	35,729	-	(15)	35,714
Interbank and money								
market items (liabilities)	8,484	-	(2,756)	5,728	6,502	-	(650)	5,852
Borrowings	46,696	-	(28)	46,668	40,780	-	(30)	40,750
Commitments	6,295	-	-	6,295	3,501	-	-	3,501

### 3.26.2.2 Operating results by activity

(Unit: Million Baht)

	For the years ended 31 December							
	2008				2007			
	Domestic	Foreign	Elimination	Total	(Before holding restructuring)			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Net interest and dividend income after bad debt and doubtful accounts	3,950	1	(770)	3,181	3,140	3	(350)	2,793
Non - interest income	1,572	1	561	2,134	2,656	9	(221)	2,444
Non - interest expenses	(3,514)	(25)	305	(3,234)	(3,199)	(27)	278	(2,948)
Corporate income tax	(361)	-	-	(361)	(635)	(3)	-	(638)
Net income	<u>1,647</u>	<u>(23)</u>	<u>96</u>	<u>1,720</u>	<u>1,962</u>	<u>(18)</u>	<u>(293)</u>	<u>1,651</u>

### 3.27 Commitments and contingent liabilities

#### 3.27.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Avals	70,697	51,925
Guarantees of loans	984,125	886,889
Obligations covering principal under interest rate swap agreements (Note 3.28.5)	2,297,717	2,495,000
Obligations covering principal under call option agreements (Note 3.28.5)	15,960	15,960
SET50 Index Futures contracts	-	51,400
Obligations for cross currency swap agreements (Note 3.28.5)	4,179,690	-
	<u>7,548,189</u>	<u>3,501,174</u>

### 3.27.2 Litigation

As at 31 December 2008, the Company and its subsidiaries have 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 Company and its subsidiaries believe that neither the Company nor the subsidiaries will suffer material loss as a result of the above mentioned lawsuits and request for damages.

### 3.27.3 Other commitments

- a) The subsidiary company operating banking business has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally between 3 and 10 years.

As at 31 December 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	56
1 to 5 years	86
More than 5 years	15

- c) The subsidiary company operating banking business 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 Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

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

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

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

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

Credit risk of hire purchase receivables classified by quality of credit 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 Group.

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

### 3.28.2.1 Market risk - Marketable portfolio

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

	(Unit: Million Baht)	
	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 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 Company and its subsidiaries have the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

Consolidated financial statements				
as at 31 December 2008				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	596	596
Interbank and money market items	65	13,482	44	13,591
Investment - net	200	3,665	1,490	5,355
Loans and receivables	10,382	92,471	1,061	103,914
	<u>10,647</u>	<u>109,618</u>	<u>3,191</u>	<u>123,456</u>
<b><u>Financial liabilities</u></b>				
Deposits	11,466	47,268	89	58,823
Interbank and money market items	1,282	4,446	-	5,728
Liabilities payable on demand	-	-	497	497
Borrowings	-	46,668	-	46,668
Payable to clearing house	-	-	339	339
Securities and derivative business payables	3	-	289	292
	<u>12,751</u>	<u>98,382</u>	<u>1,214</u>	<u>112,347</u>

(Unit: Million Baht)

## Consolidated financial statements

as at 31 December 2007

(Before holding restructuring)

## Outstanding balances of financial instruments

<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Without interest</u>	<u>Total</u>
<b><u>Financial assets</u></b>				
Cash	-	-	440	440
Interbank and money market items	242	89	719	1,050
Securities purchased under resale agreements	-	2,400	-	2,400
Investment - net	201	2,271	3,309	5,781
Receivable from clearing house	-	6	23	29
Loans and receivables	9,379	76,190	2,413	87,982
	<u>9,822</u>	<u>80,956</u>	<u>6,904</u>	<u>97,682</u>
<b><u>Financial liabilities</u></b>				
Deposits	4,259	31,352	103	35,714
Interbank and money market items	48	5,804	-	5,852
Liabilities payable on demand	-	-	475	475
Borrowings	-	40,750	-	40,750
Payable to clearing house	-	-	577	577
Securities and derivative business payables	3	-	863	866
	<u>4,310</u>	<u>77,906</u>	<u>2,018</u>	<u>84,234</u>

(Unit: Million Baht)

## Separate financial statements

as at 31 December 2008

## Outstanding balances of financial instruments

<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Without interest</u>	<u>Total</u>
<b><u>Financial assets</u></b>				
Interbank and money market items	28	-	-	28
Investment - net	-	-	15,297	15,297
	<u>28</u>	<u>-</u>	<u>15,297</u>	<u>15,325</u>
<b><u>Financial liabilities</u></b>				
Interbank and money market items	-	2,600	-	2,600
	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	37	13,445	-	-	-	13,482	2.7120
Investment - net	39	2,120	813	692	1	3,665	5.8187
Loans and receivables	1,354	9,741	21,143	58,665	1,568	92,471	8.1340
	<u>1,430</u>	<u>25,306</u>	<u>21,956</u>	<u>59,357</u>	<u>1,569</u>	<u>109,618</u>	
<b>Financial liabilities</b>							
Deposits	2,485	30,060	12,820	1,825	78	47,268	3.3823
Interbank and money market items	698	1,169	1,269	1,310	-	4,446	4.0707
Borrowings	3,358	31,232	7,103	4,974	1	46,668	3.7834
	<u>6,541</u>	<u>62,461</u>	<u>21,192</u>	<u>8,109</u>	<u>79</u>	<u>98,382</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2007							
(Before holding restructuring)							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	13	76	-	-	-	89	3.1850
Securities purchased under resale agreements	-	2,400	-	-	-	2,400	3.2005
Investment - net	18	126	1,038	1,089	-	2,271	4.4938
Receivable from clearing house	-	6	-	-	-	6	3.0000
Loans and receivables	1,674	8,813	21,970	43,683	50	76,190	8.5683
	<u>1,705</u>	<u>11,421</u>	<u>23,008</u>	<u>44,772</u>	<u>50</u>	<u>80,956</u>	
<b>Financial liabilities</b>							
Deposits	475	15,589	12,473	2,815	-	31,352	3.3378
Interbank and money market items	695	2,301	560	2,248	-	5,804	3.9473
Borrowings	4,351	25,010	3,384	8,005	-	40,750	3.5637
	<u>5,521</u>	<u>42,900</u>	<u>16,417</u>	<u>13,068</u>	<u>-</u>	<u>77,906</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2008							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial liabilities</b>							
Interbank and money market items	2,600	-	-	-	-	2,600	5.0000
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</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)

Consolidated financial statements as at 31 December 2008

<u>Transactions</u>	<u>At call</u>	<u>0 – 3 Months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>	<u>Unspecified</u>	<u>Non performing loans</u>	<u>Total</u>
<b><u>Financial assets</u></b>								
Cash	596	-	-	-	-	-	-	596
Interbank and money market items	146	13,445	-	-	-	-	-	13,591
Investments - net	678	2,120	843	862	1	851	-	5,355
Loans and receivables	263	10,492	23,071	63,306	3,130	-	3,652	103,914
	<u>1,683</u>	<u>26,057</u>	<u>23,914</u>	<u>64,168</u>	<u>3,131</u>	<u>851</u>	<u>3,652</u>	<u>123,456</u>
<b><u>Financial liabilities</u></b>								
Deposits	14,040	30,060	12,820	1,825	78	-	-	58,823
Interbank and money market items	728	1,169	1,938	1,893	-	-	-	5,728
Liabilities payable on demand	497	-	-	-	-	-	-	497
Borrowings	3,358	31,232	7,103	4,974	1	-	-	46,668
Payable to clearing house	-	339	-	-	-	-	-	339
Securities and derivative business payables	3	289	-	-	-	-	-	292
	<u>18,626</u>	<u>63,089</u>	<u>21,861</u>	<u>8,692</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>112,347</u>
<b><u>Off-balance sheet items</u></b>								
Aval to bills and guarantees of loans	-	13	46	12	-	-	-	71
Other commitments	28	4,587	1,180	1,263	-	419	-	7,477

(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2007

Transactions	(Before holding restructuring)						Non	Total
	At call	0 – 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing loans	
<b>Financial assets</b>								
Cash	440	-	-	-	-	-	-	440
Interbank and money market items	974	76	-	-	-	-	-	1,050
Securities purchased under resale agreements	-	2,400	-	-	-	-	-	2,400
Investments – net	753	126	1,088	1,290	-	2,524	-	5,781
Receivable from clearing house	-	29	-	-	-	-	-	29
Loans and receivables	1,251	10,525	22,945	47,601	2,208	-	3,452	87,982
	<u>3,418</u>	<u>13,156</u>	<u>24,033</u>	<u>48,891</u>	<u>2,208</u>	<u>2,524</u>	<u>3,452</u>	<u>97,682</u>
<b>Financial liabilities</b>								
Deposits	4,837	15,589	12,473	2,815	-	-	-	35,714
Interbank and money market items	743	2,301	560	2,248	-	-	-	5,852
Liabilities payable on demand	475	-	-	-	-	-	-	475
Borrowings	4,351	25,010	3,384	8,005	-	-	-	40,750
Payable to clearing house	-	577	-	-	-	-	-	577
Securities and derivative business payables	3	829	34	-	-	-	-	866
	<u>10,409</u>	<u>44,306</u>	<u>16,451</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,234</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	40	12	-	-	-	-	52
Other commitments	27	1,052	855	1,129	-	386	-	3,449

(Unit: Million Baht)

## Separate financial statements as at 31 December 2008

Transactions							Non	Total
	At call	0 – 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans	
<b>Financial assets</b>								
Interbank and money market items	28	-	-	-	-	-	-	28
Investments - net	-	-	-	-	-	15,297	-	15,297
	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,297</u>	<u>-</u>	<u>15,325</u>
<b>Financial liabilities</b>								
Interbank and money market items	2,600	-	-	-	-	-	-	2,600
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>



### 3.28.4 Foreign exchange risk

As at 31 December 2008, the Company and its subsidiaries had the following significant financial instruments in foreign currencies.

- a) Investment in the subsidiaries indirectly owned by the Company amounting to HKD 35 million (under the cost method equivalent to Baht 133 million).
- b) Investment in foreign debt securities amounting to KRW 59,946 million (amortised cost amounting to Baht 1,870 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.28.5 c) to the financial statements.

### 3.28.5 Derivatives

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

As at 31 December 2008, the subsidiaries have the following financial derivative instruments.

- a) Interest rate swap agreement

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

(Unit: Million Baht)

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

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

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2013	1,253	(54)

b) Call option agreement

The subsidiary operating banking business 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 3.13.4 to the financial statements.

(Unit: Million Baht)

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

c) Cross currency swap agreement

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

Maturity	Number of contracts	Notional amount (Million Baht)	Fair value gain (loss) (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 Company and its subsidiaries, as presented below.

	(Unit: Million Baht)	
<u>Transactions</u>	<u>Book Value</u>	<u>Fair Value</u>
<b><u>Financial assets</u></b>		
Interbank and money market items	13,591	13,591
Investments - net	5,355	5,355
Loans and receivables	102,059	102,806
<b><u>Financial liabilities</u></b>		
Deposits	58,823	58,823
Interbank and money market items	5,728	5,728
Liabilities payable on demand	497	497
Borrowings	46,668	46,642
Payable to clearing house	339	339
Securities and derivative business payables	292	292

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**

a) On 2 September 2008, the following resolutions were passed by the Extraordinary General Meeting No.1/2008 of the shareholders.

- 1) Approve the plan to restructure shareholding into a holding company structure, whereby the Company is to make a tender offer for all shares (ordinary shares, preference shares and warrants) of TISCO Bank, in exchange for its newly issued shares. After the completion of the tender offer, the Company will have more than 75 percents of shares and the Company will purchase all shares of its subsidiaries (except those companies in the process of dissolution or liquidation) from TISCO Bank, together with the investments and other assets as defined in holding restructuring plan.

Meanwhile, the Company's ordinary and preference shares will be listed on the Stock Exchange of Thailand in place of the ordinary and preference shares of TISCO Bank, which will simultaneously be delisted from the Stock Exchange of Thailand.

- 2) Approve an increase in the registered share capital, and the issue and offer of warrants to purchase the Company's preference shares, as follows:
  - Increase registered share capital from Baht 10,000 (1,000 ordinary shares of Baht 10 each) to Baht 11,002,010,000 (544,652,820 ordinary shares and 555,548,180 preference shares, both with a par value of Baht 10 each).
  - Allot the new 729,122,500 ordinary shares and 184,470,680 preference shares to shareholders of TISCO Bank, with the shares of TISCO Bank to be transferred in settlement in a ratio of 1:1.
  - Issue and allot up to 970,250 warrants to purchase the preference shares of the Company (at an exercise price of Baht 21.88 each), exercisable under stipulated conditions and maturing on 30 August 2009, for exchange with the warrants to purchase preference shares of TISCO Bank belonging to warrant holders receiving warrant allocation from TISCO Bank in 2004.

- 3) Approve a reduction in share capital, by reducing initial share capital of Baht 10,000 (1,000 ordinary shares), in order to prevent crossholding after the completion of the TISCO Group shareholding restructuring plan.
- b) On 4 September 2008, the Company registered the above increase in registered share capital of Baht 11,022,000,000 (544,651,820 ordinary shares and 555,548,180 preference share, both with a par value of Baht 10 each) with the Ministry of Commerce, in order to support the future conversion of shares and warrants to purchase preference shares from shareholders of TISCO Bank Public Company Limited.
- c) On 13 November 2008, the holding company restructuring plan was approved by the Bank of Thailand.
- d) The Company made a tender offer for all shares (ordinary shares, preference shares and warrants to purchase preference shares) of TISCO Bank, where by the Company would issue its shares to those TISCO Bank shareholders who had expressed an intention to sell their shares, with a swap ratio of 1 : 1. The terms of the shares are the same as those of the original TISCO Bank shares. The prices for the share swap were calculated from the average market price of TISCO Bank shares, which were equal to Baht 18.10 for ordinary share and Baht 18.80 for preference share. The offer period was from 1 December 2008 to 9 January 2009.
- e) On 9 January 2009, the Company reported that it held 541,179,179 ordinary shares, 183,427,226 preference shares and 970,250 warrants, representing 99.51% shareholding in TISCO Bank. On 13 January 2009, the Company registered a paid-up share capital of Baht 7,246,064,050 (541,179,179 ordinary shares and 183,427,226 preference shares, both with a par value of Baht 10 each) with the Ministry of Commerce. In addition, on 16 January 2009 the Company registered the decrease in its initial capital of Baht 10,000 (1,000 shares with a par value of Baht 10 each) with the Ministry of Commerce in order to prevent crossholding after the completion of the shareholding restructuring of TISCO Group.
- f) On 15 January 2009, TISCO Bank delisted its shares from the Stock Exchange of Thailand in accordance with the the Group shareholding restructuring plan, and the shares of TISCO Financial Group Public Company Limited were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

- g) Due to the completion of the Group shareholding restructuring plan in accordance with the criteria approved by the regulators, the Company had recognised investment in TISCO Bank totaling Baht 13,244 million as at 31 December 2008, proportionate to the 99.51% shareholding that the Company acquired under the plan. The Company prepared consolidated financial statements as at 31 December 2008 that include the financial statements of TISCO Bank and its subsidiaries under common control, as if the implementation of the holding restructuring plan in compliance with the criteria approved by regulators had been completed in 2008, in order to reflect in substance the holding restructuring and to benefit users of the financial statements as the basis of preparation mentioned in Note 1.2 to the financial statements.

#### 4.2 Dividend payment of the subsidiary operating banking business

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment
		Baht per share	Baht per share	Million Baht	period
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 3.25 to the financial statements, during the year, there are related party transactions with its related companies under TISCO Group, as presented below. Gain or loss occurred from the related party transactions of TISCO Group was eliminated from the consolidated financial statements.

- a) On 31 July 2008, TISCO Bank entered into an assignment agreement to claim against hire purchase receivables of TISCO Bank's 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, TISCO Bank entered into an assignment agreement to claim against lease receivables of TISCO Leasing Company Limited (TISCO Bank's subsidiary), for a total consideration of approximately Baht 256 million, paid on 7 October 2008. TISCO Leasing Company Limited recorded a gain from the sale of Baht 49 million.
- c) In November 2008, TISCO Bank sold its investments in listed securities to TISCO Securities Company Limited (a subsidiary) 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 holding restructuring plan of TISCO Group, the Company has the following significant related party transactions.
  - d.1) The Company borrowed Baht 2,600 million from TISCO Bank under a call promissory note carrying interest at a fixed rate of 5% per annum and maturing within 2009. As at 31 December 2008, the Company recorded this borrowing under "Interbank and money market items (liabilities)" in the balance sheet of the separate financial statement.
  - d.2) The Company bought investments in group subsidiaries from TISCO Bank in accordance with the holding restructuring plan, and has already paid the purchase price of approximately Baht 1,980 million. TISCO Bank recorded loss on the sale of these investments of approximately Baht 56 million.
  - d.3) The Company purchased a 19% holding in TISCO Tokyo Leasing Company Limited from TISCO Bank and has already paid the purchase price of approximately Baht 21 million. TISCO Bank recorded gain from the sale of this investment amounting to approximately Baht 19 million. The Company also bought shares in TISCO Tokyo Leasing Company Limited from other shareholders, amounting to a 30% stake and has already paid the Baht 52 million purchase price of these shares.

Therefore, the Company holds 49% of equity of TISCO Tokyo Leasing Company Limited and has management control by virtue of having more than half of the votes of the Board of Directors. The Company therefore has management control over this company and considers it as a subsidiary.

Fair values of net assets of TISCO Tokyo Leasing Company Limited as at the acquisition date (31 December 2008) are as follows:

	(Unit: Million Baht)
Interbank and money market items (assets) - deposits	12
Investment - net	46
Hire purchase and finance leases receivables - net	1,859
Other assets	62
Total asset	1,979
Interbank and money market items (liabilities) - loans from banks	1,810
Other liabilities	47
Total liabilities	1,857
Net assets	122
Net assets - attributable to the Company's 49% shareholding	60
Less: Acquisition cost paid to former shareholders	(52)
Cost value of TISCO Group's original shares	(2)
Excess of the Company's interest in the fair value of net assets and liabilities acquired over cost (recognised as other income in the consolidated income statement)	6

- d.4) The Company bought office condominium units, furniture and fixtures and office equipment from TISCO Bank, paying a total of approximately Baht 515 million (including VAT). TISCO Bank recorded gain from the sale of these assets amounting to approximately Baht 48 million.
- d.5) The Company bought office condominium units from TISCO Leasing Company Limited, and the agreed purchase price of approximately Baht 271 million is to be paid by the Company on 30 January 2009. TISCO Leasing Company Limited recorded gain from the sale of these assets amounting to approximately Baht 51 million.



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

##### **4.4.1 Capital returns from subsidiaries**

- During the second quarter of 2007, TISCO 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, TISCO Bank received the return of capital amounting to Baht 1.4 million from TISCO Group Company Limited.
- In October 2008, TISCO Bank received a return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 666 million as mentioned in Note 4.4.2 a) to the financial statements.
- In January 2009, TISCO Bank received the return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 168 million, as mentioned in Note 4.4.2 b) to the financial statements.

##### **4.4.2 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 Company and its subsidiaries, and on estimates and assumptions currently considered appropriate, which may change due to future uncertainties.

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

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