

TISCO Bank Public Company Limited
Report and interim financial statements
For the six-month period ended 30 June 2010

Report of Independent Auditor

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying balance sheet of TISCO Bank Public Company Limited as at 30 June 2010, the related statements of income, changes in shareholders' equity and cash flows for the six-month period ended 30 June 2010. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 30 June 2010 and the results of its operations and cash flows for the six-month period ended 30 June 2010 in accordance with generally accepted accounting principles.

The financial statements of TISCO Bank Public Company Limited for the year ended 31 December 2009 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 8 February 2010, expressed an unqualified audit opinion on those statements. The balance sheet as at 31 December 2009, as presented herein for comparative purposes, formed an integral part of the financial statements which were audited and reported on by that auditor.

The accompanying statements of income, changes in shareholders' equity, and cash flows of TISCO Bank Public Company Limited for the six-month period ended 30 June 2009, as presented herein for comparative purposes, formed an integral part of the financial statements for the six-month period ended 30 June 2009 which were audited in accordance with generally accepted auditing standards by the aforementioned auditor of our firm who, under his report dated 7 August 2009, expressed an unqualified audit opinion on those statements based on his audit.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 9 August 2010

TISCO Bank Public Company Limited

Balance sheets

As at 30 June 2010 and 31 December 2009

(Unit: Baht)

	<u>Note</u>	<u>30 June 2010</u>	<u>31 December 2009</u>
Assets			
Cash		654,278,053	826,095,960
Interbank and money market items	3.1		
Domestic			
Interest bearing		7,200,250,877	9,900,793,589
Non-interest bearing		578,138,634	2,173,850,384
Total interbank and money market items - net		7,778,389,511	12,074,643,973
Investments	3.2,3.3,3.6		
Current investment - net		3,891,446,063	2,537,845,421
Long-term investment - net		3,607,013,503	5,811,725,391
Investment in subsidiaries - net		55,545,499	60,055,638
Net investments		7,554,005,065	8,409,626,450
Loans, receivables and accrued interest receivable	3.4,3.6		
Loans and receivables		123,622,837,174	109,102,566,701
Accrued interest receivable		91,161,007	97,471,206
Total loans, receivables and accrued interest receivable		123,713,998,181	109,200,037,907
Less: Allowance for doubtful accounts	3.5.1,3.5.2	(2,837,071,752)	(2,088,416,132)
Less: Allowance for loss on debt restructuring		(18,258)	(18,258)
Net loans, receivables and accrued interest receivable		120,876,908,171	107,111,603,517
Property foreclosed - net	3.7	13,857,046	47,241,840
Land, premises and equipment - net	3.8	620,871,172	649,626,633
Deferred tax assets	3.20	600,269,358	479,399,809
Other assets	3.9	903,606,610	1,042,483,541
Total assets		139,002,184,986	130,640,721,723

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

TISCO Bank Public Company Limited**Balance sheets (continued)****As at 30 June 2010 and 31 December 2009**

(Unit: Baht)

	<u>Note</u>	<u>30 June 2010</u>	<u>31 December 2009</u>
Liabilities and shareholders' equity			
Deposits in Baht	3.10	66,820,087,978	56,930,949,089
Interbank and money market items			
Domestic - Interest bearing	3.11	4,670,829,913	4,321,444,855
Liability payable on demand		494,479,532	345,170,135
Borrowings	3.12		
Short-term borrowings		44,096,323,908	50,117,254,545
Long-term borrowings		8,275,973,222	5,429,750,030
Total borrowings		52,372,297,130	55,547,004,575
Accrued interest payable		218,505,838	250,447,376
Other liabilities	3.13	2,064,207,137	2,014,309,628
Total liabilities		126,640,407,528	119,409,325,658

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 30 June 2010 and 31 December 2009

(Unit: Baht)

	<u>Note</u>	<u>30 June 2010</u>	<u>31 December 2009</u>
Shareholders' equity			
Share capital			
Registered	2.2	<u>11,002,000,000</u>	<u>11,002,000,000</u>
Issued and fully paid-up			
73,204 Preference shares of Baht 10 each			
(31 December 2009: 73,204 preference shares of Baht 10 each)			
		732,040	732,040
728,079,046 Ordinary shares of Baht 10 each			
(31 December 2009: 728,079,046 ordinary shares of Baht 10 each)			
		<u>7,280,790,460</u>	<u>7,280,790,460</u>
		7,281,522,500	7,281,522,500
Share premium			
Share premium of preference shares			
		37,480	37,480
Share premium of ordinary shares			
		130,413,770	130,413,770
Revaluation surplus on changes in the value of investment	3.16	78,544,688	7,927,052
Retained earnings			
Appropriated - statutory reserve			
	2.3	614,900,000	614,900,000
Unappropriated			
		<u>4,256,359,020</u>	<u>3,196,595,263</u>
Total shareholders' equity		<u>12,361,777,458</u>	<u>11,231,396,065</u>
Total liabilities and shareholders' equity		<u>139,002,184,986</u>	<u>130,640,721,723</u>
		-	-
<u>Off-balance sheet items - contingencies</u>		3.25	
Aval to bills and guarantees of loans		95,419,671	21,651,000
Other commitments		1,553,872,367	1,616,936,304

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

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

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

TISCO Bank Public Company Limited

Income statements

For the six-month periods ended 30 June 2010 and 2009

	<u>Note</u>	<u>2010</u>	<u>2009</u>
(Unit: Baht)			
Interest and dividend income			
Loans		684,791,994	697,165,757
Interbank and money market items		76,971,683	95,132,428
Hire purchase and financial lease income		3,130,356,008	2,811,576,860
Investments		<u>301,883,765</u>	<u>245,569,525</u>
Total interest and dividend income		4,194,003,450	3,849,444,570
Interest expenses			
Deposits		414,622,538	690,558,094
Interbank and money market items		46,789,445	60,648,101
Short-term borrowings		345,485,113	483,145,759
Long-term borrowings		<u>137,293,861</u>	<u>139,529,183</u>
Total interest expenses		<u>944,190,957</u>	<u>1,373,881,137</u>
Net interest and dividend income		3,249,812,493	2,475,563,433
Bad debt and doubtful accounts		<u>(654,734,576)</u>	<u>(361,607,365)</u>
Net interest and dividend income after bad debt and doubtful accounts		2,595,077,917	2,113,956,068
Non-interest income			
Gain on investments	3.17	<u>21,275,672</u>	<u>34,127,988</u>
Fees and service income			
Acceptances, aval and guarantees		4,148,942	3,457,864
Insurance service		369,796,668	297,924,183
Others		208,120,517	171,871,470
Gain (loss) on exchange		(1,478,079)	9,228,971
Other income	3.18	<u>371,059,359</u>	<u>111,811,233</u>
Total non-interest income		<u>972,923,079</u>	<u>628,421,709</u>
Total net income		<u>3,568,000,996</u>	<u>2,742,377,777</u>

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

TISCO Bank Public Company Limited**Income statements (continued)****For the six-month periods ended 30 June 2010 and 2009**

(Unit: Baht)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Non-interest expenses			
Personnel expenses		689,055,388	423,111,194
Premises and equipment expenses		331,457,032	306,147,537
Taxes and duties		67,563,975	56,401,888
Fees and service expenses		584,499,805	597,970,152
Other expenses	3.19	388,942,124	357,929,198
Total non-interest expenses		<u>2,061,518,324</u>	<u>1,741,559,969</u>
Income before income tax		1,506,482,672	1,000,817,808
Income tax expenses	3.20	<u>(446,718,915)</u>	<u>(294,914,223)</u>
Net income for the period		<u><u>1,059,763,757</u></u>	<u><u>705,903,585</u></u>
Earnings per share	3.22		
Basic earnings per share		<u>1.46</u>	<u>0.84</u>

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

TISCO Bank Public Company Limited**Cash flow statements****For the six-month periods ended 30 June 2010 and 2009**

	<u>2010</u>	<u>2009</u>
		(Unit: Baht)
Cash flows from operating activities		
Income before income tax expenses	1,506,482,672	1,000,817,808
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	97,950,137	91,920,205
Bad debt and doubtful accounts	964,030,407	594,386,058
Allowance for impairment of investments (reversal)	10,062,755	(9,048,758)
Allowance for impairment of property foreclosed	-	102,856,962
Gain on disposal of investments	(31,338,427)	(25,079,230)
Unrealised loss (gain) on exchange rate	1,478,079	(9,228,971)
Gain on disposal of equipment	(6,180,488)	(3,561,536)
Gain on disposal of property foreclosed	(162,241,622)	(12,136,196)
Loss from written-off of equipment	671,080	-
Decrease in other accrued income	6,391,686	29,410,714
Increase (decrease) in accrued expenses	<u>354,159,922</u>	<u>(13,797,134)</u>
Income from operating activities before changes in operating assets and liabilities	2,741,466,201	1,746,539,922
Decrease (increase) in operating assets		
Interbank and money market items	4,296,254,462	6,534,909,678
Loans and receivables	(15,400,156,397)	(9,430,616,791)
Property foreclosed	1,060,568,383	849,014,039
Other assets	(256,985,258)	(235,326,480)

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

TISCO Bank Public Company Limited

Cash flow statements (continued)

For the six-month periods ended 30 June 2010 and 2009

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Increase (decrease) in operating liabilities		
Deposits	9,889,138,890	3,128,296,419
Interbank and money market items	350,274,724	(146,375,079)
Liabilities payable on demand	149,309,397	(144,718,510)
Borrowings	(1,176,174,885)	(2,776,648,911)
Other liabilities	<u>128,592,877</u>	<u>(56,560,346)</u>
	1,782,288,394	(531,486,059)
Net interest and dividend income	(3,249,812,493)	(2,475,563,433)
Cash received from interest income	4,331,099,076	3,989,019,288
Cash paid for interest expenses	(976,546,317)	(1,750,672,977)
Cash paid for corporate income tax	<u>(594,565,741)</u>	<u>(22,507,198)</u>
Net cash flows from (used in) operating activities	<u>1,292,462,919</u>	<u>(791,210,379)</u>
Cash flows from investing activities		
Cash paid for purchase of investment in securities		
held for investment	(1,971,260,602)	(7,441,470,362)
Cash received from sales of investment in securities		
held for investment	2,942,611,733	5,071,634,657
Cash received from dividend	43,156,255	40,440,619
Cash paid for purchase of equipment	(48,147,065)	(63,956,757)
Cash received from sales of equipment	6,248,890	4,026,059
Cash paid for acquisition of a subsidiary	(547)	-
Cash received from capital returned from subsidiaries	<u>-</u>	<u>168,010,000</u>
Net cash flows from (used in) investing activities	<u>972,608,664</u>	<u>(2,221,315,784)</u>
Cash flows from financing activities		
Dividend paid	(436,889,490)	(656,797,247)
Cash received from issue long-term debentures	1,000,000,000	4,000,000,000
Cash paid for redemption of long-term debentures	<u>(3,000,000,000)</u>	<u>(331,000,000)</u>
Net cash flows from (used in) financing activities	<u>(2,436,889,490)</u>	<u>3,012,202,753</u>
Net decrease in cash	(171,817,907)	(323,410)
Cash at beginning of the period	<u>826,095,960</u>	<u>595,120,161</u>
Cash at end of the period	<u>654,278,053</u>	<u>594,796,751</u>

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2010 and 2009

(Unit: Baht)

	Issued and fully paid-up share capital		Share premium		Revaluation	Statutory	Unappropriated	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	surplus (deficit) on changes in value of investments			
Balance as at 31 December 2008	1,835,004,300	5,446,518,200	93,951,250	36,500,000	5,575,057	547,000,000	3,369,567,072	11,334,115,879
Incomes (expenses) recognised in equity								
Decrease in fair value of investments	-	-	-	-	(426,731)	-	-	(426,731)
Deferred tax recognised in shareholders' equity	-	-	-	-	128,019	-	-	128,019
Incomes (expenses) recognised in equity	-	-	-	-	(298,712)	-	-	(298,712)
Net income for the period	-	-	-	-	-	-	705,903,585	705,903,585
Total incomes (expenses) for the period	-	-	-	-	(298,712)	-	705,903,585	705,604,873
Dividend paid (Note 4.3)	-	-	-	-	-	-	(1,025,244,064)	(1,025,244,064)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,019)	(1,019)
Balance as at 30 June 2009	<u>1,835,004,300</u>	<u>5,446,518,200</u>	<u>93,951,250</u>	<u>36,500,000</u>	<u>5,276,345</u>	<u>547,000,000</u>	<u>3,050,225,574</u>	<u>11,014,475,669</u>

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2010 and 2009

(Unit: Baht)

	<u>Issued and fully paid-up share capital</u>		<u>Share premium</u>		Revaluation surplus (deficit) on changes in value of investments	Statutory reserve	Unappropriated retained earnings	Total
	<u>Preference shares</u>	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Ordinary shares</u>				
Balance as at 31 December 2009	732,040	7,280,790,460	37,480	130,413,770	7,927,052	614,900,000	3,196,595,263	11,231,396,065
Incomes (expenses) recognised in equity								
Increase in fair value of investments	-	-	-	-	100,882,337	-	-	100,882,337
Deferred tax recognised in shareholders' equity	-	-	-	-	(30,264,701)	-	-	(30,264,701)
Incomes (expenses) recognised in equity	-	-	-	-	70,617,636	-	-	70,617,636
Net income for the period	-	-	-	-	-	-	1,059,763,757	1,059,763,757
Total incomes (expenses) for the period	-	-	-	-	70,617,636	-	1,059,763,757	1,130,381,393
Balance as at 30 June 2010	<u>732,040</u>	<u>7,280,790,460</u>	<u>37,480</u>	<u>130,413,770</u>	<u>78,544,688</u>	<u>614,900,000</u>	<u>4,256,359,020</u>	<u>12,361,777,458</u>

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

TISCO Bank Public Company Limited

Notes to interim financial statements

For the six-month periods ended 30 June 2010 and 2009

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

1.1 Basis of preparation of interim financial statements

These interim financial statements have been prepared in accordance with Thai Accounting Standards No. 34 (revised 2007) "Interim Financial Reporting" like an annual financial statements, a full presentation has been selected for an interim financial statements, with reference to the principles stipulated by the Bank of Thailand ("BOT") and the Office of the Securities and Exchange Commission.

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. 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 2009 "Preparation and presentation of a commercial bank and a holding company which is the parent company of the financial business group".

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

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

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

1.2 Adoption of new accounting standards

The Federation of Accounting Professions has issued Notification, regarding new accounting standards and financial reporting standards. These are not effective for the current year, except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective.

	<u>Effective date</u>
Accounting standards relevant to the Bank:	
Framework for the Preparation and Presentation of Financial Statements (revised 2009)	Immediately effective
TAS 1 (revised 2009) Presentation of Financial Statements	1 January 2011
TAS 7 (revised 2009) Statement of Cash Flows	1 January 2011
TAS 8 (revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2011
TAS 10 (revised 2009) Events after the Reporting Period	1 January 2011
TAS 12 Income Taxes	1 January 2013
TAS 17 (revised 2009) Leases	1 January 2011
TAS 23 (revised 2009) Borrowing Costs	1 January 2011
TAS 24 (revised 2009) Related Party Disclosures	1 January 2011
TAS 27 (revised 2009) Consolidated and Separate Financial Statements	1 January 2011
TAS 33 (revised 2009) Earnings per Share	1 January 2011
TAS 34 (revised 2009) Interim Financial Reporting	1 January 2011
TAS 36 (revised 2009) Impairment of Assets	1 January 2011
TAS 37 (revised 2009) Provisions, Contingent Liabilities and Contingent Assets	1 January 2011
TAS 38 (revised 2009) Intangible Assets	1 January 2011
TAS 40 (revised 2009) Investment Property	1 January 2011
TFRS 5 (revised 2009) Non-current Assets Held for Sale and Discontinued Operations	1 January 2011

	<u>Effective date</u>
Accounting standards not relevant to the Bank:	
TAS 2 (revised 2009) Inventories	1 January 2011
TAS 11 (revised 2009) Construction Contracts	1 January 2011
TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance	1 January 2013
TAS 28 (revised 2009) Investments in Associates	1 January 2011
TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2011
TAS 31 (revised 2009) Interests in Joint Ventures	1 January 2011
TFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2011

The management of the Bank has assessed the effect of the accounting standards and financial reporting standards and believes that those standards that are relevant to the Bank will not have any significant impact on the financial statements for the year in which they are initially applied. For TAS 12: Income Tax, in line with its accounting policies, the Bank has recorded income tax transactions in compliance with this accounting standard before the effective date.

1.3 Significant accounting policies

1.3.1 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 is recognised over the installment period, using the effective interest rate.

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

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

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

- b) Interest and dividends on investment in securities

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

- c) Gain (loss) on trading in securities

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

- d) Fees and service income

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

1.3.2 Expense recognition

- a) Interest expenses

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

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

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

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

1.3.3 Investments in securities

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

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

1.3.4 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.

1.3.5 Securities purchased under resale agreements according to private repurchase transactions

The Bank has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the balance sheet and the securities purchased are used as collateral.

Under securities purchased under resale agreements according to private repurchase transactions, the Bank obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest method, and are presented as interest income.

1.3.6 Loans and receivables

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

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

1.3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

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

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

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

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

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

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

1.3.8 Troubled debt restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in 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.

1.3.9 Property foreclosed

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transferred date, not exceed the legally claimable amount of outstanding debt) or net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The Bank is required to record the additional general reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the estimation of management.

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

1.3.10 Depreciation and amortisation

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

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

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

No depreciation is provided on land.

Depreciation is included in determining income.

- b) Software license fees are deferred and amortised over the following estimated useful lives:

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

1.3.11 Income tax

a) Current tax

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

b) Deferred tax

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

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

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

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

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

1.3.12 Impairment of assets

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

Impairment losses are recognised in the income statement.

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

1.3.13 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognize the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.3.14 Foreign currencies

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

Gains and losses on exchange are included in determining income.

1.3.15 Employee benefits

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

1.3.16 Provisions

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

1.3.17 Derivatives

The recording of derivatives using fair value method is in accordance with the principles for recording derivatives under IAS 39 “Financial Instruments: Recognition and Measurement”.

The Bank has recorded derivatives in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated net of interest income or expense and/or gain (loss) on exchange rate of nature 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.

1.3.18 Financial instruments

a) Financial risk management

The Bank’s financial instruments, as defined under Thai Accounting Standard No. 32 “Financial Instruments: Disclosure and Presentations”, principally comprise cash, interbank and money market items (assets), investments, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.26 to the financial statements.

b) Fair value of financial instruments

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

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the balance sheet approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- Loans and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value, which is the book value, less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debentures and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

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

1.3.19 Earnings per share

Basic earnings per share is calculated by dividing net income for the period 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 period.

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

1.3.20 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.3.21 Significant accounting judgements and estimates

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

Allowance for doubtful accounts for loans and receivables

Allowances for loan losses are intended to adjust the value of loans and receivables for probable credit losses. The management uses judgement 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. Management estimates also take into account the overall business cycle and long-term risk factors. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses, and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

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

Impairment of investments

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

Allowance for impairment of property foreclosed

The Bank assesses allowance for impairment of property foreclosed when net realizable value falls below the book value. The management uses the BOT’s regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

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 judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

Recognition and derecognition of assets and liabilities

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 30 June 2010, the Bank has 45 branches in Thailand.

2.2 Share capital

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

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Bank pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Bank does not declare dividend payment to the ordinary shareholders, the Bank may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Bank has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders are 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 Bank is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution.

2.4 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 - 10 percent of the employees' salaries, depending on the number of years of service. The fund, which is managed by TISCO asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules.

2.5 Related party transactions

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

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

The Bank has neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management-level employees, with the exception of loans to parent company and loans to employees under the employee welfare scheme, as mentioned in Note 3.23 to the financial statements.

3. Details of financial statements

3.1 Interbank and money market items (assets)

(Unit: Baht)

	As at					
	30 June 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	394,806,260	1,900,000,000	2,294,806,260	1,911,185,276	700,000,000	2,611,185,276
Commercial banks	183,332,374	5,300,000,000	5,483,332,374	262,665,108	9,200,000,000	9,462,665,108
Total	578,138,634	7,200,000,000	7,778,138,634	2,173,850,384	9,900,000,000	12,073,850,384
Add: Accrued interest	-	250,877	250,877	-	793,589	793,589
Total	578,138,634	7,200,250,877	7,778,389,511	2,173,850,384	9,900,793,589	12,074,643,973

The Bank entered into securities purchased under resale agreements according to private repurchase transactions. Securities received under resale agreements are as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchased under resale agreements according to private repurchase transactions as at	
	30 June 2010	31 December 2009
	Commercial Bank	4,900

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at	
	30 June 2010	31 December 2009
	Fair value of securities received as collateral	4,971

3.2 Investments

(Unit: Baht)

	As at			
	30 June 2010		31 December 2009	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Current investments</u>				
Available-for-sales securities				
Debt securities:				
Government and state enterprise securities	1,534,044,323	1,536,759,585	849,831,531	850,762,275
Debt securities of private sector	1,970,681,028	2,027,533,533	1,678,119,515	1,687,053,131
Foreign debt securities	164,542,492	161,408,900	-	-
Total	3,669,267,843	3,725,702,018	2,527,951,046	2,537,815,406
Add (less): Allowance for changes in value	57,473,128		11,324,360	
Difference from exchange rate	421,047		-	
Less: Allowance for impairment	(1,460,000)		(1,460,000)	
Debt securities - net	3,725,702,018		2,537,815,406	
Equity securities:				
Domestic marketable equity securities	-	-	30,015	30,015
Net equity securities	-		30,015	
Total available-for-sales securities	3,725,702,018		2,537,845,421	
Held-to-maturity debt securities - due within 1 year				
Debt securities:				
Government and state enterprise securities	165,744,045		-	
Total held-to-maturity debt securities - due within 1 year	165,744,045		-	
Net current investments	3,891,446,063		2,537,845,421	
<u>Long-term investments</u>				
Held-to-maturity debt securities				
Debt securities:				
Government and state enterprise securities	-		698,561,388	
Total held-to-maturity debt securities	-		698,561,388	
Other investments				
Equity securities:				
Domestic non-marketable equity securities	691,226,162		696,654,733	
Investment in receivables	2,999,942,503		4,495,182,363	
Total	3,691,168,665		5,191,837,096	
Less: Allowance for impairment	(84,155,162)		(78,673,093)	
Total other investments	3,607,013,503		5,113,164,003	
Net long-term investments	3,607,013,503		5,811,725,391	
<u>Investment in subsidiaries</u>				
Investments in subsidiaries (cost method)	66,483,502		66,482,955	
Less: Allowance for impairment	(10,938,003)		(6,427,317)	
Total investments in subsidiaries	55,545,499		60,055,638	
Net investments	7,554,005,065		8,409,626,450	

3.2.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	30 June 2010	31 December 2009	
Government debt securities	2	1	Pledged for electricity usage

3.2.2 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

	As at 30 June 2010			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	1,325,570,180	1,072,280	209,401,863	1,534,044,323
Debt securities of private sector	204,797,212	1,506,469,427	259,414,389	1,970,681,028
Foreign debt securities	-	164,542,492	-	164,542,492
Total	1,528,367,392	1,672,084,199	468,816,252	3,669,267,843
Add (less): Allowance for changes in value	2,786,789	26,863,789	27,822,550	57,473,128
Difference from exchange rate	-	421,047	-	421,047
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,529,694,181	1,699,369,035	496,638,802	3,725,702,018
Held-to-maturities debt securities				
Government and state enterprise securities	165,744,045	-	-	165,744,045
Total	165,744,045	-	-	165,744,045
Total debt securities	1,695,438,226	1,699,369,035	496,638,802	3,891,446,063

(Unit: Baht)

	As at 31 December 2009			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	848,750,995	1,080,536	-	849,831,531
Debt securities of private sector	228,856,056	1,184,142,421	265,121,038	1,678,119,515
Total	1,077,607,051	1,185,222,957	265,121,038	2,527,951,046
Add (less): Allowance for changes in value	1,577,410	3,279,988	6,466,962	11,324,360
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,077,724,461	1,188,502,945	271,588,000	2,537,815,406
Held-to-maturities debt securities				
Government and state enterprise securities	-	-	698,561,388	698,561,388
Total	-	-	698,561,388	698,561,388
Total debt securities	1,077,724,461	1,188,502,945	970,149,388	3,236,376,794

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

(Unit: Baht)

	As at 30 June 2010		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
	Companies having problems with debt repayment or in default	7,060,000	-

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

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

(Unit: Baht)

Security's name	As at					
	30 June 2010			31 December 2009		
	Net Book value	Unpaid amounts	Percentage of holding	Net Book value	Unpaid amounts	Percentage of holding
						%
<u>Insurance:</u>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<u>Services:</u>						
TISCO Securities Hong Kong Limited (in the process of liquidation)	55,544,952	-	100	60,055,638	-	100
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
<u>Leasing and hire purchase:</u>						
TISCO Leasing Co., Ltd.	-	-	99.99	-	-	99.99
<u>Trading import and export:</u>						
Shin Thai Enterprises Co., Ltd.	4,591,920	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	3,796,500	-	10	3,796,500	-	10
<u>Real estate:</u>						
Prosperity Industrial Estate Co., Ltd.	45,094,838	-	10	45,156,456	-	10
UMI Property Co., Ltd.	7,453,500	-	10	8,085,000	-	10
<u>Industrial:</u>						
Siam Art Ceramic Co., Ltd.	16,588,000	-	10	16,753,000	-	10

3.3 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Paid-up share capital		Cost		Dividend received	
		as at		as at		for the six-month periods ended	
		30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	30 June 2009
<u>Subsidiaries directly held by the Bank:</u>							
TISCO Leasing Co., Ltd.	Leasing	14	14	-	-	-	-
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	HKD 20 million	HKD 20 million	66	66	-	-
Less: Allowance for impairment				(10)	(6)	-	-
				56	60	-	-
Investments in subsidiaries - net				56	60	-	-

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

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

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

In year 2009, TISCO Leasing Company Limited decreased the company's registered share capital and the capital returned to the Bank exceeded the value of investment under the cost method. As a result, the book value of investment in that company is nil.

3.4 Loans, receivables and accrued interest receivable

3.4.1 Classified by type of loan and receivable

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
<u>Loans and receivables</u>		
Loans	22,390,223,062	18,352,648,847
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	114,331,962,102	103,027,009,909
Add (less) : Unearned income	(13,970,767,954)	(13,035,821,506)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	876,146,739	758,729,451
: Advances received from financial lease receivables	(4,726,775)	-
Net hire purchase and financial lease receivables	101,232,614,112	90,749,917,854
Total loans and receivables	123,622,837,174	109,102,566,701
Add: Accrued interest receivable	91,161,007	97,471,206
Less: Allowance for doubtful accounts	(2,837,071,752)	(2,088,416,132)
Less: Allowance for loss on debt restructuring	(18,258)	(18,258)
Net loans, receivables and accrued interest receivable	<u>120,876,908,171</u>	<u>107,111,603,517</u>

3.4.2 Classified by remaining periods of contracts

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
Loans and receivables		
Not over 1 year (included contracts which are due)	9,780,409,649	9,454,190,076
Over 1 year	113,842,427,525	99,648,376,625
Total loans and receivables	123,622,837,174	109,102,566,701
Add: Accrued interest receivable	91,161,007	97,471,206
Total loans, receivables and accrued interest receivable	<u>123,713,998,181</u>	<u>109,200,037,907</u>

3.4.3 Classified by type of business

(Unit: Baht)

As at 30 June 2010						
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	128,538,027	2,323,036	3,690,208	-	1,388,495	135,939,766
Manufacturing and commerce	9,081,836,465	167,833,640	26,950,799	26,591,668	78,595,118	9,381,807,690
Real estate and construction	6,198,785,456	56,891,792	14,718,899	33,607,266	350,229,330	6,654,232,743
Public utilities and services	4,252,094,913	192,539,681	26,023,256	46,231,775	51,881,809	4,568,771,434
Personal use						
Hire purchase	84,956,921,043	5,951,496,251	576,220,719	192,366,719	326,211,823	92,003,216,555
Housing loans	1,254,941,300	50,831,249	20,573,808	15,146,033	102,884,531	1,444,376,921
Others	8,842,025,023	165,713,941	15,397,326	11,982,212	399,373,563	9,434,492,065
Total loans and receivables	114,715,142,227	6,587,629,590	683,575,015	325,925,673	1,310,564,669	123,622,837,174
Add: Accrued interest receivable	8,835,130	82,325,877	-	-	-	91,161,007
Total loans, receivables and accrued interest receivable	<u>114,723,977,357</u>	<u>6,669,955,467</u>	<u>683,575,015</u>	<u>325,925,673</u>	<u>1,310,564,669</u>	<u>123,713,998,181</u>

(Unit: Baht)

As at 31 December 2009						
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	128,555,081	3,414,844	1,448,917	1,106,412	549,595	135,074,849
Manufacturing and commerce	9,931,122,109	114,860,479	22,438,973	40,336,878	77,028,736	10,185,787,175
Real estate and construction	5,678,583,780	112,068,418	40,469,174	11,655,378	394,867,319	6,237,644,069
Public utilities and services	2,521,037,258	229,168,643	22,700,325	35,896,574	24,353,920	2,833,156,720
Personal use						
Hire purchase	75,355,889,115	5,977,623,129	648,963,840	235,929,306	268,361,588	82,486,766,978
Housing loans	1,269,250,322	36,073,885	22,448,055	20,627,110	127,428,441	1,475,827,813
Others	5,141,978,159	141,861,245	15,557,997	8,131,865	440,779,831	5,748,309,097
Total loans and receivables	100,026,415,824	6,615,070,643	774,027,281	353,683,523	1,333,369,430	109,102,566,701
Add: Accrued interest receivable	14,922,739	82,548,467	-	-	-	97,471,206
Total loans, receivables and accrued interest receivable	<u>100,041,338,563</u>	<u>6,697,619,110</u>	<u>774,027,281</u>	<u>353,683,523</u>	<u>1,333,369,430</u>	<u>109,200,037,907</u>

3.4.4 Hire purchase and financial lease receivables

As at 30 June 2010, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 101,233 million (31 December 2009: Baht 90,750 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation and financial lease for cars. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2010				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Hire purchase and financial lease receivables	36,518	73,716	1,754	2,344	114,332
Unearned income*	(5,380)	(6,702)	(40)	(972)	(13,094)
Advances received from financial lease receivables	-	(5)	-	-	(5)
Hire purchase and financial lease receivables - net	<u>31,138</u>	<u>67,009</u>	<u>1,714</u>	<u>1,372</u>	<u>101,233</u>
Allowance for doubtful accounts					<u>861</u>

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

(Unit: Million Baht)

	As at 31 December 2009				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Hire purchase receivables	33,269	66,158	1,364	2,236	103,027
Unearned income*	(5,089)	(6,306)	(33)	(849)	(12,277)
Hire purchase receivables - net	<u>28,180</u>	<u>59,852</u>	<u>1,331</u>	<u>1,387</u>	<u>90,750</u>
Allowance for doubtful accounts					<u>853</u>

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

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

The Bank	(Unit: Million Baht)			
	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Loans and receivables for which the recognition of interest income has ceased ⁽¹⁾	3,568	4,084	3,978	4,262

⁽¹⁾ These amounts are calculated on an account by account basis.

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

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

	(Unit: Million Baht)	
	As at	
	30 June 2010	31 December 2009
Unearned interest income ⁽¹⁾	13,278	12,525

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

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

	(Unit: Million Baht)
	As at 30 June 2010
Restructured loans and receivables ⁽¹⁾	274
Loans and receivables which are being restructured	111

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

3.4.8 Troubled debt restructuring

- Debt restructuring during the period

	For the six-month periods ended 30 June	
	2010	2009
Debtors restructured during the period		
Number of debtors restructured by modification of terms (numbers)	257	466
Loan balances before restructuring (million Baht)	162	479
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	2	1
Corporate loan receivables	-	9
Interest income on restructured receivables (million Baht)	31	21
Receipt of principal and interest (million Baht)	208	124

- The balance of the restructured debts

(Unit: Million Baht)

	As at	
	30 June 2010	31 December 2009
The balance of the restructured debts	1,702	1,737

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

3.5.1 Allowance for doubtful accounts - Classified by the receivables classification

(Unit: Baht)

	As at 30 June 2010						Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of period	594,905,417	60,642,487	162,254,472	71,474,814	471,291,392	727,847,550	2,088,416,132
Increase (decrease) in allowance for doubtful accounts during the period	46,794,046	(490,308)	121,716,994	252,285,497	(13,780,206)	557,427,697	963,953,720
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125,000	211,125,000
Bad debt written-off	(195,175)	(2,372,613)	(140,144,771)	(253,170,166)	(30,540,375)	-	(426,423,100)
Balance - end of period	641,504,288	57,779,566	143,826,695	70,590,145	426,970,811	1,496,400,247	2,837,071,752

(Unit: Baht)

As at 31 December 2009

	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	396,655,603	29,591,085	146,883,527	138,905,074	625,833,199	266,588,884	1,604,457,372
Increase (decrease) in allowance for doubtful accounts during the year	198,854,663	48,760,693	449,209,694	601,266,448	(72,594,076)	503,328,658	1,728,826,080
Bad debt written-off	(604,849)	(17,709,291)	(433,838,749)	(668,696,708)	(81,947,731)	(42,069,992)	(1,244,867,320)
Balance - end of year	<u>594,905,417</u>	<u>60,642,487</u>	<u>162,254,472</u>	<u>71,474,814</u>	<u>471,291,392</u>	<u>727,847,550</u>	<u>2,088,416,132</u>

3.5.2 Allowance for doubtful account - Classified by loan loss provisioning method

(Unit: Baht)

As at 30 June 2010

	Individual impairment	Collective impairment	General reserve	Total
Balance - beginning of period	507,902,120	852,666,462	727,847,550	2,088,416,132
Increase (decrease) in allowance for doubtful accounts during the period	(3,344,816)	409,870,839	557,427,697	963,953,720
Transfer from allowance for declining in value of property foreclosed	-	-	211,125,000	211,125,000
Bad debt written - off	(25,190,205)	(401,232,895)	-	(426,423,100)
Balance - end of period	<u>479,367,099</u>	<u>861,304,406</u>	<u>1,496,400,247</u>	<u>2,837,071,752</u>

(Unit: Baht)

As at 31 December 2009

	Individual impairment	Collective impairment	General reserve	Total
Balance - beginning of year	515,366,089	822,502,399	266,588,884	1,604,457,372
Increase (decrease) in allowance for doubtful accounts during the year	24,522,676	1,200,974,746	503,328,658	1,728,826,080
Bad debt written-off	(31,986,645)	(1,170,810,683)	(42,069,992)	(1,244,867,320)
Balance - end of year	<u>507,902,120</u>	<u>852,666,462</u>	<u>727,847,550</u>	<u>2,088,416,132</u>

3.5.3 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	
	30 June 2010	31 December 2009
Amount to be provided under BOT's guidelines	1,317	1,327
Amount already recorded by the Bank	2,837	2,088
Amount in excess of the required amount under BOT's guidelines	1,520	761

3.5.4 Non-performing loans and receivables

(Unit: Million Baht)

	As at	
	30 June 2010	31 December 2009
Non-performing loans and receivables	2,320	2,461
Allowance for doubtful accounts	641	704

3.6 Classification of assets

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

(Unit: Million Baht)

	Cost as at		Fair value as at		Allowance for possible loss provided in the accounts ⁽¹⁾ as at	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	Debt instruments - debentures ⁽²⁾	1	1	-	-	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

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

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

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

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

(Unit: Million Baht)

	Debt balance		Debt balance after		Allowance for doubtful accounts			
	as at		net of collateral		Amounts to be provided under		Amounts already set up	
			as at		BOT's guidelines		by the Bank	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
Loans and receivables ⁽¹⁾⁽²⁾⁽³⁾								
Pass	120,015	109,926	103,929	89,825	641	594	642	595
Special mentioned	6,588	6,615	6,529	6,560	57	59	58	61
Substandard	684	774	661	745	144	162	144	162
Doubtful	326	354	292	309	69	71	70	71
Doubtful of loss	1,310	1,333	768	736	406	441	427	471
Total	128,923	119,002	112,179	98,175	1,317	1,327	1,341	1,360
General reserve							1,496	728
Total							2,837	2,088
Investments in securities								
Doubtful of loss								
Debt instruments	5	2	5	2	5	2	5	2
Equity instruments	80	67	80	67	80	67	80	67
Total	85	69	85	69	85	69	85	69
Investments in receivables								
Doubtful of loss	15	12	15	12	15	12	15	12
Properties foreclosed								
Doubtful of loss	61	61	61	61	61	61	326	537
Total classified assets	129,084	119,144	112,340	98,317	1,478	1,469	3,263	2,706

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

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

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

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

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful account	
	as at		after net of collateral value		doubtful accounts set up ⁽²⁾		as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
Hire purchase receivables⁽¹⁾								
Pass	93,453	82,924	93,453	82,924	0.59	0.65	536	525
Special mentioned	6,396	6,440	6,396	6,440	0.59	0.65	54	57
Substandard	649	730	649	730	19.73	19.57	132	147
Doubtful	278	294	278	294	19.73	19.57	55	57
Doubtful of loss	445	362	445	362	19.73	19.57	84	67
Total	101,221	90,750	101,221	90,750			861	853

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

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

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

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts as at	
	as at		as at		as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
				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	2	2	272	274	148	156	143	144
3. Listed companies whose shares have been suspended from trading	-	-	-	-	-	-	-	-
4. Listed companies under rehabilitation	1	1	58	78	2	10	58	72
5. Companies which have loan settlement problems or have defaulted on payment of debts	-	1	-	3	-	-	-	3
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	3	4	330	355	150	166	201	219

3.7 Property foreclosed

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
Immovable assets:		
<u>Appraisal by an external valuer</u>		
Balance - beginning of period	479,140,250	941,864,907
Additions	-	-
Disposals	(211,125,000)	(462,724,657)
Balance - end of period	268,015,250	479,140,250
<u>Appraisal by an internal valuer</u>		
Balance - beginning of period	33,860,125	44,863,376
Additions	-	-
Disposals	-	(11,003,251)
Balance - end of period	33,860,125	33,860,125
Total property foreclosed - Immovable assets	301,875,375	513,000,375
Movable assets:		
Balance - beginning of period	71,506,816	60,013,965
Additions	756,369,118	2,521,211,796
Disposals	(789,753,913)	(2,509,718,945)
Balance - end of period	38,122,021	71,506,816
Total property foreclosed	339,997,396	584,507,191
Less: Allowance for impairment		
Balance - beginning of period	(31,672,751)	(14,539,402)
Increase	(226,898)	(18,136,609)
Decrease	-	1,003,260
Balance - end of period	(31,899,649)	(31,672,751)
Total property foreclosed - net	308,097,747	552,834,440
Less: General reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the estimation of management	(294,240,701)	(505,592,600)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the estimation of management	13,857,046	47,241,840

3.8 Land, premises and equipment

(Unit: Baht)

	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles	Total
<u>Cost:</u>						
31 December 2009	160,495,583	300,868,586	521,091,849	433,987,835	75,114,738	1,491,558,591
Additions	-	-	13,210,919	13,548,146	21,388,000	48,147,065
Disposals	-	-	(722,245)	(4,366,000)	(14,054,948)	(19,143,193)
30 June 2010	160,495,583	300,868,586	533,580,523	443,169,981	82,447,790	1,520,562,463
<u>Accumulated depreciation:</u>						
31 December 2009	-	161,660,102	396,312,398	218,200,265	65,759,193	841,931,958
Depreciation for the period	-	8,047,637	33,214,521	30,604,970	4,210,605	76,077,733
Depreciation on disposals	-	-	(615,843)	(3,696,923)	(14,005,634)	(18,318,400)
30 June 2010	-	169,707,739	428,911,076	245,108,312	55,964,164	899,691,291
<u>Net book value:</u>						
31 December 2009	160,495,583	139,208,484	124,779,451	215,787,570	9,355,545	649,626,633
30 June 2010	160,495,583	131,160,847	104,669,447	198,061,669	26,483,626	620,871,172
<u>Depreciation for the six-month periods ended 30 June:</u>						
2009						77,257,253
2010						76,077,733

3.9 Other assets

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
Value added tax - net	390,618,662	291,148,574
Accrued interest and dividend receivable from investments	42,544,415	44,178,360
Fee and charges receivable	15,217,101	21,608,787
Deferred computer system development cost - net	126,648,485	136,807,263
Deposits	27,985,067	23,423,377
Other receivables	167,044,795	413,534,370
Financial derivatives assets	235,980	1,143,509
Other assets	133,312,105	110,639,301
Total other assets	903,606,610	1,042,483,541

3.10 Deposits in Baht

3.10.1 Classified by type of deposits

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
Promissory notes	2,375,651	2,375,650
Deposits		
Current accounts	8,643,069,840	7,552,992,425
Saving accounts	34,943,165,956	17,920,363,064
Fixed accounts		
- not over 6 months	750,546,370	619,774,357
- over 6 months and less than 1 year	215,268,082	671,524,768
- over 1 year	250,859,728	648,494,664
Certificates of deposit/negotiable certificates of deposit	22,014,802,351	29,515,424,161
Total	66,820,087,978	56,930,949,089

3.10.2 Classified by the remaining period of contract

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
Not over 1 year*	66,377,755,251	56,434,314,467
Over 1 year	442,332,727	496,634,622
Total deposits	66,820,087,978	56,930,949,089

* Including fully-mature deposit contract

3.11 Interbank and money market items (liabilities)

(Unit: Baht)

	As at					
	30 June 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
Commercial banks	301,475,054	-	301,475,054	2,041,611	-	2,041,611
Other banks and financial institutions	838,400,896	3,530,953,963	4,369,354,859	661,389,735	3,658,013,509	4,319,403,244
Total	1,139,875,950	3,530,953,963	4,670,829,913	663,431,346	3,658,013,509	4,321,444,855

The Bank has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange with a local financial institution for a fixed interest rate, as mentioned in Note 3.26.5 to the financial statements.

3.12 Borrowings

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	5,000,000,000	4,000,000,000
Unsubordinated unsecured debentures	1,000,000,000	4,000,000,000
Bills of exchange	46,372,297,130	47,547,004,575
Total	52,372,297,130	55,547,004,575

3.12.1 Subordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		30 June 2010	31 December 2009		30 June 2010	31 December 2009		
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.5 percent per annum in the first year to third years, 6.0 percent per annum in the fourth to seventh years and 6.5 percent per annum in the eighth to tenth years.
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.0 percent per annum in the first year to third years, 5.5 percent per annum in the fourth to seventh years and 6.0 percent per annum in the eighth to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2020	5.0 percent per annum in the first year to tenth years.
Total					5,000	4,000		

3.12.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		30 June 2010	31 December 2009		30 June 2010	31 December 2009		
		2007	Unsubordinated and unsecured long-term debentures		-	3 million		
2007	Unsubordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total					1,000	4,000		

3.12.3 Bills of exchange

Bills of exchange bear fixed interest rates and float interest rates between 0.75 and 3.5 percent per annum and mature in 2010 and 2012.

3.13 Other liabilities

	As at	
	30 June 2010	31 December 2009
Corporate income tax payable	574,506,339	571,218,915
Withholding income tax and other tax payable	37,244,535	160,841,225
Accrued insurance premium	275,217,649	279,017,740
Deferred income	201,683,577	172,065,462
Accrued expense	600,028,591	122,271,978
Dividend payable	-	436,889,490
Other liabilities	375,526,446	272,004,818
Total other liabilities	2,064,207,137	2,014,309,628

3.14 Preference shares converted to ordinary shares

Up to 30 June 2010, the 627,879,046 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 30 June 2010, there are 73,204 preference shares which are convertible to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders are equal to those of the ordinary shareholders (as mentioned in Note 2.2 to the financial statements).

3.15 Capital funds

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

TISCO Bank maintains capital adequacy ratio in comply with Basel II principles which is implementing capital requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets, at the end of 2009.

Regarding to Capital fund as of 30 June 2010 under Basel II framework, the Bank has allocated total general reserve as part of regulatory capital fund. Total general reserve has been classified to Tier 1 capital and Tier 2 capital based on pro rata method under BOT's regulation.

Capital funds of the Bank are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2010	31 December 2009
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,281,523
Premium on share capital	130,451	130,451
Statutory reserve	614,900	547,000
Retained earnings - unappropriated	3,196,595	3,050,225
Less : Deferred tax assets	(633,931)	(482,797)
Shortage provision according to IRB	-	(420,199)
Total Tier I	<u>10,589,538</u>	<u>10,106,203</u>
<u>Tier II</u>		
Subordinated long-term debentures	5,000,000	4,000,000
Reserve for loans classified as pass	458,533	71,892
Add (less) : Surplus (deficit) provision according to IRB	81,028	(420,199)
Total Tier II	<u>5,539,561</u>	<u>3,651,693</u>
Total capital fund	<u>16,129,099</u>	<u>13,757,896</u>

Capital ratios	As at			
	30 June 2010		31 December 2009	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	13.46% ⁽¹⁾	4.25%	14.46% ⁽¹⁾	4.25%
Total capital to risk assets	16.62% ⁽²⁾	8.50%	16.96% ⁽²⁾	8.50%

⁽¹⁾ Before Capital Floor

⁽²⁾ After Capital Floor

In addition, the Bank disclosed capital maintenance information under the Notification of the Bank of Thailand No. SorNorSor. 25/2552 regarding “Public Disclosure of Capital Maintenance for Commercial Banks” dated 14 December 2009 as follows:

	Information as of	
	30 June 2010	31 December 2009
Location of disclosure	TISCO Bank’s website	TISCO Bank’s website
Date of disclosure	Within 31 October 2010	On 30 April 2010

3.16 Revaluation surplus on investments

(Unit: Baht)

	As at	
	30 June 2010	31 December 2009
Balance - beginning of period	11,324,360	7,964,366
Increase from changes in the value of investments during the period	100,882,337	3,359,994
	112,206,697	11,324,360
Less: The effect of deferred tax assets / liabilities	(33,662,009)	(3,397,308)
Balance - end of period	78,544,688	7,927,052

3.17 Gain on investments

(Unit: Baht)

	For the six-month periods ended 30 June	
	2010	2009
Reversal allowance for impairment of investments (loss)	(10,062,755)	9,048,758
Realised gain on investments	31,338,427	25,079,230
Total	21,275,672	34,127,988

3.18 Other income

(Unit: Baht)

	For the six-month periods ended 30 June	
	2010	2009
Penalty fee income from loans	86,103,869	86,025,407
Gain on disposal of property foreclosed	162,241,622	12,136,196
Income from business promotion relating to business	105,313,788	-
Rental income	950,752	3,726,501
Others	16,449,328	9,923,129
Total	371,059,359	111,811,233

3.19 Other expenses

	(Unit: Baht)	
	For the six-month periods ended 30 June	
	2010	2009
Contributions to Deposit Protection Agency	136,560,369	98,734,479
Allowance for impairment of property foreclosed	-	102,856,962
Mailing expenses	17,728,458	16,939,251
Loan losses from court - ordered execution	6,944,877	19,540,490
Transportation expenses	32,741,660	25,505,143
Advertising and promotion expenses	138,439,614	47,877,478
Others	56,527,146	46,475,395
Total	<u>388,942,124</u>	<u>357,929,198</u>

3.20 Corporate income tax

Income tax expenses of the Bank of the six-month periods ended 30 June 2010 and 2009 are as follows:

	(Unit: Baht)	
	For the six-month periods ended 30 June	
	2010	2009
Income tax payable on taxable profit for the period	597,835,168	295,287,007
Add (less): Net decrease (increase) in deferred tax on temporary differences	(151,134,250)	(382,900)
Adjustment in respect of current income tax of prior period	17,997	10,116
Income tax expenses - net	<u>446,718,915</u>	<u>294,914,223</u>

Deferred tax is recorded directly to equity during the six-month periods and 30 June 2010 and 2009 as follows:

	(Unit: Baht)	
	For the six-month periods ended 30 June	
	2010	2009
Deferred tax on revaluation surplus (deficit) on investments	<u>30,264,701</u>	<u>(128,019)</u>

A reconciliation between the tax expense and the accounting profit multiplied by the applicable tax rate is presented as follows:

	(Unit: Baht)	
	For the six-month periods ended 30 June	
	2010	2009
Accounting profit before income tax expenses	1,506,482,672	1,000,817,808
Income tax rate of 30%	451,944,802	300,245,342
Effect of net revenue not subject to tax	(5,243,884)	(5,341,235)
Adjustment in respect of current income tax of prior period	17,997	10,116
Income tax expense reported in the income statements	446,718,915	294,914,223

The following table shows consist of deferred tax assets.

	(Unit: Thousand Baht)			
	Change in deferred tax assets/deferred tax liabilities reported in the income statements			
	As at		for the six-month periods ended	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
Allowance for doubtful accounts (general reserve)	448,920	218,354	230,566	(26,224)
Allowance for impairment of investments	43,678	40,680	2,998	(2,719)
Allowance for impairment of property foreclosed	97,842	161,180	(63,338)	30,556
Non-accrual of interest income	179,271	181,181	(1,910)	2,426
Depreciation of assets	21,236	21,294	(58)	(2,520)
Financial leases	20,585	19,559	1,026	9,102
Revaluation surplus on investments	(33,662)	(3,397)	-	-
Unrealised gain on derivatives	(145)	(20)	(125)	267
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(262,844)	(227,619)	(35,225)	(21,947)
Deferred subsidized income	54,934	42,144	12,790	11,455
Accrued expenses	25,912	25,912	-	-
Others	4,542	132	4,410	(13)
Deferred tax assets	600,269	479,400	151,134	383

3.21 Provident fund

	For the six-month periods ended 30 June	
	2010	2009
Amounts contributed to the provident fund (Million Baht)	20	18

3.22 Earnings per share

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

	For the six-month periods ended 30 June					
	Net income		Weighted average		Earnings per share	
	2010	2009	2010	2009	2010	2009
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income	1,059,764	705,904				
Less: Dividend paid to preference shares in preference to the ordinary shares for the period ⁽¹⁾	-	(91,750)				
	<u>1,059,764</u>	<u>614,154</u>	<u>728,152</u>	<u>728,152</u>	<u>1.46</u>	<u>0.84</u>

⁽¹⁾ Dividend paid to preference shares in preference to the ordinary shares for the period is calculated from the rights and benefits that the holders of preference shares receive dividend for each of the year that the Bank pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.23 Related party transactions

(Unit: Thousand Baht)

	Balance - beginning of period	Increase	Decrease	Balance - end of period
<u>Outstanding balance as at 30 June 2010</u>				
Parent company				
Other assets:				
TISCO Financial Group Plc.	-	2,344	-	2,344
Deposits in Baht:				
TISCO Financial Group Plc.	66,384	373,212	(430,356)	9,240
Accrued interest payable:				
TISCO Financial Group Plc.	21	130	-	151
Borrowings:				
TISCO Financial Group Plc.	360,000	-	(193,000)	167,000
Other liabilities				
TISCO Financial Group Plc.	436,196	20,525	(436,196)	20,525
Subsidiary company				
Deposits in Baht:				
TISCO Leasing Co., Ltd.	5,560	236	(890)	4,906
Borrowings:				
TISCO Leasing Co., Ltd.	47,708	-	-	47,708
Related companies				
Loans:				
TISCO Information Technology Co., Ltd.	15,000	-	(15,000)	-
TISCO Tokyo Leasing Co., Ltd.	-	50,000	-	50,000
Other assets:				
TISCO Securities Co., Ltd.	1,350	-	(900)	450
Primus Leasing Co.,Ltd.	60	-	(60)	-
Deposits in Baht:				
Hi-Way Co., Ltd.	12,391	-	(8,376)	4,015
TISCO Information Technology Co., Ltd.	8,053	-	(7,243)	810
Primus Leasing Co.,Ltd.	29,630	-	(32)	29,598
TISCO Tokyo Leasing Co., Ltd.	464	-	(366)	98
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	2,072	169,793	-	171,865
TISCO Asset Management Co., Ltd.	55,308	33,066	(64,006)	24,368
Borrowings:				
TISCO Information Technology Co., Ltd.	-	33,000	-	33,000

			(Unit: Thousand Baht)
	2010	2009	Terms and pricing policy
			(For the period 2010)
<u>Transactions occurred during the six-month periods ended 30 June</u>			
Subsidiary companies and the related companies			
Interest income	671	59,007	With reference to the terms and prices as offered to other customers
Other income	845	522	With reference to the terms and prices as offered to other customers
Computer system advisory services expenses	105,500	85,000	Determined on the base on actual cost and in compliance with the criteria specified by the Bank of Thailand
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	484,525	495,000	Determined on the base on actual cost and in compliance with the criteria specified by the Bank of Thailand
Underwriting fee for issuing subordinate debentures	2,000	8,000	With reference to the terms and prices as offered to other customers
Interest expenses	3,627	3,140	With reference to the terms and prices as offered to other customers
Other expenses	4,914	1,384	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

	(Unit: Thousand Baht)	
	As at	
	30 June 2010	31 December 2009
Loans	247	1,949

Directors and management's remuneration

During the six-month period ended 30 June 2010, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 32 million.

3.24 Financial information by segment

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

3.25 Commitments and contingent liabilities

3.25.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

As at

	30 June 2010	31 December 2009
Avals	95,420	21,651
Other guarantees	1,020,952	928,884
Undrawn client overdraft facilities	38,256	8,052
Obligations covering principal under interest rate swap agreements (Note 3.26.5)	300,000	680,000
Obligations for cross currency swap agreements (Note 3.26.5)	194,664	-
	<u>1,649,292</u>	<u>1,638,587</u>

3.25.2 Litigation

As at 30 June 2010, the Bank has been sued for compensation totaling approximately Baht 153 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 194 million as at 30 June 2010). During the current period, this case is currently under consideration of the court.

The management of the Bank and its subsidiary believes that no material losses to the financial statements will be incurred as a result of the above mentioned lawsuits and damages claims.

3.25.3 Other commitments

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

As at 30 June 2010, 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	62
1 to 3 years	34

3.26 Financial instruments

3.26.1 Credit risk

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

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

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

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

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

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

	(Unit: Million Baht)	
	As at	
	30 June 2010	31 December 2009
Neither past due nor impaired		
Very high grade	63,922	57,448
High grade	26,434	22,443
Medium grade	3,097	3,033
Sub total	93,453	82,924
Hire purchase receivable - overdue 31 - 90 days	6,396	6,440
Hire purchase receivable - overdue more than 90 days	1,372	1,386
Total	101,221	90,750

3.26.2 Market risk

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

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

3.26.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Market Risk as at	
	30 June 2010	31 December 2009
Marketable financial assets		
Debts securities	85	95
Foreign currencies	5	10

3.26.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Bank at the 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 as at	
	30 June 2010	31 December 2009
Change in interest rate		
Increase 1 percent	(148.66)	(279.80)
Decrease 1 percent	148.66	279.80

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 incurred would be less than those effected in net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities are not included in marketable debt securities, which presented in the market risk - marketable portfolio.

3.26.2.3 Interest rate risk

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

(Unit: Million Baht)

As at 30 June 2010				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	654	654
Interbank and money market items	-	7,200	578	7,778
Investment - net	101	6,769	684	7,554
Loans and receivables	8,388	114,352	974	123,714
	<u>8,489</u>	<u>128,321</u>	<u>2,890</u>	<u>139,700</u>
<u>Financial liabilities</u>				
Deposits	43,390	23,234	196	66,820
Interbank and money market items	22	4,649	-	4,671
Liabilities payable on demand	-	-	494	494
Borrowings	-	52,372	-	52,372
	<u>43,412</u>	<u>80,255</u>	<u>690</u>	<u>124,357</u>

(Unit: Million Baht)

As at 31 December 2009				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	826	826
Interbank and money market items	-	9,901	2,174	12,075
Investment - net	101	7,612	697	8,410
Loans and receivables	8,341	100,279	580	109,200
	<u>8,442</u>	<u>117,792</u>	<u>4,277</u>	<u>130,511</u>
<u>Financial liabilities</u>				
Deposits	25,227	31,458	246	56,931
Interbank and money market items	21	4,300	-	4,321
Liabilities payable on demand	-	-	345	345
Borrowings	-	55,547	-	55,547
	<u>25,248</u>	<u>91,305</u>	<u>591</u>	<u>117,144</u>

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

(Unit: Million Baht)

As at 30 June 2010							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	7,200	-	-	-	7,200	0.8966
Investment - net	44	742	1,703	3,779	501	6,769	5.6459
Loans and receivables	2,651	9,618	26,807	73,233	2,043	114,352	6.8887
	<u>2,695</u>	<u>17,560</u>	<u>28,510</u>	<u>77,012</u>	<u>2,544</u>	<u>128,321</u>	
Financial liabilities							
Deposits	3,455	14,248	5,089	442	-	23,234	1.3834
Interbank and money market items	1,118	2,206	22	1,303	-	4,649	2.0275
Borrowings	3,981	23,030	17,086	3,275	5,000	52,372	1.9324
	<u>8,554</u>	<u>39,484</u>	<u>22,197</u>	<u>5,020</u>	<u>5,000</u>	<u>80,255</u>	

(Unit: Million Baht)

As at 31 December 2009							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	9,901	-	-	-	9,901	1.2154
Investment - net	59	522	1,483	4,572	976	7,612	4.2859
Loans and receivables	1,017	9,571	23,642	64,584	1,465	100,279	7.1677
	<u>1,076</u>	<u>19,994</u>	<u>25,125</u>	<u>69,156</u>	<u>2,441</u>	<u>117,792</u>	
Financial liabilities							
Deposits	3,497	21,244	6,220	497	-	31,458	1.4297
Interbank and money market items	642	2,773	127	758	-	4,300	2.4168
Borrowings	2,870	34,764	12,483	1,430	4,000	55,547	1.9599
	<u>7,009</u>	<u>58,781</u>	<u>18,830</u>	<u>2,685</u>	<u>4,000</u>	<u>91,305</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.

3.26.3 Liquidity risk

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

Liquidity Risk Management Framework

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

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

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

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

3.26.3.1 Remaining Contractual Maturity of Liabilities.

(Unit: Million Baht)

As at 30 June 2010					
Remaining days					
	Less than 3 months	3 - 6 months	6 - 12 months	More than 1 year	Total
Liabilities	94,422	17,536	4,661	10,021	126,640

The matured liabilities, both deposits and bills of exchange, are generally rolled over at an average rate of 90%. By taking into account such a high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, approximately 47% of the liabilities with the remaining maturity of less than three months were current and savings deposits, which are considered to be insensitive and stable than term deposit or bill of exchange in term of cash outflow.

3.26.3.2 Volume and Composition of Highly Liquid Assets and Internal Ratio.

(Unit: Million Baht)

As at	
30 June 2010	
Composition of Highly Liquid Assets	
Cash	654
Interbank and Money Market - net	7,778
Current Investment - net	3,891
Total Liquid Assets ⁽¹⁾	12,323
Liquid Asset Requirement ⁽¹⁾	4,059

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

The Bank has a policy to maintain highly liquid assets higher than internal liquid asset requirement. As of June 30, 2010, the Bank has highly liquid assets of 12,323 million baht, which were higher than internal liquid asset requirement of 4,059 million baht. In addition to liquid assets, the Bank has contingency credit line, operating cash inflow and available interbank credit lines which are adequate to meet any liquidity requirements.

3.26.3.3 Counting from the balance sheet date, as at 30 June 2010 and 31 December 2009, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 30 June 2010							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	
Financial assets								
Cash	654	-	-	-	-	-	-	654
Interbank and money market items	578	7,200	-	-	-	-	-	7,778
Investments - net	44	742	1,804	3,779	501	684	-	7,554
Loans and receivables	2,706	8,611	28,586	76,698	3,545	-	3,568	123,714
	<u>3,982</u>	<u>16,553</u>	<u>30,390</u>	<u>80,477</u>	<u>4,046</u>	<u>684</u>	<u>3,568</u>	<u>139,700</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
Financial liabilities								
Deposits	47,041	14,248	5,089	442	-	-	-	66,820
Interbank and money market items	1,140	2,206	22	1,303	-	-	-	4,671
Liabilities payable on demand	494	-	-	-	-	-	-	494
Borrowings	3,980	23,030	17,086	3,276	5,000	-	-	52,372
	<u>52,655</u>	<u>39,484</u>	<u>22,197</u>	<u>5,021</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>124,357</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	17	78	-	-	-	-	95
Other commitments	1	427	62	496	-	568	-	1,554

(Unit: Million Baht)

Transactions	As at 31 December 2009							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	
Financial assets								
Cash	826	-	-	-	-	-	-	826
Interbank and money market items	2,174	9,901	-	-	-	-	-	12,075
Investments - net	689	522	1,584	4,572	976	67	-	8,410
Loans and receivables	1,629	8,001	24,309	69,055	2,122	-	4,084	109,200
	<u>5,318</u>	<u>18,424</u>	<u>25,893</u>	<u>73,627</u>	<u>3,098</u>	<u>67</u>	<u>4,084</u>	<u>130,511</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
Financial liabilities								
Deposits	28,970	21,244	6,220	497	-	-	-	56,931
Interbank and money market items	663	2,773	127	758	-	-	-	4,321
Liabilities payable on demand	345	-	-	-	-	-	-	345
Borrowings	2,870	34,764	12,483	1,430	4,000	-	-	55,547
	<u>32,848</u>	<u>58,781</u>	<u>18,830</u>	<u>2,685</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>117,144</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	-	22	-	-	-	-	22
Other commitments	31	385	457	300	-	444	-	1,617

3.26.4 Foreign exchange risk

As at 30 June 2010, the Bank had the significant financial instruments in foreign currencies are as follows:

- a) Investment in a subsidiary company amounting to HKD 20 million (under the cost method equivalent to Baht 66 million).
- b) Investment in foreign debt securities amounting to USD 5 million (amortised cost amounting to Baht 165 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.26.5 to the financial statements.

3.26.5 Derivatives

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

As at 30 June 2010, the Bank has the following financial derivative instruments.

- a) Financial derivative instruments classified as derivatives held for trading

a.1) Interest rate swap agreement

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

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2012	300	2

a.2) Cross currency swap agreement

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

(Unit: Million Baht)			
Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2013	4	195	(2)

3.26.6 Fair value of financial instruments

The fair values of significant financial instruments of the Bank as follows:

(Units: Million Baht)

<u>Transactions</u>	As at			
	30 June 2010		31 December 2009	
	Carrying amount	Fair Value	Carrying amount	Fair Value
<u>Financial assets</u>				
Interbank and money market items	7,778	7,778	12,075	12,075
Investments - net	7,554	7,554	8,410	8,410
Loans and receivables	120,877	124,937	107,112	110,444
<u>Financial liabilities</u>				
Deposits	66,820	66,820	56,931	56,931
Interbank and money market items	4,671	4,671	4,321	4,321
Liabilities payable on demand	494	494	345	345
Borrowings	52,372	52,647	55,547	55,488

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

4. Significant events during the period and other information

4.1 Holding restructuring

On 24 April 2009, the 2009 Annual General Meeting of Shareholders of TISCO Financial Group Public Company Limited passed the resolution to approve the acquisition of the remaining 0.49 percent of shares in the Bank from the minority shareholders after the completion of shareholding restructuring plan of TISCO Group in January 2009. The shareholders delegated the authority to the company's Board of Directors to determine the share swap process as appropriate. However, the swap price or the cash purchase price are not to exceed the book value of the Bank as at 31 December 2008 adjusted with the dividend payment from the operation results of year 2008 and are not to exceed the previous swap price.

During the six-month period ended 30 June 2010, TISCO Financial Group Public Company Limited undertook to issue the company's ordinary shares in exchange of the remaining 955,555 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 14 million, from the minority shareholders. In addition, the company acquired the remaining 24 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 352, from the minority shareholders. As a result, the company's shareholding in the Bank increased to 99.97 percent of the Bank's paid up shares and there are 203,064 shares of the Bank held by minority shareholders (194,960 ordinary shares and 8,104 preference shares), which is equivalent to 0.03 percent of the Bank's shares in issue.

4.2 Investment in securities

Reclassification of investments

In June 2010, the Bank made a transfer of investment portfolio from long-term held-to-maturity debt securities to short-term available-for-sale securities, based on fair value at the transfer date. The amortised cost of transferable debt securities was approximately of Baht 531 million. The Bank recorded the difference between the amortised cost and fair value of debt securities, amounting to Baht 55 million as unrealised gain on transfer of investment portfolio and presented it under shareholders' equity in the balance sheet.

Obligations from purchase and sale of investments

As at 30 June 2010, the Bank had obligations amounting to Baht 32 million from the purchase of debt securities and Baht 529 million from the sales of debt securities.

4.3 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)	(Million Baht)	
Final dividends for 2008	The 2009 Annual General Meeting of the shareholders on 24 April 2009	1.65	0.65	657	April 2009
Interim dividend for 2009	The Board of Directors' Meeting No.4/2009 on 19 June 2009	0.88	0.38	368	July 2009
Total				<u>1,025</u>	

5. Approval of interim financial statements

These interim financial statements were approved by the Bank's Audit Committee on 9 August 2010.