

TISCO Bank Public Company Limited
Report and financial statements
For the years ended 31 December 2010 and 2009

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 31 December 2010, the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of TISCO Bank Public Company Limited as at 31 December 2009 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 8 February 2010, expressed an unqualified audit opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2010, and the results of its operation and cash flows for the year then ended in accordance with generally accepted accounting principles.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 4 February 2011

TISCO Bank Public Company Limited

Balance sheets

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Assets			
Cash		902,815,741	826,095,960
Interbank and money market items	3.1		
Domestic			
Interest bearing		11,371,117,353	9,900,793,589
Non-interest bearing		989,373,393	2,173,850,384
Total interbank and money market items - net		12,360,490,746	12,074,643,973
Investments	3.2, 3.3, 3.6		
Current investment - net		2,463,186,236	2,537,845,421
Long-term investment - net		2,501,416,159	5,811,725,391
Investment in subsidiaries - net		135,312,317	60,055,638
Net investments		5,099,914,712	8,409,626,450
Loans, receivables and accrued interest receivable	3.4, 3.6		
Loans and receivables		145,188,545,195	109,102,566,701
Accrued interest receivable		115,566,800	97,471,206
Total loans, receivables and accrued interest receivable		145,304,111,995	109,200,037,907
Less: Allowance for doubtful accounts	3.5	(3,859,411,530)	(2,088,416,132)
Less: Allowance for loss on debt restructuring		(2,967)	(18,258)
Net loans, receivables and accrued interest receivable		141,444,697,498	107,111,603,517
Property foreclosed - net	3.7	17,962,840	47,241,840
Land, premises and equipment - net	3.8	575,272,056	649,626,633
Deferred tax assets	3.20	954,833,209	479,399,809
Other assets	3.9	990,349,637	1,042,483,541
Total assets		<u>162,346,336,439</u>	<u>130,640,721,723</u>

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Liabilities and shareholders' equity			
Deposits in baht	3.10	48,608,753,759	56,930,949,089
Interbank and money market items			
Domestic - Interest bearing	3.11	8,867,298,839	4,321,444,855
Liability payable on demand		532,447,850	345,170,135
Borrowings	3.12		
Short-term borrowings		72,513,367,910	50,117,254,545
Long-term borrowings		15,460,403,568	5,429,750,030
Total borrowings		87,973,771,478	55,547,004,575
Accrued interest payable		445,504,777	250,447,376
Corporate income tax payables		686,196,718	571,218,915
Dividend payable		1,019,409,230	436,889,490
Other liabilities	3.13	2,001,560,391	1,006,201,223
Total liabilities		150,134,943,042	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 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>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			
104 preference shares of Baht 10 each			
(2009: 73,204 preference shares of Baht 10 each)		1,040	732,040
728,152,146 ordinary shares of Baht 10 each			
(2009: 728,079,046 ordinary shares of Baht 10 each)		<u>7,281,521,460</u>	<u>7,280,790,460</u>
		7,281,522,500	7,281,522,500
Share premium			
Share premium of preference shares		53	37,480
Share premium of ordinary shares		130,451,197	130,413,770
Revaluation surplus on investments	3.16	14,310,659	7,927,052
Retained earnings			
Appropriated-statutory reserve	2.3	714,600,000	614,900,000
Unappropriated		<u>4,070,508,988</u>	<u>3,196,595,263</u>
Total shareholders' equity		<u>12,211,393,397</u>	<u>11,231,396,065</u>
Total liabilities and shareholders' equity		<u>162,346,336,439</u>	<u>130,640,721,723</u>
		-	-
<u>Off-balance sheet items - contingencies</u>	3.25		
Aval to bills and guarantees of loans		194,136,067	21,651,000
Other commitments		1,402,566,527	1,616,936,304

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

.....
 Mrs. Oranuch Apisaksirikul
 (Chairman of the Executive Board)

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

TISCO Bank Public Company Limited

Income statements

For the years ended 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Interest and dividend income			
Loans		1,632,743,084	1,332,375,203
Interbank and money market items		178,321,866	133,781,609
Hire purchase and financial lease income		6,465,099,512	5,773,453,963
Investments		<u>495,399,857</u>	<u>552,461,773</u>
Total interest and dividend income		8,771,564,319	7,792,072,548
Interest expenses			
Deposits		802,984,232	1,090,078,579
Interbank and money market items		116,736,050	113,300,341
Short-term borrowings		835,134,112	851,599,459
Long-term borrowings		<u>403,732,674</u>	<u>278,011,984</u>
Total interest expenses		<u>2,158,587,068</u>	<u>2,332,990,363</u>
Net interest and dividend income		6,612,977,251	5,459,082,185
Bad debts and doubtful accounts		<u>(1,759,031,947)</u>	<u>(1,195,853,909)</u>
Net interest and dividend income after bad debts and doubtful accounts		4,853,945,304	4,263,228,276
Non-interest income			
Gain on investments	3.17	165,026,408	71,239,230
Fees and service income			
Acceptances, aval and guarantees		10,428,089	9,850,231
Insurance services		820,610,935	613,151,987
Others		426,474,770	369,062,028
Gain (loss) on exchange		(2,262,312)	9,228,971
Other income	3.18	638,757,102	432,552,280
Total non-interest income		<u>2,059,034,992</u>	<u>1,505,084,727</u>
Total net income		<u>6,912,980,296</u>	<u>5,768,313,003</u>

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

TISCO Bank Public Company Limited**Income statements (continued)**

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Non-interest expenses			
Personnel expenses		1,339,253,608	1,002,452,622
Premises and equipment expenses		673,164,587	623,495,416
Taxes and duties		146,022,517	111,310,282
Fees and service expenses		1,114,812,213	997,242,782
Contribution to Deposit Protection Agency		255,951,764	228,752,550
Advertising and promotion expenses		324,252,454	135,233,871
Other expenses	3.19	221,872,136	728,731,737
Total non-interest expenses		<u>4,075,329,279</u>	<u>3,827,219,260</u>
Income before income tax		2,837,651,017	1,941,093,743
Income tax expenses	3.20	<u>(844,626,886)</u>	<u>(584,030,422)</u>
Net income for the year		<u><u>1,993,024,131</u></u>	<u><u>1,357,063,321</u></u>
Earnings per share			
Basic earnings per share	3.22	<u><u>2.74</u></u>	<u><u>1.74</u></u>

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

TISCO Bank Public Company Limited**Cash flow statements****For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Income before income tax expenses	2,837,651,017	1,941,093,743
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	197,501,928	195,203,426
Bad debts and doubtful accounts	2,385,184,827	1,731,543,371
Allowance for impairment of investment (reversal)	22,289,894	(17,821,461)
Allowance for impairment of property foreclosed	257,000	494,780,383
Gain on disposal of investments	(187,316,302)	(53,417,769)
Unrealised loss on exchange (reversal)	2,262,312	(9,228,971)
Gain on disposal of equipment	(10,539,611)	(5,399,300)
Loss on written-off of equipment	48,791	-
Gain on disposal of property foreclosed	(195,053,181)	(171,351,141)
Decrease (increase) in other accrued income	(9,785,986)	70,316,532
Increase in accrued expenses	<u>445,933,544</u>	<u>134,560,023</u>
Income from operating activities before changes in operating assets and liabilities	5,488,434,233	4,310,278,836
Decrease (increase) in operating assets		
Interbank and money market items	(285,846,773)	1,073,696,349
Loans and receivables	(37,594,012,862)	(10,007,055,007)
Property foreclosed	1,516,520,502	2,082,417,269
Other assets	(30,651,689)	(676,421,908)

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

TISCO Bank Public Company Limited

Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Increase (decrease) in operating liabilities		
Deposits	(8,322,195,330)	(1,944,831,777)
Interbank and money market items	4,547,275,198	376,851,669
Liability payable on demand	187,277,715	(151,570,462)
Short-term borrowings	25,394,645,925	6,420,965,923
Other liabilities	<u>547,693,954</u>	<u>(225,670,013)</u>
	(8,550,859,127)	1,258,660,879
Net interest and dividend income	(6,612,977,251)	(5,459,082,185)
Cash received from interest income	8,355,284,208	8,073,861,613
Cash paid for interest expenses	(1,963,949,407)	(2,951,326,950)
Cash paid for income tax expenses	<u>(1,207,819,491)</u>	<u>(310,923,340)</u>
Net cash flows from (used in) operating activities	<u>(9,980,321,068)</u>	<u>611,190,017</u>
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(5,369,372,987)	(8,037,111,985)
Cash received from disposal of investment in securities held for investment	8,926,161,104	4,339,649,586
Cash received from dividend	61,631,882	49,977,208
Cash paid for purchase of equipment	(80,146,329)	(111,346,914)
Cash received from disposal of equipment	11,000,678	6,101,920
Cash received from capital returned from subsidiaries	-	210,010,000
Cash paid in respect of capital increases of subsidiaries	<u>(85,997,547)</u>	<u>-</u>
Net cash flows from (used in) investing activities	<u>3,463,276,801</u>	<u>(3,542,720,185)</u>
Cash flows from financing activities		
Dividend paid	(436,889,490)	(1,025,244,063)
Long-term borrowings	8,030,653,538	518,750,030
Cash paid for the redemption of long-term debentures and debt instruments	(3,000,000,000)	(331,000,000)
Cash received from issue long-term debentures and debt instruments	<u>2,000,000,000</u>	<u>4,000,000,000</u>
Net cash flows from financing activities	<u>6,593,764,048</u>	<u>3,162,505,967</u>
Net increase in cash	76,719,781	230,975,799
Cash at beginning of year	<u>826,095,960</u>	<u>595,120,161</u>
Cash at end of year	<u>902,815,741</u>	<u>826,095,960</u>
	-	-
Supplemental cash flows information		
Non-cash transactions		
Conversion of preference shares to ordinary shares	768,427	1,834,272,260

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	<u>Issued and fully paid-up share capital</u>		<u>Share premium</u>		<u>Revaluation surplus</u>	<u>Statutory reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total</u>
	<u>Preference shares</u>	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Ordinary shares</u>	<u>on investments</u>			
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
Income (expenses) recognised in equity:								
Increase in fair value of investments	-	-	-	-	3,359,993	-	-	3,359,993
Deferred tax transferred out from shareholders' equity	-	-	-	-	(1,007,998)	-	-	(1,007,998)
Income (expenses) recognised in equity	-	-	-	-	2,351,995	-	-	2,351,995
Net income for the year	-	-	-	-	-	-	1,357,063,321	1,357,063,321
Total income (expenses) for the year	-	-	-	-	2,351,995	-	1,357,063,321	1,359,415,316
Dividend paid (Note 4.3)	-	-	-	-	-	-	(1,462,133,553)	(1,462,133,553)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,577)	(1,577)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	67,900,000	(67,900,000)	-
Preference shares converted to ordinary shares	(1,834,272,260)	1,834,272,260	(93,913,770)	93,913,770	-	-	-	-
Balance as at 31 December 2009	<u>732,040</u>	<u>7,280,790,460</u>	<u>37,480</u>	<u>130,413,770</u>	<u>7,927,052</u>	<u>614,900,000</u>	<u>3,196,595,263</u>	<u>11,231,396,065</u>
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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 years ended 31 December 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 on investments	reserve	retained earnings	
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
Income (expenses) recognised in equity:								
Increase in fair value of investments	-	-	-	-	9,119,439	-	-	9,119,439
Deferred tax transferred out from shareholders' equity	-	-	-	-	(2,735,832)	-	-	(2,735,832)
Income (expenses) recognised in equity	-	-	-	-	6,383,607	-	-	6,383,607
Net income for the year	-	-	-	-	-	-	1,993,024,131	1,993,024,131
Total income (expenses) for the year	-	-	-	-	6,383,607	-	1,993,024,131	1,999,407,738
Dividend paid (Note 4.3)	-	-	-	-	-	-	(1,019,409,230)	(1,019,409,230)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,176)	(1,176)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	99,700,000	(99,700,000)	-
Preference shares converted to ordinary shares	(731,000)	731,000	(37,427)	37,427	-	-	-	-
Balance as at 31 December 2010	<u>1,040</u>	<u>7,281,521,460</u>	<u>53</u>	<u>130,451,197</u>	<u>14,310,659</u>	<u>714,600,000</u>	<u>4,070,508,988</u>	<u>12,211,393,397</u>

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

TISCO Bank Public Company Limited

Notes to financial statements

For the years ended 31 December 2010 and 2009

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and also have been prepared in accordance with the principles stipulated by the Office of the Securities and Exchange Commission and the Bank of Thailand (“BOT”).

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

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

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

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

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that will become effective in fiscal years beginning on or after 1 January 2011 (except for the Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Accounting standards relevant to the Bank:

Framework for the Preparation and Presentation of Financial Statements

(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations

Accounting standards not relevant to the Bank:

TAS 2 (revised 2009)	Inventories
TAS 11 (revised 2009)	Construction Contracts
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TFRS 2	Share-Based Payment
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

- b) Accounting standards which are effective in fiscal years beginning on or after 1 January 2013:

Accounting standards relevant to the Bank:

TAS 12	Income Taxes
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting standards not relevant to the Bank:

TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
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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.

TAS 19: Employee Benefits, (as discussed in the next paragraph) will impact the financial statements in the year when it is adopted. In addition, for TAS 12: Income Taxes, in line with its accounting policies, the Bank has recorded income tax transactions in compliance with this accounting standard before the effective date.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Bank accounts for such employee benefits when they are incurred.

The management of the Bank has assessed the effect from adopting such standard in 2011 and chosen to record all employee benefit liabilities as an adjusting to the beginning balance of retained earnings of the year 2011. As a result, the transactions will have the effect of decreasing the beginning balance of retained earnings for the year 2011 by Baht 63 million.

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 are recognised over the installment period, using the effective interest rate.

The Bank has policies 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 accounts and interest then recognised as income on a cash basis.

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

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

b) Interest and dividends on investment in securities

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

c) Gain (loss) on trading in securities

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

d) Fees and service income

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

1.3.2 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 which present in the separate financial statements are determined at cost net of allowance for impairment (if any).
- f) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

- g) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) The Bank will record losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.
- i) The moving average method is used for computation of the cost of investments.
- j) In the event the Bank reclassifies its 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 purchase 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 are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred income/discounts on loans are deducted from loans.

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

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

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

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

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

- 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 during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.

1.3.8 Troubled debt restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "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) and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The 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 management's estimates.

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 and land right from office condominium ownership 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 and land right from office condominium ownership.

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 at the amount expected to be paid to the taxation authorities, based on taxable profits determined 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

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 recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.3.14 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 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 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 in the income statement. 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.107 “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 the 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 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.

1.3.20 Significant accounting judgments and estimates

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

Allowance for doubtful accounts for loans and receivables

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

Fair value of financial instruments

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

Impairment of investments

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

Deferred tax assets

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

Recognition and derecognition of assets and liabilities

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. 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 31 December 2010, the Bank has 44 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 have been 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 to 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.

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

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

3. Details of financial statements

3.1 Interbank and money market items (assets)

(Unit: Baht)

	As at					
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	871,205,637	8,310,000,000	9,181,205,637	1,911,185,276	700,000,000	2,611,185,276
Commercial banks	118,167,756	3,060,000,000	3,178,167,756	262,665,108	9,200,000,000	9,462,665,108
Total	989,373,393	11,370,000,000	12,359,373,393	2,173,850,384	9,900,000,000	12,073,850,384
Add: Accrued interest	-	1,117,353	1,117,353	-	793,589	793,589
Total	989,373,393	11,371,117,353	12,360,490,746	2,173,850,384	9,900,793,589	12,074,643,973

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

(Unit: Million Baht)

	Securities purchase under resale agreements according to private repurchase transactions as at	
	31 December 2010	31 December 2009
Commercial Bank	3,060	9,200

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
Fair value of securities received as collateral	3,093	9,325

3.2 Investments

(Unit: Baht)

	As at			
	31 December 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	1,419,764,628	1,419,686,362	849,831,531	850,762,275
Debt securities of private sector	841,460,000	849,928,528	1,678,119,515	1,687,053,131
Foreign debt securities	196,430,528	193,571,346	-	-
Total	2,457,655,156	2,463,186,236	2,527,951,046	2,537,815,406
Add (less): Allowance for changes in value	20,443,798		11,324,360	
Exchange difference	(13,452,718)		-	
Less: Allowance for impairment	(1,460,000)		(1,460,000)	
Debt securities - net	2,463,186,236		2,537,815,406	
Equity securities:				
Domestic marketable equity securities	-	-	30,015	30,015
Net equity securities	-		30,015	
Total available-for-sales securities	2,463,186,236		2,537,845,421	
Net current investments	2,463,186,236		2,537,845,421	
<u>Long-term investments</u>				
Held-to-maturity debt securities				
Debt securities:				
Debt securities of private sector	-		698,561,388	
Debt securities - net	-		698,561,388	
Other investments				
Equity securities:				
Domestic non-marketable equity securities	688,369,019		696,654,733	
Investment in receivables	1,903,199,259		4,495,182,363	
Total	2,591,568,278		5,191,837,096	
Less: Allowance for impairment	(90,152,119)		(78,673,093)	
Total other investments	2,501,416,159		5,113,164,003	
Net long-term investments	2,501,416,159		5,811,725,391	
<u>Investment in subsidiaries</u>				
Investments in subsidiaries (cost method)	152,480,502		66,482,955	
Less: Allowance for impairment	(17,168,185)		(6,427,317)	
Total investments in subsidiaries	135,312,317		60,055,638	
Net investments	5,099,914,712		8,409,626,450	

3.2.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	31 December 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 31 December 2010			
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
Available-for-sale securities				
Government and state enterprise securities	1,416,537,509	1,063,020	2,164,099	1,419,764,628
Debt securities of private sector	1,460,000	840,000,000	-	841,460,000
Foreign debt securities	-	196,430,528	-	196,430,528
Total	1,417,997,509	1,037,493,548	2,164,099	2,457,655,156
Add (less): Allowance for changes in value	(122,968)	20,526,760	40,006	20,443,798
Exchange difference	-	(13,452,718)	-	(13,452,718)
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,416,414,541	1,044,567,590	2,204,105	2,463,186,236
Total debt securities	1,416,414,541	1,044,567,590	2,204,105	2,463,186,236

(Unit: Baht)

	As at 31 December 2009			
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	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 31 December 2010		
	Cost	Fair value	Allowance for
			changes in
			value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

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

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

(Unit: Baht)

Securities' name	As at					
	31 December 2010			31 December 2009		
	Book value	Unpaid amounts	Percentage of holding	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)	49,314,771	-	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.	85,997,547	-	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.	3,957,300	-	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 years ended	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
<u>Subsidiaries directly held by the Bank:</u>							
TISCO Leasing Co., Ltd.	Leasing	100	14	86	-	-	-
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	HKD 20 million	HKD 20 million	66	66	-	-
Less: Allowance for impairment				(17)	(6)	-	-
				49	60	-	-
Investments in subsidiaries - net				135	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.

In year 2010, TISCO Leasing Company Limited increased the company's registered share capital amounting to Baht 86 million, as mentioned in Note 4.5 to the financial statements.

3.4 Loans, receivables and accrued interest receivable

3.4.1 Classified by type of loan and receivable

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Loans and receivables		
Loans	32,697,489,317	18,352,648,847
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	126,565,851,336	103,027,009,909
Add (less): Unearned income	(15,043,788,510)	(13,035,821,506)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	987,960,107	758,729,451
: Advances received from financial lease receivables	(18,967,055)	-
Net hire purchase and financial lease receivables	112,491,055,878	90,749,917,854
Total loans and receivables	145,188,545,195	109,102,566,701
Add: Accrued interest receivable	115,566,800	97,471,206
Less: Allowance for doubtful accounts	(3,859,411,530)	(2,088,416,132)
Less: Allowance for loss on debt restructuring	(2,967)	(18,258)
Net loans, receivables and accrued interest receivable	141,444,697,498	107,111,603,517

3.4.2 Classified by remaining periods of contracts

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Loans and receivables		
Not over 1 year (included contract which are due)	10,418,496,413	9,454,190,076
Over 1 year	134,770,048,782	99,648,376,625
Total loans and receivables	145,188,545,195	109,102,566,701
Add: Accrued interest receivable	115,566,800	97,471,206
Total loans, receivables and accrued interest receivable	145,304,111,995	109,200,037,907

3.4.3 Classified by type of business

(Unit: Baht)

As at 31 December 2010						
	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	159,152,237	2,518,812	4,404,645	512,828	1,323,067	167,911,589
Manufacturing and commerce	17,441,496,836	141,008,284	25,054,851	28,871,197	61,961,968	17,698,393,136
Real estate and construction	5,955,550,423	87,192,110	4,520,708	5,438,179	362,967,670	6,415,669,090
Public utilities and services	6,911,821,652	152,127,931	28,132,834	26,980,740	62,020,852	7,181,084,009
Personal use						
Hire purchase	94,354,794,832	5,968,775,582	687,177,317	183,336,926	331,931,049	101,526,015,706
Housing loans	1,243,597,953	54,708,809	19,930,543	12,587,916	91,460,833	1,422,286,054
Others	10,152,518,495	204,279,783	18,770,594	9,552,214	392,064,525	10,777,185,611
Total loans and receivables	136,218,932,428	6,610,611,311	787,991,492	267,280,000	1,303,729,964	145,188,545,195
Add: Accrued interest receivable	33,534,653	82,032,147	-	-	-	115,566,800
Total loans, receivables and accrued interest receivable	<u>136,252,467,081</u>	<u>6,692,643,458</u>	<u>787,991,492</u>	<u>267,280,000</u>	<u>1,303,729,964</u>	<u>145,304,111,995</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 31 December 2010, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 112,491 million (2009: Baht 90,750 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 December 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	39,912	81,746	2,318	2,590	126,566
Unearned income*	(5,676)	(7,194)	(56)	(1,130)	(14,056)
Advances received from financial lease receivables	-	(19)	-	-	(19)
Hire purchase and financial lease receivables - net	<u>34,236</u>	<u>74,533</u>	<u>2,262</u>	<u>1,460</u>	<u>112,491</u>
Allowance for doubtful accounts					<u>963</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

(Unit: Million Baht)

The Bank	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Loans and receivables for which the recognition of interest income has ceased ⁽¹⁾	3,618	4,084	3,941	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	
	31 December 2010	31 December 2009
	Unearned interest income ⁽¹⁾	14,239

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

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

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
Restructured loans and receivables ⁽¹⁾	267	330
Loans and receivables which are being restructured	-	-

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

3.4.8 Troubled debt restructuring

- Debt restructuring during the year

	For the years ended 31 December	
	2010	2009
Debtors restructured during the year:		
Number of debtors restructured by modified of terms (number)	527	949
Loan balances before restructuring (million Baht)	574	1,082
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	10
Corporate loan receivables	9	2
Interest income on restructured receivables (million Baht)	61	48
Receipt of principal and interest (million Baht)	382	256

- The balance of the restructured debts

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
The balance of the restructured debts	1,711	1,733

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 31 December 2010						Total
	Pass	Special-Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	
Balance - beginning of year	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 year	199,918,877	2,879,262	292,376,528	449,407,651	28,288,221	1,411,875,703	2,384,746,242
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125,000	211,125,000
Bad debt written-off	(405,691)	(4,313,851)	(276,673,491)	(469,760,270)	(73,699,541)	(23,000)	(824,875,844)
Balance - end of year	794,418,603	59,207,898	177,957,509	51,122,195	425,880,072	2,350,825,253	3,859,411,530

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

(Unit: Baht)

As at 31 December 2009

	Pass	Special- Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	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	594,905,417	60,642,487	162,254,472	71,474,814	471,291,392	727,847,550	2,088,416,132

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

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

(Unit: Baht)

As at 31 December 2010

	Individual impairment	Collective impairment	Reserve for counter cyclical business factors*	Total
Balance - beginning of year	507,902,120	852,666,462	727,847,550	2,088,416,132
Increase (decrease) in allowance for doubtful accounts during the year	78,972,346	893,898,193	1,411,875,703	2,384,746,242
Transfer from allowance for declining in value of property foreclosed	-	-	211,125,000	211,125,000
Bad debt written-off	(39,803,269)	(785,049,575)	(23,000)	(824,875,844)
Balance - end of year	547,071,197	961,515,080	2,350,825,253	3,859,411,530

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

(Unit: Baht)

	As at 31 December 2009			
	Individual impairment	Collective impairment	Reserve for	Total
			counter cyclical business factors*	
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	507,902,120	852,666,462	727,847,550	2,088,416,132

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

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 ⁽¹⁾	As at	
	31 December 2010	31 December 2009
Amount to be provided under BOT's guidelines	1,485	1,327
Amount already recorded by the Bank	3,859	2,088
Amount in excess of the required amount under BOT's guidelines	2,374	761

⁽¹⁾ Include allowance for doubtful accounts for credit granted to financial institutions (which is presented as part of interbank and money market items (asset) in the balance sheet).

3.5.4 Non-performing loans and receivables

(Unit: Million Baht)

	As at	
	31 December	31 December
	2010	2009
Non-performing loans and receivables	2,359	2,461
Allowance for doubtful accounts	655	704

3.6 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at		as at		as at	
	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009
Debt instruments - debentures ⁽²⁾	1	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	
					BOT's guidelines		by the Bank	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
Loans and receivables ⁽¹⁾⁽²⁾⁽³⁾								
Pass	139,279	109,926	122,958	89,825	794	594	794	595
Special mentioned	6,611	6,615	6,547	6,560	58	59	59	61
Substandard	788	774	768	745	178	162	178	162
Doubtful	267	354	239	309	51	71	51	71
Doubtful of loss	1,304	1,333	789	736	404	441	426	471
Total	148,249	119,002	131,301	98,175	1,485	1,327	1,508	1,360
Reserve for counter cyclical business factors ⁽⁴⁾							2,351	728
Total							3,859	2,088
Investments in securities								
Doubtful of loss								
Debt instruments	2	2	2	2	2	2	2	2
Equity instruments	85	67	85	67	85	67	85	67
Total	87	69	87	69	87	69	87	69
Investments in receivables								
Doubtful of loss	23	12	23	12	23	12	23	12
Property foreclosed								
Doubtful of loss	61	61	61	61	61	61	326	537
Total classified assets	148,420	119,144	131,472	98,317	1,656	1,469	4,295	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 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).

⁽⁴⁾ Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

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

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up ⁽²⁾		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
Hire purchase receivables⁽¹⁾								
Pass	104,568	82,924	104,568	82,924	0.60	0.65	610	525
Special mentioned	6,360	6,440	6,360	6,440	0.60	0.65	55	57
Substandard	747	730	747	730	20.31	19.57	157	147
Doubtful	234	294	234	294	20.31	19.57	46	57
Doubtful of loss	479	362	479	362	20.31	19.57	94	67
Total	112,388	90,750	112,388	90,750			962	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	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	2	254	274	148	156	127	144
3. Listed companies under rehabilitation	-	1	-	78	-	10	-	72
4. Companies which have loan settlement problems or have defaulted on payment of debts	2	1	349	3	269	-	80	3
5. Companies whose auditor's report cited going concern issues	3	-	506	-	453	-	53	-
Total	6	4	1,109	355	870	166	260	219

3.7 Property foreclosed

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	479,140,250	941,864,907
Additions	-	-
Disposals	(211,125,000)	(462,724,657)
Balance - end of year	268,015,250	479,140,250
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	33,860,125	44,863,376
Additions	-	-
Disposals	-	(11,003,251)
Balance - end of year	33,860,125	33,860,125
Total property foreclosed - Immovable assets	301,875,375	513,000,375
Movable assets		
Balance - beginning of year	71,506,816	60,013,965
Additions	1,434,738,496	2,521,211,796
Disposals	(1,463,760,497)	(2,509,718,945)
Balance - end of year	42,484,815	71,506,816
Total property foreclosed	344,360,190	584,507,191
Less: Allowance for impairment		
Balance - beginning of year	31,672,751	14,539,402
Increase	329,228	18,136,609
Decrease	-	(1,003,260)
Balance - end of year	32,001,979	31,672,751
Property foreclosed - net	312,358,211	552,834,440
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(294,395,371)	(505,592,600)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	17,962,840	47,241,840

3.9 Other assets

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Value added tax - net	343,016,953	291,148,574
Accrued interest and dividend receivable from investments	18,370,356	44,178,360
Fee and charges receivable	31,394,773	21,608,787
Deferred computer system development cost - net	121,278,862	136,807,263
Deposits	28,494,925	23,423,377
Other receivables	221,786,582	413,534,370
Financial derivatives assets	12,799,881	1,143,509
Other assets	213,207,305	110,639,301
Total other assets	990,349,637	1,042,483,541

3.10 Deposits

3.10.1 Classified by type of deposits

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Promissory notes	2,375,650	2,375,650
Deposits		
Current accounts	4,933,146,548	7,552,992,425
Saving accounts	25,671,550,462	17,920,363,064
Fixed accounts		
- not over 6 months	778,329,348	619,774,357
- over 6 months and less than 1 year	142,760,786	671,524,768
- over 1 year	248,435,623	648,494,664
Certificates of deposit/negotiable certificates of deposit	16,832,155,342	29,515,424,161
Total	48,608,753,759	56,930,949,089

3.10.2 Classified by the remaining period of contract

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Not over 1 year*	48,299,625,857	56,434,314,467
Over 1 year	309,127,902	496,634,622
Total deposits	48,608,753,759	56,930,949,089

*Including fully-mature deposit contract

3.11 Interbank and money market items (liabilities)

(Unit: Baht)

	As at					
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
Commercial banks	151,710,664	56,000,000	207,710,664	2,041,611	-	2,041,611
Other banks and financial institutions	721,207,918	7,938,380,257	8,659,588,175	661,389,735	3,658,013,509	4,319,403,244
Total	872,918,582	7,994,380,257	8,867,298,839	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	
	31 December 2010	31 December 2009
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,000,000,000	4,000,000,000
Unsubordinated unsecured debentures	1,000,000,000	4,000,000,000
Bills of exchange	80,973,771,478	47,547,004,575
Total	87,973,771,478	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
		31 December 2010	31 December 2009		31 December 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 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 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 to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2020	4.8 percent per annum in the first to tenth years.
Total					6,000	4,000		

3.12.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value	Balance as at		Maturity in the year	Interest rate
		31 December	31 December	per unit	(Million Baht)			
		2010	2009	(Baht)	31 December	31 December		
				2010	2009			
2007	Unsubordinated and unsecured long - term debentures	-	3 million	1,000	-	3,000	2010	3.75 percent per annum.
2007	Unsubordinated and unsecured long - term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total					1,000	4,000		

3.12.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2011 to 2013. The interest rates of the fixed interest rates bearing bills of exchange are between 0.75 and 3.00 percent per annum.

3.13 Other liabilities

	(Unit: Baht)	
	As at	
	31 December 2010	31 December 2009
Withholding income tax and other tax payable	77,297,972	160,841,225
Accrued insurance premium	370,211,731	279,017,740
Deferred income	233,225,846	172,065,462
Accrued expenses	651,748,775	122,271,978
Other liabilities	669,076,067	272,004,818
Total other liabilities	2,001,560,391	1,006,201,223

3.14 Preference shares converted to ordinary shares

Up to 31 December 2010, 627,952,146 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2010, there are 104 preference shares which are convertible to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

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.

The 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 31 December 2010 and 2009 under Basel II framework, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The 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	
	31 December 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	(960,966)	(482,797)
Shortage provision according to IRB	-	(420,199)
Total Tier I	10,262,503	10,106,203
<u>Tier II</u>		
Subordinated debentures	5,131,251	4,000,000
Reserve for loans classified as pass	552,695	71,892
Add (less) : Excess (shortage) provision according to IRB	280,332	(420,199)
Total Tier II	5,964,278	3,651,693
Total capital fund	16,226,781	13,757,896

Capital ratios	As at			
	31 December 2010		31 December 2009	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	11.29% ⁽¹⁾	4.25%	12.46% ⁽¹⁾	4.25%
Total capital to risk assets	15.23% ⁽²⁾	8.50%	16.96% ⁽²⁾	8.50%

⁽¹⁾ Before Capital Floor

⁽²⁾ After Capital Floor

To comply with the Notification of the Bank of Thailand No. SorNorSor. 25/2553 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank will disclose capital maintenance information as at 31 December 2010 on its website in April 2011. The Bank disclosed its latest capital maintenance information as at 30 June 2010, on its website on 28 October 2010.

3.16 Revaluation surplus on investments

	(Unit: Baht)	
	As at 31 December	
	2010	2009
Balance - beginning of year	11,324,360	7,964,366
Increase from changes in the value of securities during the year	9,119,439	3,359,994
	20,443,799	11,324,360
Less: The effect of deferred tax assets / liabilities	(6,133,140)	(3,397,308)
Balance - end of year	<u>14,310,659</u>	<u>7,927,052</u>

3.17 Gain on investments

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Allowance for impairment of investments (reversal)	(22,289,894)	17,821,461
Realised gain on investments	187,316,302	53,417,769
Total	<u>165,026,408</u>	<u>71,239,230</u>

3.18 Other income

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Penalty fee income from loans	185,758,969	178,787,490
Gains on disposal of property foreclosed	195,053,181	182,327,141
Income from business promotion relating to business	212,213,779	-
Rental income	1,896,928	5,539,237
Others	43,834,245	65,898,412
Total	<u>638,757,102</u>	<u>432,552,280</u>

3.19 Other expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Allowance for impairment of property foreclosed	257,000	505,756,383
Mailing expenses	34,493,162	33,344,918
Software amortisation expenses	43,206,837	33,108,215
Loan losses from court - ordered executions	14,517,646	19,763,680
Transportation expenses	67,007,097	55,955,435
Others	62,390,394	80,803,106
Total	<u>221,872,136</u>	<u>728,731,737</u>

3.20 Corporate income tax

Income tax expenses of the Bank of the year ended 31 December 2010 and 2009 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Income tax payable on taxable profit for the year	1,322,778,120	882,045,050
Add (less): Net increase in deferred tax on temporary differences	(478,169,231)	(297,873,592)
Adjustment in respect of current income tax of prior year	17,997	(141,036)
Income tax expenses	<u>844,626,886</u>	<u>584,030,422</u>

Deferred tax is recorded directly to equity during the years ended 31 December 2010 and 2009 as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2010	2009
Deferred tax on revaluation surplus (deficit) on investments	<u>2,736</u>	<u>1,008</u>

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

(Unit: Thousand Baht)

	For the years ended 31 December	
	2010	2009
Accounting profit before income tax expenses	2,837,651	1,941,094
Income tax rate of 30%	851,295	582,328
Tax effect of tax-exempt net income and net expense that are disallowed	(6,686)	1,693
Written-off deferred tax assets	-	150
Adjustment in respect of current income tax of prior period	18	(141)
Income tax expense reported in the income statements	<u>844,627</u>	<u>584,030</u>

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 for the years ended 31 December			
	As at		for the years ended 31 December	
	2010	2009	2010	2009
Allowance for doubtful debts - reserve for counter cyclical business factors	705,247	218,354	486,893	138,378
Allowance for impairment of investments	47,390	40,680	6,710	(5,351)
Allowance for impairment of property foreclosed	97,919	161,180	(63,261)	148,133
Non-accrual of interest income	177,497	181,181	(3,684)	(805)
Depreciation of assets	21,521	21,294	227	(2,406)
Financial leases	13,910	19,559	(5,649)	8,553
Revaluation surplus on investments	(6,133)	(3,397)	-	-
Unrealised gain on derivatives	(146)	(20)	(126)	239
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(296,388)	(227,619)	(68,769)	(41,192)
Deferred subsidized income	67,017	42,144	24,873	26,462
Accrued expenses	118,405	25,912	92,493	25,912
Others	8,594	132	8,462	(49)
Deferred tax assets	<u>954,833</u>	<u>479,400</u>	<u>478,169</u>	<u>297,874</u>

3.21 Provident fund

	For the years ended	
	31 December 2010	31 December 2009
Amounts contributed to the provident fund (Million Baht)	41	37

3.22 Earnings per share

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

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

The computation of basic earnings per share is listed below.

	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		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	1,993,024	1,357,063				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year ⁽¹⁾	-	(91,750)				
	<u>1,993,024</u>	<u>1,265,313</u>	<u>728,152</u>	<u>728,152</u>	<u>2.74</u>	<u>1.74</u>

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

3.23 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2009	Increase	Decrease	As at 31 December 2010
<u>Outstanding balance</u>				
Parent company: TISCO Financial Group Plc.				
Other assets	-	2,344	-	2,344
Deposits in Baht	66,384	373,212	(433,135)	6,461
Accrued interest payable	21	214	(142)	93
Borrowings	360,000	219,849	(192,849)	387,000
Dividend payable	436,196	1,019,246	(436,196)	1,019,246
Other liabilities	-	188,922	(114,334)	74,588
Subsidiary company				
TISCO Leasing Co., Ltd.				
Deposits in Baht	5,560	236	(1,871)	3,925
Borrowings	47,708	-	(37,708)	10,000
Accrued interest payable	84	452	(535)	1
Related companies				
Loans:				
TISCO Information Technology Co., Ltd.	15,000	-	(15,000)	-
TISCO Tokyo Leasing Co., Ltd.	-	100,000	-	100,000
Other assets:				
TISCO Securities Co., Ltd.	1,350	-	(1,350)	-
Primus Leasing Co.,Ltd.	60	-	(60)	-
Deposits in Baht:				
Hi-Way Co., Ltd.	12,391	17,978	(8,376)	21,993
TISCO Information Technology Co., Ltd.	8,053	6,821	(7,820)	7,054
Primus Leasing Co.,Ltd.	29,630	4,114	(45)	33,699
TISCO Tokyo Leasing Co., Ltd.	464	-	(441)	23
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	2,072	513,629	-	515,701
TISCO Asset Management Co., Ltd.	55,308	63,378	(64,547)	54,139
Borrowings:				
TISCO Information Technology Co., Ltd.	-	49,000	(19,000)	30,000
Accrued interest payable:				
TISCO Securities Co., Ltd.	-	51	-	51
TISCO Asset Management Co., Ltd.	57	41	-	98
TISCO Information Technology Co., Ltd.	-	65	(58)	7

(Unit Thousand Baht)

	2010	2009	Terms and pricing policy
			(For the year 2010)
<u>Transactions occurred during the years ended</u>			
<u>31 December</u>			
Parent company			
Interest income	-	68,254	With reference to the terms and prices as offered to other customers
Risk and financial management fee income, human resources management fee income and office administration fee income	920,979	800,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	3,774	4,067	With reference to the terms and prices as offered to other customers
Others expenses	8,150	-	With reference to the terms and prices as offered to other customers
Subsidiary companies and related companies			
Interest income	1,429	2,080	With reference to the terms and prices as offered to other customers
Other income	1,691	1,259	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	211,000	170,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Underwriting fee for issuing subordinate debentures	4,000	8,000	With reference to the terms and prices as offered to other customers
Interest expenses	2,533	2,436	With reference to the terms and prices as offered to other customers
Others expenses	2,556	2,797	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	
	31 December 2010	31 December 2009
Loans	196	1,949

Besides the above transactions, the Bank has additional related party transactions with its related companies, which are presented in Note 4.4 to the financial statements.

Directors and management's remuneration

In 2010, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 102 million (2009: Baht 151 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	
	31 December 2010	31 December 2009
Avals	194,136	21,651
Other guarantees	888,386	928,884
Undrawn client overdraft facilities	33,273	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)	180,908	-
	<u>1,596,703</u>	<u>1,638,587</u>

3.25.2 Litigation

As at 31 December 2010, the Bank has been sued for compensation totaling approximately Baht 152 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 181 million as at 31 December 2010). During the current year, 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 31 December 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	70
1 to 3 years	37

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 of credit is as follow:

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
Neither past due nor impaired		
Very high grade	70,228	57,448
High grade	30,510	22,443
Medium grade	3,830	3,033
Sub total	104,568	82,924
Hire purchase receivable - overdue 31 - 90 days	6,360	6,440
Hire purchase receivable - overdue more than 90 days	1,460	1,386
Total	<u>112,388</u>	<u>90,750</u>

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
31 December

	2010	2009
Marketable financial assets		
Debts securities	23	95
Foreign currencies	7	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
31 December

	2010	2009
Change in interest rate		
Increase 1 percent	(258.13)	(279.80)
Decrease 1 percent	258.13	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)

<u>Transactions</u>	As at 31 December 2010			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	-	11,371	989	12,360
Investment - net	-	4,337	763	5,100
Loans and receivables ⁽¹⁾	8,523	135,335	1,446	145,304
	<u>8,523</u>	<u>151,043</u>	<u>4,101</u>	<u>163,667</u>
<u>Financial liabilities</u>				
Deposits	30,386	18,004	219	48,609
Interbank and money market items	97	8,770	-	8,867
Liabilities payable on demand	-	-	532	532
Borrowings	-	87,974	-	87,974
	<u>30,483</u>	<u>114,748</u>	<u>751</u>	<u>145,982</u>

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

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2009			
	Outstanding balances of financial instruments			
	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 ⁽¹⁾	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>

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

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

(Unit: Million Baht)

As at 31 December 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	-	11,371	-	-	-	11,371	1.6209
Investment - net	41	1,476	480	2,335	5	4,337	5.3206
Loans and receivables	6,021	13,061	30,425	83,256	2,572	135,335	6.5396
	<u>6,062</u>	<u>25,908</u>	<u>30,905</u>	<u>85,591</u>	<u>2,577</u>	<u>151,043</u>	
Financial liabilities							
Deposits	1,606	12,245	3,844	309	-	18,004	1.7824
Interbank and money market items	776	4,219	37	3,738	-	8,770	2.4955
Borrowings	1,921	52,185	18,408	9,460	6,000	87,974	2.2507
	<u>4,303</u>	<u>68,649</u>	<u>22,289</u>	<u>13,507</u>	<u>6,000</u>	<u>114,748</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 31 December 2010					
Remaining days					
	Less than 3 months	3 - 6 months	6 - 12 months	More than 1 year	Total
Liabilities	108,339	17,359	4,929	19,508	150,135

The matured liabilities, both deposit and bill of exchange, are generally rollover with 90% average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit at 28% of total liabilities with remaining maturity less than three months. Both current deposit and saving deposit are considered to be more 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	
31 December 2010	
Composition of highly liquid assets	
Cash	903
Interbank and money market - net	12,360
Current investment - net	2,463
Total liquid assets ⁽¹⁾	15,726
Liquid asset requirement ⁽¹⁾	3,103

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2010, the Bank has highly liquid assets at Baht 15,726 million, which higher than internal liquid asset requirement of Baht 3,103 million. In addition of liquid assets, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

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

(Unit: Million Baht)

As at 31 December 2010								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans*	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	989	11,371	-	-	-	-	-	12,360
Investments - net	41	1,476	480	2,335	5	763	-	5,100
Loans and receivables	8,266	11,905	31,068	86,327	4,120	-	3,618	145,304
	<u>10,199</u>	<u>24,752</u>	<u>31,548</u>	<u>88,662</u>	<u>4,125</u>	<u>763</u>	<u>3,618</u>	<u>163,667</u>
Financial liabilities								
Deposits	32,211	12,245	3,844	309	-	-	-	48,609
Interbank and money market items	873	4,219	37	3,738	-	-	-	8,867
Liabilities payable on demand	532	-	-	-	-	-	-	532
Borrowings	1,921	52,185	18,407	9,461	6,000	-	-	87,974
	<u>35,537</u>	<u>68,649</u>	<u>22,288</u>	<u>13,508</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>145,982</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	182	12	-	-	-	-	194
Other commitments	33	5	259	481	-	625	-	1,403

* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

As at 31 December 2009								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							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>
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

* Non performing loans according to the BOT's guidelines

3.26.4 Foreign exchange risk

- a) As at 31 December 2010, the Bank had the significant financial instruments in foreign currencies which are investment in a subsidiary company amounting to HKD 20 million (under the cost method net allowance for impairment equivalent to Baht 49 million).
- b) Investment in foreign debt securities amounting to USD 6 million (amortised cost amounting to Baht 197 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.

- 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	181	11

3.26.6 Fair value of financial instruments

As at 31 December 2010 and 2009, the fair values of significant financial instruments of the Bank, as presented below.

(Units: Million Baht)

<u>Transactions</u>	As at			
	31 December 2010		31 December 2009	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Interbank and money market items	12,360	12,360	12,075	12,075
Investments - net	5,100	5,100	8,410	8,410
Loans and receivables	141,445	145,253	107,112	110,444
<u>Financial liabilities</u>				
Deposits	48,609	48,609	56,931	56,931
Interbank and money market items	8,867	8,867	4,321	4,321
Liabilities payable on demand	532	532	345	345
Borrowings	87,974	88,061	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 value of financial instruments are the values net of the full amount of such allowance for doubtful debt, after adjusting for loan loss reserve.

4. Significant events during the year 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 year 2010, TISCO Financial Group Public Company Limited undertook to issue the company's ordinary shares in exchange of the remaining 1,039,099 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 15 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 99.98 percent of the Bank's paid up shares and there are 119,520 shares of the Bank held by minority shareholders (119,416 ordinary shares and 104 preference shares), which is equivalent to 0.02 percent of the Bank's shares in issue.

4.2 Investment in securities

During year 2010, the Bank disposed of all of its held-to-maturity debt securities, with gains on the disposals amounting to Baht 68 million.

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 of TISCO Bank No.4/2009 on 19 June 2009	0.88	0.38	368	July 2009
Interim dividend for 2009	The Board of Directors' Meeting of TISCO Bank No.7/2009 on 18 December 2009	0.60	0.60	437	January 2010
Total dividend payment in year 2009				<u>1,462</u>	
Interim dividend for 2010	The Board of Directors' Meeting of TISCO Bank No.6/2010 on 17 December 2010	1.40	1.40	1,019	January 2011
Total dividend payment in year 2010				<u>1,019</u>	

4.4 Related party transactions

Besides the related party transactions as described in Note 3.23 to the financial statements, the Bank had additional related party transactions with its related companies during the years, as presented below.

Year 2009

On 2 March 2009, the Bank entered into an assignment agreement to acquire rights of claim over hire purchase receivables, lease receivables and property foreclosed of Primus Leasing Company Limited for a total consideration of approximately Baht 5,144 million, which was at fair value. The fair value of receivables was calculated by discounting cash flow projections under the hire purchase and lease contracts. The discount rate applied was the current new business (new car) rate. The fair value of property foreclosed was reference from market price. The purchase price was paid to that company on 24 April 2009. Primus Leasing Company Limited recorded a gain from the sale of Baht 102 million.

4.5 Increase of a subsidiary's registered share capital

A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.1/2010, on 27 October 2010, approved an increase in that company's registered share capital from Baht 14 million (140,000 ordinary shares of Baht 100 each) to Baht 100 million (1,000,000 ordinary shares of Baht 100 each). On 29 October 2010, the company registered the increase in its registered share capital with the Ministry of Commerce.

5. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 4 February 2011.