

TISCO Financial Group Public Company Limited  
and its subsidiary companies  
Report and financial statements  
For the years ended 31 December 2010 and 2009

## **Report of Independent Auditor**

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated balance sheet of TISCO Financial Group Public Company Limited and its subsidiaries as at 31 December 2010, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the separate financial statements of TISCO Financial Group Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries and the separate financial statements of TISCO Financial Group 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 Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2010, and the results of their 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 Financial Group Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Assets</b>					
Cash		903,306,075	826,526,233	50,000	50,000
Interbank and money market items	3.2				
Domestic					
Interest bearing		11,488,628,233	10,452,308,437	393,553,928	426,404,500
Non-interest bearing		999,683,327	2,191,309,753	-	-
Foreign					
Interest bearing		57,018,254	64,626,083	-	-
Non-interest bearing		73,279	-	-	-
Total interbank and money market items - net		12,545,403,093	12,708,244,273	393,553,928	426,404,500
Investments	3.3,3.4,3.7				
Current investment - net		2,624,873,779	2,628,124,929	-	-
Long-term investment - net		3,856,130,706	6,809,821,841	-	-
Investment in subsidiaries - net		-	-	14,879,285,232	15,369,421,314
Net investments		6,481,004,485	9,437,946,770	14,879,285,232	15,369,421,314
Receivable from clearing house		342,549,116	139,724,828	-	-
Loans, receivables and accrued interest receivable	3.5,3.7				
Loans and receivables		149,730,796,913	113,232,976,867	1,281,000,000	1,475,000,000
Securities and derivatives business receivables		1,293,961,355	1,016,338,987	-	-
Total loans and receivables		151,024,758,268	114,249,315,854	1,281,000,000	1,475,000,000
Accrued interest receivable		133,878,808	116,856,703	-	-
Total loans, receivables and accrued interest receivable		151,158,637,076	114,366,172,557	1,281,000,000	1,475,000,000
Less: Allowance for doubtful accounts	3.6	(4,162,021,676)	(2,425,265,350)	-	-
Less: Allowance for loss on debt restructuring		(2,967)	(18,258)	-	-
Net loans, receivables and accrued interest receivable		146,996,612,433	111,940,888,949	1,281,000,000	1,475,000,000
Property foreclosed - net	3.7, 3.8	21,397,254	49,170,844	-	-
Land, premises and equipment - net	3.9	1,466,874,240	1,558,671,038	706,055,360	727,931,989
Deferred tax assets	3.20	1,242,502,525	696,617,396	167,865,482	86,136,513
Dividend receivables from subsidiaries		-	-	1,589,242,490	623,695,245
Other assets	3.10	1,407,899,326	1,446,564,262	218,729,303	101,961,009
<b>Total assets</b>		<b>171,407,548,547</b>	<b>138,804,354,593</b>	<b>19,235,781,795</b>	<b>18,810,600,570</b>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Liabilities and shareholders' equity</b>					
Deposits in baht	3.11	48,535,599,021	56,808,482,590	-	-
Interbank and money market items					
Domestic - Interest bearing	3.12	10,842,764,888	6,380,215,568	-	210,000,000
Liability payable on demand		532,447,850	345,170,135	-	-
Borrowings	3.13				
Short-term borrowings		75,313,442,950	53,698,938,646	3,345,075,040	3,989,392,156
Long-term borrowings		15,460,403,568	5,429,750,030	-	-
Total borrowings		90,773,846,518	59,128,688,676	3,345,075,040	3,989,392,156
Payable to clearing house		18,614,586	192,815,085	-	-
Securities and derivative business payables		1,610,686,492	958,531,546	-	-
Accrued interest payable		462,130,347	263,481,507	8,653,952	9,062,415
Corporate income tax payable		942,102,626	704,302,092	108,574,180	68,672,484
Accrued expenses		1,147,963,205	395,167,797	436,765,803	182,971,224
Other liabilities	3.14	1,684,166,043	1,108,782,901	62,949,197	44,953,492
<b>Total liabilities</b>		<b>156,550,321,576</b>	<b>126,285,637,897</b>	<b>3,962,018,172</b>	<b>4,505,051,771</b>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered	2.2	11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and fully paid-up - registered					
35,358 preference shares of Baht 10 each (2009: 698,558 preference shares of Baht 10 each)		353,580	6,985,580	353,580	6,985,580
727,876,728 ordinary shares of Baht 10 each (2009: 726,165,221 ordinary shares of Baht 10 each)		7,278,767,280	7,261,652,210	7,278,767,280	7,261,652,210
		7,279,120,860	7,268,637,790	7,279,120,860	7,268,637,790
Issued and fully paid-up - awaiting to register					
2009: 9,208 ordinary shares of Baht 10 each	4.1	-	92,080	-	92,080
Share premium					
Share premium of preference shares		-	-	311,150	6,147,310
Share premium of ordinary shares		-	-	6,012,804,262	6,002,125,900
		-	-	6,013,115,412	6,008,273,210
		7,279,120,860	7,268,729,870	13,292,236,272	13,277,003,080
Adjustment from business combination of entities					
under common control under holding restructuring plan	4.1	679,266,166	672,294,885	-	-
Revaluation surplus (deficit) on investments	3.16	292,655,210	(37,792,840)	-	-
Unrealised losses on cash flow hedges		(6,553,855)	(21,924,048)	-	-
Translation adjustment	1.2	80,835,492	86,441,426	-	-
Retained earnings					
Appropriated-statutory reserve	2.3	212,600,000	119,800,000	212,600,000	119,800,000
Unappropriated		6,235,417,252	4,342,447,016	1,768,927,351	908,745,719
Equity attributable to the Company's shareholders		14,773,341,125	12,429,996,309	15,273,763,623	14,305,548,799
Non-controlling interest - equity attributable to minority shareholders of subsidiaries					
		83,885,846	88,720,387	-	-
<b>Total shareholders' equity</b>		<b>14,857,226,971</b>	<b>12,518,716,696</b>	<b>15,273,763,623</b>	<b>14,305,548,799</b>
<b>Total liabilities and shareholders' equity</b>					
		<b>171,407,548,547</b>	<b>138,804,354,593</b>	<b>19,235,781,795</b>	<b>18,810,600,570</b>
Off-balance sheet items - contingencies					
Aval to bills and guarantees of loans	3.25	194,136,067	21,651,000	-	-
Other commitments		1,729,057,346	2,482,668,465	-	-

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

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Mrs. Oranuch Apisaksirikul  
(Group Chief Executive Officer)

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Mr. Suthas Ruangmanamongkol  
(Director)

TISCO Financial Group Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Interest and dividend income</b>					
Loans		1,632,435,697	1,262,275,128	36,105,795	8,519,952
Interbank and money market items		199,482,163	150,391,904	3,878,415	4,345,915
Hire purchase and financial lease income		7,163,020,153	6,426,676,655	-	-
Investments		524,999,724	633,313,336	1,590,712,490	2,076,681,067
<b>Total interest and dividend income</b>		<b>9,519,937,737</b>	<b>8,472,657,023</b>	<b>1,630,696,700</b>	<b>2,089,546,934</b>
<b>Interest expenses</b>					
Deposits		811,560,670	1,098,196,246	-	-
Interbank and money market items		209,992,431	198,309,461	189,055	69,165,493
Short-term borrowings		889,981,683	915,794,785	59,808,241	24,652,083
Long-term borrowings		403,732,674	279,455,206	-	-
<b>Total interest expenses</b>		<b>2,315,267,458</b>	<b>2,491,755,698</b>	<b>59,997,296</b>	<b>93,817,576</b>
<b>Net interest and dividend income</b>		<b>7,204,670,279</b>	<b>5,980,901,325</b>	<b>1,570,699,404</b>	<b>1,995,729,358</b>
<b>Bad debts and doubtful accounts</b>		<b>(1,933,403,407)</b>	<b>(1,547,877,882)</b>	<b>-</b>	<b>-</b>
<b>Net interest and dividend income after bad debts and doubtful accounts</b>		<b>5,271,266,872</b>	<b>4,433,023,443</b>	<b>1,570,699,404</b>	<b>1,995,729,358</b>
<b>Non-interest income</b>					
Brokerage fees		706,283,050	546,735,454	-	-
Gain (loss) on investments	3.17	210,024,942	9,718,435	(5,370,257)	(104,292,703)
<b>Fees and service income</b>					
Acceptances, aval and guarantees		10,428,089	9,850,231	-	-
Insurance services		820,610,910	613,151,980	-	-
Fund management		608,934,582	574,047,897	-	-
Financial advisory fee		163,511,844	10,855,580	-	-
Supporting services	3.23	-	-	1,348,979,211	1,091,000,000
Others		613,922,757	554,729,784	587,111	949,773
Gain (loss) on exchange		(2,267,363)	9,197,728	-	-
Other income	3.18	745,020,256	544,768,493	94,191,176	60,441,395
<b>Total non-interest income</b>		<b>3,876,469,067</b>	<b>2,873,055,582</b>	<b>1,438,387,241</b>	<b>1,048,098,465</b>
<b>Total net income</b>		<b>9,147,735,939</b>	<b>7,306,079,025</b>	<b>3,009,086,645</b>	<b>3,043,827,823</b>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Income statements (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Non-interest expenses</b>					
Personnel expenses		2,760,453,179	2,054,827,100	681,852,222	394,470,934
Premises and equipment expenses		706,708,824	698,959,730	252,667,964	105,106,051
Taxes and duties		154,304,314	117,550,903	3,369,884	1,792,547
Fees and service expenses		359,172,341	334,492,576	12,508,352	10,649,114
Directors' remuneration	2.4	9,380,000	7,985,000	9,380,000	7,985,000
Contributions to the Deposit Protection Agency		255,951,764	228,752,550	-	-
Advertising and promotion expenses		376,800,820	146,776,990	3,705,097	1,469,546
Other expenses	3.19	366,329,752	871,544,188	62,914,576	24,385,366
<b>Total non-interest expenses</b>		<b>4,989,100,994</b>	<b>4,460,889,037</b>	<b>1,026,398,095</b>	<b>545,858,558</b>
<b>Income before income tax</b>		<b>4,158,634,945</b>	<b>2,845,189,988</b>	<b>1,982,688,550</b>	<b>2,497,969,265</b>
Income tax expenses	3.20	(1,256,162,798)	(840,440,709)	(127,227,674)	(103,679,905)
<b>Net income for the year</b>		<b>2,902,472,147</b>	<b>2,004,749,279</b>	<b>1,855,460,876</b>	<b>2,394,289,360</b>
<b>Net income attributable to</b>					
Equity holders of the parent		2,888,246,737	1,988,393,387	1,855,460,876	2,394,289,360
Non-controlling interests of the subsidiaries		14,225,410	16,355,892		
		<b>2,902,472,147</b>	<b>2,004,749,279</b>		
<b>Earnings per share</b>					
Basic earnings per share	3.22				
Net income attributable to equity holders of the parent		3.97	2.62	2.55	3.18

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



**TISCO Financial Group Public Company Limited and its subsidiaries**

**Cash flow statements**

**For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>				
Income before income tax expenses	4,158,634,945	2,845,189,988	1,982,688,550	2,497,969,265
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	349,872,542	316,762,346	108,813,604	65,426,354
Bad debts and doubtful accounts	2,585,631,197	2,083,500,371	-	-
Allowance for impairment of investments	14,429,434	6,265,109	5,370,257	104,292,703
Allowance for impairment of property foreclosed	257,000	494,780,383	-	-
Gain on disposal of investments	(211,458,536)	(333,623)	-	-
Unrealised loss on exchange (reversal)	2,267,363	(9,197,728)	-	-
Gain on disposal of land, premises and equipment	(39,511,247)	(11,424,816)	(26,685,659)	-
Loss on written-off of equipment	124,292	7,736,445	-	-
Unrealised gain on securities for trading	(12,995,840)	(15,649,920)	-	-
Gain on disposal of property foreclosed	(205,901,888)	(179,206,965)	-	-
Increase in other accrued income	(17,764,346)	(35,650,627)	(74,557,631)	(276,003)
Increase in accrued expenses	688,487,079	254,937,107	300,897,157	139,314,363
Income from operating activities before changes in operating assets and liabilities	7,312,071,995	5,757,708,070	2,296,526,278	2,806,726,682
Decrease (increase) in operating assets				
Interbank and money market items	162,836,129	1,896,213,615	32,850,572	(398,412,413)
Investment in securities for trading	-	17,699,396	-	-
Receivable from clearing house	(202,824,288)	(139,724,128)	-	-
Loans and receivables	(38,554,491,525)	(12,598,373,351)	194,000,000	(1,475,000,000)
Securities and derivatives business receivables	(277,622,368)	(348,966,054)	-	-
Property foreclosed	1,822,781,702	2,443,709,501	-	-
Other assets	(92,649,529)	(94,501,332)	(86,734,175)	(95,016,004)

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

**TISCO Financial Group Public Company Limited and its subsidiaries**

**Cash flow statements (continued)**

**For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Increase (decrease) in operating liabilities				
Deposits	(8,272,883,569)	(2,014,134,917)	-	-
Interbank and money market items	4,463,970,534	659,457,449	(210,000,000)	(2,390,000,000)
Liability payable on demand	187,277,715	(151,570,462)	-	-
Short-term borrowings	24,613,036,864	2,062,421,294	(644,317,116)	3,989,392,156
Payable to clearing house	(174,200,498)	(146,326,094)	-	-
Securities and derivative business payables	652,154,946	666,340,706	-	-
Other liabilities	504,530,507	(192,582,354)	(29,106,871)	(183,569,638)
	<u>(7,856,011,385)</u>	<u>(2,182,628,661)</u>	<u>1,553,218,688</u>	<u>2,254,120,783</u>
Net interest and dividend income	(7,204,670,279)	(5,980,901,325)	(1,570,699,404)	(1,995,729,358)
Cash received from interest income	9,109,946,850	8,839,187,778	39,912,265	12,844,497
Cash paid for interest expenses	(2,116,522,871)	(3,450,104,868)	(60,405,759)	(84,755,161)
Cash paid for income tax expenses	(1,556,865,587)	(574,730,003)	(169,054,948)	(121,182,360)
<b>Net cash flows from (used in) operating activities</b>	<u>(9,624,123,272)</u>	<u>(3,349,177,079)</u>	<u>(207,029,158)</u>	<u>65,298,401</u>
<b>Cash flows from investing activities</b>				
Cash paid for purchase of investment in securities held for investment	(5,334,274,147)	(6,530,727,692)	-	-
Cash received from disposal of investment in securities held for investment	8,944,429,625	8,249,823,586	-	-
Cash paid for purchase of equipment	(196,026,716)	(179,768,206)	(75,597,250)	(13,049,750)
Cash received from sales of land, premises and equipment	77,297,454	31,189,922	59,941,391	-
Cash received from dividend	86,909,471	77,593,225	625,165,244	1,452,985,822
Cash paid for decrease in ordinary shares	-	-	-	(10,000)
Cash paid in respect of capital increases and acquisition of subsidiaries (Note 4.2)	(933)	(890,321,287)	(933)	(890,321,287)
Cash paid for acquisition of the remaining ordinary shares in accordance with the Group shareholding restructuring plan (Note 4.1)	-	(1,768,289)	-	(1,768,289)
Cash received from share capital reduction of subsidiaries and capital returned from a subsidiary (Note 4.3.2)	-	7,185,990	499,999,950	748,800,000
<b>Net cash flows from investing activities</b>	<u>3,578,334,754</u>	<u>763,207,249</u>	<u>1,109,508,402</u>	<u>1,296,636,496</u>
<b>Cash flows from financing activities</b>				
Dividend paid	(902,479,244)	(1,367,827,404)	(902,479,244)	(1,361,884,897)
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	2,000,000,000	4,000,000,000	-	-
<b>Net cash flows from (used in) financing activities</b>	<u>6,128,174,294</u>	<u>2,819,922,626</u>	<u>(902,479,244)</u>	<u>(1,361,884,897)</u>
<b>Translation adjustment</b>	<u>(5,605,934)</u>	<u>(2,996,910)</u>	<u>-</u>	<u>-</u>
<b>Net increase in cash</b>	<u>76,779,842</u>	<u>230,955,886</u>	<u>-</u>	<u>50,000</u>
Cash at beginning of year	826,526,233	595,570,347	50,000	-
<b>Cash at end of year</b>	<u>903,306,075</u>	<u>826,526,233</u>	<u>50,000</u>	<u>50,000</u>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Conversion of preference shares to ordinary shares	12,468,160	1,827,286,680	12,468,160	1,827,286,680
Issuance securities for swap ordinary shares under holding restructuring under common control (Note 4.1)	15,233,192	33,228,091	15,233,192	33,228,091

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements										Total
	Equity attributable to the parent's shareholders									Non-controlling interest - equity attributable to minority shareholders of subsidiaries	
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)		Adjustment from business combination of entities under common control under holding restructuring plan	Revaluation surplus (deficit) on investments	Unrealised losses on cash flow hedges	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Total equity attributable to the parent's shareholders		
	Preference shares	Ordinary shares									
<b>Balance as at 31 December 2009</b>	6,985,580	7,261,744,290	672,294,885	(37,792,840)	(21,924,048)	86,441,426	119,800,000	4,342,447,016	12,429,996,309	88,720,387	12,518,716,696
<b>Income (expenses) recognised in equity:</b>											
Increase in fair value of investments	-	-	-	456,256,742	-	-	-	-	456,256,742	-	456,256,742
Unrealised gains on cash flow hedges	-	-	-	-	21,957,419	-	-	-	21,957,419	-	21,957,419
Increase in translation adjustment	-	-	-	-	-	(5,605,934)	-	-	(5,605,934)	-	(5,605,934)
Deferred tax recognised in (transferred out) from shareholder's equity	-	-	-	(125,808,692)	(6,587,226)	-	-	-	(132,395,918)	-	(132,395,918)
<b>Income (expenses) recognised in equity</b>	-	-	-	330,448,050	15,370,193	(5,605,934)	-	-	340,212,309	-	340,212,309
Net income for the year	-	-	-	-	-	-	-	2,888,246,737	2,888,246,737	14,225,410	2,902,472,147
<b>Total income (expenses) for the year</b>	-	-	-	330,448,050	15,370,193	(5,605,934)	-	2,888,246,737	3,228,459,046	14,225,410	3,242,684,456
Dividend paid (Note 4.4)	-	-	-	-	-	-	-	(902,475,325)	(902,475,325)	-	(902,475,325)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(1,176)	(1,176)	-	(1,176)
Transfer unappropriated retain earning to statutory reserve	-	-	-	-	-	-	92,800,000	(92,800,000)	-	-	-
Preference shares converted to ordinary shares	(6,632,000)	6,632,000	-	-	-	-	-	-	-	-	-
Adjustment from business combination of entities under common control under holding restructuring plan (Note 4.1)	-	10,390,990	6,971,281	-	-	-	-	-	17,362,271	(17,362,271)	-
Decrease in non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	-	-	(1,697,680)	(1,697,680)
<b>Balance as at 31 December 2010</b>	353,580	7,278,767,280	679,266,166	292,655,210	(6,553,855)	80,835,492	212,600,000	6,235,417,252	14,773,341,125	83,885,846	14,857,226,971

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements										
	Equity attributable to the parent's shareholders										Total
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)		Adjustment from business combination of entities under common control under holding restructuring plan	Revaluation surplus (deficit) on investments	Unrealised losses on cash flow hedges	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Total equity attributable to the parent's shareholders	Non-controlling interest - equity attributable to minority shareholders of subsidiaries	
	Preference shares	Ordinary shares									
<b>Balance as at 31 December 2008</b>	1,834,272,260	5,411,801,790	656,755,136	(398,991,796)	-	78,101,573	-	3,835,778,528	11,417,717,491	118,320,307	
<b>Income (expenses) recognised in equity</b>											
Increase in fair value of investments	-	-	-	479,726,695	-	-	-	-	479,726,695	-	479,726,695
Unrealised losses on cash flow hedges	-	-	-	-	(31,320,069)	-	-	-	(31,320,069)	-	(31,320,069)
Increase in translation adjustment	-	-	-	-	-	8,339,853	-	-	8,339,853	-	8,339,853
Deferred tax recognised in (transferred out) from shareholder's equity	-	-	-	(118,527,739)	9,396,021	-	-	-	(109,131,718)	-	(109,131,718)
<b>Income (expenses) recognised in equity</b>	-	-	-	361,198,956	(21,924,048)	8,339,853	-	-	347,614,761	-	347,614,761
Net income for the year	-	-	-	-	-	-	-	1,988,393,387	1,988,393,387	16,355,892	2,004,749,279
<b>Total income (expenses) for the year</b>	-	-	-	361,198,956	(21,924,048)	8,339,853	-	1,988,393,387	2,336,008,148	16,355,892	2,352,364,040
Dividend paid (Note 4.4)	-	-	-	-	-	-	-	(1,361,884,897)	(1,361,884,897)	(5,942,507)	(1,367,827,404)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(40,002)	(40,002)	-	(40,002)
Transfer unappropriated retain earning to statutory reserve	-	-	-	-	-	-	119,800,000	(119,800,000)	-	-	-
Decrease ordinary shares	-	(10,000)	-	-	-	-	-	-	(10,000)	-	(10,000)
Preference shares converted to ordinary shares	(1,827,286,680)	1,827,286,680	-	-	-	-	-	-	-	-	-
Adjustment from business combination of entities under common control under holding restructuring plan (Note 4.1)	-	22,665,820	15,539,749	-	-	-	-	-	38,205,569	(38,205,569)	-
Decrease in non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	-	-	(1,807,736)	(1,807,736)
<b>Balance as at 31 December 2009</b>	6,985,580	7,261,744,290	672,294,885	(37,792,840)	(21,924,048)	86,441,426	119,800,000	4,342,447,016	12,429,996,309	88,720,387	12,518,716,696

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

**TISCO Financial Group Public Company Limited and its subsidiaries**

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

**For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	Separate financial statements								Total
	Issued and fully paid-up share capital - registered		Issued and fully paid-up share capital awaiting for registered		Share premium		Statutory reserve	Unappropriated retained earnings (deficit)	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares			
<b>Balance as at 31 December 2009</b>	6,985,580	7,261,652,210	-	92,080	6,147,310	6,002,125,900	119,800,000	908,745,719	14,305,548,799
Net income for the year	-	-	-	-	-	-	-	1,855,460,876	1,855,460,876
<b>Total income (expenses) recognised for the year</b>	-	-	-	-	-	-	-	1,855,460,876	1,855,460,876
Dividend paid (Note 4.4)	-	-	-	-	-	-	-	(902,479,244)	(902,479,244)
Transfer unappropriated retain earnings									
to statutory reserve	-	-	-	-	-	-	92,800,000	(92,800,000)	-
Issuance of ordinary shares to the shareholders									
under common control under holding restructuring plan (Note 4.1)	-	10,390,990	-	-	-	4,842,202	-	-	15,233,192
Registered the issuance of preference shares and ordinary shares to the shareholders									
under common control under holding restructuring plan	-	92,080	-	(92,080)	-	-	-	-	-
Preference shares converted to ordinary shares	(6,632,000)	6,632,000	-	-	(5,836,160)	5,836,160	-	-	-
<b>Balance as at 31 December 2010</b>	353,580	7,278,767,280	-	-	311,150	6,012,804,262	212,600,000	1,768,927,351	15,273,763,623

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Separate financial statements								Total
	Issued and fully paid-up share capital - registered		Issued and fully paid-up share capital awaiting for registered		Share premium		Statutory reserve	Unappropriated retained earnings (deficit)	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares			
<b>Balance as at 31 December 2008</b>	-	10,000	1,834,272,260	5,411,791,790	1,614,159,589	4,383,551,350	-	(3,820,319)	13,239,964,670
Net income for the year	-	-	-	-	-	-	-	2,394,289,360	2,394,289,360
<b>Total income (expenses) recognised for the year</b>	-	-	-	-	-	-	-	2,394,289,360	2,394,289,360
Decrease ordinary shares	-	(10,000)	-	-	-	-	-	-	(10,000)
Dividend paid (Note 4.4)	-	-	-	-	-	-	-	(1,361,884,897)	(1,361,884,897)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(38,425)	(38,425)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	119,800,000	(119,800,000)	-
Issuance of ordinary shares to the shareholders under common control under holding restructuring plan (Note 4.1)	-	22,573,740	-	92,080	-	10,562,271	-	-	33,228,091
Registered the issuance of preference shares and ordinary shares to the shareholders under common control under holding restructuring plan	1,834,272,260	5,411,791,790	(1,834,272,260)	(5,411,791,790)	-	-	-	-	-
Preference shares converted to ordinary shares	(1,827,286,680)	1,827,286,680	-	-	(1,608,012,279)	1,608,012,279	-	-	-
<b>Balance as at 31 December 2009</b>	6,985,580	7,261,652,210	-	92,080	6,147,310	6,002,125,900	119,800,000	908,745,719	14,305,548,799

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

**TISCO Financial Group Public Company Limited and its subsidiaries**  
**Notes to consolidated 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”) since the Company is the holding company that has received approval from the BOT to be a parent of a financial business group.

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

The financial statements in Thai language are the official statutory financial statements of the Company. 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.

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

## 1.2 Basis of consolidation

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.
- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies.
- e) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing average exchange rates as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of “Translation adjustment” in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.



### 1.3 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 Group:

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 Group:

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 Group:

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

Accounting standard not relevant to the Group:

TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
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The management of the Company and its subsidiaries has assessed the effect of the accounting standards and financial reporting standards and believes that those standards that are relevant to the Group 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 Company and its subsidiaries have 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 Company and its subsidiaries accounts for such employee benefits when they are incurred.

The management of the Company and its subsidiaries has assessed the effect of adopting such standard in 2011 and chosen to record all employee benefits liabilities as an adjustment to the beginning balance of retained earnings of the year 2011. As a result, these transactions will have the effect of decreasing the beginning balance of retained earnings of the year 2011 by Baht 158 million in the consolidated financial statements and Baht 40 million in the separate financial statements.

## **1.4 Significant accounting policies**

### **1.4.1 Income recognition**

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase and financial lease income are recognised over the installment period, using the effective interest rate.

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

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

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fee

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

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

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

- e) Fees and service income

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

#### **1.4.2 Expense recognition**

- a) Interest expenses

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

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

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

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

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

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

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

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

- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).
- e) Investments in subsidiaries which present in the separate financial statements are determined at cost net of allowance for impairment (if any).
- f) The subsidiary company does not record investments which the subsidiary company holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The subsidiary company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The subsidiary company does not consider the investments in mutual funds to be investments in associated companies by the equity method in the consolidated financial statements, even if the company holds not less than 20% of the equity, because the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.
- h) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- i) The subsidiary company will record losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.
- j) The moving average method is used for computation of the cost of investments.

- k) In the event the subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

#### **1.4.4 Investments in receivable purchased or transferred in**

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

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

#### **1.4.5 Securities purchased under resale agreements according to private repurchase transactions**

The subsidiary company operating banking business 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 subsidiary company 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.

#### **1.4.6 Receivable from Clearing House/ Payable to Clearing House**

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

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

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

Loans 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.

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

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

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

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

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

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

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

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



- d) For the subsidiary company operating leasing business, allowance for doubtful receivables is estimated based on a review of all outstanding amounts at the end of the period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) 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.
- f) 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.

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

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, 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 subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

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

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

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

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

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

#### **1.4.12 Property foreclosed**

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

#### 1.4.13 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	-	5,10	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5	years
Leased assets under operating lease agreements	-	according to the period of lease agreement	

No depreciation is provided on land 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	

#### 1.4.14 Income tax

a) Current tax

The Company and its subsidiaries calculate 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 Company and its subsidiaries will generate sufficient taxable profits from its future operations to utilise these assets. Deferred tax liabilities are recognised for all payable temporary differences.

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

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

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

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

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

Impairment losses are recognised in the income statement.

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 and its subsidiaries 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.

#### **1.4.16 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 Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Company and its subsidiaries continue 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.

#### **1.4.17 Foreign currencies**

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

Gains and losses on exchange are included in determining income.

#### **1.4.18 Employee benefits**

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

#### **1.4.19 Provisions**

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

#### **1.4.20 Derivatives and hedge accounting**

The recording of derivatives and hedge accounting are in accordance with the principles for recording derivatives and hedge accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

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

- c) A subsidiary operating leasing business has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The subsidiary documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The subsidiary also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in the income statement.

#### **1.4.21 Financial instruments**

- a) Financial risk management

The Company and its subsidiaries' 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, receivable from clearing house, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, borrowings, payable to clearing house, and securities and derivative business payables. The financial risks associated with these financial instruments and how they are managed is described in Note 3.26 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 Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

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



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

#### **1.4.22 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.

#### **1.4.23 Significant accounting judgments and estimates**

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

##### ***Allowance for doubtful accounts for loans and receivables***

Allowances for loan losses 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 quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and long-term volatility of financial instruments.

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

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

### ***Deferred tax assets***

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

### ***Leases***

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

### ***Recognition and derecognition of assets and liabilities***

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

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

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

## **2. General information**

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

The Company's principal activity is a holding company. Upon completion of the holding company restructuring plan on 9 January 2009, the Company became the parent company of TISCO Group in place of TISCO Bank Public Company Limited ("TISCO Bank"). On 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

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

### **2.2 Share capital**

The Company has a registered capital of Baht 11,002 million which consists of 544,651,820 ordinary shares and 555,548,180 preference shares both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

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

## **2.4 Directors' remuneration**

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

## **2.5 Provident fund**

The Company, its seven subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The provident funds of the Company and its six subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules.

## **2.6 Related party transactions**

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

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

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

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

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

### 3. Details of financial statements

#### 3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2010 and 2009 is provided below.

(Unit: Percentage)									
Company's name	Country of incorporation	Percentage of shares held by the Company as at 31 December		Subsidiaries' total assets as a percentage to the consolidated total as at 31 December		Subsidiaries' total revenues as a percentage to the consolidated total for the year ended 31 December		Subsidiaries' net income (loss) as a percentage to the consolidated total for the year ended 31 December	
		2010	2009	2010	2009	2010	2009	2010	2009
		<b><u>Subsidiaries directly owned by the Company</u></b>							
TISCO Bank Public Company Limited	Thailand	99.98	99.84	93.36	94.04	75.29	76.94	107.81	110.18
TISCO Securities Co., Ltd.	Thailand	99.99	99.99	1.83	1.96	11.36	10.08	16.96	15.61
TISCO Asset Management Co., Ltd.	Thailand	99.99	99.99	0.24	0.23	7.68	8.88	14.17	19.35
Hi-Way Co., Ltd.	Thailand	99.99	99.99	1.10	1.36	4.90	2.90	6.04	1.26
TISCO Information Technology Co., Ltd.	Thailand	99.99	99.99	0.03	0.05	-	-	(9.26)	(11.78)
TISCO Tokyo Leasing Co., Ltd.	Thailand	49.00	49.00	1.59	1.62	0.96	1.16	0.92	0.98
Primus Leasing Co., Ltd. (in the process of liquidation)	Thailand	99.99	99.99	-	0.01	-	0.07	(0.19)	(2.33)
<b><u>Subsidiaries indirectly owned by the Company</u></b>									
TISCO Leasing Co., Ltd.	Thailand	99.99	99.99	0.03	0.03	0.01	0.03	(0.29)	(0.77)
TISCO Securities Hong Kong Ltd. (in the process of liquidation)	China-Hong Kong	100.00	100.00	0.03	0.05	-	-	(0.18)	(0.31)
TISCO Global Securities Ltd. (already liquidated on 12 November 2009)	China-Hong Kong	-	100.00	-	-	-	-	-	-

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

(Unit: Baht)

Consolidated financial statements 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	871,361,177	8,310,000,000	9,181,361,177	1,911,616,680	700,000,000	2,611,616,680
Commercial banks	183,440,283	3,121,659,380	3,305,099,663	483,283,837	9,547,645,163	10,030,929,000
Total	1,054,801,460	11,431,659,380	12,486,460,840	2,394,900,517	10,247,645,163	12,642,545,680
Add: Accrued interest	634,124	1,216,596	1,850,720	319,904	752,606	1,072,510
Total domestic	1,055,435,584	11,432,875,976	12,488,311,560	2,395,220,421	10,248,397,769	12,643,618,190
<u>Foreign</u>						
Hong Kong dollar	18,565,580	-	18,565,580	21,698,252	-	21,698,252
US dollar	38,525,953	-	38,525,953	42,927,831	-	42,927,831
Total	57,091,533	-	57,091,533	64,626,083	-	64,626,083
Add: Accrued interest	-	-	-	-	-	-
Total foreign	57,091,533	-	57,091,533	64,626,083	-	64,626,083
Total domestic and foreign	1,112,527,117	11,432,875,976	12,545,403,093	2,459,846,504	10,248,397,769	12,708,244,273

(Unit: Baht)

Separate financial statements as at						
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	393,460,613	-	393,460,613	426,383,130	-	426,383,130
Total	393,460,613	-	393,460,613	426,383,130	-	426,383,130
Add: Accrued interest	93,315	-	93,315	21,370	-	21,370
Total domestic	393,553,928	-	393,553,928	426,404,500	-	426,404,500

3.2.1 The subsidiary company operating banking business 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

3.2.2 Interbank and money market - items (assets) subject to restriction

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at		Type of pledge
	31 December 2010	31 December 2009	
Cash at banks of local subsidiary	10	10	To secure facilities provided for bank overdraft

### 3.3 Investments

(Unit: Baht)

Consolidated financial statements as at				
31 December 2010		31 December 2009		
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Current investments</b>				
<b>Trading securities</b>				
Equity securities:				
Domestic marketable equity securities	3,752,320	32,947,200	3,752,320	19,951,360
Add (less): Allowance for changes in value	29,194,880		16,199,040	
Net equity securities	32,947,200		19,951,360	
<b>Total trading securities</b>	<b>32,947,200</b>		<b>19,951,360</b>	
<b>Available-for-sales securities</b>				
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
Unit trust	40,133,313	40,763,991	70,000,000	70,326,148
Total	40,133,313	40,763,991	70,030,015	70,356,163
Add (less): Allowance for changes in value	630,678		326,148	
Net equity securities	40,763,991		70,356,163	
<b>Total available-for-sales securities</b>	<b>2,503,950,227</b>		<b>2,608,171,569</b>	
<b>Held-to-maturity debt securities - due within 1 year</b>				
Debt securities:				
Government and state enterprise securities	87,974,352		-	
Debt securities of private sector	2,000		2,000	
<b>Total held-to-maturity debt securities - due within 1 year</b>	<b>87,976,352</b>		<b>2,000</b>	
<b>Net current investments</b>	<b>2,624,873,779</b>		<b>2,628,124,929</b>	



(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2010		31 December 2009	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b><u>Long-term investments</u></b>				
<b>Available-for-sales securities</b>				
Equity securities:				
Domestic marketable equity securities	876,551,304	1,341,632,484	908,724,417	963,867,257
Total	876,551,304	1,341,632,484	908,724,417	963,867,257
Add (less): Allowance for changes in value	465,081,180		55,142,840	
Net equity securities	1,341,632,484		963,867,257	
<b>Total available-for-sales securities</b>	<b>1,341,632,484</b>		<b>963,867,257</b>	
<b>Held-to-maturity debt securities</b>				
Debt securities:				
Government and state enterprise securities	-		698,561,388	
<b>Total held-to-maturity debt securities</b>	<b>-</b>		<b>698,561,388</b>	
<b>Other investments</b>				
Equity securities:				
Domestic non-marketable equity securities	698,548,432		706,832,346	
Investments in receivables	1,906,752,604		4,517,004,230	
Total	2,605,301,036		5,223,836,576	
Less: Allowance for impairment	(90,802,814)		(76,443,380)	
<b>Total other investments</b>	<b>2,514,498,222</b>		<b>5,147,393,196</b>	
<b>Net long-term investments</b>	<b>3,856,130,706</b>		<b>6,809,821,841</b>	
<b>Net investments</b>	<b>6,481,004,485</b>		<b>9,437,946,770</b>	

(Unit: Baht)

	Separate financial statements as at			
	31 December 2010		31 December 2009	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b><u>Investment in subsidiaries</u></b>				
Investments in subsidiaries (cost method)	14,988,948,192		15,473,714,017	
Less: Allowance for impairment	(109,662,960)		(104,292,703)	
<b>Total Investments in subsidiaries</b>	<b>14,879,285,232</b>		<b>15,369,421,314</b>	
<b>Net investments</b>	<b>14,879,285,232</b>		<b>15,369,421,314</b>	

### 3.3.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements		Type of restriction
	as at		
	31 December 2010	31 December 2009	
Government debt securities	2	1	Pledged for electricity usage

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

(Unit: Baht)

	Consolidated financial statements as at 31 December 2010			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale securities</b>				
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
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	87,974,352	-	-	87,974,352
Debt securities of private sector	2,000	-	-	2,000
Total	87,976,352	-	-	87,976,352
<b>Total debt securities</b>	<u>1,504,390,893</u>	<u>1,044,567,590</u>	<u>2,204,105</u>	<u>2,551,162,588</u>

(Unit: Baht)

	Consolidated financial statements as at 31 December 2009			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale securities</b>				
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
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	-	-	698,561,388	698,561,388
Debt securities of private sector	2,000	-	-	2,000
Total	2,000	-	698,561,388	698,563,388
<b>Total debt securities</b>	<u>1,077,726,461</u>	<u>1,188,502,945</u>	<u>970,149,388</u>	<u>3,236,378,794</u>

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

(Unit: Baht)

	Consolidated financial statements as at 31 December 2010		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
	Companies having problems with debt repayment or in default	7,060,000	-

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

3.3.4 Investments in mutual fund which the subsidiary company holds not less than 20% of equity, but which are not recorded as investments in associated companies under the equity method in the consolidated financial statements, since the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.

(Unit: Thousand Baht)

Security's name	As at					
	31 December 2010			31 December 2009		
	Book Value	Cost	Percentage of Holding	Book Value	Cost	Percentage of Holding
			%			%
The Krung Thai Capital Protection Fixed 6 months Fund 4	20,382	20,000	18.66	20,187	20,000	46.84

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

(Unit: Baht)

Securities' name	Consolidated financial statements as at					
	31 December 2010			31 December 2009		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
		%			%	
<b><u>Insurance:</u></b>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<b><u>Services:</u></b>						
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
<b><u>Trading import and export:</u></b>						
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
<b><u>Real estate:</u></b>						
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
<b><u>Industrial:</u></b>						
Siam Art Ceramic Co., Ltd.	16,588,000	-	10	16,753,000	-	10

(Unit: Baht)

Security's name	Separate financial statements as at					
	31 December 2010			31 December 2009		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
	(Cost method)		%	(Cost method)		%
<b><u>Services:</u></b>						
TISCO Bank Public Company Limited	13,294,004,913	-	99.98	13,278,771,370	-	99.84
TISCO Securities Co., Ltd.	1,075,065,184	-	99.99	1,575,065,134	-	99.99
TISCO Asset Management Co., Ltd.	110,075,340	-	99.99	110,075,340	-	99.99
TISCO Information Technology Co., Ltd.	22,117,205	-	99.99	22,117,205	-	99.99
<b><u>Leasing and hire purchase:</u></b>						
Hi-Way Co., Ltd. (ordinary shares and preference shares)	272,919,247	-	99.99	272,918,665	-	99.99
TISCO Tokyo Leasing Co., Ltd.	73,245,016	-	49.00	73,245,016	-	49.00
Primus Leasing Co., Ltd. (in the process of liquidation)	31,858,326	-	99.99	37,228,584	-	99.99

### 3.4 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Paid-up share capital		Percentage of shares held by the Company		Cost		Dividend received for the year ended	
		as at		as at		as at		as at	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
				%	%				
<b><u>Subsidiaries directly held by the Company</u></b>									
TISCO Bank Public Company Limited	Banking	7,282	7,282	99.98	99.84	13,294	13,279	1,020	1,458
TISCO Securities Co., Ltd.	Securities business	1,000	1,500	99.99	99.99	1,075	1,575	250	156
TISCO Asset Management Co., Ltd.	Asset management	100	100	99.99	99.99	110	110	220	345
Hi-Way Co., Ltd.	Hire purchase	100	100	99.99	99.99	273	273	100	55
TISCO Information Technology Co., Ltd.	Services	20	20	99.99	99.99	22	22	-	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	60	60	49.00	49.00	73	73	1	1
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	3	3	99.99	99.99	32	37	-	62
						14,879	15,369	1,591	2,077

#### 3.4.1 Details of the cost of the investment in Primus Leasing Company Limited, as presented in the separate financial statement, are as follows:

(Unit: Million Baht)

	31 December 2010		31 December 2009	
	Paid-up share capital	Cost	Paid-up share capital	Cost
Acquisition of investment	752	890	752	890
Capital returns from the reduction of a subsidiary's share capital	(749)	(749)	(749)	(749)
Cost	3	141	3	141
Less: Allowance for investment		(109)		(104)
Net investment		32		37

#### 3.4.2 In March 2010, the Company received the return of capital from the reduction of registered share capital of TISCO Securities Company Limited amounting to Baht 500 million as mentioned in the note 4.3.2 to financial statements.

In October 2010, TISCO Leasing Company Limited registered the increase in its issue and fully paid-up registered share capital amounting to Baht 86 million as mentioned in the note 4.3.3 to financial statements.

### 3.5 Loans, receivables and accrued interest receivable

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

	(Unit: Baht)	
	Consolidated financial statements	
	As at	
	31 December 2010	31 December 2009
<b>Loans and receivables</b>		
Loans	32,597,701,425	18,337,648,847
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	132,301,255,434	108,171,428,910
Add (less): Unearned income	(16,082,725,797)	(14,048,916,060)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	1,023,111,716	824,828,829
: Advances received from financial lease receivables	(108,545,865)	(52,013,659)
Net hire purchase and financial lease receivables	117,133,095,488	94,895,328,020
Total loans and receivables	149,730,796,913	113,232,976,867
Add: Accrued interest receivable	133,878,808	116,856,703
Less: Allowance for doubtful accounts	(4,160,589,334)	(2,423,833,008)
Less: Allowance for loss on debt restructuring	(2,967)	(18,258)
Net loans, receivables and accrued interest receivable	145,704,083,420	110,925,982,304
<b>Securities and derivatives business receivables</b>		
Securities business receivable		
Customers' cash accounts	1,292,401,382	1,014,638,736
Other receivables installment receivables	1,432,342	1,432,342
Total securities business receivables	1,293,833,724	1,016,071,078
Derivatives business receivables	127,631	267,909
Total securities and derivatives business receivables	1,293,961,355	1,016,338,987
Less: Allowance for doubtful accounts	(1,432,342)	(1,432,342)
Securities and derivatives business receivables - net	1,292,529,013	1,014,906,645
Net loans, receivables and accrued interest receivable	146,996,612,433	111,940,888,949

	(Unit: Baht)	
	Separate financial statements	
	as at	
	31 December 2010	31 December 2009
<b>Loans and receivables</b>		
Loans	1,281,000,000	1,475,000,000
Add: Accrued interest receivable	-	-
Net loans and accrued interest receivable	1,281,000,000	1,475,000,000

### 3.5.2 Classified by remaining periods of contracts

(Unit: Baht)

Consolidated financial statements  
as at

	31 December 2010	31 December 2009
Loans and receivables		
Not over 1 year (included contract which are due)	11,792,231,360	10,173,405,590
Over 1 year	<u>137,938,565,553</u>	<u>103,059,571,277</u>
Total loans and receivables	149,730,796,913	113,232,976,867
Add: Accrued interest receivable	<u>133,878,808</u>	<u>116,856,703</u>
Total loans, receivables and accrued interest receivable	<u><u>149,864,675,721</u></u>	<u><u>113,349,833,570</u></u>

### 3.5.3 Classified by type of business

(Unit: Baht)

Consolidated financial statements as at 31 December 2010

	Subsidiary company operating banking business						Other subsidiaries	Total
	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	-	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	-	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	-	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	4,642,251,718	106,168,267,424
Housing loans	1,243,597,953	54,708,809	19,930,543	12,587,916	91,460,833	1,422,286,054	-	1,422,286,054
Securities	-	-	-	-	-	-	1,293,961,355	1,293,961,355
Others	<u>10,052,518,495</u>	<u>204,279,783</u>	<u>18,770,594</u>	<u>9,552,214</u>	<u>392,064,525</u>	<u>10,677,185,611</u>	-	<u>10,677,185,611</u>
Total loans, receivables and securities business receivables	136,118,932,428	6,610,611,311	787,991,492	267,280,000	1,303,729,964	145,088,545,195	5,936,213,073	151,024,758,268
Add: Accrued interest receivable	<u>33,534,653</u>	<u>82,032,147</u>	-	-	-	<u>115,566,800</u>	<u>18,312,008</u>	<u>133,878,808</u>
Total loans, receivables and securities business receivables and accrued interest receivable	<u><u>136,152,467,081</u></u>	<u><u>6,692,643,458</u></u>	<u><u>787,991,492</u></u>	<u><u>267,280,000</u></u>	<u><u>1,303,729,964</u></u>	<u><u>145,204,111,995</u></u>	<u><u>5,954,525,081</u></u>	<u><u>151,158,637,076</u></u>

(Unit: Baht)

Consolidated financial statements as at 31 December 2009

	Subsidiary company operating banking business						Other	Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total	Subsidiaries	
Agricultural and mining	128,555,081	3,414,844	1,448,917	1,106,412	549,595	135,074,849	-	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	-	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	-	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	-	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	4,145,410,166	86,632,177,144
Housing loans	1,269,250,322	36,073,885	22,448,055	20,627,110	127,428,441	1,475,827,813	-	1,475,827,813
Securities	-	-	-	-	-	-	1,016,338,987	1,016,338,987
Others	5,126,978,159	141,861,245	15,557,997	8,131,865	440,779,831	5,733,309,097	-	5,733,309,097
Total loans, receivables and securities business receivables	100,011,415,824	6,615,070,643	774,027,281	353,683,523	1,333,369,430	109,087,566,701	5,161,749,153	114,249,315,854
Add: Accrued interest receivable	14,922,739	82,548,467	-	-	-	97,471,206	19,385,497	116,856,703
Total loans, receivables and securities business receivables and accrued interest receivable	<u>100,026,338,563</u>	<u>6,697,619,110</u>	<u>774,027,281</u>	<u>353,683,523</u>	<u>1,333,369,430</u>	<u>109,185,037,907</u>	<u>5,181,134,650</u>	<u>114,366,172,557</u>

### 3.5.4 Hire purchase and financial lease receivables

As at 31 December 2010, net receivables of the subsidiaries under hire purchase agreements and financial leases amount to Baht 117,133 million (2009: Baht 94,895 million) and mostly comprise hire purchase agreements and financial leases for cars, motorcycles, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010

	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing	Total
				loans	
Hire purchase and financial lease receivables	42,534	84,437	2,318	3,012	132,301
Unearned income*	(6,293)	(7,453)	(56)	(1,258)	(15,060)
Advances received from financial lease receivables	(5)	(103)	-	-	(108)
Hire purchase and financial lease receivables - net	<u>36,236</u>	<u>76,881</u>	<u>2,262</u>	<u>1,754</u>	<u>117,133</u>
Allowance for doubtful accounts					<u>1,253</u>

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



(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2009

	Amounts of installments due under the long-term lease agreements				
	Less than			Non	Total
	1 year	1 - 5 years	Over 5 years	performing loans	
Hire purchase and financial lease receivables	35,646	68,434	1,364	2,727	108,171
Unearned income*	(5,646)	(6,549)	(33)	(996)	(13,224)
Advances received from financial lease receivables	(13)	(39)	-	-	(52)
Hire purchase and financial lease receivables - net	29,987	61,846	1,331	1,731	94,895
Allowance for doubtful accounts					1,188

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

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

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines <sup>(2)</sup>		Amounts calculated under TISCO Bank's policy	
	as at		as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Loans and receivables for which the recognition of interest income has ceased <sup>(1)</sup>	3,618	4,084	3,941	4,262

<sup>(1)</sup> These amounts are calculated on an account by account basis.<sup>(2)</sup> Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at	
	31 December 2010	31 December 2009
Securities business loans and receivables, hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	295 <sup>(1)</sup>	345 <sup>(1)</sup>

<sup>(1)</sup> Baht 13 million of such amounts being loans and receivables (2009: Baht 26 million), for which a 100 percent allowance for doubtful debts has been provided.

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

(Unit: Million Baht)

	Consolidated financial statements	
	as at	
	31 December 2010	31 December 2009
Unearned interest income <sup>(1)</sup>	15,243	13,472

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

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

(Unit: Million Baht)

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

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

3.5.8 Troubled debt restructuring of a subsidiary company operating banking business  
- Debt restructuring during the year

	For the years ended 31 December	
	2010	2009
Debtors restructured during the year		
Number of debtors restructured by modification 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

### 3.6 Allowance for doubtful accounts / allowance for loss on debt restructuring

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

(Unit: Baht)

Consolidated financial statements as at 31 December 2010

	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Reserve for	Total
						counter cyclical business factors*	
Balance - beginning of year	732,736,190	97,121,624	229,551,867	113,803,863	524,204,256	727,847,550	2,425,265,350
Increase (decrease) in allowance for doubtful accounts during the year	203,126,644	13,790,006	334,713,903	497,205,358	125,882,761	1,411,875,703	2,586,594,375
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125,000	211,125,000
Bad debt written-off	(900,248)	(18,293,319)	(326,498,588)	(522,290,988)	(192,956,906)	(23,000)	(1,060,963,049)
Balance - end of year	934,962,586	92,618,311	237,767,182	88,718,233	457,130,111	2,350,825,253	4,162,021,676

\* 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 including economic factors, and other risk that may affect the quality of assets.

(Unit: Baht)

Consolidated financial statements as at 31 December 2009

	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Reserve for	Total
						counter cyclical business factors*	
Balance - beginning of year	411,506,161	37,822,448	245,648,382	195,791,492	697,002,061	266,738,710	1,854,509,254
Increase (decrease) in allowance for doubtful accounts during the year	321,834,878	101,099,535	519,683,819	649,254,284	29,891,486	503,178,832	2,124,942,834
Bad debt written-off	(604,849)	(41,800,359)	(535,780,334)	(731,241,913)	(202,689,291)	(42,069,992)	(1,554,186,738)
Balance - end of year	732,736,190	97,121,624	229,551,867	113,803,863	524,204,256	727,847,550	2,425,265,350

\* 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 including economic factors, and other risk that may affect the quality of assets.

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

(Unit: Baht)

Consolidated financial statements				
as at 31 December 2010				
	Individual	Collective	Reserve for	
	impairment	impairment	counter cyclical	Total
			business factors*	
Balance - beginning of year	520,671,612	1,176,746,188	727,847,550	2,425,265,350
Increase (decrease) in allowance for doubtful accounts during the year	84,717,240	1,090,001,432	1,411,875,703	2,586,594,375
Transfer from allowance for declining in value of property foreclosed	-	-	211,125,000	211,125,000
Bad debt written-off	(39,803,269)	(1,021,136,780)	(23,000)	(1,060,963,049)
Balance - end of year	<u>565,585,583</u>	<u>1,245,610,840</u>	<u>2,350,825,253</u>	<u>4,162,021,676</u>

\* 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 including economic factors, and other risk that may affect the quality of assets.

(Unit: Baht)

Consolidated financial statements				
as at 31 December 2009				
	Individual	Collective	Reserve for	
	impairment	impairment	counter cyclical	Total
			business factors*	
Balance - beginning of year	554,750,574	1,033,019,970	266,738,710	1,854,509,254
Increase (decrease) in allowance for doubtful accounts during the year	(23,081,921)	23,081,921	-	-
Bad debt written - off	21,824,159	1,599,939,843	503,178,832	2,124,942,834
Balance - end of year	<u>(32,821,200)</u>	<u>(1,479,295,546)</u>	<u>(42,069,992)</u>	<u>(1,554,186,738)</u>
	<u>520,671,612</u>	<u>1,176,746,188</u>	<u>727,847,550</u>	<u>2,425,265,350</u>

\* 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 including economic factors, and other risk that may affect the quality of assets.

### 3.6.3 Allowance for doubtful accounts / allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring <sup>(1)</sup>	As at	
	31 December	31 December
	2010	2009
Amount to be provided under BOT's guidelines	1,485	1,327
Amount already recorded by TISCO Bank	3,859	2,088
Amount in excess of the required amount under BOT's guidelines	2,374	761

<sup>(1)</sup> 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).

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

(Unit: Million Baht)

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

## 3.7 Classification of assets

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

(Unit: Million Baht)

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

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

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

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

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

(Unit: Million Baht)

	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 TISCO 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
<b>Loans and receivables</b> <sup>(1)(2)(3)</sup>								
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 factor <sup>(4)</sup>							2,351	728
Total							3,859	2,088
<b>Investments in securities</b>								
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
<b>Investments in receivables</b>								
Doubtful of loss	23	12	23	12	23	12	23	12
<b>Properties foreclosed</b>								
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

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

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

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

<sup>(4)</sup> 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 including economic factors, and other risk that may affect the quality of assets.

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

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up <sup>(2)</sup>		as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
<b>Hire purchase receivables<sup>(1)</sup></b>								
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
<b>Total</b>	<b>112,388</b>	<b>90,750</b>	<b>112,388</b>	<b>90,750</b>			<b>962</b>	<b>853</b>

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

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

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

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at		as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
			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	-
<b>Total</b>	<b>6</b>	<b>4</b>	<b>1,109</b>	<b>355</b>	<b>870</b>	<b>166</b>	<b>260</b>	<b>219</b>

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

(Unit: Million Baht)

	Securities business receivables and accrued interest as at		Allowance for doubtful accounts as required by SEC as at		Allowance for doubtful accounts provided in the accounts as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Doubtful	2	2	2	2	2

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

(Unit: Million Baht)

	Debt balance as at		Allowance for doubtful account as at		Debt balance - net as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Current	3,740	3,182	113	110	3,627
Overdue						
1 month	274	276	27	28	247	248
2 - 3 months	334	344	33	37	301	307
4 - 6 months	146	157	60	67	86	90
7 - 12 months	92	99	38	42	54	57
Over 12 months	37	63	15	27	22	36
Debtors under litigation	19	24	14	24	5	-
Total	4,642	4,145	300	335	4,342	3,810



### 3.8 Property foreclosed

	(Unit: Baht)	
	Consolidated financial statements	
	as at	
	31 December 2010	31 December 2009
Acquisition of assets for debt repayment		
<b>Immovable assets</b>		
<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	<u>268,015,250</u>	<u>479,140,250</u>
<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	<u>33,860,125</u>	<u>33,860,125</u>
Total property foreclosed - Immovable assets	<u>301,875,375</u>	<u>513,000,375</u>
<b>Movable assets</b>		
Balance - beginning of year	73,446,975	62,480,207
Additions	1,856,919,146	3,097,969,629
Disposals	(1,884,435,737)	(3,087,002,861)
Balance - end of year	<u>45,930,384</u>	<u>73,446,975</u>
Total property foreclosed	<u>347,805,759</u>	<u>586,447,350</u>
Less: Allowance for impairment		
Balance - beginning of year	31,683,906	14,550,557
Increase	329,228	18,136,609
Decrease	-	(1,003,260)
Balance - end of year	<u>32,013,134</u>	<u>31,683,906</u>
Property foreclosed - net	<u>315,792,625</u>	<u>554,763,444</u>
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	<u>(294,395,371)</u>	<u>(505,592,600)</u>
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	<u>21,397,254</u>	<u>49,170,844</u>

### 3.9 Land, premises and equipment

(Unit: Baht)

Consolidated financial statements

	Operating assets						Assets for operating lease agreements				Total
	Land	Land right from office condominium ownership	Building and office condominium	Furniture, fixtures, computer and equipment	Office improvements	Motor vehicles	Land right from office condominium ownership	Office condominium	Computers and equipment	Motor vehicles	
<b>Cost:</b>											
31 December 2009	17,509,338	468,225,830	971,833,624	759,398,925	655,831,412	110,264,887	41,737,351	89,982,769	34,763,821	10,662,822	3,160,210,779
Additions/transfer in	-	-	-	77,864,852	37,880,348	60,238,000	-	-	23,095,199	-	199,078,399
Disposals/written-off/ transfer out	-	-	-	(52,842,586)	(7,299,864)	(35,546,881)	(12,462,878)	(22,581,773)	(13,012,540)	(7,359,084)	(151,105,606)
31 December 2010	17,509,338	468,225,830	971,833,624	784,421,191	686,411,896	134,956,006	29,274,473	67,400,996	44,846,480	3,303,738	3,208,183,572
<b>Accumulated depreciation:</b>											
31 December 2009	-	-	466,929,843	601,974,021	373,213,819	90,715,305	-	47,910,245	14,617,845	6,178,663	1,601,539,741
Depreciation for the year	-	-	53,643,656	88,190,281	77,888,841	15,473,547	-	5,215,762	13,413,881	1,476,109	255,302,077
Depreciation on disposals/written-off	-	-	-	(52,210,084)	(7,299,864)	(34,993,430)	-	(2,129,301)	(13,012,540)	(5,887,267)	(115,532,486)
31 December 2010	-	-	520,573,499	637,954,218	443,802,796	71,195,422	-	50,996,706	15,019,186	1,767,505	1,741,309,332
<b>Net book value:</b>											
31 December 2009	17,509,338	468,225,830	504,903,781	157,424,904	282,617,593	19,549,582	41,737,351	42,072,524	20,145,976	4,484,159	1,558,671,038
31 December 2010	17,509,338	468,225,830	451,260,125	146,466,973	242,609,100	63,760,584	29,274,473	16,404,290	29,827,294	1,536,233	1,466,874,240
<b>Depreciation for the years ended 31 December:</b>											
2009											268,562,969
2010											255,302,077

(Unit: Baht)

## Separate financial statements

	Operating assets					Asset for operating lease agreements		
	Land right from office condominium ownership	Office condominium	Furniture, fixtures and equipment	Office improvements	Motor vehicle	Land right from office condominium ownership	Office condominium	Total
<b>Cost:</b>								
31 December 2009	102,133,828	181,625,494	11,542,030	42,843,372	2,690,000	163,718,153	281,327,913	785,880,790
Additions	-	-	38,581,111	2,954,139	34,062,000	-	-	75,597,250
Disposals	-	-	-	-	(400,000)	(12,462,878)	(22,581,773)	(35,444,651)
31 December 2010	102,133,828	181,625,494	50,123,141	45,797,511	36,352,000	151,255,275	258,746,140	826,033,389
<b>Accumulated depreciation:</b>								
31 December 2009	-	16,891,920	3,853,677	6,914,484	137,082	-	30,151,638	57,948,801
Depreciation for the year	-	16,891,920	7,691,918	6,640,555	3,269,376	-	29,724,377	64,218,146
Depreciation on disposals	-	-	-	-	(59,617)	-	(2,129,301)	(2,188,918)
31 December 2010	-	33,783,840	11,545,595	13,555,039	3,346,841	-	57,746,714	119,978,029
<b>Net book value:</b>								
31 December 2009	102,133,828	164,733,574	7,688,353	35,928,888	2,552,918	163,718,153	251,176,275	727,931,989
31 December 2010	102,133,828	147,841,654	38,577,546	32,242,472	33,005,159	151,255,275	200,999,426	706,055,360
<b>Depreciation for the year ended 31 December:</b>								
2009								57,948,801
2010								64,218,146

Leased assets of the Company and its subsidiaries are mostly operating leases for building and office condominium units, cars, computers and office equipment with terms of 1 to 5 years. Payment conditions are monthly and quarterly.

These assets will generate the following minimum amounts of lease income in future.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	as at	as at
	31 December 2010	31 December 2010
Not over 1 year	26,031	61,139
1 - 5 years	18,135	-
<b>Total</b>	<b>44,166</b>	<b>61,139</b>

### 3.10 Other assets

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	as at		as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Value added tax - net	353,181,384	314,499,397	1,409,676	5,134,232
Accrued interest and dividend receivable from investments	18,370,356	44,178,360	-	-
Fee and charges receivable	171,259,123	153,494,777	74,833,633	276,003
Prepaid income tax	34,689,863	47,501,285	-	-
Deferred computer system development cost - net	243,718,841	249,103,344	100,353,826	87,188,813
Deposits	34,977,871	31,426,399	4,075,000	4,065,000
Other receivables	228,757,427	421,599,168	8,365	-
Financial derivatives assets	12,799,881	1,143,509	-	-
Other assets	310,144,580	183,618,023	38,048,803	5,296,961
<b>Total other assets</b>	<b>1,407,899,326</b>	<b>1,446,564,262</b>	<b>218,729,303</b>	<b>101,961,009</b>

### 3.11 Deposits

#### 3.11.1 Classified by type of deposits

(Unit: Baht)

Consolidated financial statements  
as at

	31 December 2010	31 December 2009
Promissory notes	2,375,650	2,375,650
Deposits		
Current accounts	4,859,991,810	7,430,525,926
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	<u>48,535,599,021</u>	<u>56,808,482,590</u>

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

(Unit: Baht)

Consolidated financial statements  
as at

	31 December 2010	31 December 2009
Not over 1 year*	48,226,471,119	56,311,847,968
Over 1 year	309,127,902	496,634,622
Total deposits	<u>48,535,599,021</u>	<u>56,808,482,590</u>

\*Including fully-mature deposit contract

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

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
Commercial banks	166,320,426	2,586,695,819	2,753,016,245	10,205,163	2,093,607,161	2,103,812,324
Other banks and financial institutions	151,368,387	7,938,380,256	8,089,748,643	608,389,735	3,668,013,509	4,276,403,244
<b>Total</b>	<b>317,688,813</b>	<b>10,525,076,075</b>	<b>10,842,764,888</b>	<b>618,594,898</b>	<b>5,761,620,670</b>	<b>6,380,215,568</b>

(Unit: Baht)

	Separate financial statements as at					
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
Commercial banks	-	-	-	-	210,000,000	210,000,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,000,000</b>	<b>210,000,000</b>

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

The subsidiary company operating leasing business has entered into interest rate swap agreements to pay interest at a fixed rate and receive interest at a floating rate, associated with its interest-bearing financial liabilities, amounting to Baht 326 million, as mentioned in Note 3.26.5 to the financial statements.

### 3.13 Borrowings

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	as at		as at	
	31 December 2010	31 December 2009	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	83,773,846,518	51,128,688,676	3,345,075,040	3,989,392,156
Total	90,773,846,518	59,128,688,676	3,345,075,040	3,989,392,156

#### 3.13.1 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units		Face value per unit (Baht)	Balance in consolidated financial statements as at (Million Baht)		Maturity in the year	Interest rate
			31 December 2010	31 December 2009		31 December 2010	31 December 2009		
			2009	TISCO Bank		Subordinated and unsecured long-term debentures	2 million		
2009	TISCO Bank	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 forth to seventh years and 6.0 percent per annum in the eighth to tenth years.
2010	TISCO Bank	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	TISCO Bank	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		

### 3.13.2 Unsubordinated unsecured debentures

Year	Issuer	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			2010	2009		
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	-	3 million	1,000	-	3,000	2010	3.75 percent per annum.	
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.	
Total						1,000	4,000			

### 3.13.3 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.

### 3.14 Other liabilities

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	as at		as at	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
Withholding income tax and other tax payable	165,151,969	229,031,260	47,571,386	30,018,983
Accrued insurance premium	373,621,819	290,294,266	-	-
Deferred tax liabilities	156,346,588	15,724,002	-	-
Deferred income	235,536,650	175,261,311	-	-
Dividend payable	164,832	671,533	-	-
Other liabilities	753,344,185	397,800,529	15,377,811	14,934,509
Total other liabilities	1,684,166,043	1,108,782,901	62,949,197	44,953,492



### 3.15 Capital funds

3.15.1 The primary objectives of the Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and other in accordance with the regulations of Bank of Thailand or relevant regulatory agencies.

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

Regarding to Capital fund as of 31 December 2010 and 2009 under Basel II framework, TISCO Bank has allocated the additional reserve from classification as 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 TISCO 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	<u>10,262,503</u>	<u>10,106,203</u>
<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	<u>5,964,278</u>	<u>3,651,693</u>
Total capital fund	<u>16,226,781</u>	<u>13,757,896</u>

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

<sup>(1)</sup> Before Capital Floor

<sup>(2)</sup> After Capital Floor

3.15.3 To comply with the Notification of the Bank of Thailand No. SorNorSor. 6/2553 regarding “Consolidated Supervision” dated 18 June 2010, the Company will disclose capital maintenance information of financial business group as at 31 December 2010 on its website and TISCO Bank’s website in April 2011.

### 3.16 Revaluation surplus (deficit) on investments

(Unit: Baht)

	Consolidated financial statements	
	As at 31 December	
	2010	2009
Balance - beginning of year	(16,602,110)	(496,328,805)
Increase from changes in the value of securities during the year	456,256,742	479,726,695
	439,654,632	(16,602,110)
Less: The effect of deferred tax assets / liabilities	(146,999,422)	(21,190,730)
Balance - end of year	292,655,210	(37,792,840)

### 3.17 Gain (loss) on investments

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year	For the year	For the year	For the year
	ended	ended	ended	ended
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Allowance for impairment of investments	(14,429,434)	(6,265,108)	(5,370,257)	(104,292,703)
Unrealised gain on securities for trading	12,995,840	15,649,920	-	-
Realised gain on investments	211,458,536	333,623	-	-
Total	210,024,942	9,718,435	(5,370,257)	(104,292,703)

### 3.18 Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year	For the year	For the year	For the year
	ended	ended	ended	ended
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Penalty fee income from loans	199,495,758	193,955,728	-	-
Gains on disposal of property foreclosed	205,901,888	190,182,964	-	-
Income from business promotion relating to the business	212,213,779	-	-	-
Rental income	34,236,700	47,343,508	67,402,456	60,342,869
Others	93,172,131	113,286,293	26,788,720	98,526
<b>Total</b>	<b>745,020,256</b>	<b>544,768,493</b>	<b>94,191,176</b>	<b>60,441,395</b>

### 3.19 Other expenses

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year	For the year	For the year	For the year
	ended	ended	ended	ended
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Allowance for impairment of property foreclosed	257,000	505,756,383	-	-
Mailing expenses	43,099,841	42,052,589	214,886	208,154
Software amortisation expenses	94,570,466	46,983,116	44,595,457	7,477,553
Loan losses from court - ordered executions	21,572,568	36,132,016	-	-
Transportation expenses	87,366,193	73,028,860	7,687,693	5,742,649
Others	119,463,684	167,591,224	10,416,540	10,957,010
<b>Total</b>	<b>366,329,752</b>	<b>871,544,188</b>	<b>62,914,576</b>	<b>24,385,366</b>

### 3.20 Corporate income tax

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2010 and 2009 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements for the years ended 31 December		Separate financial statements for the years ended 31 December	
	2010	2009	2010	2009
Income tax payable on taxable profit for the year	1,795,518	1,222,407	208,873	189,855
Add (less): Net increase in deferred tax on temporary differences	(537,659)	(374,829)	(81,729)	(86,137)
Adjustment in respect of income tax expenses of prior period	(1,696)	(7,137)	84	(38)
Income tax expenses	<u>1,256,163</u>	<u>840,441</u>	<u>127,228</u>	<u>103,680</u>

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

	(Unit: Thousand Baht)	
	Consolidated financial statements for the years ended 31 December	
	2010	2009
Revaluation surplus on investments	125,809	118,528
Gain (loss) on changes in fair value of cash flow hedges	6,587	(9,396)
Deferred taxes are recorded directly to equity	<u>132,396</u>	<u>109,132</u>

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

	(Unit: Thousand Baht)			
	Consolidated financial statements for the years ended 31 December		Separate financial statements for the years ended 31 December	
	2010	2009	2010	2009
Accounting profit before income tax expenses	4,158,635	2,845,190	1,982,689	2,497,969
Income tax rate of 25% and 30%	1,155,227	840,493	495,672	624,492
Tax effect of net tax-exempt income and net disallowed expenses	107,320	2,901	(367,015)	(519,376)
Utilisation of loss carry forwards	(3,175)	(5,967)	-	-
Effect of tax rate used for deferred tax	(1,513)	(1,398)	(1,513)	(1,398)
Written-off deferred tax assets	-	11,549	-	-
Adjustment in respect of income tax expenses of prior period	(1,696)	(7,137)	84	(38)
Income tax expense reported in the income statements	<u>1,256,163</u>	<u>840,441</u>	<u>127,228</u>	<u>103,680</u>

The following table shows consist of deferred tax assets and deferred tax liabilities.

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at		Change in deferred tax assets/deferred tax liabilities reported in the income statements for the years ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
Allowance for doubtful accounts	790,476	315,578	474,898	162,798
Allowance for doubtful accounts (VAT receivable)	-	-	-	(1,214)
Allowance for impairment of investments	74,806	66,753	8,053	20,722
Allowance for impairment of property foreclosed	97,923	161,183	(63,260)	148,133
Non-accrual of interest income	194,903	202,645	(7,742)	(4,341)
Depreciation of assets	39,194	31,214	7,980	(1,242)
Financial leases	13,910	19,559	(5,649)	7,176
Revaluation surplus on investments	(6,133)	(3,397)	-	-
Unrealised gain on derivatives	(147)	(21)	(126)	239
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(306,473)	(245,402)	(61,071)	(37,728)
Loss on disposal of property foreclosed	17,202	22,829	(5,627)	(10,955)
Deferred subsidised income	67,017	42,144	24,873	26,462
Reduction of subsidiaries' share capital	26,794	26,794	-	26,794
Accrued expenses	224,335	56,618	167,717	56,619
Others	8,696	120	8,576	(141)
<b>Deferred tax assets</b>	<b>1,242,503</b>	<b>696,617</b>	<b>548,622</b>	<b>393,322</b>
Financial leases	97,211	47,158	50,053	19,803
Allowance for doubtful accounts	(457)	(513)	56	405
Loss carried forwards	(74,220)	(34,848)	(39,372)	(10,431)
Allowance for revaluation of other assets	(270)	(270)	-	-
Non-accrual of interest income	(7)	(7)	-	-
Deprecation of assets	(1,593)	(2,289)	696	547
Revaluation surplus on investments	140,866	17,793	-	-
Unrealised losses on cash flow hedges	(2,809)	(9,396)	-	-
Gain from revaluation of investments in trading securities	8,081	4,182	3,899	12,793
Accrued expenses	(8,618)	(4,123)	(4,495)	(4,123)
Other	(1,837)	(1,963)	126	(501)
<b>Deferred tax Liabilities</b>	<b>156,347</b>	<b>15,724</b>	<b>10,963</b>	<b>18,493</b>

(Unit: Thousand Baht)

	Separate financial statements			
	As at		Change in deferred tax assets/deferred tax liabilities reported in the income statements for the years ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
Allowance for impairment of investments	27,416	26,073	1,343	26,073
Depreciation of assets	16,591	8,495	8,096	8,495
Reduction of subsidiaries' share capital	26,794	26,794	-	26,794
Accrued expenses	96,195	24,883	71,312	24,883
Other	870	(108)	978	(108)
<b>Deferred tax assets</b>	<b>167,866</b>	<b>86,137</b>	<b>81,729</b>	<b>86,137</b>

### 3.21 Provident fund

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the year	For the year	For the year	For the year
	ended	ended	ended	ended
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Amounts contributed to the provident fund	90	81	15	11

### 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.

Consolidated financial statements					
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
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent					
2,888,247	1,988,393				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year <sup>(1)</sup>					
-	(91,704)				
<u>2,888,247</u>	<u>1,896,689</u>	<u>727,519</u>	<u>724,792</u>	<u>3.97</u>	<u>2.62</u>

<sup>(1)</sup> 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 Company pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

Separate financial statements					
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
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent					
1,855,461	2,394,289				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year <sup>(1)</sup>					
-	(91,704)				
<u>1,855,461</u>	<u>2,302,585</u>	<u>727,519</u>	<u>724,792</u>	<u>2.55</u>	<u>3.18</u>

<sup>(1)</sup> 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 Company pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders 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
<b><u>Outstanding balance</u></b>				
(Eliminated in consolidated financial statements)				
<b>Subsidiary companies</b>				
Interbank and money market items (assets)				
TISCO Bank Public Company Limited	426,405	593,275	(626,126)	393,554
Interbank and money market items (liabilities)				
TISCO Securities Co., Ltd.	200,000	-	(200,000)	-
Loans				
Hi-Way Co., Ltd.	1,475,000	14,000	(208,000)	1,281,000
Dividend receivable				
TISCO Bank Public Company Limited	436,196	1,019,246	(436,196)	1,019,246
TISCO Securities Co., Ltd.	34,500	250,000	(34,500)	250,000
TISCO Asset Management Co., Ltd.	152,999	219,999	(152,999)	219,999
Hi-Way Co., Ltd.	-	99,998	-	99,998
TISCO Tokyo Leasing Co., Ltd.	-	1,470	(1,470)	-
Other assets				
TISCO Bank Public Company Limited	-	188,922	(114,334)	74,588
Borrowings				
TISCO Leasing Co., Ltd.	-	118,000	-	118,000
TISCO Information Technology Co., Ltd.	-	10,000	(10,000)	-
Interest payable				
TISCO Leasing Co., Ltd.	-	16	-	16
TISCO Securities Co., Ltd.	48	-	(48)	-
Other liabilities				
TISCO Bank Public Company Limited	-	2,344	-	2,344
TISCO Securities Co., Ltd.	7,842	75	(881)	7,036
TISCO Information Technology Co., Ltd.	3,768	55	-	3,823



	Separate financial statements		(Unit: Thousand Baht)
	For the year	For the year	Terms and pricing policy
	ended	ended	(For the year 2010)
	31 December 2010	31 December 2009	
<b><u>Transactions occurred during the year</u></b>			
(Eliminated in consolidated financial statements)			
<b>Subsidiary companies</b>			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,348,979	1,091,000	Determined on the basis of market price and/or in compliance with the criteria specified by the Bank of Thailand
Interest income	39,880	12,587	With reference to the terms and prices as offered to other customers
Rental income	52,607	45,278	With reference to the terms and prices as offered to other customers
Computer system advisory services expenses	134,000	15,000	Determined on the basis of market price and/or in compliance with the criteria specified by the Bank of Thailand
Interest expenses	195	73,271	With reference to the terms and prices as offered to other customers
Other expenses	275	3,125	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

Consolidated financial statements		
as at		
	31 December 2010	31 December 2009
Loans	196	1,949

Besides the above transactions, the Company has additional related party transactions with its subsidiaries, which are presented in Note 4.5 to the financial statements.

Directors and management's remuneration

In 2010 and 2009, the Company and its subsidiaries paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 339 million and Baht 330 million, respectively (the Company only: Baht 237 million and Baht 179 million, respectively).

**3.24 Financial information by segment**

3.24.1 Financial information by business segment

(Unit: Million Baht)

For the years ended 31 December										
	Bank		Securities				Elimination		Total	
	business/financial		business		Other business					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest and dividend										
income after bad debt										
and doubtful accounts	5,249	4,366	39	40	1,571	1,996	(1,588)	(1,969)	5,271	4,433
Non-interest income	2,166	1,739	1,706	1,364	1,785	1,352	(1,781)	(1,582)	3,876	2,873
Non-interest expenses	(4,392)	(4,194)	(1,025)	(936)	(1,340)	(833)	1,768	1,502	(4,989)	(4,461)
Corporate income tax	(906)	(596)	(216)	(141)	(134)	(104)	-	-	(1,256)	(841)
Non-controlling interest										
of the subsidiaries	-	-	-	-	-	-	(14)	(16)	(14)	(16)
Net income for the year	2,117	1,315	504	327	1,882	2,411	(1,615)	(2,065)	2,888	1,988

(Unit: Million Baht)

As at 31 December

	Bank									
	business/financial									
	service business		Securities business		Other business		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Investments	5,107	8,438	1,512	1,063	14,879	15,369	(15,017)	(15,432)	6,481	9,438
Loans, receivables and accrued										
interest receivable - net	145,922	110,941	1,293	1,015	1,281	1,475	(1,499)	(1,490)	146,997	111,941
Other assets	16,148	15,523	1,382	1,312	3,164	2,041	(2,764)	(1,451)	17,930	17,425
Total assets	167,177	134,902	4,187	3,390	19,324	18,885	(19,280)	(18,373)	171,408	138,804

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

#### 3.24.2.1 Financial position by activities

(Unit: Million Baht)

As at

	31 December 2010				31 December 2009			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Total assets	190,630	58	(19,280)	171,408	157,112	65	(18,373)	138,804
Interbank and money								
market items (assets)	13,559	56	(1,070)	12,545	13,431	65	(788)	12,708
Investments	21,498	-	(15,017)	6,481	24,870	-	(15,432)	9,438
Loans, receivables and								
accrued interest								
receivable - net	148,496	-	(1,499)	146,997	113,431	-	(1,490)	111,941
Deposits in Baht	48,609	-	(73)	48,536	56,930	-	(122)	56,808
Interbank and money								
market items (liabilities)	11,513	-	(670)	10,843	6,652	-	(272)	6,380
Borrowings	92,600	-	(1,826)	90,774	61,012	-	(1,883)	59,129
Commitments	1,923	-	-	1,923	2,504	-	-	2,504

### 3.24.2.2 Operating results by activities

(Unit: Million Baht)

	For the years ended 31 December							
	2010				2009			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Net interest and dividend income after bad debt and doubtful accounts	6,859	-	(1,588)	5,271	6,402	-	(1,969)	4,433
Non-interest income	5,657	-	(1,781)	3,876	4,455	-	(1,582)	2,873
Non-interest expenses	(6,752)	(5)	1,768	(4,989)	(5,957)	(6)	1,502	(4,461)
Corporate income tax	(1,256)	-	-	(1,256)	(841)	-	-	(841)
Non-controlling interest of the subsidiaries	-	-	(14)	(14)	-	-	(16)	(16)
Net income for the year	<u>4,508</u>	<u>(5)</u>	<u>(1,615)</u>	<u>2,888</u>	<u>4,059</u>	<u>(6)</u>	<u>(2,065)</u>	<u>1,988</u>

### 3.25 Commitments and contingent liabilities

#### 3.25.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at	
	31 December 2010	31 December 2009
Avals	194,136	21,651
Other guarantees	888,386	928,884
Undrawn client overdrafts facilities	33,273	8,052
Obligations covering principal under interest rate swap agreements (Note 3.26.5)	626,491	1,545,732
Obligations for cross currency swap agreements (Note 3.26.5)	180,908	-
	<u>1,923,194</u>	<u>2,504,319</u>

### 3.25.2 Litigation

As at 31 December 2010, the subsidiary company operating banking business 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 year, the case is currently under consideration of the court.

The management of the Company and its subsidiaries believe that no material loss to the consolidated financial statements will be incurred as a result of the above mentioned lawsuits and damage claims.

### 3.25.3 Other commitments

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

As at 31 December 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	73
1 to 5 years	69
More than 5 years	4

## 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 Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

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

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

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

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

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

(Unit: Million Baht)

	As at	
	31 December	31 December
	2010	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
<b>Total</b>	<b>112,388</b>	<b>90,750</b>

### 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 Group.

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

### 3.26.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Market risk as at	
	31 December 2010	31 December 2009
Marketable financial assets		
Equity securities	443	573
Debts securities	24	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 Group at the balance sheet date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (Decrease) in sensitivity of net interest income as at	
	31 December 2010	31 December 2009
Change in interest rate		
Increase 1 percent	(268.42)	(305.10)
Decrease 1 percent	268.42	305.10



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 net 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 Company and its subsidiaries have the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

Consolidated financial statements				
as at 31 December 2010				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating</u>	<u>Fixed</u>	<u>Without</u>	<u>Total</u>
	<u>Interest rate</u>	<u>Interest rate</u>	<u>Interest</u>	
<b><u>Financial assets</u></b>				
Cash	-	-	903	903
Interbank and money market items	103	11,442	1,000	12,545
Investment - net	-	4,431	2,050	6,481
Receivable from clearing house	-	-	343	343
Loans and receivables <sup>(1)</sup>	8,524	139,896	2,739	151,159
	<u>8,627</u>	<u>155,769</u>	<u>7,035</u>	<u>171,431</u>
<b><u>Financial liabilities</u></b>				
Deposits	30,313	18,004	219	48,536
Interbank and money market items	1,298	9,545	-	10,843
Liabilities payable on demand	-	-	532	532
Borrowings	-	90,774	-	90,774
Payable to clearing house	-	-	19	19
Securities and derivative business payables	3	-	1,608	1,611
	<u>31,614</u>	<u>118,323</u>	<u>2,378</u>	<u>152,315</u>

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

(Unit: Million Baht)

Consolidated financial statements  
as at 31 December 2009

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	827	827
Interbank and money market items	106	10,411	2,191	12,708
Investment - net	101	7,639	1,698	9,438
Receivable from clearing house	-	-	140	140
Loans and receivables <sup>(1)</sup>	8,342	104,429	1,595	114,366
	<u>8,549</u>	<u>122,479</u>	<u>6,451</u>	<u>137,479</u>
<b><u>Financial liabilities</u></b>				
Deposits	25,105	31,458	246	56,809
Interbank and money market items	840	5,540	-	6,380
Liabilities payable on demand	-	-	345	345
Borrowings	-	59,129	-	59,129
Payable to clearing house	-	-	193	193
Securities and derivative business payables	3	-	956	959
	<u>25,948</u>	<u>96,127</u>	<u>1,740</u>	<u>123,815</u>

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

(Unit: Million Baht)

Separate financial statements  
As at 31 December 2010

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<b><u>Financial assets</u></b>				
Interbank and money market items	6	388	-	394
Investment - net	-	-	14,879	14,879
Loans and receivables	-	1,281	-	1,281
	<u>6</u>	<u>1,669</u>	<u>14,879</u>	<u>16,554</u>
<b><u>Financial liabilities</u></b>				
Borrowings	-	3,345	-	3,345
	<u>-</u>	<u>3,345</u>	<u>-</u>	<u>3,345</u>

(Unit: Million Baht)

Separate financial statements  
as at 31 December 2009

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<b><u>Financial assets</u></b>				
Interbank and money market items	66	360	-	426
Investment - net	-	-	15,369	15,369
Loans and receivables	-	1,475	-	1,475
	<u>66</u>	<u>1,835</u>	<u>15,369</u>	<u>17,270</u>
<b><u>Financial liabilities</u></b>				
Interbank and money market items	-	210	-	210
Borrowings	-	3,989	-	3,989
	<u>-</u>	<u>4,199</u>	<u>-</u>	<u>4,199</u>

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

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements as at 31 December 2010						
	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b><u>Financial assets</u></b>							
Interbank and money market items	10	11,432	-	-	-	11,442	1.6186
Investment - net	41	1,570	480	2,335	5	4,431	5.2436
Loans and receivables	6,218	13,444	32,003	85,659	2,572	139,896	6.9089
	<u>6,269</u>	<u>26,446</u>	<u>32,483</u>	<u>87,994</u>	<u>2,577</u>	<u>155,769</u>	
<b><u>Financial liabilities</u></b>							
Deposits	1,606	12,245	3,844	309	-	18,004	1.7824
Interbank and money market items	230	5,057	187	4,071	-	9,545	2.6351
Borrowings	1,494	55,346	18,474	9,460	6,000	90,774	2.2478
	<u>3,330</u>	<u>72,648</u>	<u>22,505</u>	<u>13,840</u>	<u>6,000</u>	<u>118,323</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2009							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	36	10,375	-	-	-	10,411	1.2088
Investment - net	60	527	1,499	4,577	976	7,639	4.2709
Loans and receivables	1,250	9,972	25,108	66,634	1,465	104,429	7.6872
	<u>1,346</u>	<u>20,874</u>	<u>26,607</u>	<u>71,211</u>	<u>2,441</u>	<u>122,479</u>	
<b>Financial liabilities</b>							
Deposits	3,497	21,244	6,220	497	-	31,458	1.4297
Interbank and money market items	595	4,060	127	758	-	5,540	2.6696
Borrowings	2,463	38,313	12,923	1,430	4,000	59,129	1.9436
	<u>6,555</u>	<u>63,617</u>	<u>19,270</u>	<u>2,685</u>	<u>4,000</u>	<u>96,127</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2010							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	388	-	-	-	-	388	1.0000
Loans and receivables	1,281	-	-	-	-	1,281	2.5000
	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669</u>	
<b>Financial liabilities</b>							
Borrowings	-	3,279	66	-	-	3,345	1.9949
	<u>-</u>	<u>3,279</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>3,345</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2009							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	360	-	-	-	-	360	1.0000
Loans and receivables	1,475	-	-	-	-	1,475	2.7500
	<u>1,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,835</u>	
<b>Financial liabilities</b>							
Interbank and money market items	-	210	-	-	-	210	1.2667
Borrowings	-	3,549	440	-	-	3,989	1.6210
	<u>-</u>	<u>3,759</u>	<u>440</u>	<u>-</u>	<u>-</u>	<u>4,199</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 subsidiary operating banking business 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 subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios are cover the Bank's specific scenario and Industry Based scenario which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposit and bill of exchange. In the past, there is high rollover rate for both matured deposit and bill of exchange. Besides, the subsidiary also issued subordinated debenture as part of source of fund. On the use of fund, the majority of funds are used in lending business while a proportion of fund is maintained as liquidity reserve assets as cushion against liquidity risk. Moreover, the subsidiary provide credit line to other companies under TISCO Financial Group to support liquidity position if require.

### 3.26.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

As at 31 December 2010					
	Remaining Days				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	More than 1 year	
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 Composition of highly liquid assets, and internal ratio.

(Unit: Million Baht)

As at	
31 December 2010	
Highly liquid assets	
Cash	903
Interbank and money market - net	12,360
Current Investment	2,463
Total liquid assets <sup>(1)</sup>	15,726
Liquid asset requirement <sup>(1)</sup>	3,103

<sup>(1)</sup> Highly liquid assets and liquid asset requirement are based on internal measurement.

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2010, the subsidiary operating banking business 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 subsidiary operating banking business 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)

Consolidated financial statements as at 31 December 2010

Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing * Loans	Total
<b>Financial assets</b>								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	1,113	11,432	-	-	-	-	-	12,545
Investments - net	41	1,570	480	2,335	5	2,050	-	6,481
Receivable from clearing house	-	343	-	-	-	-	-	343
Loans and receivables	8,342	13,548	32,560	88,675	4,121	-	3,913	151,159
	<u>10,399</u>	<u>26,893</u>	<u>33,040</u>	<u>91,010</u>	<u>4,126</u>	<u>2,050</u>	<u>3,913</u>	<u>171,431</u>
<b>Financial liabilities</b>								
Deposits	32,138	12,245	3,844	309	-	-	-	48,536
Interbank and money market items	318	5,194	606	4,725	-	-	-	10,843
Liabilities payable on demand	532	-	-	-	-	-	-	532
Securities and derivative business								
payables	3	1,608	-	-	-	-	-	1,611
Borrowings	1,494	55,346	18,474	9,460	6,000	-	-	90,774
Payable to clearing house	-	19	-	-	-	-	-	19
	<u>34,485</u>	<u>74,412</u>	<u>22,924</u>	<u>14,494</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>152,315</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	33	187	271	-	-	591	-	1,082
Other commitments	-	56	178	573	-	33	-	840

\* Non performing loan according to the BOT's guidelines

(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2009

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing * Loans	
<b>Financial assets</b>								
Cash	827	-	-	-	-	-	-	827
Interbank and money market items	2,333	10,375	-	-	-	-	-	12,708
Investments - net	690	527	1,600	4,577	976	1,068	-	9,438
Receivable from clearing house	-	140	-	-	-	-	-	140
Loans and receivables	1,709	9,379	25,678	71,049	2,122	-	4,429	114,366
	<u>5,559</u>	<u>20,421</u>	<u>27,278</u>	<u>75,626</u>	<u>3,098</u>	<u>1,068</u>	<u>4,429</u>	<u>137,479</u>
<b>Financial liabilities</b>								
Deposits	28,848	21,244	6,220	497	-	-	-	56,809
Interbank and money market items	609	4,212	515	1,044	-	-	-	6,380
Liabilities payable on demand	345	-	-	-	-	-	-	345
Borrowings	2,463	38,313	12,923	1,430	4,000	-	-	59,129
Payable to clearing house	-	193	-	-	-	-	-	193
Securities and derivative business payables	3	956	-	-	-	-	-	959
	<u>32,268</u>	<u>64,918</u>	<u>19,658</u>	<u>2,971</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>123,815</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	-	22	-	-	-	-	22
Other commitments	31	537	845	626	-	444	-	2,483

\* Non performing loan according to the BOT's guidelines

(Unit: Million Baht)

## Separate financial statements as at 31 December 2010

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans	
<b>Financial assets</b>								
Interbank and money market items	394	-	-	-	-	-	-	394
Investments - net	-	-	-	-	-	14,879	-	14,879
Loans and receivables	1,281	-	-	-	-	-	-	1,281
	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,879</u>	<u>-</u>	<u>16,554</u>
<b>Financial liabilities</b>								
Borrowings	-	3,279	66	-	-	-	-	3,345
	<u>-</u>	<u>3,279</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,345</u>



(Unit: Million Baht)

Separate financial statements 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	
<b>Financial assets</b>								
Interbank and money market items	426	-	-	-	-	-	-	426
Investments - net	-	-	-	-	-	15,369	-	15,369
Loans and receivables	1,475	-	-	-	-	-	-	1,475
	<u>1,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,369</u>	<u>-</u>	<u>17,270</u>
<b>Financial liabilities</b>								
Interbank and money market items	-	210	-	-	-	-	-	210
Borrowings	-	3,549	440	-	-	-	-	3,989
	<u>-</u>	<u>3,759</u>	<u>440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,199</u>

### 3.26.4 Foreign exchange risk

- a) As at 31 December 2010, the Company and its subsidiaries had significant financial instruments in foreign currencies, which is investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (under the cost method net of allowance for impairment equivalent to Baht 49 million).
- b) Investment in foreign debt securities held by the subsidiary operating banking business 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 subsidiaries have a policy to enter into transactions involving financial derivative instruments, for trading and hedging risks.

As at 31 December 2010, the subsidiaries have the following financial derivative instruments.

- a.1) Financial derivative instruments classified as derivatives held for trading

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

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	300	2

a.2) Cross currency swap agreement

The subsidiary operating banking business 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

b) Financial derivative instruments classified as derivatives for cash flow hedges

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

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2013	326	(9)

The hedged cash flows are expected to occur and when they are expected to affect income statements are in the periods as follows:

(Unit: Million Baht)		
	Less than 1 year	1 - 4 years
Interest expenses	5	1

The net loss on cash flow hedges transferred from shareholders' equity to the income statement for the year ended 31 December 2010, and arose from interest payment under interest rate swap contracts used to hedge cash flows as follows:

(Unit: Million Baht)	
For the year ended 31 December 2010	
Interest expenses	28

### 3.26.6 Fair value of financial instruments

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

(Unit: Million Baht)

<u>Transactions</u>	As at			
	31 December 2010		31 December 2009	
	Book Value	Fair Value	Book Value	Fair Value
<b><u>Financial assets</u></b>				
Cash	903	903	827	827
Interbank and money market items	12,545	12,545	12,708	12,708
Investments - net	6,481	6,481	9,438	9,438
Receivable from clearing house	343	343	140	140
Loans and receivables	146,997	150,881	111,941	115,320
<b><u>Financial liabilities</u></b>				
Deposits	48,536	48,536	56,808	56,808
Interbank and money market items	10,843	10,843	6,380	6,380
Liabilities payable on demand	532	532	345	345
Borrowings	90,774	90,861	59,129	59,070
Payable to clearing house	19	19	193	193
Securities and derivative business payables	1,611	1,611	959	959

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book values of financial instruments are the values net of the full amount of such allowance for doubtful debt, 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 the Company passed a resolution to acquire the remaining 0.49% of shares in TISCO Bank from the minority shareholders after the completion of the shareholding restructuring of TISCO Group in January 2009. The shareholders delegated authority to the Company's Board of Directors to implement the share swap process, as they consider appropriate. However, the swap price or the cash purchase price are not to exceed the book value of TISCO Bank as at 31 December 2008 adjusted with the dividend payment from the operation results of year 2008 and are not to exceed the previous swap price.

During the year 2010, the Company undertook to issue the Company's ordinary shares in exchange of the remaining 1,039,099 ordinary shares of TISCO 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 TISCO 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 TISCO Bank increased to 99.98 percent of TISCO Bank's paid up shares and there are 119,520 shares of TISCO Bank held by minority shareholders (119,416 ordinary shares and 104 preference shares), which is equivalent to 0.02 percent of TISCO Bank's shares in issue.

According to this acquiring of the remaining ordinary shares of TISCO Bank from the minority shareholders, the difference of the ordinary share swap price and the net asset value of the remaining ordinary shares of TISCO Bank arising in this period was Baht 7 million. The difference amount was recorded in "Adjustment from business combination of entities under common control under holding restructuring plan" as presented in shareholders' equity of the consolidated financial statements.

With respect to the Company's ordinary shares which were issued in exchange of the remaining 1,039,099 ordinary shares of TISCO Bank from the minority shareholders, the Company already registered the increase in its paid-up share capital with the Ministry of Commerce.

#### **4.2 Acquisition of subsidiary**

On 2 March 2009, the Company acquired a 100% stake in Primus Leasing Company Limited from its former shareholders. As a result, the Company has management control over this company and considers it to be a subsidiary. The transaction was approved by the Company's Extraordinary General Meeting of the Shareholders No.2/2008 on 23 December 2008 and by the Bank of Thailand on 27 February 2009. In accordance with the conditions in the share purchase agreement, the purchase price depends on the audited financial statements. The Company has received the audited net asset value of Primus Leasing Company Limited as at 28 February 2009. The audited net asset value totals approximately Baht 783 million, while the net fair value of assets and liabilities of Primus Leasing Company Limited totals approximately Baht 861 million. The excess of the fair value and the net asset value is mainly due to hire purchase receivables and financial lease receivables.

The Company paid approximately Baht 890 million for its acquisition of Primus Leasing Company Limited. The difference between the purchase price and the net fair value of assets and liabilities of Primus Leasing Company Limited is considered as goodwill resulted from the acquisition. However, the management of the Company has considered that the amount of goodwill is not materially significant. In addition, the factors used in the assessment of the value of goodwill are uncertain. The Company therefore wrote-off the goodwill and recorded it as other expense in the consolidated income statement.

Fair values of net assets of Primus Leasing Company Limited as at the acquisition date (2 March 2009) are as follows:

	(Unit: Million Baht)	
	The adjusted net asset value after receipt of the audit results	
	Fair value	Book value (Audited)
Interbank and money market items (assets) - deposits	1,014	1,014
Hire purchase and finance leases receivables - net	5,134	5,032
Property foreclosed	10	10
Other debtors	1,250	1,250
Other assets	69	86
Total asset	7,477	7,392
Borrowings	6,200	6,200
Other liabilities	416	409
Total liabilities	6,616	6,609
Net assets	861	783

### 4.3 Significant events of subsidiaries

#### 4.3.1 Investment in securities

During 2010, the subsidiary operating banking business disposed all of its held-to-maturity debt securities, with gains on the disposals amounting to Baht 68 million.

#### 4.3.2 Reduction of its subsidiaries' share capital and capital returns from subsidiary

##### TISCO Global Securities Limited

In August 2009, TISCO Securities Company Limited received the return capital from the dissolution of TISCO Global Securities Limited amounting to Baht 7 million and TISCO Global Securities Limited already completed the liquidation on 12 November 2009.

##### TISCO Securities Company Limited

A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Securities Company Limited No.1/2009, on 15 December 2009, approved a decrease in that company's registered share capital from Baht 1,500 million (150,000,000 ordinary shares of Baht 10 each) to Baht 1,000 million (100,000,000 ordinary shares of Baht 10 each). On 29 March 2010, the company registered the decrease in its registered share capital with the Ministry of Commerce.

In March 2010, the Company received the return of capital from the reduction of registered share capital of TISCO Securities Company Limited amounting to Baht 500 million.

#### 4.3.3 Increase of its subsidiary's registered share capital

##### TISCO Leasing Company Limited

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 subsidiary company registered the increase in its registered share capital with the Ministry of Commerce.

#### 4.4 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		Baht per share	Baht per share		
Final dividends for 2008	The 2009 Annual General Meeting of the Shareholders on 24 April 2009	2.00	1.00	908	May 2009
Interim dividends for 2009	The 2009 Annual General Meeting of the Shareholders on 24 April 2009	1.00	0.50	454	July 2009
Total dividend payment in year 2009				<u>1,362</u>	
Final dividends for 2009	The 2010 Annual General Meeting of the Shareholders on 29 April 2010	1.24	1.24	902	May 2010
Total dividend payment in year 2010				<u>902</u>	

#### 4.5 Related party transactions

Besides the related party transactions as described in Note 3.23 to the financial statements, during the year, there are related party transactions with its related companies under TISCO Group, as presented below. Gain or loss occurred from the related party transactions of TISCO Group were eliminated from the consolidated financial statements.

## Year 2009

On 2 March 2009, TISCO 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.

### **5. Subsequent event**

#### Registration of the establishment of a subsidiary company

A resolution passed by the Executive Board of TISCO Financial Group Public Company Limited No.10/2010, on 18 November 2010, approved the incorporation of TISCO Learning Center Company Limited, with a registered share capital of Baht 5 million (50,000 ordinary shares of Baht 100 each) and the Company to hold 100% of shares. On 1 February 2011, the Company registered the establishment of this company with the Ministry of Commerce

### **6. Approval of financial statements**

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