

TISCO Bank Public Company Limited
Report and interim financial statements
For the three-month and six-month periods ended
30 June 2011

Report of Independent Auditor

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying statement of financial position of TISCO Bank Public Company Limited as at 30 June 2011, the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the six-month period ended 30 June 2011. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respect, the financial position of TISCO Bank Public Company Limited as at 30 June 2011 and the results of its operations and cash flows for the six-month period ended 30 June 2011 in accordance with generally accepted accounting principles.

I have also reviewed the statements of comprehensive income for the three-month periods ended 30 June 2011 and 2010 in accordance with the auditing standard applicable to review engagements which provide less assurance than an audit conducted in accordance with generally accepted auditing standards. Based on my reviews, nothing has come to my attention that cause me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The financial statements of TISCO Bank Public Company Limited for the six-month period ended 30 June 2010 and the year ended 31 December 2010 were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified audit opinion on those statements, under her report dated 9 August 2010 and 4 February 2011, respectively. The statement of financial position as at 31 December 2010 and the statements of income, changes in shareholders' equity, and cash flows for the six-month period ended 30 June 2010, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

As described in Note 1.2 to the financial statements, since the first quarter of the current year, the Bank adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the interim financial statements.

Ratana Jala
Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok: 8 August 2011

TISCO Bank Public Company Limited
Statements of financial position
As at 30 June 2011 and 31 December 2010

(Unit: Thousand Baht)

	<u>Note</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
Assets			
Cash		848,833	902,816
Interbank and money market items - net	3.1	16,672,675	12,360,491
Derivatives assets	3.2	2,835	12,800
Investments - net	3.3, 3.7	3,278,479	4,964,602
Investments in subsidiaries - net	3.4	47,743	135,312
Loans to customers and accrued interest receivable - net	3.5, 3.7		
Loans to customers		186,172,786	159,427,815
Accrued interest receivable		130,908	115,567
Total loans to customers and accrued interest receivable		186,303,694	159,543,382
Less: Deferred revenue		(15,946,873)	(14,239,270)
Less: Allowance for doubtful accounts	3.6	(4,319,478)	(3,859,412)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		166,037,340	141,444,697
Property foreclosed - net	3.8	18,548	17,963
Premises and equipment - net	3.9	547,946	575,272
Intangible assets - net	3.10	116,251	121,279
Deferred tax assets	3.28	1,074,052	954,833
Other assets	3.11	906,901	856,271
Total assets		189,551,603	162,346,336

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

TISCO Bank Public Company Limited
Statements of financial position (continued)
As at 30 June 2011 and 31 December 2010

(Unit: Thousand Baht)

	<u>Note</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
Liabilities and shareholders' equity			
Liabilities			
Deposits	3.12	35,110,781	48,606,378
Interbank and money market items - net	3.13	11,185,939	8,867,299
Liability payable on demand		590,399	532,448
Derivatives liabilities	3.2	124,595	-
Debts issued and borrowings	3.14	125,416,504	87,976,147
Provision for long-term employee benefits	3.15	67,544	-
Accrued interest payable		701,853	445,505
Income tax payables		612,343	686,197
Dividend payable		-	1,019,409
Other liabilities	3.16	2,236,512	2,001,560
Total liabilities		<u>176,046,470</u>	<u>150,134,943</u>

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

TISCO Bank Public Company Limited
Statements of financial position (continued)
As at 30 June 2011 and 31 December 2010

(Unit: Thousand Baht)

	<u>Note</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
Shareholders' equity			
Share capital			
Registered	4		
372,047,854 preference shares of Baht 10 each			
(31 December 2010: 1,000,000,000 preference shares of Baht 10 each)		3,720,479	10,000,000
728,152,146 ordinary shares of Baht 10 each			
(31 December 2010: 100,200,000 ordinary shares of Baht 10 each)		7,281,521	1,002,000
		<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
728,152,146 ordinary shares of Baht 10 each		7,281,521	7,281,521
		<u>7,281,522</u>	<u>7,281,522</u>
Share premium on ordinary shares		130,451	130,451
Other components of shareholders' equity		9,243	14,311
Retained earnings			
Appropriated-statutory reserve		714,600	714,600
Unappropriated		5,369,317	4,070,509
Total shareholders' equity		<u>13,505,133</u>	<u>12,211,393</u>
Total liabilities and shareholders' equity		<u>189,551,603</u>	<u>162,346,336</u>
		-	-

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

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

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited**Statements of comprehensive income****For the three-month periods ended 30 June 2011 and 2010**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Interest income	3.20	2,814,713	2,116,155
Interest expenses	3.21	(1,092,888)	(547,411)
Net interest income		<u>1,721,825</u>	<u>1,568,744</u>
Fees and service income		418,742	280,299
Fees and service expenses		(16,088)	(17,236)
Net fees and service income	3.22	<u>402,654</u>	<u>263,063</u>
Gains on tradings and foreign exchange transactions	3.23	19,556	1,313
Gains on investments	3.24	49,066	1,889
Penalty fee income from loans		47,040	42,619
Income from business promotion relating to the business		120,140	54,672
Other operating incomes	3.26	50,494	150,367
Total operating incomes		<u>2,410,775</u>	<u>2,082,667</u>
Other operating expenses			
Employee's expenses		382,329	333,493
Directors' remuneration		120	-
Premises and equipment expenses		165,660	165,529
Taxes and duties		55,593	35,254
Supporting service expenses	3.32	266,493	252,525
Expenses to business promotion relating to the business		144,321	77,124
Others	3.27	111,997	104,302
Total other operating expenses		<u>1,126,513</u>	<u>968,227</u>
Bad debt and doubtful accounts and impairment loss of debt securities	3.25	292,633	370,058
Profit before income tax expense		<u>991,629</u>	<u>744,382</u>
Income tax expense	3.28	279,739	222,941
Profit for the period		<u>711,890</u>	<u>521,441</u>
Other comprehensive income	3.29		
Investment in available for sale securities		(7,201)	78,675
Income tax (charge)/credit relating to components of other comprehensive income	3.28, 3.30	2,160	(23,602)
Other comprehensive income for the period - net		<u>(5,041)</u>	<u>55,073</u>
Total comprehensive income for the period		<u>706,849</u>	<u>576,514</u>
Earnings per share			
Basic earnings per share	3.31	<u>0.97</u>	<u>0.72</u>

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited**Statements of comprehensive income****For the six-month periods ended 30 June 2011 and 2010**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Interest income	3.20	5,331,980	4,149,535
Interest expenses	3.21	(1,936,924)	(1,081,165)
Net interest income		<u>3,395,056</u>	<u>3,068,370</u>
Fees and service income		801,232	582,066
Fees and service expenses		(34,501)	(30,771)
Net fees and service income	3.22	<u>766,731</u>	<u>551,295</u>
Gains (losses) on tradings and foreign exchange transactions	3.23	(6,057)	3,453
Gains on investments	3.24	61,058	20,123
Penalty fee income from loans		98,149	86,104
Income from business promotion relating to the business		216,089	105,314
Other operating incomes	3.26	107,361	224,110
Total operating incomes		<u>4,638,387</u>	<u>4,058,769</u>
Other operating expenses			
Employee's expenses		742,587	689,055
Directors' remuneration		240	-
Premises and equipment expenses		333,849	331,457
Taxes and duties		109,210	67,564
Supporting service expenses	3.32	500,063	484,525
Expenses to business promotion relating to the business		247,757	126,642
Others	3.27	219,200	194,944
Total other operating expenses		<u>2,152,906</u>	<u>1,894,187</u>
Bad debt and doubtful accounts and impairment loss of debt securities	3.25	595,605	658,099
Profit before income tax expense		<u>1,889,876</u>	<u>1,506,483</u>
Income tax expense	3.28	547,271	446,719
Profit for the period		<u>1,342,605</u>	<u>1,059,764</u>
Other comprehensive income	3.29		
Investment in available for sale securities		(7,239)	100,882
Income tax (charge)/credit relating to components of other comprehensive income	3.28, 3.30	2,171	(30,265)
Other comprehensive income for the period - net		<u>(5,068)</u>	<u>70,617</u>
Total comprehensive income for the period		<u>1,337,537</u>	<u>1,130,381</u>
Earnings per share			
Basic earnings per share	3.31	<u>1.84</u>	<u>1.46</u>

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

TISCO Bank Public Company Limited

Statements of cash flows

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	2011	2010
Cash flows from operating activities		
Profit before income tax	1,889,876	1,506,483
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	84,829	97,950
Bad debts and doubtful accounts	951,135	964,031
Allowance for impairment of investment	8,631	10,063
Allowance for impairment of property foreclosed	445	-
Gain on sale of investments	(63,247)	(31,338)
Unrealised loss on tradings and foreign exchange transactions	11,348	1,064
Gain on disposal of equipment	(4,219)	(6,180)
Loss on written-off of equipment	-	671
Gain on disposal of property foreclosed	(34,814)	(162,242)
Provision for long-term employee benefits	4,976	-
Decrease in other accrued income	1,609	6,391
Increase in accrued expenses	247,170	354,160
Net interest income	(3,395,056)	(3,068,370)
Dividend income	(61,829)	(44,468)
Cash received on interest income	5,190,230	4,331,099
Cash paid on interest expense	(1,594,051)	(976,546)
Cash received on dividend income	47,216	43,156
Cash paid on income tax expense	(719,401)	(594,566)
Profit from operating activities before changes in operating assets and liabilities	2,564,848	2,431,358
Decrease (increase) in operating assets		
Interbank and money market items	(4,235,854)	4,296,254
Loans to customers	(25,906,646)	(15,400,156)
Property foreclosed	438,582	1,060,568
Intangible assets	(16,073)	(5,048)
Other assets	(25,162)	(251,938)
Increase (decrease) in operating liabilities		
Deposits	(13,495,597)	9,889,139
Interbank and money market items	2,319,173	350,275
Liability payable on demand	57,951	149,309
Short-term borrowings	40,572,297	(4,022,398)
Other liabilities	31,917	(7,967)
Net cash flows from (used in) operating activities	2,305,436	(1,510,604)

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

TISCO Bank Public Company Limited**Statements of cash flows (continued)**

For the six-month periods ended 30 June 2011 and 2010

		(Unit: Thousand Baht)	
	<u>Note</u>	<u>2011</u>	<u>2010</u>
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment		(1,633,476)	(1,971,261)
Cash received from disposal of investment in securities held for investment		3,321,394	2,942,612
Cash paid for purchase of equipment		(36,812)	(48,147)
Cash received from disposal of equipment		4,170	6,249
Cash received from disposal of a subsidiary	4	136,655	-
Cash paid for acquisition of a subsidiary		-	(1)
Net cash flows from investing activities		<u>1,791,931</u>	<u>929,452</u>
Cash flows from financing activities			
Long-term borrowings		(3,131,941)	2,846,223
Cash received from issuance of long-term debentures		-	1,000,000
Cash paid for the redemption of long-term debentures		-	(3,000,000)
Dividend paid		(1,019,409)	(436,889)
Net cash flows from (used in) financing activities		<u>(4,151,350)</u>	<u>409,334</u>
Net decrease in cash		(53,983)	(171,818)
Cash at beginning of the period		<u>902,816</u>	<u>826,096</u>
Cash at end of the period		<u><u>848,833</u></u>	<u><u>654,278</u></u>
		-	
Supplemental cash flows information			
Non-cash transaction			
Transfer of property foreclosed from receivables for debt settlement		3,382	-

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	Issued and fully paid-up share capital		Share premium		Retained earnings		Other components of equity - surplus on change in value of available for sale investments	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Appropriated - statutory reserve	Unappropriated		
Balance as at 31 December 2009	732	7,280,790	37	130,414	614,900	3,196,595	7,927	11,231,395
Total comprehensive income for the period	-	-	-	-	-	1,059,764	70,617	1,130,381
Balance as at 30 June 2010	<u>732</u>	<u>7,280,790</u>	<u>37</u>	<u>130,414</u>	<u>614,900</u>	<u>4,256,359</u>	<u>78,544</u>	<u>12,361,776</u>
Balance as at 31 December 2010	1	7,281,521	-	130,451	714,600	4,070,509	14,311	12,211,393
Cumulative effect of the change in accounting policy for employee benefit (Note 1.4)	-	-	-	-	-	(43,797)	-	(43,797)
Total comprehensive income for the period	-	-	-	-	-	1,342,605	(5,068)	1,337,537
Balance as at 30 June 2011	<u>1</u>	<u>7,281,521</u>	<u>-</u>	<u>130,451</u>	<u>714,600</u>	<u>5,369,317</u>	<u>9,243</u>	<u>13,505,133</u>

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

TISCO Bank Public Company Limited

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2011 and 2010

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

1.1 Basis of preparation of financial statements

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

The presentation of the financial statements has been made in accordance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statement of Commercial Banks and Parent Companies of Financial Holding Groups”, date 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011.

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

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

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

1.2 Application of new accounting standards during the period

Since the first quarter of the current year, the Bank adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
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 11 (revised 2009)	Construction Contracts
TAS 12	Corporate Income Tax
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 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
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

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

The Bank has changed this accounting policy since the beginning of the current year and has recognised the liability in the transitional period through an adjustment to the beginning balance of retained earnings in the current period. This resulted in the decrease in the balances of retained earnings brought forward as at 1 January 2011 in the financial statements by Baht 44 million (long-term employee benefit obligations of Baht 63 million net of related deferred tax of Baht 19 million). The cumulative effect of such changes in the accounting policy has already been presented as “Cumulative effect of the change in accounting policy for employee benefits” in the statements of changes in shareholders’ equity.

In addition, the change in such accounting policy has the effect of decreasing the profit of the Bank for the three-month and six-month periods ended 30 June 2011 by Baht 2 million (0.003 Baht per share) and Baht 5 million (0.006 Baht per share), respectively.

1.5 Significant accounting policies

1.5.1 Income recognition

a) Interest and discounts on loans

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

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

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

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

b) Interest and dividends on investment in securities

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

- c) Gain (loss) on trading in securities

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

- d) Fees and service income

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

1.5.2 Expense recognition

- a) Interest expenses

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

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

The Bank recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, by the effective interest rate method, and deducting them from deferred revenue 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.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.5.3 Investments

- 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 the income statement.

- 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 the income statement.

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

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

1.5.4 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 the income statement.

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.

1.5.5 Securities purchased under resale agreements according to private repurchase transactions

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

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

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

1.5.6 Loans and receivables

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

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

1.5.7 Allowance for doubtful accounts and losses from troubled debt restructuring

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

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

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

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

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

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the financial statement date.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.

1.5.8 Troubled debt restructuring

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

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

1.5.9 Property foreclosed

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

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

1.5.10 Depreciation and amortisation

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

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

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

No depreciation is provided on land.

Depreciation is included in the income statement.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

1.5.11 Intangible assets

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

Intangible assets with finite lives is software license fees that 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

1.5.12 Income tax

a) Current tax

The Bank calculates corporate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

b) Deferred tax

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

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

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

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

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

1.5.13 Impairment of assets

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

Impairment losses are recognised in the income statement.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Bank 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.

1.5.14 Derecognition of financial assets and financial liabilities

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

1.5.15 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 financial statement date are translated into Baht at the average exchange rates ruling on the financial statement date.

Gains and losses on exchange are included in the income statement.

1.5.16 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Bank treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by the Bank based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in the income statement.

For the first-time adoption of TAS 19 Employee Benefits, the Bank elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current period.

1.5.17 Provisions

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

1.5.18 Derivatives

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

The Bank has recorded derivatives in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated net of interest income or expense in the income statement. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

1.5.19 Financial instruments

a) Financial risk management

The Bank’s financial instruments, as defined under Thai Accounting Standard No.107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash, interbank and money market items (assets), investments, loans and receivables, deposits, interbank and money market items (liabilities), liability payable on demand and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.35 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 financial statement date.

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the statement of financial position 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 commitment items cannot be reasonably determined and thus it has not been disclosed.

1.5.20 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

1.5.21 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:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognize 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.

Allowance for doubtful accounts for loans and receivables

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

Fair value of financial instruments

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

Impairment of investments

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

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company’s plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

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.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate.

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 30 June 2011, the Bank has 46 branches in Thailand.

2.2 Share capital

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

On 25 February 2011, the 2011 Annual General Meeting of Shareholders of the Bank passed the approval an amendment on the Bank's memorandum of association "No. 4 registered capital" to accord with the Bank's fully paid-up registered capital. The Bank's issued and fully paid-up registered capital is Baht 11,002 million, which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

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

2.3 Statutory reserve

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

2.4 Provident fund

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

2.5 Related party transactions

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

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

The Bank has neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management-level employees, with the exception of loans to parent company and loans to employees under the employee welfare scheme, as mentioned in Note 3.32 to the financial statements.

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

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

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at					
	30 June 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	493,838	1,950,000	2,443,838	871,206	8,310,000	9,181,206
Commercial banks	117,204	9,000,000	9,117,204	117,836	1,000,000	1,117,836
Specialized financial institutions	209	1,300,000	1,300,209	332	2,060,000	2,060,332
Total	611,251	12,250,000	12,861,251	989,374	11,370,000	12,359,374
Add: Accrued interest	-	1,039	1,039	-	1,117	1,117
Total domestic	611,251	12,251,039	12,862,290	989,374	11,371,117	12,360,491
<u>Foreign</u>						
Yuan	-	3,811,943	3,811,943	-	-	-
Total	-	3,811,943	3,811,943	-	-	-
Add: Accrued interest	-	1,851	1,851	-	-	-
Less: Deferred revenue	-	(3,409)	(3,409)	-	-	-
Total foreign	-	3,810,385	3,810,385	-	-	-
Total domestic and foreign	611,251	16,061,424	16,672,675	989,374	11,371,117	12,360,491

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

(Unit: Million Baht)

	Securities purchase under resale agreements according to private repurchase transactions as at	
	30 June 2011	31 December 2010
	Commercial Bank	10,300

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at	
	30 June 2011	31 December 2010
	Fair value of securities received as collateral	10,420

3.2 Derivatives

Trading derivatives

(Unit: Thousand Baht)

Type of risk	30 June 2011			31 December 2010		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	1,765	91,641	7,090,322	11,190	-	180,908
Interest rate	1,070	32,954	3,332,000	1,610	-	300,000
Total	2,835	124,595	10,422,322	12,800	-	480,908

All counter parties of these derivative transactions are financial institutions.

3.3 Investments

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Available-for-sales securities- fair value		
Government and state enterprise securities	578,703	1,419,765
Debt securities of private sector	831,460	841,460
Foreign debt securities	196,141	196,430
Add: Allowance for changes in value	3,380	6,991
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales securities	1,608,224	2,463,186
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	1,169,382	1,903,199
Less: Allowance for impairment	(29,047)	(22,606)
Total held-to-maturity debt securities	1,140,335	1,880,593
Other investments - cost		
Domestic non-marketable equity securities	598,083	688,369
Less: Allowance for impairment	(68,163)	(67,546)
Total other investments	529,920	620,823
Investments - net	3,278,479	4,964,602

3.3.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	30 June 2011	31 December 2010	
Government debt securities	2	2	Pledged for electricity usage

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

(Unit: Thousand Baht)

	As at 30 June 2011		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

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

(Unit: Thousand Baht)

	As at 31 December 2010		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

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

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

(Unit: Thousand Baht)

Securities' name	As at					
	30 June 2011			31 December 2010		
	Book value	Unpaid amounts	Percentage of holding %	Book value	Unpaid Amounts	Percentage of holding %
<u>Insurance:</u>						
AXA Insurance Plc.	53,169	-	10	53,169	-	10
<u>Services:</u>						
TISCO Securities Hong Kong Limited (in the process of liquidation)	47,743	-	100	49,315	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
<u>Leasing and hire purchase:</u>						
TISCO Leasing Co., Ltd.	-	-	-	85,998	-	99.99
<u>Trading import and export:</u>						
Shin Thai Enterprises Co., Ltd.	4,019	-	10	4,592	-	10
PDTL Trading Co., Ltd.	8,703	-	10	9,270	-	10
Wattana Inter-Trade Co., Ltd.	3,957	-	10	3,957	-	10
<u>Real estate:</u>						
Prosperity Industrial Estate Co., Ltd.	45,095	-	10	45,095	-	10
UMI Property Co., Ltd.	7,454	-	10	7,454	-	10
<u>Industrial:</u>						
Siam Art Ceramic Co., Ltd.	17,028	-	10	16,588	-	10

3.4 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Type of share		Percentage		Investment value		Dividend received	
		as at		of holding as at		- cost method		for the six-month	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	30 June 2010
				%	%				
Subsidiaries directly held by the Bank:									
TISCO Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	-	100	-	86	23	-
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	Ordinary shares	Ordinary shares	100	100	66	66	-	-
Less: Allowance for impairment						(18)	(17)	-	-
						48	49	-	-
Investments in subsidiaries - net						48	135	23	-

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

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

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

On 27 June 2011, the Bank disposed of all of its investment in TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited as mentioned in Note 4.1 to financial statements.

3.5 Loans to customers and accrued interest receivable

3.5.1 Classified by loan type

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Loans to customers		
Loans	42,590,989	32,880,931
Hire purchase receivables	143,294,045	126,432,187
Financial lease receivables	335,635	133,664
Less: Deferred revenue	(15,946,873)	(14,239,270)
Advances received from financial lease receivables	(47,883)	(18,967)
Total loans to customers	170,225,913	145,188,545
Add: Accrued interest receivable	130,908	115,567
Less: Allowance for doubtful accounts		
BOT's minimum requirement provision		
- Individual	(647,074)	(547,072)
- Collective	(1,098,849)	(961,515)
Excess over BOT's minimum requirement provision	(2,573,555)	(2,350,825)
	(4,319,478)	(3,859,412)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivables - net	166,037,340	141,444,697

3.5.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	30 June 2011			31 December 2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	167,151,193	-	167,151,193	145,188,545	-	145,188,545
US Dollars	-	3,074,720	3,074,720	-	-	-
Total	167,151,193	3,074,720	170,225,913	145,188,545	-	145,188,545

3.5.3 Classified by type of business

(Unit: Thousand Baht)

As at 30 June 2011						
	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	644,271	3,124	4,378	-	1,209	652,982
Manufacturing and commerce	23,452,681	123,918	29,207	13,219	69,495	23,688,520
Real estate and construction	7,982,787	86,045	10,047	1,561	359,180	8,439,620
Public utilities and services	8,999,105	128,519	210,075	16,414	65,127	9,419,240
Personal use						
Hire purchase	106,566,413	6,149,642	748,992	106,213	353,877	113,925,137
Housing loans	1,213,478	34,042	13,287	25,361	77,335	1,363,503
Auto cash loan	6,226,367	191,581	34,686	11,830	7,367	6,471,831
Others	5,806,280	62,331	5,482	1,633	389,354	6,265,080
Total loans to customers	160,891,382	6,779,202	1,056,154	176,231	1,322,944	170,225,913
Add: Accrued interest receivable	49,319	81,589	-	-	-	130,908
Total loans to customers and accrued interest receivable	<u>160,940,701</u>	<u>6,860,791</u>	<u>1,056,154</u>	<u>176,231</u>	<u>1,322,944</u>	<u>170,356,821</u>

(Unit: Thousand Baht)

As at 31 December 2010						
	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	159,152	2,519	4,405	513	1,323	167,912
Manufacturing and commerce	17,441,497	141,008	25,055	28,871	61,962	17,698,393
Real estate and construction	5,955,550	87,192	4,521	5,438	362,968	6,415,669
Public utilities and services	6,911,822	152,127	28,133	26,981	62,021	7,181,084
Personal use						
Hire purchase	94,354,795	5,968,776	687,177	183,337	331,931	101,526,016
Housing loans	1,243,598	54,709	19,930	12,588	91,461	1,422,286
Auto cash loan	5,160,852	177,132	16,465	2,995	5,941	5,363,385
Others	4,991,666	27,148	2,306	6,557	386,123	5,413,800
Total loans to customers	136,218,932	6,610,611	787,992	267,280	1,303,730	145,188,545
Add: Accrued interest receivable	33,535	82,032	-	-	-	115,567
Total loans to customers and accrued interest receivable	<u>136,252,467</u>	<u>6,692,643</u>	<u>787,992</u>	<u>267,280</u>	<u>1,303,730</u>	<u>145,304,112</u>

3.5.4 Classified by loan classification

(Unit: Million Baht)

	30 June 2011			31 December 2010		
	Loans to customers and accrued interest receivables ⁽¹⁾	Balance net of collateral	Allowance provided in the accounts	Loans to customers and accrued interest receivables ⁽¹⁾	Balance net of collateral	Allowance provided in the accounts
BOT's minimum requirement provision						
Pass	160,941	145,312	974	136,253	122,958	794
Special mention	6,861	6,722	60	6,692	6,547	59
Sub-standard	1,056	1,038	243	788	768	178
Doubtful	176	144	44	267	239	51
Doubtful of loss	1,323	819	424	1,304	789	426
Provision in excess of BOT's minimum rates required ⁽²⁾	-	-	2,574	-	-	2,351
Total	170,357	154,035	4,319	145,304	131,301	3,859

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

⁽²⁾ Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

	Percentage of allowance for doubtful account set up			
	Hire purchase receivable ⁽¹⁾		Other loan	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Pass	0.61	0.60	1	1
Special mention	0.61	0.60	2	2
Sub-standard	20.09	20.31	100	100
Doubtful	20.09	20.31	100	100
Doubtful of loss	20.09	20.31	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

3.5.5 Hire purchase and financial lease receivables

As at 30 June 2011, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 127,818 million (31 December 2010: Baht 112,491 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2011				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Gross investment in the agreements	44,340	93,415	3,062	2,813	143,630
Less: Deferred revenue*	(6,263)	(8,250)	(78)	(1,173)	(15,764)
Advances received from financial lease receivables	-	(45)	(3)	-	(48)
Present value of minimum lease pay from agreements	38,077	85,120	2,981	1,640	127,818
Allowance for doubtful accounts					(1,101)
Net hire purchase and financial lease receivables					126,717

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

(Unit: Million Baht)

	As at 31 December 2010				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Gross investment in the agreements	39,912	81,746	2,318	2,590	126,566
Less: Deferred revenue *	(5,676)	(7,194)	(56)	(1,130)	(14,056)
Advances received from financial lease receivables	-	(19)	-	-	(19)
Present value of minimum lease pay from agreements	34,236	74,533	2,262	1,460	112,491
Allowance for doubtful accounts					(963)
Net hire purchase and financial lease receivables					111,528

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

3.5.6 Loans to customers for which the recognition of interest income has ceased

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Loans to customers for which the recognition of interest income has ceased ⁽¹⁾	3,557	3,618	3,873	3,941

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

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

3.5.7 Deferred revenue which is presented as a deduction against loans to customers

(Unit: Million Baht)

	As at	
	30 June 2011	31 December 2010
Deferred revenue ⁽¹⁾	15,947	14,239

⁽¹⁾ These amounts included deferred revenue of hire purchase and financial lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.5.8 Troubled debt restructuring

	For the six-month periods ended 30 June	
	2011	2010
Debtors restructured during the period:		
Number of debtors restructured by modification of terms (number)	131	257
Loan balances before restructuring (million Baht)	85	162
Loan balances after restructuring (million Baht)	85	162
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	2

Supplemental information for the six-month periods ended 30 June 2011 and 2010 relating to the restructured debts is as follows:

	For the six-month periods ended 30 June	
	2011	2010
Interest income on restructured receivables (million Baht)	32	31
Receipt of principal and interest (million Baht)	178	208

As at 30 June 2011 and 31 December 2010, the Bank have the outstanding balances with troubled restructured debtors, as follows:

(Unit: Million Baht)

	As at			
	30 June 2011		31 December 2010	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,428	1,634	1,289	1,711

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: Thousand Baht)

As at 30 June 2011							
	Pass	Special- Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	Total
Balance - beginning of period	794,419	59,208	177,958	51,122	425,880	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the period	179,349	1,460	260,628	283,472	3,496	222,730	951,135
Bad debt written-off	(155)	(80)	(195,315)	(290,488)	(5,031)	-	(491,069)
Balance - end of period	<u>973,613</u>	<u>60,588</u>	<u>243,271</u>	<u>44,106</u>	<u>424,345</u>	<u>2,573,555</u>	<u>4,319,478</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: Thousand Baht)

As at 31 December 2010							
	Pass	Special- Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	Total
Balance - beginning of year	594,905	60,643	162,254	71,475	471,291	727,848	2,088,416
Increase (decrease) in allowance for doubtful accounts during the year	199,919	2,879	292,377	449,408	28,288	1,411,875	2,384,746
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125	211,125
Bad debt written-off	(405)	(4,314)	(276,673)	(469,761)	(73,699)	(23)	(824,875)
Balance - end of year	<u>794,419</u>	<u>59,208</u>	<u>177,958</u>	<u>51,122</u>	<u>425,880</u>	<u>2,350,825</u>	<u>3,859,412</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.

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

(Unit: Thousand Baht)

As at 30 June 2011				
	Individual impairment	Collective impairment	Reserve for counter cyclical business factors*	Total
Balance - beginning of period	547,072	961,515	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the period	100,250	628,155	222,730	951,135
Bad debt written-off	(249)	(490,820)	-	(491,069)
Balance - end of period	<u>647,073</u>	<u>1,098,850</u>	<u>2,573,555</u>	<u>4,319,478</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: Thousand Baht)

	As at 31 December 2010			Total
	Individual impairment	Collective impairment	Reserve for counter cyclical business factors*	
Balance - beginning of year	507,902	852,666	727,848	2,088,416
Increase (decrease) in allowance for doubtful accounts during the year	78,972	893,899	1,411,875	2,384,746
Transfer from allowance for declining in value of property foreclosed	-	-	211,125	211,125
Bad debt written-off	(39,802)	(785,050)	(23)	(824,875)
Balance - end of year	547,072	961,515	2,350,825	3,859,412

* 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

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring ⁽¹⁾	As at	
	30 June 2011	31 December 2010
Amount to be provided under BOT's guidelines	1,745	1,485
Amount already recorded by the Bank	4,319	3,859
Amount in excess of the required amount under BOT's guidelines	2,574	2,351

⁽¹⁾ Include allowance for doubtful accounts for credit granted to financial institutions (which is presented as part of interbank and money market items-assets in the statement of financial position).

3.6.4 Non-performing loans

(Unit: Million Baht)

	As at	
	30 June 2011	31 December 2010
Non-performing loans	2,555	2,359
Allowance for doubtful accounts	711	655

3.7 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at		as at		as at	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

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

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

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

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

As at 30 June 2011 and 31 December 2010, the quality of the Bank's assets is classified in accordance with the Bank of Thailand's guidelines are as follows:

(Unit: Million Baht)

	Loans and receivables ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	Pass	171,191	139,279	-	-	-	-	-	-	171,191
Special mention	6,779	6,611	-	-	-	-	-	-	6,779	6,611
Sub-standard	1,056	788	-	-	-	-	-	-	1,056	788
Doubtful	176	267	-	-	-	-	-	-	176	267
Doubtful of loss	1,323	1,304	93	87	29	23	64	61	1,509	1,475
Total	180,525	148,249	93	87	29	23	64	61	180,711	148,420

⁽¹⁾ Loans and receivable include investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which presented as part of interbank and money market items-asset in the statements of financial position)

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

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts	
	as at		after net of collateral value		as at		as at	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Hire purchase receivables⁽¹⁾								
Pass	119,441	104,568	119,441	104,568	0.61	0.60	714	610
Special mentioned	6,477	6,360	6,477	6,360	0.61	0.60	56	55
Substandard	997	747	997	747	20.09	20.31	202	157
Doubtful	127	234	127	234	20.09	20.31	27	46
Doubtful of loss	517	479	517	479	20.09	20.31	100	94
Total	127,559	112,388	127,559	112,388			1,099	962

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

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

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

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at		as at	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
				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	1	249	254	145	148	124	127
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	2	2	349	349	269	269	80	80
5. Companies whose auditor's report cited going concern issues	3	3	481	506	428	453	53	53
Total	6	6	1,079	1,109	842	870	257	260

3.8 Property foreclosed

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of periods	268,015	479,140
Additions	-	-
Disposals	-	(211,125)
Balance - end of year	268,015	268,015
<u>Appraisal by an internal valuer</u>		
Balance - beginning of periods	33,860	33,860
Additions	3,382	-
Disposals	-	-
Balance - end of year	37,242	33,860
Total property foreclosed - Immovable assets	305,257	301,875
Movable assets		
Balance - beginning of periods	42,485	71,507
Additions	557,738	1,434,738
Disposals	(560,090)	(1,463,760)
Balance - end of year	40,133	42,485
Total property foreclosed	345,390	344,360
Less: Allowance for impairment		
Balance - beginning of periods	32,002	31,673
Increase	2,527	329
Decrease	-	-
Balance - end of year	34,529	32,002
Property foreclosed - net	310,861	312,358
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(292,313)	(294,395)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	18,548	17,963

3.9 Land, premises and equipment

(Unit: Thousand Baht)

	Land	Office condominium	Furniture, fixtures and equipment	Office improvements	Motor vehicles	Total
<u>Cost:</u>						
31 December 2010	17,509	443,855	529,809	453,055	69,541	1,513,769
Additions	-	-	14,591	19,173	2,638	36,402
Disposals	-	-	(4,056)	(610)	(8,623)	(13,289)
30 June 2011	17,509	443,855	540,344	471,618	63,556	1,536,882
<u>Accumulated depreciation:</u>						
31 December 2010	-	177,888	442,573	273,061	44,975	938,497
Depreciation for the period	-	8,048	24,875	26,980	3,825	63,728
Depreciation on disposals	-	-	(4,056)	(610)	(8,623)	(13,289)
30 June 2011	-	185,936	463,392	299,431	40,177	988,936
<u>Net book value:</u>						
31 December 2010	17,509	265,967	87,236	179,994	24,566	575,272
30 June 2011	17,509	257,919	76,952	172,187	23,379	547,946
<u>Depreciation for the six-month periods end 30 June:</u>						
2010						154,295
2011						63,728

3.10 Intangible assets

(Unit: Thousand Baht)

	<u>Computer software</u>
Cost	
31 December 2010	342,486
Additions	<u>16,073</u>
30 June 2011	<u>358,559</u>
Accumulated amortisation	
31 December 2010	221,207
Amortisation	<u>21,101</u>
30 June 2011	<u>242,308</u>
Net book value	
31 December 2010	<u>121,279</u>
30 June 2011	<u>116,251</u>

3.11 Other assets

(Unit: Thousand Baht)

	As at	
	<u>30 June 2011</u>	<u>31 December 2010</u>
Value added tax - net	358,614	343,017
Accrued interest receivable	13,312	18,370
Fee and charges receivable	29,786	31,395
Deposits	29,880	28,495
Other receivables	264,201	221,787
Dividend receivables	14,612	-
Other assets	196,496	213,207
Total other assets	<u>906,901</u>	<u>856,271</u>

3.12 Deposits

3.12.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Deposits		
Current accounts	3,746,252	4,933,147
Saving accounts	16,482,715	25,671,550
Fixed accounts		
- not over 6 months	704,404	778,329
- over 6 months and less than 1 year	109,818	142,761
- over 1 year	183,799	248,436
Certificates of deposit/negotiable certificates of deposit	13,883,793	16,832,155
Total	35,110,781	48,606,378

3.12.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Not over 1 year*	34,805,637	48,297,250
Over 1 year	305,144	309,128
Total deposits	35,110,781	48,608,378

*Including fully-mature deposit contract

3.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at					
	30 June 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
Commercial banks	98,120	1,190,000	1,288,120	81,711	550,000	631,711
Specialized financial institutions	1,000,000	2,800,000	3,800,000	-	2,500,000	2,500,000
Financial institutions	602,468	5,495,351	6,097,819	791,208	4,944,380	5,735,588
Total	1,700,588	9,485,351	11,185,939	872,919	7,994,380	8,867,299

3.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,000,000	6,000,000
Unsubordinated unsecured debentures	1,000,000	1,000,000
Bills of exchange	118,414,128	80,973,771
Promissory notes	2,376	2,376
Total	125,416,504	87,976,147

3.14.1 Subordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		30 June 2011	31 December 2010		30 June 2011	31 December 2010		
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.5 percent per annum in the first to third years, 6.0 percent per annum in the forth to seventh years and 6.5 percent per annum in the eighth to tenth years.
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.0 percent per annum in the first to third years, 5.5 percent per annum in the forth to seventh years and 6.0 percent per annum in the eighth to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.0 percent per annum in the first to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.8 percent per annum in the first to tenth years.
Total					6,000	6,000		

3.14.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		30 June 2011	31 December 2010		30 June 2011	31 December 2010		
2007	Unsubordinated and unsecured long - term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total					1,000	1,000		

3.14.3 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 2014. The interest rates of the fixed interest rates bearing bills of exchange are between 1.05 and 4.00 percent per annum.

3.15 Provision for long-term employee benefits

Provision for long-term employee benefits recognised expenses in the income statement for the six-month period ended 30 June 2011 are summarised below.

	(Unit: Thousand Baht)
	Severance Payment
	For the six-month period ended 30 June 2011
Current service cost	3,690
Interest cost	1,287
Total provision for long-term employee benefit expenses recognised in the income statement	<u>4,977</u>

Provision for long-term employee benefits as at 30 June 2011 are summarised below.

	(Unit: Thousand Baht)
	Severance Payment
Present value of defined benefit obligation	67,544
Provisions for long-term employee benefits as at 30 June 2011	<u>67,544</u>

Changes in the present value of the defined benefit obligation are as follow:

	(Unit: Thousand Baht)
	Severance Payment
Defined benefit obligation as at 1 January 2011	62,567
Current service cost	3,690
Interest cost	1,287
Defined benefit obligation as at 30 June 2011	<u>67,544</u>

Principal actuarial assumptions at the valuation date were as follow:

	2011
	(% per annum)
Discount rate	3.77 - 4.27
Average salary increase rate	3
Average inflation rate	3

3.16 Other liabilities

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Withholding income tax and other tax payable	49,287	77,298
Accrued insurance premium	325,095	370,212
Deferred income	437,598	233,226
Accrued expenses	926,929	651,749
Other liabilities	497,603	669,075
Total other liabilities	<u>2,236,512</u>	<u>2,001,560</u>

3.17 Preference shares converted to ordinary shares

Up to 30 June 2011, 627,952,146 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 30 June 2011, there are 104 preference shares which are convertible to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.18 Capital funds

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

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

Regarding to Capital fund as of 30 June 2011 and 31 December 2010 under Basel II framework, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on pro rata method under BOT's regulation.

Capital funds of the Bank are as follows:

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Tier I		
Issued and fully paid up share capital	7,281,523	7,281,523
Premium on share capital	130,451	130,451
Statutory reserve	714,600	614,900
Retained earnings - unappropriated	4,026,712	3,196,595
Less : Deferred tax assets	(1,078,013)	(960,966)
Total Tier I	11,075,273	10,262,503
Tier II		
Subordinated long-term debentures	5,537,636	5,131,251
Reserve for loans classified as pass	743,466	552,695
Add: Excess provision according to IRB	259,040	280,332
Total Tier II	6,540,142	5,964,278
Total capital fund	17,615,415	16,226,781

Capital ratios	As at			
	30 June 2011		31 December 2010	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	9.82% ⁽¹⁾	4.25%	11.29% ⁽¹⁾	4.25%
Total capital to risk assets	13.81% ⁽²⁾	8.50%	15.23% ⁽²⁾	8.50%

⁽¹⁾ Before Capital Floor

⁽²⁾ After Capital Floor

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 25/2552 regarding "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank has disclosed capital maintenance information as at 31 December 2010 on its website on 29 April 2011.

3.19 Surplus on changes in the value of investments

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Balance - beginning of period	20,444	11,324
Increase (decrease) from changes in the value of securities during the period	(7,239)	9,120
	13,205	20,444
Less: The effect of deferred tax assets / liabilities	(3,962)	(6,133)
Balance - end of period	9,243	14,311

3.20 Interest income

Interest income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2011	2010	2011	2010
Interbank and money market items	82,434	36,285	170,530	76,972
Investments in debt securities	59,171	122,221	127,846	257,415
Loans to customers	805,076	367,685	1,398,265	684,792
Hire purchase and financial lease income	1,868,032	1,589,964	3,635,339	3,130,356
Total interest income	2,814,713	2,116,155	5,331,980	4,149,535

3.21 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2011	2010	2011	2010
Deposits	172,408	221,839	334,438	414,623
Interbank and money market items	47,930	20,441	85,540	42,522
Contribution fee to the Deposit Protection Agency	40,797	73,009	86,525	136,560
Issued debt instruments				
- Subordinated debentures	76,789	58,897	152,734	110,678
- Unsubordinated debentures	10,073	26,716	20,034	64,418
Borrowings	744,891	146,509	1,257,653	312,364
Total interest expenses	1,092,888	547,411	1,936,924	1,081,165

3.22 Fees and service income - net

Fees and service income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2011	2010	2011	2010
Fees and service income				
- Acceptance, aval and guarantees	6,241	2,159	8,941	4,149
- Insurance service	274,691	177,828	539,265	352,864
- Financial advisory fees	-	-	1,000	-
- Others	137,810	100,312	252,026	225,053
Total fees and service income	418,742	280,299	801,232	582,066
Fees and service expenses	(16,088)	(17,236)	(34,501)	(30,771)
Fees and service income - net	402,654	263,063	766,731	551,295

3.23 Gains (losses) on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2011	2010	2011	2010
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	18,442	(1,478)	21,612	(1,478)
- Derivatives on interest rates	(809)	269	(32,960)	414
- Debt securities	1,923	2,522	5,291	4,517
Total	19,556	1,313	(6,057)	3,453

3.24 Gains on investments

Gains on investments in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
Gains (losses) on disposal				
- Available-for-sale securities	50,658	(427)	50,872	960
- Held-to-maturity securities	119	(247)	125	(304)
- General investments	(605)	6,590	12,250	26,166
Total	50,172	5,916	63,247	26,822
Losses on impairment				
- General investments	(619)	(2,745)	(617)	(2,188)
- Investments in subsidiaries	(487)	(1,282)	(1,572)	(4,511)
Total	(1,106)	(4,027)	(2,189)	(6,699)
Grand total	49,066	1,889	61,058	20,123

3.25 Bad debt, doubtful accounts and impairment loss of debt securities

Bad debt, doubtful accounts and impairment loss of debt securities in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
Interbank and money market items	(16,000)	(14,000)	-	-
Held-to-maturity debt securities	2,233	2,038	6,442	3,364
Loans to customers	306,400	382,020	589,163	654,735
Total	292,633	370,058	595,605	658,099

3.26 Other operating income

Other operating income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2011	2010	2011	2010
Gains on disposal of property foreclosed	15,128	130,072	34,814	162,242
Dividend income	30,575	7,573	61,829	44,468
Others	4,791	12,722	10,718	17,400
Total	<u>50,494</u>	<u>150,367</u>	<u>107,361</u>	<u>224,110</u>

3.27 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2011	2010	2011	2010
Mailing expenses	8,847	8,768	19,588	17,728
Software amortisation expenses	11,034	10,682	21,101	21,203
Legal expenses	31,896	38,493	62,850	67,604
Transportation expenses	18,835	15,939	38,570	32,664
Others	41,385	30,420	77,091	55,745
Total	<u>111,997</u>	<u>104,302</u>	<u>219,200</u>	<u>194,944</u>

3.28 Income tax expense

Income tax expenses of the Bank of the three-month and six-month periods ended 30 June 2011 and 2010 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
Income tax payable on taxable profit for the periods	318,236	262,727	644,251	597,835
Add (less): Net increase in deferred tax on temporary differences	(39,794)	(39,786)	(98,277)	(151,134)
Adjustment in respect of current income tax of prior year	1,297	-	1,297	18
Income tax expense	<u>279,739</u>	<u>222,941</u>	<u>547,271</u>	<u>446,719</u>

Deferred tax is recorded directly to shareholders' equity during the three-month and six-month periods ended 30 June 2011 and 2010 as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
Surplus (deficit) on change in value of investments	<u>2,160</u>	<u>(23,602)</u>	<u>2,171</u>	<u>(30,265)</u>

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

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
Accounting profit before income tax expenses	<u>991,629</u>	<u>744,382</u>	<u>1,889,876</u>	<u>1,506,483</u>
Income tax rate of 30%	297,489	223,315	566,963	451,945
Tax effect of net tax-exempt income and net expense that are disallowed	(19,047)	(374)	(20,989)	(5,244)
Adjustment in respect of current income tax of prior year	1,297	-	1,297	18
Income tax expense	<u>279,739</u>	<u>222,941</u>	<u>547,271</u>	<u>446,719</u>

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

(Unit: Thousand Baht)

	As at		Change in deferred tax assets/deferred tax liabilities reported in the statements of comprehensive income for the six-month periods ended	
	30 June 2011	31 December 2010	30 June 2011	30 June 2010
	Allowance for doubtful debts - reserve for counter cyclical business factors	772,066	705,247	66,819
Allowance for impairment of investments	49,935	47,390	2,545	2,998
Allowance for impairment of property foreclosed	98,052	97,919	133	(63,337)
Non-accrual of interest income	176,533	177,497	(964)	(1,910)
Depreciation of assets	21,156	21,521	(365)	(58)
Financial leases	10,522	13,910	(3,388)	1,026
Revaluation surplus on investments	(3,962)	(6,133)	-	-
Unrealised gain (loss) on derivatives	9,742	(146)	9,888	(124)
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(341,631)	(296,388)	(45,243)	(35,225)
Deferred income	102,361	67,017	35,344	12,790
Accrued expenses	118,405	118,405	-	-
Employee benefits	20,264	-	1,493	-
Others	40,609	8,594	32,015	4,408
Deferred tax assets	1,074,052	954,833	98,277	151,134

3.29 Components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2011	2010	2011	2010
	Other comprehensive income			
Available-for-sale securities:				
Gain during the periods	43,457	78,248	43,633	101,842
Add (less): Reclassification adjustments for loss (gain) included in profit or loss	(50,658)	427	(50,872)	(960)
Total other comprehensive income	(7,201)	78,675	(7,239)	100,882
Income tax relating to components of other comprehensive income	2,160	(23,602)	2,171	(30,265)
Other comprehensive income for the periods - net	(5,041)	55,073	(5,068)	70,617

3.30 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June					
	2011			2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Surplus (deficit) on change in value of investments	<u>(7,201)</u>	<u>2,160</u>	<u>(5,041)</u>	<u>78,675</u>	<u>(23,602)</u>	<u>55,073</u>

(Unit: Thousand Baht)

	For the six-month periods ended 30 June					
	2011			2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Surplus (deficit) on change in value of investments	<u>(7,239)</u>	<u>2,171</u>	<u>(5,068)</u>	<u>100,882</u>	<u>(30,265)</u>	<u>70,617</u>

3.31 Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the period. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the three-month periods ended 30 June	
	2011	2010
Profit for the period attributable to equity holders of the Bank (Thousand Baht)	711,890	521,441
Weighted average number of shares (Thousand shares)	728,152	728,152
Earnings per share for the periods (Baht/share)	0.97	0.72

	For the six-month periods ended	
	30 June	
	2011	2010
Profit for the period attributable to equity holders of the Bank (Thousand Baht)	1,342,605	1,059,764
Weighted average number of shares (Thousand shares)	728,152	728,152
Earnings per share for the periods (Baht/share)	1.84	1.46

3.32 Related party transactions

	(Unit: Thousand Baht)			
	As at 31 December 2010	Increase	Decrease	As at 30 June 2011
	<u>Outstanding balance</u>			
Parent company:				
TISCO Financial Group Plc.				
Other assets	2,344	-	-	2,344
Deposits	6,461	-	(2,207)	4,254
Accrued interest payable	93	161	(236)	18
Borrowings	387,000	593,000	(681,000)	299,000
Dividend payable	1,019,246	-	(1,019,246)	-
Other liabilities	74,588	22,302	-	96,890
Related companies (under the same parent company)				
Loans:				
TISCO Tokyo Leasing Co., Ltd.	100,000	200,000	-	300,000
Dividend receivable:				
TISCO Leasing Co., Ltd.	-	22,499	(22,499)	-
Other Assets:				
TISCO Securities Co., Ltd.	-	154	-	154
TISCO Learning Center Co., Ltd.	-	5,654	-	5,654
Deposits:				
Hi-Way Co., Ltd.	21,993	12,876	(12,067)	22,802
TISCO Information Technology Co., Ltd.	7,054	-	(3,849)	3,205
Primus Leasing Co., Ltd.	33,699	-	(3,576)	30,123
TISCO Tokyo Leasing Co., Ltd.	23	662	(652)	33
TISCO Learning Center Co., Ltd.	-	4,187	(2,337)	1,850
TISCO Investment Advisory Co., Ltd.	-	1,000	(46)	954
TISCO Leasing Co., Ltd.	3,925	-	(3,208)	717
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	515,701	398,942	(503,229)	411,414
TISCO Asset Management Co., Ltd.	54,139	-	(38,547)	15,592

(Unit: Thousand Baht)

	As at 31 December 2010	Increase	Decrease	As at 30 June 2011
<u>Outstanding balance</u>				
Related companies (under the same parent company)				
Borrowings:				
TISCO Information Technology Co., Ltd.	30,000	37,000	-	67,000
TISCO Leasing Co., Ltd.	10,000	25,000	(18,000)	17,000
TISCO Learning Center Co., Ltd.	-	21,000	-	21,000
Accrued interest payable:				
TISCO Securities Co., Ltd.	51	32	(51)	32
TISCO Asset Management Co., Ltd.	98	-	(96)	2
Hi-Way Co., Ltd.	-	39	(39)	-
TISCO Information Technology Co., Ltd.	7	48	-	55
TISCO Leasing Co., Ltd.	1	34	(34)	1
TISCO Learning Center Co., Ltd.	-	10	-	10
Other liabilities:				
TISCO Learning Center Co., Ltd.	-	2,030	-	2,030

(Unit Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		
	2011	2010	2011	2010	Terms and pricing policy
(For the period 2011)					

Transactions occurred during the three-month and six-month periods ended 30 June

Parent company

Risk and financial management fee income, human resources management fee income and office administration fee income	266,493	252,525	500,063	484,525	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	6,226	1,469	8,865	2,364	With reference to the terms and prices as offered to other customers
Others expenses	2,344	1,935	4,688	3,462	With reference to the terms and prices as offered to other customers

Related companies (under the same parent company)

Interest income	1,205	395	1,881	671	With reference to the terms and prices as offered to other customers
Other income	433	422	856	845	With reference to the terms and prices as offered to other customers

(Unit Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Terms and pricing policy (For the period 2011)
	2011	2010	2011	2010	
<u>Transactions occurred during the three-month and six-month periods ended 30 June</u>					
Related companies (under the same parent company)					
Computer system advisory service expenses	53,250	52,750	106,500	105,500	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	11,761	-	14,359	-	With reference to the prices as offered from other service providers
Interest expenses	669	838	1,089	1,263	With reference to the terms and prices as offered to other customers
Others expenses	331	739	660	1,451	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	30 June 2011	31 December 2010
Loans	145	196

Liabilities payable to directors and management

(Unit: Thousand Baht)

	As at 30 June 2011
Deposits	32,500
Debt issued and Borrowings	18,297

Besides the above transactions, the Bank has additional related party transaction with its parent company, which is presented in Note 4.1 to the financial statements.

Directors and management's remuneration

For the three-month and six-month periods ended 30 June 2011, the Bank paid directors and management's remuneration totaling Baht 17 million and Baht 33 million, respectively. This is composed of monthly remuneration, meeting allowances, salaries and provident fund contributions.

In addition, the Bank recorded directors' and management's post-employment benefit expenses for the three-month and six-month periods ended 30 June 2011 totaling Baht 0.4 million and Baht 0.8 million, respectively.

3.33 Financial information by segment

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

3.34 Commitments and contingent liabilities

3.34.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

As at

	30 June 2011	31 December 2010
Avals	134,664	194,136
Other guarantees	4,353,157	888,386
Undrawn client overdraft facilities	31,344	33,273
Interest rate swap agreements (Note 3.35.5)	3,332,000	300,000
Cross currency swap agreements (Note 3.35.5)	7,090,322	180,908
	<u>14,941,487</u>	<u>1,596,703</u>

3.34.2 Litigation

As at 30 June 2011, the Bank has been sued for compensation totaling approximately Baht 170 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 184 million as at 30 June 2011). During the current period, this case is currently under consideration of the court.

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

3.34.3 Other commitments

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

As at 30 June 2011, 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	60
1 to 3 years	39

3.35 Financial instruments

3.35.1 Credit risk

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

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

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

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

The risk of hire purchase credit that is not overdue of the Bank 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 follows:

	(Unit: Million Baht)	
	As at	
	30 June 2011	31 December 2010
Neither past due nor impaired		
Very high grade	77,295	70,228
High grade	36,905	30,510
Medium grade	5,241	3,830
Sub total	119,441	104,568
Hire purchase receivables - overdue 31 - 90 days	6,477	6,360
Hire purchase receivables - overdue more than 90 days	1,641	1,460
Total	<u>127,559</u>	<u>112,388</u>

3.35.2 Market risk

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

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

3.35.2.1 Market risk - Marketable portfolio

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

	(Unit: Million Baht)	
	Market Risk as at	
	30 June 2011	31 December 2010
Marketable financial assets		
Debts securities	18	23
Foreign currencies	7	7

3.35.2.2 Market risk sensitivity - Interest bearing assets and liabilities

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

	(Unit: Million Baht)	
	Increase (decrease) in sensitivity of net interest income as at	
	30 June 2011	31 December 2010
Change in interest rate		
Increase 1 percent	(485.07)	(258.13)
Decrease 1 percent	485.07	258.13

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.

3.35.2.3 Interest rate risk

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

(Unit: Million Baht)

As at 30 June 2011				
<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	849	849
Interbank and money market items	-	16,062	611	16,673
Derivatives assets	-	-	3	3
Investments - net	-	2,748	530	3,278
Investments in subsidiary - net	-	-	48	48
Loans to customers ⁽¹⁾	9,837	158,752	1,768	170,357
	<u>9,837</u>	<u>177,562</u>	<u>3,809</u>	<u>191,208</u>
<u>Financial liabilities</u>				
Deposits	20,044	14,882	185	35,111
Interbank and money market items	122	11,060	4	11,186
Liabilities payable on demand	-	-	590	590
Derivatives liabilities	-	-	125	125
Debt issued and borrowings	-	125,417	-	125,417
	<u>20,166</u>	<u>151,359</u>	<u>904</u>	<u>172,429</u>

⁽¹⁾ The outstanding balances of loans to customers which have floating rates include loans on which interest recognition has been ceased.

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

(Unit: Million Baht)

As at 30 June 2011							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	-	12,253	3,809	-	-	16,062	2.2107
Investments - net	24	41	712	1,968	3	2,748	5.8902
Loans to customers	10,494	17,174	31,751	95,823	3,510	158,752	6.5597
	<u>10,518</u>	<u>29,468</u>	<u>36,272</u>	<u>97,791</u>	<u>3,513</u>	<u>177,562</u>	
<u>Financial liabilities</u>							
Deposits	674	11,377	2,526	305	-	14,882	2.8601
Interbank and money market items	1,575	5,608	1,407	2,470	-	11,060	3.0903
Debt issued and borrowings	1,866	94,332	16,892	6,327	6,000	125,417	3.0847
	<u>4,115</u>	<u>111,317</u>	<u>20,825</u>	<u>9,102</u>	<u>6,000</u>	<u>151,359</u>	

The balances of loans to customers (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.35.3 Liquidity risk

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

Liquidity risk management framework

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

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

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

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

3.35.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

As at 30 June 2011				
	Remaining days			Total
	Less than		More than	
	3 months	3 - 12 months	1 year	
Liabilities	139,995	20,825	15,102	175,922

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. Both current deposit and saving deposit are considered to be more stable than term deposit or bill of exchange in term of cash outflow.

3.35.3.2 Volume and composition of highly liquid assets and internal ratio.

(Unit: Million Baht)

As at	
30 June 2011	
Composition of highly liquid assets	
Cash	849
Interbank and money market - net	16,673
Investments - net	1,608
Total liquid assets ⁽¹⁾	19,130
Liquid asset requirement ⁽¹⁾	2,121

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 30 June 2011, the Bank has highly liquid assets at Baht 19,130 million, which higher than internal liquid asset requirement of Baht 2,121 million. In addition of liquid assets, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.35.3.3 Counting from the financial statement date, as at 30 June 2011 the period to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 30 June 2011							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	
Financial assets								
Cash	849	-	-	-	-	-	-	849
Interbank and money market items	611	12,253	3,809	-	-	-	-	16,673
Derivatives assets	-	-	1	2	-	-	-	3
Investments - net	24	41	712	1,968	3	530	-	3,278
Investment in subsidiary - net	-	-	-	-	-	48	-	48
Loans to customers	13,733	16,835	32,582	98,168	5,482	-	3,557	170,357
	<u>15,217</u>	<u>29,129</u>	<u>37,104</u>	<u>100,138</u>	<u>5,485</u>	<u>578</u>	<u>3,557</u>	<u>191,208</u>
Financial liabilities								
Deposits	20,903	11,377	2,526	305	-	-	-	35,111
Interbank and money market items	1,701	5,608	1,407	2,470	-	-	-	11,186
Liabilities payable on demand	590	-	-	-	-	-	-	590
Derivatives liabilities	-	-	92	33	-	-	-	125
Debt issued and borrowings	1,866	94,332	16,892	6,327	6,000	-	-	125,417
	<u>25,060</u>	<u>111,317</u>	<u>20,917</u>	<u>9,135</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>172,429</u>
Contingent liability								
Aval to bills and guarantees of loans	12	344	65	-	-	4,067	-	4,488
Other commitments	-	-	3,375	7,048	-	31	-	10,454

* Non performing loans according to the BOT's guidelines

3.35.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 30 June 2011 are as follows:

- a) Investment in a subsidiary company amounting to HKD 20 million (under the cost method net allowance for impairment equivalent to Baht 48 million).
- b) Investment in foreign debt securities amounting to USD 6 million (amortised cost amounting to Baht 196 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.35.5 to the financial statements.
- c) Loans in foreign currency amounting to USD 100 million (equivalent to Baht 3,075 million as at 30 June 2011), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.35.5 to the financial statements.
- d) Foreign certificates of deposit amounting to CNY 800 million (equal to Baht 3,812 million as at 30 June 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 3.35.5 to the financial statement.

3.35.5 Derivatives

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

As at 30 June 2011, the Bank has the following financial derivative instruments.

a) Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets and liabilities as follows:

		(Unit: Million Baht)
<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	300	1
2016	3,032	(33)

b) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit, investments in foreign debt securities and loans in foreign currency, as follows:

(Unit: Million Baht)

Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2012	5	6,906	(92)
2013	4	184	2

3.35.6 Fair value of financial instruments

The fair values of significant financial instruments of the Bank, as presented below.

(Unit: Million Baht)

<u>Transactions</u>	As at			
	30 June 2011		31 December 2010	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Cash	849	849	903	903
Interbank and money market items - net	16,673	16,673	12,360	12,360
Investments - net	3,278	3,278	4,965	4,965
Investments in subsidiaries - net	48	48	135	135
Loans to customers and accrued interest receivables - net	166,037	169,952	141,445	145,253
<u>Financial liabilities</u>				
Deposits	35,111	35,111	48,609	48,609
Interbank and money market items - net	11,186	11,186	8,867	8,867
Liabilities payable on demand	590	590	532	532
Debt issued and borrowings	125,417	124,151	87,974	88,061

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

4. Significant events during the period

On 25 February 2011, the 2011 Annual General Meeting of Shareholders of the Bank passed the resolutions as follows:

- Approval for the disposal of TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited at a price equal to the book value as at 31 December 2010 net the dividend payment made from retain earning of TISCO Leasing Company Limited up to the end of the year 2010. In this regard, the Bank disposed of all of its investment in TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited on 27 June 2011. The Bank received payment of Baht 137 million and recorded a gain from the sale of Baht 51 million.
- Approval an amendment on the Bank's memorandum of association "No.4 registered capital" to accord with the Bank's fully paid-up registered capital. The Bank's issued and fully paid-up registered capital is Baht 11,002 million which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

5. Reclassification

The Company has reclassified certain amounts in the financial statements as at 31 December 2010 and for the six-month period ended 30 June 2010 to conform to the current period's classifications, which are in accordance with the format stipulated by the BOT under its Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", which is effective for fiscal years beginning on or after 1 January 2011, and comply with new accounting standards, as mentioned in Note 1.2 to the financial statements. These reclassifications have no effect to previously reported profit and shareholders' equity. Reclassifications are as follows:

(Units: Million Baht)

As at 31 December 2010

	After reclassification	As previously report
Statements of financial position		
Derivatives assets	13	-
Investments - net	4,965	5,100
Investments in subsidiaries - net	135	-
Intangible assets - net	121	-
Other assets	856	990
Other components of shareholders' equity	14	-
Revaluation surplus on investments	-	14

(Units: Million Baht)

For the six-month period ended 30 June 2010

	After reclassification	As previously report
Statements of comprehensive income		
Interest income	4,150	-
Interest and dividend income	-	4,194
Interest expense	1,081	944
Fee and service income	582	582
Fee and service expense	31	-
Loss on trading and foreign exchange transactions	3	-
Loss on exchange	-	1
Gain on investment	20	21
Penalty fee expense from loans	86	-
Income from business promotion relating to the business	105	-
Other operating income	224	-
Other income	-	371
Other operating expense	1,894	-
Non-interest expense	-	2,062
Bad debts, doubtful accounts and impairment loss of debt securities	658	-
Bad debts and doubtful accounts	-	655

6. Approval of interim financial statements

These financial statements were approved by the Bank's Audit Committee on 8 August 2011.