

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'R. Jala'.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 11 February 2013

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2012

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Cash		1,046,330	903,450	50	50
Interbank and money market items - net	3.2	31,196,279	30,722,345	565,984	169,447
Derivatives assets	3.3	41,863	45,374	-	-
Investments - net	3.4, 3.8	7,015,518	3,706,257	812,737	-
Investments in subsidiaries - net	3.5	-	-	15,021,895	15,021,902
Loans to customers and accrued interest receivables	3.6, 3.8				
Loans to customers		273,311,973	203,429,925	3,841,000	944,000
Accrued interest receivable		352,769	258,374	-	-
Total loans to customers and accrued interest receivables		273,664,742	203,688,299	3,841,000	944,000
Less: Deferred revenue		(24,996,296)	(18,416,303)	-	-
Less: Allowance for doubtful accounts	3.7	(5,121,518)	(4,420,351)	-	-
Less: Allowance for loss on debt restructuring		(3)	(3)	-	-
Loans to customers and accrued interest receivables - net		243,546,925	180,851,642	3,841,000	944,000
Property foreclosed - net	3.8, 3.9	272,533	257,869	-	-
Investment property	3.10	304	952	363,191	376,439
Premises and equipment - net	3.11	1,384,381	1,450,901	365,160	395,255
Intangible assets - net	3.12	126,709	182,317	45,208	62,427
Deferred tax assets	3.29	306,126	355,401	191,381	154,406
Securities and derivatives business receivables - net		2,223,792	724,650	-	-
Dividend receivable from subsidiaries	3.33	-	-	1,832,654	735,317
Other assets	3.13	3,336,175	1,516,412	126,988	39,256
Total assets		290,496,935	220,717,570	23,166,248	17,898,499

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Liabilities					
Deposits	3.14	219,823,339	37,978,994	-	-
Interbank and money market items - net	3.15	13,970,608	14,478,653	200,000	-
Liability payable on demand		652,310	448,049	-	-
Payable under securities borrowing and lending business		163	-	-	-
Derivatives liabilities	3.3	747	276,056	-	-
Debts issued and borrowings	3.16	27,877,250	145,396,598	6,311,631	1,808,832
Provision for long-term employee benefits	3.17	324,357	205,141	71,086	49,069
Deferred tax liabilities	3.29	158,583	61,339	-	-
Securities and derivatives business payables		1,523,645	469,540	-	-
Accrued interest payable		1,773,793	1,396,455	31,087	8,465
Income tax payable		428,307	137,821	66,129	50,348
Other liabilities	3.18	5,583,583	3,557,332	744,487	676,258
Total liabilities		272,116,685	204,405,978	7,424,420	2,592,972

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Shareholders' equity				
Share capital				
Registered				
	372,287,914 preference shares of Baht 10 each	3,722,879	3,722,879	3,722,879
	727,912,086 ordinary shares of Baht 10 each	7,279,121	7,279,121	7,279,121
		<u>11,002,000</u>	<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up				
	33,858 preference shares of Baht 10 each	339	339	339
	727,878,228 ordinary shares of Baht 10 each	7,278,782	7,278,782	7,278,782
		<u>7,279,121</u>	<u>7,279,121</u>	<u>7,279,121</u>
Share premium				
	Share premium on preference shares	-	298	298
	Share premium on ordinary shares	-	6,012,817	6,012,817
		-	<u>6,013,115</u>	<u>6,013,115</u>
Other components of shareholders' equity				
		1,040,375	999,037	11,571
Retained earnings				
	Appropriated-statutory reserve	405,200	297,900	405,200
	Unappropriated	9,471,665	7,634,389	2,032,821
		<u>18,196,361</u>	<u>16,210,447</u>	<u>15,741,828</u>
Equity attributable to owners of the Company				
		183,889	101,145	-
Non-controlling interest of the subsidiaries				
		<u>18,380,250</u>	<u>16,311,592</u>	<u>15,741,828</u>
Total shareholders' equity				
		<u>290,496,935</u>	<u>220,717,570</u>	<u>23,166,248</u>
Total liabilities and shareholders' equity				
		<u>290,496,935</u>	<u>220,717,570</u>	<u>17,898,499</u>

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



Mrs. Oranuch Apisaksinikul
(Group Chief Executive, TISCO Group)



บริษัท ทีเอสซี จำกัด (มหาชน)
TISCO Financial Group Public Company Limited

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2012

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

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Interest incomes	3.21	15,210,612	12,368,668	86,047	54,642
Interest expenses	3.22	(8,166,146)	(5,461,341)	(129,589)	(86,867)
Net interest income		7,044,466	6,907,327	(43,542)	(32,225)
Fees and service income		4,407,551	3,066,989	-	-
Fees and service expenses		(278,919)	(212,818)	(9,958)	(9,203)
Net fees and service income	3.23	4,128,632	2,854,171	(9,958)	(9,203)
Net gains (losses) on tradings and foreign exchange transactions	3.24	167,256	42,905	(4,847)	-
Net gains (losses) on investments	3.25	120,532	34,266	(7)	962
Dividend income		82,856	83,257	1,834,859	1,407,312
Penalty fee income from loans		256,662	220,532	-	-
Income from business promotion relating to the business		1,259,511	538,092	-	-
Reversal allowance for impairment of property foreclosed		315	248,232	-	-
Intercompany supporting fee income	3.33	-	-	1,529,999	1,286,324
Other operating income	3.27, 3.33	122,657	143,759	64,934	81,440
Total operating income		13,182,887	11,072,541	3,371,438	2,734,610
Expense from business promotion relating to the business		1,422,668	598,701	-	-
Total net operating income		11,760,219	10,473,840	3,371,438	2,734,610
Other operating expenses					
Employee's expenses		3,223,511	2,722,316	660,165	497,627
Directors' remuneration		13,345	13,231	12,385	12,271
Premises and equipment expenses		843,452	685,086	325,779	265,732
Taxes and duties		174,668	224,067	1,442	1,447
Others	3.28	769,330	691,158	123,093	100,488
Total other operating expenses		5,024,306	4,335,858	1,122,864	877,565
Bad debt, doubtful accounts and impairment loss	3.26	1,922,244	1,283,075	-	-
Profit from operating before income tax expenses		4,813,669	4,854,907	2,248,574	1,857,045
Income tax expenses	3.29	1,080,661	1,561,908	103,706	151,484
Profit for the year		3,733,008	3,292,999	2,144,868	1,705,561

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2012

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

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Other comprehensive income	3.30				
Gains (losses) arising from translating the financial statements					
of a foreign operation		(1,467)	2,427	-	-
Investment in available-for-sale securities		174,090	(251,804)	14,464	-
Actuarial gains (losses)		(61,777)	(23,558)	(11,955)	(5,405)
Cash flow hedges		(112,575)	124,252	-	-
Income tax effect	3.29, 3.31	73	77,213	(502)	1,080
Other comprehensive income for the year		<u>(1,656)</u>	<u>(71,470)</u>	<u>2,007</u>	<u>(4,325)</u>
Total comprehensive income for the year		<u>3,731,352</u>	<u>3,221,529</u>	<u>2,146,875</u>	<u>1,701,236</u>
Profit attributable to:					
Equity holders of the Company	3.32	3,705,180	3,266,755	<u>2,144,868</u>	<u>1,705,561</u>
Non-controlling interests of the subsidiaries		<u>27,828</u>	<u>26,244</u>		
		<u>3,733,008</u>	<u>3,292,999</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		3,696,488	3,197,405	<u>2,146,875</u>	<u>1,701,236</u>
Non-controlling interests of the subsidiaries		<u>34,864</u>	<u>24,124</u>		
		<u>3,731,352</u>	<u>3,221,529</u>		
Earnings per share of equity holders of the Company	3.32				
Basic earnings per share		<u>5.09</u>	<u>4.49</u>	<u>2.95</u>	<u>2.34</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before income tax	4,813,669	4,854,907	2,248,574	1,857,045
Adjustments to reconcile income before income tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	325,414	303,525	111,489	77,243
Bad debts and doubtful accounts	2,749,722	1,975,565	-	-
Allowance for impairment of investments (reversal)	(66,896)	44,636	7	(962)
Allowance for impairment of property foreclosed (reversal)	(315)	(248,232)	-	-
Gain on disposal of investments	(50,892)	(84,101)	-	-
Unrealised (gain) loss on trading and foreign exchange transactions	(24,420)	(40,219)	4,847	-
Gain (loss) on disposal of equipment	(5,964)	(7,844)	1	(23)
Loss on written-off of equipment and intangible assets	870	3,331	10	600
Unrealised loss from trading securities	21,688	7,504	-	-
Gain on disposal of property foreclosed	(54,938)	(69,087)	-	-
Gain on cash flow hedge	(100,761)	-	-	-
Provision for long-term employee benefits	62,657	24,448	10,061	4,013
Decrease (increase) in other accrued income	(95,410)	(10,570)	(87,862)	74,043
Increase in accrued expenses	647,418	482,498	80,608	126,053
Net interest income	(7,044,466)	(6,907,327)	43,542	32,225
Dividend income	(82,856)	(83,257)	(1,834,859)	(1,407,312)
Cash received on interest income	14,987,139	12,007,185	85,841	54,702
Cash paid on interest expenses	(7,788,807)	(3,530,306)	(106,967)	(87,056)
Cash received on dividend income	82,856	83,257	737,522	2,261,237
Income tax paid	(653,584)	(1,458,144)	(125,401)	(187,256)
Profit from operating activities before changes in operating assets and liabilities	7,722,124	7,347,769	1,167,413	2,804,552
Operating assets (increase) decrease				
Interbank and money market items	(634,472)	(17,886,400)	(396,538)	224,107
Loans to customers	(67,212,737)	(37,944,184)	(2,897,000)	-
Securities and derivative business receivables	(1,499,141)	569,311	-	337,000
Property foreclosed	1,808,696	1,135,453	-	-
Other assets	(1,266,506)	1,790	236	5,051
Operating liabilities increase (decrease)				
Deposits	181,844,344	(10,554,229)	-	-
Interbank and money market items	(505,287)	3,637,009	200,000	-
Liability payable on demand	204,261	(84,399)	-	-
Securities and derivative business payables	1,054,105	(1,141,146)	-	-
Short-term debts issued and borrowings	(101,498,304)	58,254,880	4,502,799	(1,536,243)
Other liabilities	1,036,292	(399,859)	(12,379)	50,489
Net cash flows from operating activities	21,053,375	2,935,995	2,564,531	1,884,956

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Cash flows from investing activities					
Cash paid for purchase of investment in securities held for investment		(5,874,225)	(1,046,880)	(803,120)	-
Cash received from disposal of investment in securities held for investment		2,831,237	3,607,966	-	-
Cash paid for purchase of equipment		(170,057)	(183,356)	(43,350)	(87,738)
Cash paid for purchase of intangible assets		(22,325)	(53,233)	(7,505)	(17,987)
Cash received from disposal intangible assets		-	9	-	9
Cash received from disposal of equipment		8,959	9,456	17	150
Cash paid for acquisition of a subsidiaries		-	-	-	(141,655)
Cash received from share capital increase of a subsidiaries		49,000	-	-	-
Net cash flows from (used in) investing activities		(3,177,411)	2,333,962	(853,958)	(247,221)
Cash flows from financing activities					
Long-term debts issued and borrowings		(23,016,244)	(3,710,504)	-	-
Cash received from issuance of long-term debentures		8,071,200	76,000	-	-
Cash paid for the redemption of long-term debentures		(1,076,000)	-	-	-
Dividend paid		(1,710,573)	(1,637,736)	(1,710,573)	(1,637,735)
Net cash flows used in financing activities		(17,731,617)	(5,272,240)	(1,710,573)	(1,637,735)
Translation adjustment		(1,467)	2,427	-	-
Net increase in cash		142,880	144	-	-
Cash at beginning of year		903,450	903,306	50	50
Cash at end of year		1,046,330	903,450	50	50
		-	-	-	-
Supplemental cash flows information					
Non-cash transactions					
Conversion of preference shares to ordinary shares		-	28	-	28
Transfer of properties foreclosed from receivables for debt settlement		-	3,382	-	-
Transfer investment property to premises and equipment	3.11	-	84,841	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Thousand Baht)

Consolidated financial statements												
Equity attributable to owners of the Company												
Other components of shareholders' equity												
	Issued and fully paid-up		Other comprehensive income			Adjustment from business combination		Retained earnings		Equity		
	Preference shares	Ordinary shares	Surplus (deficit) on change in value of available-for-sale investments	Cash flow hedges	Exchange differences on translation of financial statements in foreign currency	of entities under common control under holding restructuring plan	Total other components of shareholders' equity	Appropriated	Unappropriated	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	
											Total	
Balance as at 1 January 2011	354	7,278,767	292,656	(3,211)	80,835	679,266	1,049,546	212,600	6,109,527	14,650,794	79,490	14,730,284
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(1,637,752)	(1,637,752)	-	(1,637,752)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	85,300	(85,300)	-	-	-
Total comprehensive income for the year	-	-	(153,521)	100,585	2,427	-	(50,509)	-	3,247,914	3,197,405	24,124	3,221,529
Preference shares converted to ordinary shares	(15)	15	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,469)	(2,469)
Balance as at 31 December 2011	339	7,278,782	139,135	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592
Balance as at 1 January 2012	339	7,278,782	139,135	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(1,710,574)	(1,710,574)	-	(1,710,574)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	107,300	(107,300)	-	-	-
Total comprehensive income for the year	-	-	139,272	(96,467)	(1,467)	-	41,338	-	3,655,150	3,696,488	34,864	3,731,352
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	47,880	47,880
Balance as at 31 December 2012	339	7,278,782	278,407	907	81,795	679,266	1,040,375	405,200	9,471,665	18,196,361	183,889	18,380,250

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Separate financial statements							
	Issued and fully paid-up		Share premium		Other components of shareholders' equity Other comprehensive income Surplus (deficit) on change in value of available-for-sale investments	Retained earnings		Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares		Appropriated	Unappropriated	
Balance as at 1 January 2011	354	7,278,767	311	6,012,804	-	212,600	1,737,207	15,242,043
Dividend paid (Note 5)	-	-	-	-	-	-	(1,637,752)	(1,637,752)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	85,300	(85,300)	-
Total comprehensive income for the year	-	-	-	-	-	-	1,701,236	1,701,236
Preference shares converted to ordinary shares	(15)	15	(13)	13	-	-	-	-
Balance as at 31 December 2011	339	7,278,782	298	6,012,817	-	297,900	1,715,391	15,305,527
Balance as at 1 January 2012	339	7,278,782	298	6,012,817	-	297,900	1,715,391	15,305,527
Dividend paid (Note 5)	-	-	-	-	-	-	(1,710,574)	(1,710,574)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	107,300	(107,300)	-
Total comprehensive income for the year	-	-	-	-	11,571	-	2,135,304	2,146,875
Balance as at 31 December 2012	339	7,278,782	298	6,012,817	11,571	405,200	2,032,821	15,741,828

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

TISCO Financial Group Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2012

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 their presentation have been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 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 Company. The financial statements in English language have been translated from the Thai language financial statements.

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

1.2 Basis of consolidation

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.

- d) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary company are translated into Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

During the years 2012 and 2011, there were the following changes in the composition of the subsidiaries:

- a) In February 2011, the Company invested in 49,997 ordinary shares of TISCO Learning Center Co., Ltd. at a price of Baht 100 per share, for a total of Baht 5 million. The Company holds 99.99 percent of shares. Such company registered its incorporations with the Ministry of Commerce on 1 February 2011.
- b) In March 2011, TISCO Securities Co., Ltd., the Company’s subsidiary, invested in 9,997 ordinary shares of TISCO Investment Advisory Co., Ltd. at a price of Baht 100 per share, for a total of Baht 1 million. The Company’s investment represents 99.97 percent of the registered capital of such company, which registered its incorporation with the Ministry of Commerce on 18 March 2011.

In December 2012, TISCO Investment Advisory Co., Ltd. registered the change in the company’s name to “Deutsche TISCO Investment Advisory Co., Ltd.” and increased its registered share capital (as referred to in Notes 4 to the financial statements). TISCO Securities Company Limited, the Company’s subsidiary, invested in that company’s additional ordinary shares, and as a result has a 51 percent shareholding, comprised of 5,099,000 shares acquired at a price of Baht 10 each, for a total of Baht 51 million.

- c) On June 2011, the Company acquired TISCO Leasing Co.,Ltd. from TISCO Bank Public Company Limited, as approved by the year 2011 Annual General Meeting of shareholders of the Company on 21 April 2011. Therefore, the Company’s investment represents 99.99 percent of the registered capital of such company, invested in 999,965 ordinary shares at a price of Baht 136.66 per share, for a total of Baht 137 million.

1.3 New accounting standard not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

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

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

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company and its subsidiaries' managements have assessed the effects of these standards and believe that TAS 20 (revised 2009) and SIC 10 are not relevant to the business of the Company and its subsidiaries, while TAS 21 (revised 2009), TFRS 8, SIC 21 and SIC 25 will not have any significant impact on the financial statements for the year when they are initially applied.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The Company and its subsidiaries' managements have assessed the effects of these standards and believe that SIC 29 and TFRIC 12 are not relevant to the business of the Company and its subsidiaries, while Accounting Treatment Guidance for Transfers of Financial Assets, TFRIC 4 and TFRIC 13 will not have any significant impact on the financial statements for the year when they are initially applied.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

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

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

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

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fees

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

d) Gains (losses) on trading in securities and derivatives

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

e) Fees and service income

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

1.4.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

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

1.4.3 Securities purchased under resale agreement according to private repurchase transactions

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

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

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

1.4.4 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Held to maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/ discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted 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 loss (if any).
- e) Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).
- f) The subsidiary company does not record investments which the subsidiary company holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The subsidiary company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The subsidiary company does not consider the investments in mutual funds to be investments in associated companies by the equity method in the consolidated financial statements, even if the company holds not less than 20% of the equity, because the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.

- h) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities are determined by using the formula quoted by the Bank of Thailand, which are based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- i) Losses on impairment (if any) of the investments in available-for-sale securities, held to maturity debt securities and other investments are recognised in profit or loss.
- j) The weighted average method is used for computation of the cost of investments.
- k) In the event the subsidiaries reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.
- l) Purchases and sales of investments are recorded on settlement date.

1.4.5 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as held-to-maturity securities, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customers 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 to customers.

1.4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss income in the period when the asset is derecognised.

1.4.7 Receivable from Clearing House/ Payable to Clearing House

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

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

1.4.8 Loans to customers

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

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.

1.4.9 Securities and derivative business receivables

Securities and derivative business receivables comprise the net balance of securities business receivables and derivative business receivables, after deducting allowance for doubtful accounts. Securities business receivables comprise the net receivable balances of cash accounts, securities borrowing and lending receivables, and other receivables such as securities receivables that are subject to legal proceeding, and are undergoing restructuring or are setting in installments.

1.4.10 Allowance for doubtful accounts and losses from troubled debt restructuring

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

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

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

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

The subsidiary company has already set provision for all loans to customers in accordance with the BOT’s Notifications issued on 3 August 2008.

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

- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is made using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- d) For the subsidiary company operating leasing business, allowance for doubtful accounts is estimated based on a review of all outstanding amounts at the end of the period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to bad debt and doubtful accounts in the period of recovery.

1.4.11 Troubled debt restructuring

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

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

1.4.12 Recognition and derecognition of customer deposits

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

1.4.13 Borrowing and lending of securities

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

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

1.4.14 Property foreclosed

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

The subsidiary company will recognise loss on impairment in profit or loss. And gains or losses from disposal of property foreclosed are recognised upon disposal.

1.4.15 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

1.4.16 Premises and equipments/Depreciation

Land is stated at cost. Buildings and equipments are stated at cost less accumulated depreciation.

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

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

Depreciation is included in determining income.

No depreciation is provided on land.

An item of premises 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 is included in profit or loss when the asset is derecognised.

1.4.17 Intangible assets

The Company and its subsidiaries initially recognised intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

Intangible assets with finite lives are software license fees that the Company and its subsidiaries amortised over the following estimated useful lives:

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

1.4.18 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. 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.

The Company and its subsidiaries recognise deferred tax assets for all deductible temporary differences to the extent that it is probable that the Company and its subsidiaries will generate future taxable profits will be available against which such deductible deferred tax assets can be utilised. The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences.

Deferred tax assets/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 end of reporting period.

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

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

1.4.19 Impairment of assets

The Company and its subsidiaries assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

1.4.20 Derecognition of financial assets and financial liabilities

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

1.4.21 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 are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

1.4.22 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expense of the Company and its subsidiaries is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Company and its subsidiaries record this expense and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting date and any increase or decrease in the expense according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 “Employee Benefits” in 2011, the Company and its subsidiaries elected to recognise the transition 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 2011.

1.4.23 Provisions

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

1.4.24 Derivatives and hedge accounting

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

- a) A subsidiary operating banking business has recorded derivatives held for trading in fair value method. The subsidiary records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.
- c) Subsidiaries have recorded derivatives for cash flow hedged by using hedge accounting, as follow:

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

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

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

1.4.25 Financial instruments

a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 3.37 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.

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the financial statement 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 to customers 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 to customers 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 debts issued 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 derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.4.26 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.

1.4.27 Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards 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 from these estimate. Significant judgments and estimates are as follows:

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers 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 exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

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

Premise and equipment/Depreciation

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

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

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses 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 taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefits plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate.

Leases

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

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

Consolidation and deconsolidation of subsidiaries

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

2. General information

2.1 The Company's information

TISCO Financial Group Public Company Limited ("the Company") was incorporated as a holding company. Upon completion of the holding company restructuring plan on 9 January 2009, the Company became the parent company of TISCO Group in place of TISCO Bank Public Company Limited ("TISCO Bank"). On 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

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

2.2 Share capital

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

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

2.5 Related party transactions

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

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

The Company and its subsidiaries have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Company.

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

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

3. Supplemental information

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2012 and 2011 is provided below.

(Unit: Percent)				
Company's name	Nature of Business	Country of incorporation	Percentage of shares held by the Company as at 31 December	
			2012	2011
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.98	99.98
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Tokyo Leasing Co., Ltd.	Leasing	Thailand	49.00	49.00
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	99.99
<u>Subsidiaries indirectly held by the Company</u>				
Deutsche TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	51.00	99.97
TISCO Securities Hong Kong Limited Co., Ltd. (in the process of liquidation)	Securities business	China-Hongkong	100.00	100.00

3.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December						
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions Development Fund	3,394,757	230,000	3,624,757	426,279	-	426,279
Commercial banks	325,240	25,132,533	25,457,773	289,501	21,857,059	22,146,560
Specialised financial institutions	997	2,050,000	2,050,997	854	4,054,363	4,055,217
Total	3,720,994	27,412,533	31,133,527	716,634	25,911,422	26,628,056
Add: Accrued interest	8,395	9,340	17,735	4,426	7,013	11,439
Less: Allowance for doubtful accounts	-	-	-	-	(10,000)	(10,000)
Total domestic	3,729,389	27,421,873	31,151,262	721,060	25,908,435	26,629,495
<u>Foreign</u>						
Hong Kong dollar	5,679	-	5,679	15,700	-	15,700
US dollar	39,338	-	39,338	40,592	-	40,592
Yuan	-	-	-	-	4,026,121	4,026,121
Total	45,017	-	45,017	56,292	4,026,121	4,082,413
Add: Accrued interest	-	-	-	-	11,968	11,968
Less: Deferred revenue	-	-	-	-	(1,531)	(1,531)
Total foreign	45,017	-	45,017	56,292	4,036,558	4,092,850
Total domestic and foreign	3,774,406	27,421,873	31,196,279	777,352	29,944,993	30,722,345

(Unit: Thousand Baht)

Separate financial statements as at 31 December						
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	565,745	-	565,745	169,413	-	169,413
Total	565,745	-	565,745	169,413	-	169,413
Add: Accrued interest	239	-	239	34	-	34
Total domestic	565,984	-	565,984	169,447	-	169,447

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2012	2011	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are as collateral. Details of transactions are as follows:

(Unit: Million Baht)

Securities purchase under resale agreements
according to private repurchase transactions
as at 31 December

	2012	2011
Commercial bank	25,000	20,350
Specialised financial institution	2,000	4,000

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

Fair value of securities received as collateral
as at 31 December

	2012	2011
Commercial bank	25,114	20,558
Specialised financial institution	1,973	4,042

3.3 Derivatives

3.3.1 Trading derivative

The subsidiary company operating banking business entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with its loan to customers, as follows:

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

Type of risk	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	14,882	-	3,063,160	-	127,628	3,169,120
Interest rate	26,981	-	3,032,000	21,907	14,715	5,682,000
Total	41,863	-	6,095,160	21,907	142,343	8,851,120

All counter parties of these derivative transactions are financial institutions.

3.3.2 Hedging derivatives

The subsidiary operating banking business and the subsidiary operating leasing business entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with their foreign currency certificates of deposit and borrowings, as follows:

(Unit: Thousand Baht)

Type of risk	Consolidated financial statements as at 31 December					
	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	747	639,410	22,924	133,119	4,982,220
Interest rate	-	-	-	543	594	372,500
Total	-	747	639,410	23,467	133,713	5,354,720

All counter parties of these derivative transactions are financial institutions.

3.4 Investments

3.4.1 Classified by types of investment

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2012	2011
Trading securities - fair value		
Domestic marketable equity securities	23	3,752
Add: Allowance for changes in value	-	21,691
Total trading securities	23	25,443
Available-for-sales securities - fair value		
Government and state enterprise securities	4,136,424	605,918
Debt securities of private sector	171,460	837,593
Domestic marketable equity securities	809,401	809,401
Other securities - domestic unit trusts	25,281	30,281
Other securities - foreign unit trusts	798,273	-
Add: Allowance for changes in value	413,829	239,738
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales securities	6,353,208	2,521,471
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	49,929	-
Investment in receivables	186,847	686,519
Less: Allowance for impairment	(20,801)	(18,057)
Total held-to-maturity debt securities	215,975	668,462
Other investments - cost		
Domestic non-marketable equity securities	494,053	608,263
Less: Allowance for impairment	(47,741)	(117,382)
Total other investments	446,312	490,881
Investments - net	7,015,518	3,706,257

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2012	2011
Available-for-sales securities - fair value		
Other securities - foreign unit trusts	798,273	-
Add: Allowance for changes in value	14,464	-
Investments - net	812,737	-

3.4.2 Classified by the remaining period to maturity of the debt securities

(Unit: Million Baht)

Consolidated financial statements as at 31 December								
2012				2011				
Due within				Due within				
Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total	
Available-for-sale securities								
Government and state								
enterprise securities	4,133	3	-	4,136	405	201	-	606
Debt securities of private								
sector	142	30	-	172	601	236	-	837
Total	4,275	33	-	4,308	1,006	437	-	1,443
Add: Allowance for changes								
in value	4	-	-	4	3	2	-	5
Less: Allowance for								
impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,278	33	-	4,311	1,008	439	-	1,447
Held-to-maturity debt securities								
Government and state								
enterprise securities	50	-	-	50	-	-	-	-
Investment in receivables	129	58	-	187	297	388	1	686
Less: Allowance for								
impairment	(16)	(5)	-	(21)	(18)	-	-	(18)
Total	163	53	-	216	279	388	1	668
Total debt securities	4,441	86	-	4,527	1,287	827	1	2,115

3.4.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements		Type of restriction
	as at 31 December		
	2012	2011	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	577	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2012		
	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)

	Consolidated financial statements		
	as at 31 December 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.

3.4.5 Investments where a subsidiary company operating banking business hold not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2012			2011		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Insurance:						
AXA Insurance Plc.	-	-	-	-	-	10
Services:						
TISCO Securities Hong Kong Limited (In the process of liquidation)	43,956	-	100	46,911	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,377	-	10	4,019	-	10
PDTL Trading Co., Ltd.	8,316	-	10	8,703	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
Prosperity Industrial Estate Co., Ltd.	-	-	-	45,095	-	10
UMI Property Co., Ltd.	5,697	-	10	6,843	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	16,940	-	10	17,028	-	10

3.5 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of shares as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2012	2011	2012	2011	2012	2011	2012	2011
Subsidiaries directly held by the Company									
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.98	99.98	13,294	13,294	1,238	1,070
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	260	150
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	335	185
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	-	-
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	-	-
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	-	-
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Ordinary shares	Ordinary shares	99.99	99.99	137	137	-	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	49.00	49.00	73	73	2	2
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	5	5	-	-
						15,131	15,131	1,835	1,407
Less: Allowance for impairment						(109)	(109)		
Investment in subsidiaries - net						15,022	15,022		

3.6 Loans to customers and accrued interest receivable

3.6.1 Classified by loans to customers type

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2012	2011
Loans to customers		
Loans	66,608,275	45,069,972
Hire purchase receivables	201,220,750	154,533,482
Financial lease receivables	6,020,564	4,046,616
Less: Deferred revenue	(24,996,296)	(18,416,303)
Advances received from financial lease receivables	(537,616)	(220,145)
Total loans to customers	248,315,677	185,013,622
Add: Accrued interest receivable	352,769	258,374
Less: Allowance for doubtful accounts	(5,121,518)	(4,420,351)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivable - net	<u>243,546,925</u>	<u>180,851,642</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	as at 31 December	
	2012	2011
Loans to customers		
Loans	3,841,000	944,000
Add: Accrued interest receivable	-	-
Loans to customers and accrued interest receivable - net	<u>3,841,000</u>	<u>944,000</u>

3.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	245,252,517	-	245,252,517	181,844,502	-	181,844,502
US Dollars	-	3,063,160	3,063,160	-	3,169,120	3,169,120
Total loans to customers						
net of deferred revenue	<u>245,252,517</u>	<u>3,063,160</u>	<u>248,315,677</u>	<u>181,844,502</u>	<u>3,169,120</u>	<u>185,013,622</u>

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	3,841,000	-	3,841,000	944,000	-	944,000
Total loans to customers						
net of deferred revenue	<u>3,841,000</u>	<u>-</u>	<u>3,841,000</u>	<u>944,000</u>	<u>-</u>	<u>944,000</u>

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December 2012						Other subsidiaries	Total
	Subsidiary company operating banking business							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	1,575,255	43,949	5,272	679	-	1,625,155	-	1,625,155
Manufacturing and commerce	33,359,833	373,478	52,954	12,397	29,385	33,828,047	-	33,828,047
Real estate and construction	10,104,095	115,489	23,251	10,735	248,997	10,502,567	-	10,502,567
Public utilities and services	21,255,301	424,872	35,029	14,633	3,967	21,733,802	-	21,733,802
Personal consumption								
Hire purchase	142,042,315	10,431,471	1,632,472	426,854	29,087	154,562,199	7,632,443	162,194,642
Auto cash loan	9,299,338	491,263	74,922	11,347	1,110	9,877,980	2,015,355	11,893,335
Housing loans	1,329,435	20,509	18,981	3,808	82,862	1,455,595	-	1,455,595
Securities	-	-	-	-	-	-	1,432	1,432
Others	4,881,940	143,840	18,370	7,303	29,649	5,081,102	-	5,081,102
Total loans to customers	<u>223,847,512</u>	<u>12,044,871</u>	<u>1,861,251</u>	<u>487,756</u>	<u>425,057</u>	<u>238,666,447</u>	<u>9,649,230</u>	<u>248,315,677</u>
Add: Accrued interest receivable	<u>172,180</u>	<u>150,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,266</u>	<u>30,503</u>	<u>352,769</u>
Total loans to customers and accrued interest receivable	<u>224,019,692</u>	<u>12,194,957</u>	<u>1,861,251</u>	<u>487,756</u>	<u>425,057</u>	<u>238,988,713</u>	<u>9,679,733</u>	<u>248,668,446</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011

	Subsidiary company operating banking business						Other subsidiaries	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151	-	1,059,151
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352	-	24,051,352
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394	-	8,955,394
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521	-	11,140,521
Personal consumption								
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637	5,188,906	124,981,543
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522	210,075	7,717,597
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687	-	1,366,687
Securities	-	-	-	-	-	-	1,432	1,432
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945	-	5,739,945
Total loans to customers	166,517,915	10,880,161	1,517,199	254,481	443,453	179,613,209	5,400,413	185,013,622
Add: Accrued interest receivable	88,148	134,518	-	-	-	222,666	35,708	258,374
Total loans to customers and accrued interest receivable	166,606,063	11,014,679	1,517,199	254,481	443,453	179,835,875	5,436,121	185,271,996

3.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December					
	2012			2011		
	Loans to customers and accrued interest receivable	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivable	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	224,020	204,454	2,752	166,607	151,582	3,280
- Special mention	12,195	11,873	1,024	11,015	10,790	188
- Sub-standard	1,861	1,845	556	1,517	1,510	378
- Doubtful	488	477	136	254	227	54
- Doubtful of loss	425	193	216	443	212	195
Allowance established in excess	-	-	4	-	-	4
Total	238,989	218,842	4,688	179,836	164,321	4,099

⁽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 TISCO Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ As at 31 December 2012, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,045 million (As at 31 December 2011: total of Baht 2,080 million). TISCO Bank allocated Baht 2,041 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2011: total of Baht 2,076 million) and so combined with the minimum provision requirement of Baht 2,643 million (As at 31 December 2011: total of Baht 2,019 million), the total provision set aside in accordance with BOT requirements is Baht 4,684 million (As at 31 December 2011: total of Baht 4,095 million).

	Percentage of allowance for doubtful accounts set up			
	Hire purchase receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Pass	1.14	1.42	1	1
Special mention	1.14	1.42	2	2
Sub-standard	24.29	20.88	100	100
Doubtful	24.29	20.88	100	100
Doubtful of loss	24.29	20.88	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ These percentages are the rates used to set aside up allowance for doubtful accounts in accordance with the BOT's minimum requirement.

3.6.5 Hire purchase and financial lease receivables

As at 31 December 2012, net receivables of the subsidiaries under hire purchase and financial lease agreements amount to Baht 181,900 million (31 December 2011: Baht 140,132 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)

	Consolidated financial statements as at 31 December 2012				
	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	61,807	134,904	6,579	3,951	207,241
Less: Deferred revenue*	(9,833)	(13,650)	110	(1,430)	(24,803)
Advances received from financial lease receivables	(30)	(505)	(2)	(1)	(538)
Present value of minimum lease pay from agreements	51,944	120,749	6,687	2,520	181,900
Allowance for doubtful accounts**					(2,915)
Net hire purchase and financial lease receivables					178,985

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

** These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning the provisions in exceed of BOT's minimum requirement to specific provisions for an individual debtor.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 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	49,809	101,960	3,386	3,425	158,580
Less: Deferred revenue*	(7,375)	(9,416)	(106)	(1,331)	(18,228)
Advances received from financial lease receivables	(17)	(197)	(6)	-	(220)
Present value of minimum lease pay from agreements	42,417	92,347	3,274	2,094	140,132
Allowance for doubtful accounts**					(2,564)
Net hire purchase and financial lease receivables					137,568

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

** These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provisions in exceed of BOT's minimum requirement to specific provisions for an individual debtor.

3.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO Bank's policy as at 31 December	
	2012	2011	2012	2011
	Loans to customers for which the recognition of interest income has ceased ⁽¹⁾	3,441	2,949	3,454

⁽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.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2012	2011
Hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	333	397

3.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiaries

(Unit: Million Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Deferred revenue ⁽¹⁾	24,996	18,416

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

3.6.8 Troubled debt restructuring of a subsidiary company operating banking business

For the years ended 31 December

	2012	2011
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	159	287
Loan balances before restructuring (Million Baht)	120	720
Loan balances after restructuring (Million Baht)	120	720
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	1
Corporate loan receivables	2	2

Supplemental information for the years ended 31 December 2012 and 2011 relating to the restructured debts is as follows:

(Unit: Million Baht)

For the years ended 31 December

	2012	2011
Interest income on restructured receivables	53	64
Receipt of principal and interest	487	730

As at 31 December 2012 and 2011, a subsidiary company operating banking business has the outstanding balance with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2012		2011	
	Outstanding		Outstanding	
	Number of debts	balance	Number of debts	balance
The balance of the restructured debts	1,135	735	1,404	1,201

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

3.7.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012							
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,393,569	237,316	469,683	95,954	219,966	3,863	4,420,351
Increase (decrease) in allowance for doubtful accounts during the year	(443,520)	892,124	708,783	1,469,707	135,095	(10,058)	2,752,131
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	9,635	9,635
Bad debt written-off	(1,270)	(17,394)	(547,422)	(1,388,260)	(106,253)	-	(2,060,599)
Balance - end of year	<u>2,948,779</u>	<u>1,112,046</u>	<u>631,044</u>	<u>177,401</u>	<u>248,808</u>	<u>3,440</u>	<u>5,121,518</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011							
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	934,963	92,619	237,767	88,718	457,130	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	2,461,032	162,942	655,523	699,660	346,657	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(2,426)	(18,245)	(423,607)	(692,424)	(583,821)	-	(1,720,523)
Balance - end of year	<u>3,393,569</u>	<u>237,316</u>	<u>469,683</u>	<u>95,954</u>	<u>219,966</u>	<u>3,863</u>	<u>4,420,351</u>

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

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012				
	Individual	Collective	Allowance	Total
	impairment	impairment	established in	
			excess	
Balance - beginning of year	1,874,151	2,542,337	3,863	4,420,351
Increase (decrease) in allowance for doubtful accounts during the year	490,531	2,271,658	(10,058)	2,752,131
Transfer from allowance for declining in value of property foreclosed	-	-	9,635	9,635
Bad debt written-off	(109,097)	(1,951,502)	-	(2,060,599)
Balance - end of year	<u>2,255,585</u>	<u>2,862,493</u>	<u>3,440</u>	<u>5,121,518</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011				
	Individual	Collective	Allowance	Total
	impairment	impairment	established in	
			excess	
Balance - beginning of year	565,586	1,245,611	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	1,418,943	2,906,871	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(110,378)	(1,610,145)	-	(1,720,523)
Balance - end of year	<u>1,874,151</u>	<u>2,542,337</u>	<u>3,863</u>	<u>4,420,351</u>

3.7.3 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Non-performing loans to customers	2,774	2,214
Allowance for doubtful accounts	908	627

3.8 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011
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.

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

As at 31 December 2012 and 2011, the quality of assets of a subsidiary company operating banking business classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Pass	251,348	191,868	-	-	-	-	-	-	251,348	191,868
Special mention	12,045	10,880	-	-	-	-	-	-	12,045	10,880
Sub-standard	1,861	1,517	-	-	-	-	-	-	1,861	1,517
Doubtful	488	254	-	-	-	-	-	-	488	254
Doubtful of loss	425	443	72	138	21	18	18	50	536	649
Total	266,167	204,962	72	138	21	18	18	50	266,278	205,168

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

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

(Unit: Million Baht)

	Debt balance		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
					(%)	(%)		
Pass	159,472	122,851	159,472	122,851	1.14	1.42	1,227	1,723
Special mention	10,939	10,066	10,939	10,066	1.14	1.42	717	165
Sub-standard	1,707	1,429	1,707	1,429	24.29	20.88	414	296
Doubtful	452	220	452	220	24.29	20.88	111	48
Doubtful of loss	38	50	38	50	24.29	20.88	9	11
Total	172,608	134,616	172,608	134,616			2,478	2,243

⁽¹⁾ The subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation of 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, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽³⁾ These allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8.4 Loans to customers with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts as at 31 December	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	2	1	250	247	142	145	132	123
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	-	1	-	13	-	-	-	13
5. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	2	2	250	260	142	145	132	136

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

(Unit: Million Baht)

	Securities business receivables and accrued interest as at 31 December		Allowance for doubtful accounts as required by SEC as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2012	2011	2012	2011	2012	2011
	Doubtful	1	1	1	1	1

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

(Unit: Million Baht)

	Debt balance as at 31 December		Allowance for doubtful account as at 31 December		Debt balance - net as at 31 December	
	2012	2011	2012	2011	2012	2011
	Current	7,913	4,202	163	85	7,750
Overdue						
1 month	851	298	36	29	815	269
2 - 3 months	561	504	92	49	469	455
4 - 6 months	179	241	76	91	103	150
7 - 12 months	98	111	41	42	57	69
Over 12 months	31	25	13	10	18	15
Debtors under litigation	15	18	12	14	3	4
Total	9,648	5,399	433	320	9,215	5,079

3.9 Property foreclosed

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	239,700	268,015
Disposals	-	(28,315)
Balance - end of year	239,700	239,700
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	37,551	33,860
Additions	-	3,691
Disposals	(12,098)	-
Balance - end of year	25,453	37,551
Total property foreclosed - Immovable assets	265,153	277,251
Movable assets		
Balance - beginning of year	30,479	45,930
Additions	3,169,985	1,558,065
Disposals	(3,174,886)	(1,573,516)
Balance - end of year	25,578	30,479
Total property foreclosed	290,731	307,730
Less: Allowance for impairment		
Balance - beginning of year	49,861	326,408
Increase	1,268	1,885
Decrease	(32,931)	(278,432)
Balance - end of year	18,198	49,861
Property foreclosed - net	272,533	257,869

3.10 Investment properties

The book values of investment properties as at 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Office condominium for lease	Office condominium for lease
As at 31 December 2012:		
Cost	12,857	416,177
Less: Accumulated depreciation	(12,553)	(52,986)
Net book value	<u>304</u>	<u>363,191</u>
As at 31 December 2011:		
Cost	12,857	416,177
Less: Accumulated depreciation	(11,905)	(39,738)
Net book value	<u>952</u>	<u>376,439</u>

A reconciliation of net book values of investment properties for the years 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Book value - beginning of years	952	72,004	376,439	357,401
Asset disposals - book value	-	-	-	-
Transfer type of asset	-	(69,641)	-	(1,190)
Depreciation	(648)	(1,411)	(13,248)	(28,198)
Effect of the change in accounting estimates	-	-	-	48,426
Book value - end of years	<u>304</u>	<u>952</u>	<u>363,191</u>	<u>376,439</u>

The fair value of investment properties as at 31 December 2012 and 2011 stated below:

	(Unit: Thousand Baht)			
	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2012	2011	2012	2011
Office condominium for rent ⁽¹⁾	16,710	15,989	814,179	550,240

⁽¹⁾ The fair value of investment properties of the Company and its subsidiaries as at 31 December 2012 and 2011 have been determined using the market comparison approach and the income approach, respectively.

The fair value of investment properties was calculated by the asset appraisal method based on the market approach and the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

3.11 Premises and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Operating assets				Assets for operating lease agreements			Total
	Land	Building, office condominium and building improvements	Furniture fixtures computer and equipment	Motor vehicles	Assets held for future lease and for sale	Computer and equipment	Motor vehicles	
Cost:								
As at 1 January 2011	17,509	2,134,007	776,199	134,956	8,223	44,846	3,304	3,119,044
Additions/transfers in	-	209,504	98,642	23,035	2,246,269	12,116	3,222	2,592,788
Disposals/written-off/transfers out	-	(85,955)	(21,173)	(20,233)	(2,252,846)	(1,206)	(2,244)	(2,383,657)
As at 31 December 2011	17,509	2,257,556	853,668	137,758	1,646	55,756	4,282	3,328,175
Additions/transfers in	-	46,528	89,727	2,076	3,816,519	29,106	2,825	3,986,781
Disposals/written-off/transfers out	-	(13,515)	(17,163)	(8,869)	(3,801,243)	(9,561)	(1,060)	(3,851,411)
As at 31 December 2012	17,509	2,290,569	926,232	130,965	16,922	75,301	6,047	3,463,545
Accumulated depreciation:								
As at 1 January 2011	-	998,238	637,954	71,195	-	15,019	1,768	1,724,174
Depreciation for the year	-	62,550	97,130	19,756	-	17,204	820	197,460
Depreciation on disposals/written-off	-	(995)	(20,468)	(20,232)	-	(1,206)	(1,459)	(44,360)
As at 31 December 2011	-	1,059,793	714,616	70,719	-	31,017	1,129	1,877,274
Depreciation for the year	-	106,993	102,190	19,199	-	17,649	1,553	247,584
Depreciation on disposals/written-off	-	(9,901)	(16,515)	(8,869)	-	(9,561)	(848)	(45,694)
As at 31 December 2012	-	1,156,885	800,291	81,049	-	39,105	1,834	2,079,164
Net book value:								
As at 31 December 2011	17,509	1,197,763	139,052	67,039	1,646	24,739	3,153	1,450,901
As at 31 December 2012	17,509	1,133,684	125,941	49,916	16,922	36,196	4,213	1,384,381
Depreciation for years ended 31 December:								
2011								197,460
2012								247,584

(Unit: Thousand Baht)

	Separate financial statements			
	Building, office condominium and building improvements	Furniture, fixtures and equipment	Motor vehicles	Total
<u>Cost:</u>				
As at 1 January 2011	323,381	50,123	36,352	409,856
Additions/transfers in	12,076	55,272	20,390	87,738
Disposals/written-off/transfers out	(2)	(358)	-	(360)
As at 31 December 2011	335,455	105,037	56,742	497,234
Additions/transfers in	1,700	40,360	1,390	43,450
Disposals/written-off/transfers out	-	(30)	-	(30)
As at 31 December 2012	337,155	145,367	58,132	540,654
<u>Accumulated depreciation:</u>				
As at 1 January 2011	46,310	11,546	3,346	61,202
Depreciation for the year	21,808	35,586	9,509	66,903
Effect of the change estimates accounting	(25,927)	-	-	(25,927)
Depreciation on disposals	(2)	(197)	-	(199)
As at 31 December 2011	42,189	46,935	12,855	101,979
Depreciation for the year	14,074	47,952	11,491	73,517
Depreciation on disposals	-	(2)	-	(2)
As at 31 December 2012	56,263	94,885	24,346	175,494
<u>Net book value:</u>				
As at 31 December 2011	293,266	58,102	43,887	395,255
As at 31 December 2012	280,892	50,482	33,786	365,160
<u>Depreciation for the years ended 31 December:</u>				
2011				66,903
2012				73,517

3.12 Intangible assets

The book value of intangible assets as at 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u>Computer software</u>	<u>Computer software</u>
As at 31 December 2012:		
Cost	675,460	177,280
Less: Accumulated depreciation	(548,751)	(132,072)
Net book value	<u>126,709</u>	<u>45,208</u>
As at 31 December 2011:		
Cost	653,885	169,775
Less: Accumulated depreciation	(471,568)	(107,348)
Net book value	<u>182,317</u>	<u>62,427</u>

A reconciliation of net book value of intangible assets for the years ended 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Net book value at beginning of years	182,317	243,719	62,427	100,354
Acquisitions of computer software	22,325	53,233	7,505	17,987
Disposals of computer software	(750)	(3,340)	-	(609)
Amortisation	(77,183)	(111,295)	(24,724)	(55,305)
Book value at end of years	<u>126,709</u>	<u>182,317</u>	<u>45,208</u>	<u>62,427</u>

3.13 Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
Receivable from clearing house	136,065	30,682	-	-
Value added tax - net	1,551,171	250,723	6,256	5,867
Accrued interest receivable	31,867	12,147	-	-
Fee and charges receivable	277,240	181,829	88,652	790
Refundable income tax and prepaid				
income tax	367,904	360,300	-	-
Deposits	41,403	38,324	4,080	4,080
Other receivables	594,595	294,965	-	54
Other assets	335,930	347,442	28,000	28,465
Total other assets	3,336,175	1,516,412	126,988	39,256

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2012	2011
Deposits		
Current accounts	2,762,373	3,423,090
Savings accounts	28,140,151	17,082,939
Fixed accounts		
- not over 6 months	14,063,664	1,265,389
- over 6 months and less than 1 year	1,153,580	588,126
- over 1 year	167,791	195,633
Certificates of deposit/negotiable certificates of deposit	173,535,780	15,423,817
Total	219,823,339	37,978,994

3.14.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2012	2011
Not over 1 year*	219,591,744	37,452,777
Over 1 year	231,595	526,217
Total deposits	219,823,339	37,978,994

*Including fully-mature deposit contract

3.14.3 As at 31 December 2012 and 2011, all outstanding deposits are deposits from domestic depositors and in Baht.

3.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	28,857	28,857	-	-	-
Commercial banks	3,401,343	1,723,541	5,124,884	126,287	3,625,088	3,751,375
Specialised financial institutions	-	1,915,131	1,915,131	-	-	-
Other financial institutions	444,380	6,457,356	6,901,736	276,506	10,450,772	10,727,278
Total	3,845,723	10,124,885	13,970,608	402,793	14,075,860	14,478,653

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Other financial institution	-	200,000	200,000	-	-	-
Total	-	200,000	200,000	-	-	-

3.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
<u>Domestic borrowings</u>				
Subordinated unsecured debentures	8,243,000	6,000,000	-	-
Unsubordinated unsecured debentures	5,828,200	1,076,000	-	-
Bills of exchange	13,805,253	138,319,564	6,311,631	1,808,832
Promissory notes	797	1,034	-	-
Total	<u>27,877,250</u>	<u>145,396,598</u>	<u>6,311,631</u>	<u>1,808,832</u>

3.16.1 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
			2012	2011		2012	2011		
			(Units)	(Units)		(Million Baht)	(Million Baht)		
2009	TISCO Bank	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.50 percent per annum in the first to third years, 6.00 percent per annum in the forth to seventh years and 6.50 percent per annum in the eighth to tenth years.
2009	TISCO Bank	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.00 percent per annum in the first to third years, 5.50 percent per annum in the forth to seventh years and 6.00 percent per annum in the eighth to tenth years.
2010	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2022	4.85 percent per annum.
2012	TISCO Bank	Subordinated and unsecured long-term debentures	1,243,000	-	1,000	1,243	-	2022	4.60 percent per annum.
Total						<u>8,243</u>	<u>6,000</u>		

3.16.2 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
			2012	2011		2012	2011		
			(Unit)	(Unit)		(Million Baht)	(Million Baht)		
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	-	1 million	1,000	-	1,000	2012	4.04 percent per annum
2011	TISCO Bank	Unsubordinated and unsecured long-term debentures	-	76,000	1,000	-	76	2012	3.40 percent per annum
2012	TISCO Bank	Unsubordinated and unsecured short- term debentures	4,324,300	-	1,000	4,324	-	2013	3.50 percent per annum
2012	TISCO Bank	Unsubordinated and unsecured short- term debentures	1 million	-	1,000	1,000	-	2013	3.50 percent per annum
2012	TISCO Bank	Unsubordinated and unsecured short- term debentures	503,900	-	1,000	504	-	2013	3.50 percent per annum
Total						<u>5,828</u>	<u>1,076</u>		

3.16.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2013 to 2015. The interest rates of the fixed interest rates bearing bills of exchange are between 2.50 and 4.25 percent per annum.

3.17 Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2012 and 2011, which are compensations on employee's retirement and other long-term benefits were as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2012	2011
Defined post employment benefit obligation at beginning of year	205,141	158,580
Current service cost	22,468	17,600
Interest cost	8,342	6,848
Benefits paid during the year	(5,218)	(1,445)
Adjustment on actuarial gains (losses)	12,097	23,558
Defined post employment benefit obligation at end of year	242,830	205,141
Other long-term benefits	81,527	-
Total provision for long-term employee benefits at end of year	<u>324,357</u>	<u>205,141</u>

(Unit: Thousand Baht)

Separate financial statements

as at 31 December

	2012	2011
Defined post employment benefit obligation at beginning of year	49,069	39,651
Current service cost	3,866	2,334
Interest cost	1,745	1,679
Benefits paid during the year	-	-
Adjustment on actuarial gains (losses)	5,209	5,405
Defined post employment benefit obligation at end of year	59,889	49,069
Other long-term benefits	11,197	-
Total provision for long-term employee benefits at end of year	71,086	49,069

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2012 and 2011 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements for the year ended 31 December		Separate financial statements for the year ended 31 December	
	2012	2011	2012	2011
	Current service cost	53,284	17,600	8,168
Interest cost	9,373	6,848	1,894	1,679
Total employee benefits expenses	62,657	24,448	10,062	4,013

Principal actuarial assumptions at the valuation date were as follows:

(Unit: Percent per annum)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Discount rate	3.09 - 4.21	3.91 - 4.27	3.09 - 4.20	3.91 - 4.27
Average salary increase rate	4.39	3.27	4.39	3.27
Average inflation rate	3.50	3.27	3.50	3.27

3.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
Payable to clearing housing	852,369	284,430	-	-
Withholding income tax and other				
tax payable	353,942	349,513	61,177	44,278
Accrued insurance premium	885,727	400,555	-	-
Deferred income	550,733	497,524	-	-
Accrued expenses	2,089,089	1,446,100	683,250	566,113
Suspense creditors	579,873	401,343	-	-
Other liabilities	271,850	177,867	60	65,867
Total other liabilities	5,583,583	3,557,332	744,487	676,258

The above accrued expenses included accrued bonus expenses which are remuneration paid to the management and employees based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the Company's share price, paid to employees whose performance impacts on the Company's operation results, as an incentive to work effectively and to build loyalty to the Company. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the Company's shares over the period of five years from grant date to settlement date. As of 31 December 2012 and 2011, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 355 million and Baht 196 million, respectively (the Company only: Baht 206 million and Baht 121 million, respectively)

3.19 Capital funds

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

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

Regarding to Capital fund as of 31 December 2012 and 2011 under Basel II framework, TISCO Bank has allocated the additional reserve from classification as part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of TISCO Bank are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,522	7,281,522
Premium on share capital	130,451	130,451
Statutory reserve	846,100	714,600
Retained earnings - unappropriated	6,089,582	4,684,261
Less: Deferred tax assets	-	(104,334)
Deficit provision according to IRB	(279,825)	(447,545)
Total Tier I	14,067,830	12,258,955
<u>Tier II</u>		
Subordinated long-term debentures	6,858,434	5,873,988
Reserve for loans classified as pass	490,337	798,661
Less: Deficit provision according to IRB	(279,825)	(447,545)
Total Tier II	7,068,946	6,225,104
Total capital fund	21,136,776	18,484,059

(Unit: Percent)

Capital ratios	As at 31 December				
	2012			2011	
	TISCO Bank			TISCO Bank	
	Capital ratios as at 31 December 2012	Capital ratios after appropriation of net profit for the year ⁽³⁾	Requirement	Capital ratios as at 31 December 2011	Requirement
Tier I capital to risk assets	8.51	9.03	4.25	9.88 ⁽¹⁾	4.25
Total capital to risk assets	12.79	13.30	8.50	14.91 ⁽²⁾	8.50

⁽¹⁾ Before Capital Floor⁽²⁾ After Capital Floor

⁽³⁾ On 21 December 2012, the Board of Directors of TISCO Bank unanimously approved the appropriation of estimated net profit arising from the year 2012 operations as the interim dividend payment and approved the appropriation of the remaining net profit after the interim dividend payment, as statutory reserve and capital fund.

3.19.3 To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 6/2553 regarding “Consolidated Supervision” dated 18 June 2010, the Company has disclosed capital maintenance information of financial business group as at 30 June 2012 on its website on 31 October 2012.

3.20 Surplus on changes in the value of investments

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2012	2011
Balance - beginning of year	187,851	439,655
Increase (decrease) from changes in the value of securities during the year	174,090	(251,804)
	361,941	187,851
Less: The effect of deferred tax assets / liabilities	(83,534)	(48,716)
Balance - end of year	278,407	139,135

(Unit: Thousand Baht)

Separate financial statements

as at 31 December

	2012	2011
Balance - beginning of year	-	-
Increase from changes in the value of securities during the year	14,464	-
	14,464	-
Less: The effect of deferred tax assets / liabilities	(2,893)	-
Balance - end of year	11,571	-

3.21 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

Consolidated financial statements

For the years ended 31 December

	2012	2011
Interbank and money market items	730,845	627,799
Investments in debt securities	174,956	224,971
Loans to customers	4,477,681	3,221,331
Hire purchase and financial lease	9,827,130	8,294,567
Total interest income	15,210,612	12,368,668

(Unit: Thousand Baht)

Separate financial statements

For the years ended 31 December

	2012	2011
Interbank and money market items	17,662	14,929
Loans to customers	68,385	39,713
Total interest income	86,047	54,642

3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Deposits	3,436,914	866,599
Interbank and money market items	514,431	353,952
Contribution fee to the Deposit Protection Agency and Bank of Thailand	718,198 ⁽¹⁾	163,043 ⁽²⁾
Issued debt instruments		
- Subordinated debentures	365,272	308,000
- Unsubordinated debentures	182,529	40,400
Borrowings	2,948,802	3,729,347
Total interest expenses	8,166,146	5,461,341

⁽¹⁾ Record a rate of 0.40% per year based on outstanding average deposits amount up to 26 January 2012 and after that record at a rate of 0.01% per year based on outstanding average deposits amount and at a rate of 0.46% per year based on outstanding average public funding base including deposits, bill of exchange, and other securities issuing by the commercial bank which were issued starting from 27 January 2012 onwards, excluding outstanding subordinated debentures.

⁽²⁾ Record at a rate of 0.40% per year based on outstanding average deposits amount.

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	675	-
Borrowings	128,914	86,867
Total interest expenses	129,589	86,867

3.23 Fees and services income - net

Fees and service income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Fees and service income		
- Acceptance, aval and guarantees	13,288	30,604
- Insurance service	1,967,272	1,096,109
- Brokerage fees	786,176	681,849
- Fund management	754,465	560,366
- Financial advisory fees	33,800	29,566
- Others	852,550	668,495
Total fees and service income	4,407,551	3,066,989
Fees and service expenses		
- Information service expenses	(102,933)	(66,908)
- Others	(175,986)	(145,910)
Total fees and service expenses	(278,919)	(212,818)
Fees and service income - net	4,128,632	2,854,171

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Fees and service income	-	-
Fees and service expenses	(9,958)	(9,203)
Fees and service income - net	(9,958)	(9,203)

3.24 Gains (losses) on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(15,369)	32,445
- Derivatives on interest rates	39,789	7,774
- Debt securities	15,946	10,237
- Equity securities	26,129	(7,504)
- Others	-	(47)
Gains on cash flow hedges	100,761	-
Total	167,256	42,905

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Losses on trading and foreign exchange transactions		
- Equity securities	(4,847)	-
Total	(4,847)	-

3.25 Gains (losses) on investments - net

Gains (losses) on investments in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Gains on disposal		
- Available-for-sale securities	1,156	70,496
- Held-to-maturity securities	449	189
- General investments	49,287	13,416
Total	50,892	84,101
Reversal (losses) on impairment		
- General investments	69,640	(49,835)
Total	69,640	(49,835)
Gains on investments - net	120,532	34,266
		(Unit: Thousand Baht)
	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Reversal (losses) on impairment		
- Investments in subsidiaries	(7)	962
Gains (losses) on investments - net	(7)	962

3.26 Bad debt, doubtful accounts and impairment loss

Bad debt, doubtful accounts and impairment loss in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	5,000	10,000
Held-to-maturity debt securities	2,744	(5,199)
Loans to customers	1,914,500	1,278,274
Total	1,922,244	1,283,075

3.27 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Gains on disposal of property foreclosed	54,938	69,087
Rental income	22,762	22,915
Others	44,957	51,757
Total	122,657	143,759

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Rental income	63,881	60,106
Others	1,053	21,334
Total	64,934	81,440

3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Mailing expenses	50,106	47,013
Software amortisation expenses	77,182	111,295
Legal expenses	145,668	126,362
Transportation expenses	86,534	90,805
Others	409,840	315,683
Total	769,330	691,158

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Mailing expenses	306	316
Software amortisation expenses	24,723	55,305
Transportation expenses	8,236	7,135
Others	89,828	37,732
Total	123,093	100,488

3.29 Income tax expenses

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Current income tax:				
Income tax expenses for the year	930,872	659,083	141,671	128,905
Adjustment in respect of current income tax of previous year	3,198	1,813	(489)	108
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	146,591	769,608	(37,476)	(14,494)
Effects of changes in the applicable tax rates	-	131,404	-	36,965
Income tax expenses reported in statements of comprehensive income	1,080,661	1,561,908	103,706	151,484

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Decrease (increase) in surplus on change in value of investments	(34,818)	73,925	(2,893)	-
Cash flow hedges	22,515	(37,276)	-	-
Actuarial gains (losses)	12,376	7,076	2,391	1,080
Effects of changes in the applicable tax rates	-	33,488	-	-
Income tax expenses recorded directly to other comprehensive income	73	77,213	(502)	1,080

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Accounting profit before tax	4,813,669	4,854,907	2,248,574	1,857,045
Applicable tax rate	23%	25%, 30%	23%	25%
Accounting profit before tax multiplied by applicable tax rate	1,534,708	1,810,079	517,172	464,261
Adjustment in respect of current income tax of previous year	3,198	1,813	(489)	108
Effects of changes in the applicable tax rates	-	131,404	-	36,965
Effects of:				
Tax effect of net tax-exempt income and net disallowed expenses	(396,620)	(382,806)	(420,502)	(352,144)
Utilisation of loss carry forwards	(24,230)	-	-	-
Effects of tax rate used for deferred tax	(36,395)	1,418	7,525	2,294
Total	(457,245)	(381,388)	(412,977)	(349,850)
Income tax expenses reported in the statement of comprehensive income	1,080,661	1,561,908	103,706	151,484

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2012	2011	2012	2011
Allowance for doubtful accounts	80,742	60,264	20,478	(730,212)
Allowance for impairment of investments	21,742	62,820	(41,078)	(11,986)
Allowance for impairment of property foreclosed	2	9,972	(9,970)	(87,951)
Non-accrual of interest income	11,719	39,097	(27,378)	(155,806)
Depreciation of assets	5,241	12,842	(7,601)	(26,352)
Financial leases	-	8,468	(8,468)	(5,442)
Revaluation surplus on investments	(2,893)	(947)	-	-
Unrealised gain or loss on derivatives	-	(1,652)	1,652	(1,505)
Cash flow hedges	-	(25,655)	-	-
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(12,587)	(243,254)	230,667	63,219
Loss on disposal of property foreclosed	5,762	9,778	(4,016)	(7,424)
Deferred income	-	82,735	(82,735)	15,718
Reduction of subsidiaries' share capital	21,435	21,435	-	(5,359)
Tax loss carried forward	1,496	-	1,496	-
Accrued expenses	141,487	225,113	(83,626)	1,648
Employee benefits	31,386	36,361	(9,848)	4,136
Others	594	58,024	(57,430)	48,458
Deferred tax assets	306,126	355,401	(77,857)	(898,858)

(Unit: Thousand Baht)

Consolidated financial statements				
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2012	2011	2012	2011
	Allowance for doubtful accounts	(882)	(247)	(635)
Allowance for impairment of investments	(28,313)	-	(28,313)	-
Allowance for impairment of property foreclosed	(3,637)	-	(3,637)	-
Allowance for revaluation of other assets	(180)	(180)	-	90
Non-accrual of interest income	(17,541)	(4)	(17,537)	3
Depreciation of assets	(9,610)	(588)	(9,022)	1,005
Financial leases	66,544	76,356	(9,812)	(20,855)
Revaluation surplus on investments	80,641	47,769	-	-
Unrealised gain or loss on derivatives	5,610	-	5,610	-
Cash flow hedges	463	(2,677)	-	-
Gain from revaluation of investments in trading securities	-	3,886	(3,886)	(4,195)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	403,875	-	403,875	-
Unearned interest income on hire purchase	(60,671)	-	(60,671)	-
Tax loss carried forwards	(35,901)	(57,427)	21,526	16,793
Accrued expenses	(139,943)	(6,033)	(133,910)	2,585
Employee benefits	(33,257)	(4,735)	(21,020)	(538)
Others	(68,615)	5,219	(73,834)	7,056
Deferred tax liabilities	158,583	61,339	68,734	2,154

(Unit: Thousand Baht)

Separate financial statements				
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2012	2011	2012	2011
	Allowance for impairment of investments	21,742	21,740	2
Depreciation of assets	4,348	1,153	3,195	(15,438)
Revaluation surplus on investments	(2,893)	-	-	-
Reduction of subsidiaries' share capital	21,435	21,435	-	(5,359)
Accrued expenses	132,097	99,164	32,933	2,969
Employee benefits	14,217	9,813	2,012	801
Others	435	1,101	(666)	232
Deferred tax assets	191,381	154,406	37,476	(22,471)

3.30 Components of other comprehensive income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2012	2011	2012	2011
Other comprehensive income				
Gains (losses) on translation adjustment in foreign operations	(1,467)	2,427	-	-
Available-for-sale securities:				
Gains (losses) arising during the year	175,246	(181,308)	14,464	-
Less: Reclassification adjustments for gains included in profit or loss	(1,156)	(70,496)	-	-
	174,090	(251,804)	14,464	-
Actuarial gains (losses)	(61,777)	(23,558)	(11,955)	(5,405)
Cash flow hedges:				
Gains (losses) arising during the year	(21,208)	108,207	-	-
Add: Reclassification adjustments for losses (gains) included in profit or loss	(91,367)	16,045	-	-
	(112,575)	124,252	-	-
Total other comprehensive income	(1,729)	(148,673)	2,509	(5,405)
Income tax effect	73	77,213	(502)	1,080
Other comprehensive income for the year - net	(1,656)	(71,470)	2,007	(4,325)

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Increase (decrease) in surplus on change in value of investments	174,090	(34,818)	139,272	(251,804)	98,283	(153,521)
Actuarial gains (losses)	(61,777)	12,376	(49,401)	(23,558)	4,717	(18,841)
Cash flow hedges	(112,575)	22,515	(90,060)	124,252	(25,787)	98,465
	<u>(262)</u>	<u>73</u>	<u>(189)</u>	<u>(151,110)</u>	<u>77,213</u>	<u>(73,897)</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Increase (decrease) in surplus on change in value of investments	14,464	(2,893)	11,571	-	-	-
Actuarial gains (losses)	(11,955)	2,391	(9,564)	(5,405)	1,080	(4,325)
	<u>2,509</u>	<u>(502)</u>	<u>2,007</u>	<u>(5,405)</u>	<u>1,080</u>	<u>(4,325)</u>

3.32 Earnings per share

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

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
	Profit attributable to equity holders of the Company (Thousand Baht)	3,705,180	3,266,755	2,144,868
Weighted average number of shares (Thousand shares)	727,912	727,912	727,912	727,912
Basic earnings per share (Baht/share)	5.09	4.49	2.95	2.34

3.33 Related party transactions

	(Unit: Thousand Baht)			
	As at		As at	
	31 December		31 December	
	2011	Increase	Decrease	2012
<u>Outstanding balance</u>				
(Eliminated in consolidated financial statements)				
Subsidiary companies:				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited	169,446	1,333,372	(936,834)	565,984
Loans:				
Hi-Way Co., Ltd.	839,000	620,000	(263,000)	1,196,000
TISCO Leasing Co., Ltd.	105,000	2,540,000	-	2,645,000
Dividend receivable:				
TISCO Bank Public Company Limited	400,418	1,237,656	(400,418)	1,237,656
TISCO Securities Co., Ltd.	150,000	260,000	(150,000)	260,000
TISCO Asset Management Co., Ltd.	184,899	334,998	(184,899)	334,998
TISCO Tokyo Leasing Co., Ltd.	-	2,205	(2,205)	-
Other assets:				
TISCO Bank Public Company Limited	-	113,273	(25,980)	87,293
TISCO Securities Co., Ltd.	-	7,297	(7,297)	-
TISCO Information Technology Co., Ltd.	-	4,412	(4,412)	-
TISCO Learning Center Co., Ltd.	771	1,292	(1,959)	104
Deutsche TISCO Investment Advisory Co., Ltd.	-	1,250	-	1,250
Interbank and money market items (Liability):				
TISCO Securities Co., Ltd.	-	200,000	-	200,000
Borrowings:				
TISCO Information Technology Co., Ltd.	-	80,000	(80,000)	-
Interest payable:				
TISCO Information Technology Co., Ltd.	-	476	(476)	-
TISCO Securities Co., Ltd.	-	107	-	107
Other liabilities:				
TISCO Bank Public Company Limited	54,955	-	(54,955)	-
TISCO Securities Co., Ltd.	7,036	-	(7,036)	-
TISCO Information Technology Co., Ltd.	23,823	-	(23,823)	-
TISCO Learning Center Co., Ltd.	178	828	(918)	88

	Separate financial statements		(Unit: Thousand Baht)
			Terms and pricing policy
	2012	2011	(For the year 2012)
<u>Transactions occurred during the years ended 31 December</u>			
(Eliminated in consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,529,999	1,286,324	Determined on the basis on actual cost
Interest income	85,702	54,467	With reference to the terms and prices as offered to other customers
Rental income	62,913	57,465	With reference to the terms and prices as offered to other customers
Computer system advisory services expenses	160,000	157,000	Determined on the basis on actual cost
Interest expenses	2,308	5,191	With reference to the terms and prices as offered to other customers
Training expenses	3,007	2,146	With reference to the prices as offered from other service providers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2012	2011
Loans ⁽¹⁾	29,927	23,189

⁽¹⁾ Including employee welfare loan and normal business loan

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December 2012	
	2012	2011
Deposits	195,678	115,178
Debt issued and borrowings	-	66,930

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had short-term benefit paid to their directors and management during the year as below:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Short-term benefit	432	335	304	218

3.34 Financial information by segment

3.34.1 Financial position and results of operations classified by domestic and foreign operations, are as follow:

	(Unit: Million Baht)			
	Consolidated financial statements			
	As at 31 December 2012			
	Domestic operations	Foreign operations	Elimination	Total
Total assets	313,780	45	(23,328)	290,497
Interbank and money market items (assets)	33,348	45	(2,197)	31,196
Investments - net	7,016	-	-	7,016
Loans to customers and accrued interest receivables - net	247,588	-	(4,041)	243,547
Deposits	220,634	-	(811)	219,823
Interbank and money market items (liabilities)	15,561	-	(1,590)	13,971
Debt issued and borrowings	31,718	-	(3,841)	27,877

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2011				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Total assets	237,814	57	(17,153)	220,718
Interbank and money market items (assets)	30,957	56	(291)	30,722
Investments - net	3,706	-	-	3,706
Loans to customers and accrued interest				
receivables - net	181,796	-	(944)	180,852
Deposits	38,060	-	(81)	37,979
Interbank and money market items (liabilities)	14,490	-	(11)	14,479
Debt issued and borrowings	146,540	-	(1,143)	145,397

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2012				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Interest income	15,309	-	(99)	15,210
Interest expenses	(8,265)	-	99	(8,166)
Interest income - net	7,044	-	-	7,044
Net fee and service income	4,598	-	(469)	4,129
Other operating income	4,014	-	(3,427)	587
Total operating income	15,656	-	(3,896)	11,760
Other operating expenses	(7,092)	(2)	2,070	(5,024)
Bad debt, doubtful accounts and impairment				
loss	(1,927)	-	5	(1,922)
Income tax expenses	(1,081)	-	-	(1,081)
Non-controlling interest	-	-	(28)	(28)
Profit for the year - equity holders				
of the Company	5,556	(2)	(1,849)	3,705

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2011				
	Domestic	Foreign	Elimination	Total
	operations	operations		
Interest income	12,436	-	(67)	12,369
Interest expenses	(5,528)	-	67	(5,461)
Interest income - net	6,908	-	-	6,908
Net fee and service income	3,258	-	(404)	2,854
Other operating income	4,149	-	(2,838)	1,311
Total operating income	14,315	-	(3,242)	11,073
Other operating expenses	(6,697)	(5)	1,767	(4,935)
Bad debt, doubtful accounts and impairment loss	(1,284)	-	1	(1,283)
Income tax expenses	(1,562)	-	-	(1,562)
Non-controlling interest	-	-	(26)	(26)
Profit for the year - equity holders of the Company	4,772	(5)	(1,500)	3,267

3.34.2 Financial positions and results of operation classified by business type

(Unit: Million Baht)

Consolidated financial statements										
As at 31 December										
	Bank business/financial service business		Securities business		Other business		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Total assets	284,892	216,947	5,620	2,900	23,313	18,024	(23,328)	(17,153)	290,497	220,718
Interbank and money market items (assets)	31,486	30,080	1,251	705	656	228	(2,197)	(291)	31,196	30,722
Investment - net	4,914	2,596	1,289	1,109	813	1	-	-	7,016	3,706
Loans to customers and accrued interest receivable - net	243,547	180,852	200	-	3,841	944	(4,041)	(944)	243,547	180,852
Deposits	220,634	38,060	-	-	-	-	(811)	(81)	219,823	37,979
Interbank and money market items (liabilities)	14,861	14,490	500	-	200	-	(1,590)	(11)	13,971	14,479
Debt issued and borrowings	25,406	144,731	-	-	6,312	1,809	(3,841)	(1,143)	27,877	145,397

Consolidated financial statements										
For the years ended 31 December										
	Bank business/financial service business		Securities business		Other business		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Interest income	15,142	12,320	78	59	89	57	(99)	(67)	15,210	12,369
Interest expenses	(8,091)	(5,416)	(45)	(25)	(129)	(87)	99	67	(8,166)	(5,461)
Interest income - net	7,051	6,904	33	34	(40)	(30)	-	-	7,044	6,908
Net fee and service expense	2,503	1,592	1,677	1,272	418	394	(469)	(404)	4,129	2,854
Other operating income	532	1,294	57	79	3,425	2,776	(3,427)	(2,838)	587	1,311
Total operating income	10,086	9,790	1,767	1,385	3,803	3,140	(3,896)	(3,242)	11,760	11,073
Other operating expenses	(4,551)	(4,531)	(989)	(911)	(1,554)	(1,260)	2,070	1,767	(5,024)	(4,935)
Bad debt, doubtful accounts and impairment loss of debt securities	(1,927)	(1,284)	-	-	-	-	5	1	(1,922)	(1,283)
Income tax expenses	(803)	(1,259)	(176)	(145)	(102)	(158)	-	-	(1,081)	(1,562)
Non-controlling interest	-	-	-	-	-	-	(28)	(26)	(28)	(26)
Profit for the year - equity holders of the Company	<u>2,805</u>	<u>2,716</u>	<u>602</u>	<u>329</u>	<u>2,147</u>	<u>1,722</u>	<u>(1,849)</u>	<u>(1,500)</u>	<u>3,705</u>	<u>3,267</u>

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

3.35 Provident fund

The Company, its nine subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The provident funds of the Company and its eight subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. During the year 2012 and 2011, the Company and its subsidiaries paid provident fund contributions totaling Baht 113 million and Baht 99 million, respectively (the Company only: Baht 18 million and Baht 17 million, respectively).

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Avals	155,388	5,280
Other guarantees	722,348	4,447,136
Undrawn client overdraft facilities	47,905	30,976
Interest rate swap agreements (Note 3.37.5)	3,032,000	6,054,500
Cross currency swap agreements (Note 3.37.5)	3,702,570	8,151,340
	<u>7,660,211</u>	<u>18,689,232</u>

3.36.2 Litigation

As at 31 December 2012 and 2011, the subsidiary has been sued for compensation totaling approximately Baht 165 million and Baht 136 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the mentioned lawsuits.

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 and Baht 190 million as at 31 December 2012 and 2011, respectively). Through a court process, the litigant consented to end the litigation on 25 July 2012 and a consent order was granted by the court on 26 July 2012.

3.36.3 Other commitments

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

As at 31 December 2012 and 2011, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

Payable within:	(Unit: Million Baht)	
	As at 31 December	
	2012	2011
Not over 1 year	110	88
Over 1 to 5 years	128	115

3.37 Financial instruments

3.37.1 Credit risk

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

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

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

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

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

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

	(Unit: Million Baht)	
	As at 31 December	
	2012	2011
Neither past due nor impaired		
Very high grade	93,334	76,450
High grade	56,496	37,950
Medium grade	9,642	8,451
Sub total	159,472	122,851
Hire purchase receivable - overdue 31 - 90 days	10,939	10,066
Hire purchase receivable - overdue more than 90 days	2,197	1,699
Total	<u>172,608</u>	<u>134,616</u>

3.37.2 Market risk

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

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

3.37.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Market risk as at 31 December	
	2012	2011
Marketable financial assets		
Equity securities	164	734
Debts securities	4	10
Derivatives	-	31
Foreign currencies	38	11

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the 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 31 December	
	2012	2011
Change in interest rate		
Increase 1 percent	(718.38)	(335.13)
Decrease 1 percent	718.38	335.13

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.

3.37.2.3 Interest rate risk

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

(Unit: Million Baht)

Consolidated financial statements				
as at 31 December 2012				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	1,046	1,046
Interbank and money market items	148	27,440	3,608	31,196
Derivatives assets	-	-	42	42
Investments - net	-	4,527	2,489	7,016
Loans to customers ⁽¹⁾	11,558	235,887	1,224	248,669
Securities and derivative business receivables	-	-	2,224	2,224
Receivable from clearing house	-	-	136	136
	<u>11,706</u>	<u>267,854</u>	<u>10,769</u>	<u>290,329</u>
<u>Financial liabilities</u>				
Deposits	30,686	188,921	216	219,823
Interbank and money market items	672	13,186	113	13,971
Liabilities payable on demand	-	-	652	652
Derivatives liabilities	-	-	1	1
Debts issued and borrowings	-	27,877	-	27,877
Securities and derivative business payables	-	-	1,524	1,524
Payable to clearing house	-	-	852	852
	<u>31,358</u>	<u>229,984</u>	<u>3,358</u>	<u>264,700</u>

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

(Unit: Million Baht)

Consolidated financial statements
as at 31 December 2011

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	96	30,014	612	30,722
Derivatives assets	-	-	45	45
Investments - net	-	2,115	1,591	3,706
Loans to customers ⁽¹⁾	9,120	174,334	1,818	185,272
Securities and derivative business receivables	-	-	725	725
Receivable from clearing house	-	-	31	31
	<u>9,216</u>	<u>206,463</u>	<u>5,725</u>	<u>221,404</u>
<u>Financial liabilities</u>				
Deposits	20,352	17,431	196	37,979
Interbank and money market items	1,878	12,593	7	14,478
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	276	276
Debts issued and borrowings	-	145,397	-	145,397
Securities and derivative business payables	-	-	470	470
Payable to clearing house	-	-	284	284
	<u>22,230</u>	<u>175,421</u>	<u>1,681</u>	<u>199,332</u>

⁽¹⁾Loans to customers with floating rates or fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

Separate financial statements
as at 31 December 2012

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Interbank and money market items	6	560	-	566
Investments - net	-	-	813	813
Investment in subsidiaries	-	-	15,022	15,022
Loans to customers	-	3,841	-	3,841
	<u>6</u>	<u>4,401</u>	<u>15,835</u>	<u>20,242</u>
<u>Financial liabilities</u>				
Interbank and money market items	-	200	-	200
Debts issued and borrowings	-	6,312	-	6,312
	<u>-</u>	<u>6,512</u>	<u>-</u>	<u>6,512</u>

(Unit: Million Baht)

Separate financial statements

as at 31 December 2011

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
Financial assets				
Interbank and money market items	25	144	-	169
Investments - net	-	-	15,022	15,022
Loans to customers	-	944	-	944
	<u>25</u>	<u>1,088</u>	<u>15,022</u>	<u>16,135</u>
Financial liabilities				
Debts issued and borrowings	-	1,809	-	1,809
	<u>-</u>	<u>1,809</u>	<u>-</u>	<u>1,809</u>

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)

Consolidated financial statements as at 31 December 2012

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	10	27,430	-	-	-	27,440	2.7424
Investments - net	9	2,739	1,692	87	-	4,527	3.1941
Loans to customers	15,702	25,009	45,629	142,451	7,096	235,887	7.1002
	<u>15,721</u>	<u>55,178</u>	<u>47,321</u>	<u>142,538</u>	<u>7,096</u>	<u>267,854</u>	
Financial liabilities							
Deposits	7,257	135,578	45,855	231	-	188,921	3.1821
Interbank and money market items	3,253	6,352	2,007	1,572	2	13,186	3.2138
Debts issued and borrowings	58	9,247	10,218	111	8,243	27,877	3.9265
	<u>10,568</u>	<u>151,177</u>	<u>58,080</u>	<u>1,914</u>	<u>8,245</u>	<u>229,984</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 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		
Financial assets							
Interbank and money market items	65	25,924	4,025	-	-	30,014	2.8016
Investments - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,353	18,574	36,179	104,654	3,574	174,334	7.0373
	<u>11,436</u>	<u>44,550</u>	<u>41,422</u>	<u>105,481</u>	<u>3,574</u>	<u>206,463</u>	
Financial liabilities							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	1,025	2,632	7,029	1,907	-	12,593	3.8297
Debts issued and borrowings	1,462	59,705	72,481	5,749	6,000	145,397	3.8438
	<u>3,156</u>	<u>72,655</u>	<u>85,428</u>	<u>8,182</u>	<u>6,000</u>	<u>175,421</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2012

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	560	-	-	-	-	560	2.5000
Loans to customers	3,841	-	-	-	-	3,841	3.6200
	<u>4,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,401</u>	
Financial liabilities							
Interbank and money market items	-	200	-	-	-	200	2.8000
Debts issued and borrowings	-	3,281	3,031	-	-	6,312	3.4724
	<u>-</u>	<u>3,481</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>6,512</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 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		
Financial assets							
Interbank and money market items	144	-	-	-	-	144	2.5000
Loans to customers	944	-	-	-	-	944	4.4200
	<u>1,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088</u>	
Financial liabilities							
Debts issued and borrowings	-	641	1,168	-	-	1,809	4.1355
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>1,809</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.

3.37.3 Liquidity risk

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

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the subsidiary operating banking business 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 subsidiary operating banking business'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 subsidiary operating banking business set the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios are cover the Bank's specific scenario and Industry based scenario which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposits and bills of exchange. In the past, there is high rollover rate for both matured deposits and bills of exchange. Besides, the subsidiary also issued 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 as cushion against liquidity risk. Moreover, the subsidiary provides credit line to other companies under TISCO Financial Group to support liquidity position if require.

3.37.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

	As at 31 December 2012			
	Remaining contractual			
	Less than 3 months	3 - 12 months	More than 1 year	Total
	Liabilities	195,384	54,922	9,614

(Unit: Million Baht)

	As at 31 December 2011			
	Remaining contractual			
	Less than 3 months	3 - 12 months	More than 1 year	Total
	Liabilities	99,560	84,192	13,961

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.

3.37.3.2 Volume and composition of highly liquid assets, and internal ratio.

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Composition of highly liquid assets		
Cash	1,046	903
Interbank and money market - net	31,370	29,984
Current investments - net	4,311	1,447
Total liquid assets ⁽¹⁾	36,727	32,334
Liquid asset requirement ⁽¹⁾	14,202	2,289

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

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2012 and 2011, the subsidiary operating banking business has highly liquid assets, which are daily calculated, at Baht 36,727 million and Baht 32,334 million, respectively, which higher than internal liquid asset requirement, which is daily considered, of Baht 14,202 million and Baht 2,289 million, respectively. In addition, the subsidiary operating banking business has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 Counting from the financial statement date, as at 31 December 2012 and 2011, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non- performing Loans*	Total
<u>Financial assets</u>								
Cash	1,046	-	-	-	-	-	-	1,046
Interbank and money market items	3,767	27,429	-	-	-	-	-	31,196
Derivatives assets	-	15	-	27	-	-	-	42
Investments - net	10	2,739	1,692	86	-	2,489	-	7,016
Loans to customers	21,198	26,357	46,168	143,333	7,839	-	3,774	248,669
Securities and derivatives business								
receivables	-	2,224	-	-	-	-	-	2,224
Receivable from clearing house	-	136	-	-	-	-	-	136
	<u>26,021</u>	<u>58,900</u>	<u>47,860</u>	<u>143,446</u>	<u>7,839</u>	<u>2,489</u>	<u>3,774</u>	<u>290,329</u>
<u>Financial liabilities</u>								
Deposits	38,159	135,578	45,855	231	-	-	-	219,823
Interbank and money market items	3,151	6,508	2,389	1,921	2	-	-	13,971
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivatives liabilities	-	-	-	1	-	-	-	1
Debts issued and borrowings	58	9,247	10,218	111	8,243	-	-	27,877
Securities and derivative business								
payables	-	1,524	-	-	-	-	-	1,524
Payable to clearing house	-	852	-	-	-	-	-	852
	<u>42,020</u>	<u>153,709</u>	<u>58,462</u>	<u>2,264</u>	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>264,700</u>
<u>Contingent liability</u>								
Aval to bills and guarantees of loans	-	4	147	4	-	-	-	155
Other commitments	9	3,080	30	3,605	100	681	-	7,505

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans*	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	773	25,924	4,025	-	-	-	-	30,722
Derivatives assets	-	-	-	44	1	-	-	45
Investments - net	18	52	1,218	827	-	1,591	-	3,706
Loans to customers	14,246	18,647	38,058	105,918	5,058	-	3,345	185,272
Securities and derivatives business								
receivables	-	725	-	-	-	-	-	725
Receivable from clearing house	-	31	-	-	-	-	-	31
	<u>15,940</u>	<u>45,379</u>	<u>43,301</u>	<u>106,789</u>	<u>5,059</u>	<u>1,591</u>	<u>3,345</u>	<u>221,404</u>
Financial liabilities								
Deposits	21,176	10,359	5,918	526	-	-	-	37,979
Interbank and money market items	1,299	2,869	7,522	2,788	-	-	-	14,478
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	128	129	1	18	-	-	276
Debts issued and borrowings	1,462	59,705	72,480	5,750	6,000	-	-	145,397
Securities and derivative business								
payables	-	470	-	-	-	-	-	470
Payable to clearing house	-	284	-	-	-	-	-	284
	<u>24,385</u>	<u>73,815</u>	<u>86,049</u>	<u>9,065</u>	<u>6,018</u>	<u>-</u>	<u>-</u>	<u>199,332</u>
Contingent liability								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,514	4,124	4,868	1,750	4,279	-	18,684

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2012

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans	
Financial assets								
Interbank and money market items	566	-	-	-	-	-	-	566
Investments - net	-	-	-	-	-	813	-	813
Investments in subsidiaries - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	3,841	-	-	-	-	-	-	3,841
	<u>4,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,835</u>	<u>-</u>	<u>20,242</u>
Financial liabilities								
Interbank and money market items	-	200	-	-	-	-	-	200
Debts issued and borrowings	-	3,281	3,031	-	-	-	-	6,312
	<u>-</u>	<u>3,481</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,512</u>

Separate financial statements as at 31 December 2011

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-	Total
		months	months	years	years		performing Loans	
Financial assets								
Interbank and money market items	169	-	-	-	-	-	-	169
Investments - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	944	-	-	-	-	-	-	944
	<u>1,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,022</u>	<u>-</u>	<u>16,135</u>
Financial liabilities								
Debts issued and borrowings	-	641	1,168	-	-	-	-	1,809
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,809</u>

3.37.4 Foreign exchange risk

The status of the subsidiaries foreign currency balance as at 31 December 2012 and 2011 are as follows:

TISCO Bank Public Company Limited

- a) Investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (31 December 2011: HKD 20 million) (under the cost method net of allowance for impairment equivalent to Baht 44 million (31 December 2011: 47 million)).
- b) Loans in foreign currency amounting to USD 100 million (31 December 2011: USD 100 million) (equivalent to Baht 3,063 million and Baht 3,169 million as at 31 December 2012 and 2011, respectively), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.
- c) As at 31 December 2011, TISCO Bank has foreign certificates of deposit amounting to CNY 800 million (equivalent to Baht 4,026 million as at 31 December 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 3.37.5 to the financial statements.

TISCO Tokyo Leasing Company Limited

- d) Borrowing in foreign country amounting to USD 21 million (31 December 2011: USD 21 million) (amortised cost amounting to Baht 645 million (31 December 2011: Baht 936 million)), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.

3.37.5 Derivatives

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

As at 31 December 2012 and 2011, the subsidiaries have the following financial derivative instruments.

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

- a.1) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets, as follow:

(Unit: Million Baht)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
2016	3,032	27

(Unit: Million Baht)

As at 31 December 2011		
Maturity	Notional amount	Fair value gain (loss)
2014	1,000	1
2016	3,032	21
2021	1,650	(15)

- a.2) Cross currency swap agreement

The subsidiary operating banking business entered into cross currency swap agreements to manage risk associated with financial assets, as follow:

(Unit: Million Baht)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
2013	3,063	15

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	3,169	(128)

b) Financial derivative instruments classified as cash flow hedge derivatives

b.1) Cross currency swap agreement

The subsidiary operating banking business entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	4,046	(128)

The subsidiary operating leasing business entered into cross currency swap agreements to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	309	(0.20)
2015	1	61	(0.09)
2016	2	170	(0.30)
2018	1	100	(0.16)

(Unit: Million Baht)

As at 31 December 2011

Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	537	16
2015	1	84	3
2016	2	215	2
2018	1	100	(3)

b.2) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreement to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	300	1

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

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	73	(1)

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

(Unit: Million Baht)

	For the year ended 31 December			
	2012		2011	
	Less than 1 year	1 - 4 years	Less than 1 year	1 - 4 years
Interest expenses	-	-	1	-

The net loss on cash flow hedges transferred from shareholders' equity to profit or loss for the years ended 31 December 2012 and 2011, and arose from interest payment under interest rate swap contracts used to hedge cash flows as follows:

(Unit: Million Baht)

	For the years ended 31 December 2012	
	2012	2011
Interest expenses	1	7

3.37.6 Fair value of financial instruments

The fair values of significant financial instruments of the Company and its subsidiaries, as presented below.

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Cash	1,046	1,046	903	903
Interbank and money market items - net	31,196	31,196	30,722	30,722
Investments - net	7,016	7,016	3,706	3,706
Loan to customers and accrued interest receivables - net	243,547	250,268	180,852	185,273
Securities and derivatives business receivables	2,224	2,224	745	745
Receivable from clearing house	136	136	31	31
<u>Financial liabilities</u>				
Deposits	219,823	219,823	37,979	37,979
Interbank and money market items - net	13,971	13,971	14,479	14,479
Liabilities payable on demand	652	652	448	448
Debt issued and borrowings	27,877	27,790	145,397	145,397

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Securities and derivatives business				
payables	1,524	1,524	470	470
Payable to clearing house	852	852	284	284

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

4. Significant events during the year

Change of subsidiary company's name and increase of its registered share capital

A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Investment Advisory Co., Ltd. No. 3/2012, on 17 December 2012, approved the change in that company's name and approved an increase of Baht 99 million in its registered share capital, from Baht 1 million to Baht 100 million, by issuing 9,900,000 new ordinary shares, with the number of ordinary shares therefore to increase from 100,000 shares to 10,000,000 shares of Baht 10 each. The shares are to be 100% paid up. The meeting also approved the amendment of items No.1 and No.5 (capital) in the memorandum of association, to state that the company's name is "Deutsche TISCO Investment Advisory Co., Ltd." and that its issued and fully paid-up registered capital is Baht 100 million, consisting of 10,000,000 ordinary shares of Baht 10 each. On 17 December 2012, the subsidiary company registered the increase in its registered share capital and the amendment of its memorandum of association with the Ministry of Commerce.

5. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend payment
		Preference	Ordinary	dividend paid	period
		share	share		
		(Baht per share)	(Baht per share)	(Million Baht)	
Final dividends for 2010	The 2011 Annual General Meeting of the Shareholders on 21 April 2011	2.25	2.25	1,638	May 2011
Total dividend payment in year 2011				<u>1,638</u>	
Annual dividends for 2011	The 2012 Annual General Meeting of the Shareholders on 26 April 2012	2.35	2.35	1,711	May 2012
Total dividend payment in year 2012				<u>1,711</u>	

6. Approval of financial statements

These financial statements were approved by the Company's Audit Committee on 11 February 2013.