

TISCO Bank Public Company Limited  
Report and interim financial statements  
For the three-month period ended 31 March 2011

## **Review Report of Independent Auditor**

To the Shareholders of TISCO Bank Public Company Limited

I have reviewed the accompanying statement of financial position of TISCO Bank Public Company Limited as at 31 March 2011, the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month periods ended 31 March 2011 and 2010. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my reviews.

I conducted my reviews in accordance with auditing standard applicable to review engagement. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The financial statements of TISCO Bank Public Company Limited for the year ended 31 December 2010 were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified audit opinion on those statements, under her report dated 4 February 2011. The statement of financial position as at 31 December 2010, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

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

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 9 May 2011

**TISCO Bank Public Company Limited**

**Statements of financial position**

**As at 31 March 2011 and 31 December 2010**

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 March 2011</u> (Unaudited but reviewed)	<u>31 December 2010</u> (Audited)
<b>Assets</b>			
Cash		756,695	902,816
Interbank and money market items - net		20,124,315	12,360,491
Derivatives assets	4.1	16,860	12,800
Investments - net	4.2, 4.6	4,879,736	4,964,602
Investments in subsidiaries - net	4.3	134,227	135,312
Loans to customers and accrued interest receivable - net	4.4, 4.6		
Loans to customers		176,719,323	159,427,815
Accrued interest receivable		118,069	115,567
Total loans to customers and accrued interest receivable		176,837,392	159,543,382
Less: Deferred revenue		(15,374,029)	(14,239,270)
Less: Allowance for doubtful accounts	4.5	(4,087,985)	(3,859,412)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		157,375,375	141,444,697
Property foreclosed - net		22,438	17,963
Premises and equipment - net		559,682	575,272
Intangible assets - net		113,112	121,279
Deferred tax assets	4.21	1,032,098	954,833
Other assets	4.7	982,837	856,271
<b>Total assets</b>		<b>185,997,375</b>	<b>162,346,336</b>

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

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

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 March 2011</u> (Unaudited but reviewed)	<u>31 December 2010</u> (Audited)
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Deposits		44,165,790	48,608,754
Interbank and money market items - net		5,598,913	8,867,299
Liability payable on demand		658,667	532,448
Derivatives liabilities	4.1	31,876	-
Debts issued and borrowings	4.8	119,029,944	87,973,771
Provision for long-term employee benefits		65,056	-
Accrued interest payable		697,905	445,505
Corporate income tax payables		996,330	686,197
Dividend payable		-	1,019,409
Other liabilities	4.9	1,954,611	2,001,560
<b>Total liabilities</b>		<u>173,199,092</u>	<u>150,134,943</u>

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

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

		(Unit: Thousand Baht)	
	<u>Note</u>	<u>31 March 2011</u>	<u>31 December 2010</u>
		(Unaudited but reviewed)	(Audited)
<b>Shareholders' equity</b>			
Share capital			
Registered			
	6		
372,047,854 preference shares of Baht 10 each (31 December 2010: 1,000,000,000 preference shares of Baht 10 each)		3,720,479	10,000,000
728,152,146 ordinary shares of Baht 10 each (31 December 2010: 100,200,000 ordinary shares of Baht 10 each)		7,281,521	1,002,000
		<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
728,152,146 ordinary shares of Baht 10 each		7,281,521	7,281,521
		<u>7,281,522</u>	<u>7,281,522</u>
Share premium on ordinary shares		130,451	130,451
Other components of shareholders' equity		14,284	14,311
Retained earnings			
Appropriated-statutory reserve		714,600	714,600
Unappropriated		4,657,426	4,070,509
<b>Total shareholders' equity</b>		<u>12,798,283</u>	<u>12,211,393</u>
<b>Total liabilities and shareholders' equity</b>		<u>185,997,375</u>	<u>162,346,336</u>
		-	-

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

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

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

(Unaudited but reviewed)

**TISCO Bank Public Company Limited****Statements of comprehensive income****For the three-month periods ended 31 March 2011 and 2010**

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

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Interest income	4.13	2,517,268	2,033,380
Interest expense	4.14	(844,035)	(533,754)
<b>Net interest income</b>		<u>1,673,233</u>	<u>1,499,626</u>
Fees and service income		382,490	301,767
Fees and service expense		(18,414)	(13,535)
<b>Net fees and service incomes</b>	4.15	<u>364,076</u>	<u>288,232</u>
Gains (losses) on tradings and foreign exchange transactions	4.16	(25,613)	2,140
Gains on investments	4.17	11,993	18,233
Penalty fee income from loans		51,110	43,485
Income from business promotion relating to the business		95,949	50,642
Other operating incomes	4.19	56,867	73,743
<b>Total operating incomes</b>		<u>2,227,615</u>	<u>1,976,101</u>
<b>Other operating expenses</b>			
Employee's expenses		360,258	355,562
Directors' remuneration		120	-
Premises and equipment expenses		168,190	165,928
Taxes and duties		53,617	32,310
Supporting service expenses		233,570	232,000
Expense to business promotion relating to the business		103,436	43,947
Others	4.20	107,207	96,212
<b>Total other operating expenses</b>		<u>1,026,398</u>	<u>925,959</u>
Bad debt and doubtful accounts and impairment loss of debt securities	4.18	302,971	288,041
<b>Profit before income tax expense</b>		<u>898,246</u>	<u>762,101</u>
Income tax expense	4.21	267,532	223,778
<b>Profit for the period</b>		<u>630,714</u>	<u>538,323</u>
<b>Other comprehensive income</b>	4.22		
Investment in available for sale securities		(39)	22,207
Income tax (charge)/credit relating to components of other comprehensive income	4.21, 4.23	12	(6,661)
<b>Other comprehensive incomes for the period - net</b>		<u>(27)</u>	<u>15,546</u>
<b>Total comprehensive income for the period</b>		<u><u>630,687</u></u>	<u><u>553,869</u></u>
<b>Earnings per share</b>			
Basic earning per share	4.24	<u>0.87</u>	<u>0.74</u>

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

(Unaudited but reviewed)

**TISCO Bank Public Company Limited**

**Statements of cash flows**

**For the three-month periods ended 31 March 2011 and 2010**

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Profit before income tax	898,246	762,101
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	42,016	48,740
Bad debts and doubtful accounts	487,448	452,745
Allowance for impairment of investment	5,290	3,998
Allowance for impairment of property foreclosed	24	-
Gain on sale of investments	(13,075)	(20,904)
Unrealised (gain) loss on tradings and foreign exchange transactions	28,981	(145)
Gain on disposal of equipment	(2,577)	(27)
Loss on written-off of equipment	-	671
Gain on disposal of property foreclosed	(19,686)	(32,169)
Provision for long-term employee benefits	2,488	-
Decrease (increase) in other accrued income	(10,708)	6,169
Increase in accrued expenses	47,056	115,029
Net interest income	(1,673,233)	(1,499,626)
Dividend income	(31,254)	(36,895)
Cash received on interest income	2,457,924	2,030,576
Cash paid on interest expense	(545,907)	(358,930)
Cash received on dividend income	8,755	11,295
Cash paid on income tax expense	(15,881)	(10,800)
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>1,665,907</b>	<b>1,471,828</b>
Decrease (increase) in operating assets		
Interbank and money market items	(7,779,824)	2,566,559
Loans to customers	(16,626,251)	(5,024,991)
Property foreclosed	237,127	603,902
Intangible assets	(1,900)	(4,924)
Other assets	(87,331)	(19,949)

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



(Unaudited but reviewed)

**TISCO Bank Public Company Limited**

**Statements of cash flows (continued)**

**For the three-month periods ended 31 March 2011 and 2010**

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
Increase (decrease) in operating liabilities		
Deposits	(4,442,964)	8,069,250
Interbank and money market items	(3,268,115)	476,263
Liability payable on demand	126,219	120,800
Short-term borrowings	31,010,609	(8,514,775)
Other liabilities	(86,532)	(433,895)
<b>Net cash flows from (used in) operating activities</b>	<u>746,945</u>	<u>(689,932)</u>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of investment in securities held for investment	(1,494,999)	(1,046,335)
Cash received from disposal of investment in securities held for investment	1,589,584	1,616,420
Cash paid for purchase of equipment	(16,358)	(20,150)
Cash received from disposal of equipment	2,553	46
<b>Net cash flows from investing activities</b>	<u>80,780</u>	<u>549,981</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(1,019,409)	-
Long-term borrowings	45,563	(22,662)
<b>Net cash flows used in financing activities</b>	<u>(973,846)</u>	<u>(22,662)</u>
<b>Net decrease in cash</b>	(146,121)	(162,613)
Cash at beginning of the period	902,816	826,096
<b>Cash at end of the period</b>	<u>756,695</u>	<u>663,483</u>
	-	-
<b>Supplemental cash flows information</b>		
Non-cash transaction		
Transfer of property foreclosed from receivables for debt settlement	3,382	-

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

(Unaudited but reviewed)

**TISCO Bank Public Company Limited**

**Statements of changes in shareholders' equity**

**For the three-month periods ended 31 March 2011 and 2010**

(Unit: Thousand Baht)

	Issued and fully paid-up share capital		Share premium		Retained earnings		Other components of equity - surplus on change in value of available-for -sale investments	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Appropriated - statutory reserve	Unappropriated		
<b>Balance as at 31 December 2009</b>	732	7,280,790	37	130,414	614,900	3,196,595	7,927	11,231,395
Total comprehensive income for the period	-	-	-	-	-	538,323	15,546	553,869
<b>Balance as at 31 March 2010</b>	<u>732</u>	<u>7,280,790</u>	<u>37</u>	<u>130,414</u>	<u>614,900</u>	<u>3,734,918</u>	<u>23,473</u>	<u>11,785,264</u>
<b>Balance as at 31 December 2010</b>	1	7,281,521	-	130,451	714,600	4,070,509	14,311	12,211,393
Cumulative effect of change in accounting policy for employee benefit (Note 1.4)	-	-	-	-	-	(43,797)	-	(43,797)
Total comprehensive income for the period	-	-	-	-	-	630,714	(27)	630,687
<b>Balance as at 31 March 2011</b>	<u>1</u>	<u>7,281,521</u>	<u>-</u>	<u>130,451</u>	<u>714,600</u>	<u>4,657,426</u>	<u>14,284</u>	<u>12,798,283</u>

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

**TISCO Bank Public Company Limited**

**Notes to interim financial statements**

**For the three-month periods ended 31 March 2011 and 2010**

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

**1.1 Basis of preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) “Interim Financial Reporting”, with the Bank choosing to present condensed interim financial statements. However, the Bank has presented the statements of financial position, comprehensive income, changes in shareholders’ equity and cash flows in accordance 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 interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

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

## 1.2 Application of new accounting standards during the period

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

### Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 12	Corporate Income Tax
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

### Financial reporting standards:

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



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

#### **1.4 The effect of the change in accounting policy due to an adoption of new accounting standards**

During the period, the Bank has changed accounting policy as mentioned in Note 1.2 and 1.3 to financial statements, as a result of the adoption of revised and new accounting standards.

##### **TAS 19 Employee Benefits**

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

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

In addition, the change in such accounting policy has the effect of decreasing the profit of the Bank for the three-month period ended 31 March 2011 by Baht 2 million (0.003 Baht per share).

#### **2. New accounting standards issued during the period not yet effective**

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

### **3. General information**

#### **3.1 The Bank's information**

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 March 2011, the Bank has 46 branches in Thailand.

#### **3.2 Related party transactions**

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

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

The Bank has neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management-level employees, with the exception of loans to parent company and loans to employees under the employee welfare scheme, as mentioned in Note 4.25 to the financial statements.

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

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

## 4. Supplemental information

### 4.1 Derivatives

#### Trading derivatives

(Unit: Thousand Baht)

Type of risk	31 March 2011			31 December 2010		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	15,796	-	3,211,445	11,190	-	180,908
Interest rate	1,064	31,876	3,332,000	1,610	-	300,000
<b>Total</b>	<b>16,860</b>	<b>31,876</b>	<b>6,543,445</b>	<b>12,800</b>	<b>-</b>	<b>480,908</b>

All counter parties of these derivative transactions are financial institutions.

### 4.2 Investments

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
<b>Available-for-sales securities- fair value</b>		
Government and state enterprise securities	1,480,414	1,419,765
Debt securities of private sector	831,460	841,460
Foreign debt securities	196,214	196,430
Add (less): Allowance for changes in value	7,848	6,991
Less: Allowance for impairment	(1,460)	(1,460)
<b>Total available-for-sales securities</b>	<b>2,514,476</b>	<b>2,463,186</b>
<b>Held-to-maturity debt securities - cost/amortised cost</b>		
Investment in receivables	1,861,536	1,903,199
Less: Allowance for impairment	(26,815)	(22,606)
<b>Total held-to-maturity debt securities</b>	<b>1,834,721</b>	<b>1,880,593</b>
<b>Other investments - cost</b>		
Domestic non-marketable equity securities	598,083	688,369
Less: Allowance for impairment	(67,544)	(67,546)
<b>Total other investments</b>	<b>530,539</b>	<b>620,823</b>
<b>Investments - net</b>	<b>4,879,736</b>	<b>4,964,602</b>



## 4.2.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	31 March 2011	31 December 2010	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	901	-	Pledged for the use of credit balance on clearing positions

## 4.2.2 Investments in companies with weak financial positions and poor operating results

(Unit: Thousand Baht)

	As at 31 March 2011		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
	Companies having problems with debt repayment or in default	7,060	-

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

(Unit: Thousand Baht)

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

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

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

(Unit: Thousand Baht)

Securities' name	As at					
	31 March 2011			31 December 2010		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid Amounts	Percentage of holding
		%			%	
<b><u>Insurance:</u></b>						
AXA Insurance Plc.	53,169	-	10	53,169	-	10
<b><u>Services:</u></b>						
TISCO Securities Hong Kong Limited (in the process of liquidation)	48,230	-	100	49,315	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
<b><u>Leasing and hire purchase:</u></b>						
TISCO Leasing Co., Ltd.	85,998	-	99.99	85,998	-	99.99
<b><u>Trading import and export:</u></b>						
Shin Thai Enterprises Co., Ltd.	4,592	-	10	4,592	-	10
PDTL Trading Co., Ltd.	9,270	-	10	9,270	-	10
Wattana Inter-Trade Co., Ltd.	3,957	-	10	3,957	-	10
<b><u>Real estate:</u></b>						
Prosperity Industrial Estate Co., Ltd.	45,095	-	10	45,095	-	10
UMI Property Co.,Ltd.	7,454	-	10	7,454	-	10
<b><u>Industrial:</u></b>						
Siam Art Ceramic Co., Ltd.	16,588	-	10	16,588	-	10

### 4.3 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Paid-up share capital		Percentage		Cost		Dividend received for the three-month periods ended	
		as at		of holding as at		as at		for the three-month periods ended	
		31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 March 2010
				%	%				
<b>Subsidiaries directly held by the Bank:</b>									
TISCO Leasing Co., Ltd.	Leasing	100	100	100	100	86	86	-	-
TISCO Securities Hong Kong Limited	Securities business	HKD 20 million	HKD 20 million	100	100	66	66	-	-
	(In the process of liquidation)								
	Less: Allowance for impairment					(18)	(17)	-	-
						48	49	-	-
	Investments in subsidiaries - net					134	135	-	-

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

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

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

**4.4 Loans to customers and accrued interest receivable**

## 4.4.1 Classified by loan type

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
<b>Loans to customers</b>		
Loans	38,884,921	32,880,931
Hire purchase receivables	137,567,485	126,432,187
Financial lease receivables	308,236	133,664
Less: Unearned income	(15,374,029)	(14,239,270)
Advances received from financial lease receivables	(41,319)	(18,967)
Total loans to customers	161,345,294	145,188,545
Add: Accrued interest receivable	118,069	115,567
Less: Allowance for doubtful accounts		
BOT's minimum requirement provision		
- Individual	(607,885)	(547,072)
- Collective	(1,015,762)	(961,515)
Excess over minimum requirement provision	(2,464,338)	(2,350,825)
	(4,087,985)	(3,859,412)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivables - net	157,375,375	141,444,697

## 4.4.2 Hire purchase and financial lease receivables

As at 31 March 2011, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 122,645 million (31 December 2010: Baht 112,491 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 March 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	42,660	89,730	2,952	2,535	137,877
Less: Unearned income*	(6,061)	(7,937)	(64)	(1,129)	(15,191)
Advances received from financial lease receivables	-	(40)	(1)	-	(41)
Present value of minimum lease pay from agreements	36,599	81,753	2,887	1,406	122,645
Allowance for doubtful accounts					(1,016)
Net hire purchase and financial lease receivables					121,629

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

(Unit: Million Baht)

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

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

(Unaudited but reviewed)

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

(Unit: Million Baht)

The Bank	Amounts calculated under BOT's guidelines <sup>(2)</sup>		Amounts calculated under the Bank's policy	
	as at		as at	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Loans to customers for which the recognition of interest income has ceased <sup>(1)</sup>	3,545	3,618	3,868	3,941

<sup>(1)</sup> These amounts are calculated on an account by account basis.

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

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

(Unit: Million Baht)

	As at	
	31 March 2011	31 December 2010
	Unearned interest income <sup>(1)</sup>	15,374

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

#### 4.4.5 Outstanding balances (net of collateral) of restructured loans to customers and loans which are being restructured

(Unit: Million Baht)

	As at	
	31 March 2011	31 December 2010
	Restructured loans to customers <sup>(1)</sup>	261
Loans to customers which are being restructured	-	-

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

## 4.4.6 Troubled debt restructuring

- Debt restructuring during the period

	For the three-month periods ended	
	31 March	
	2011	2010
Debtors restructured during the period:		
Number of debtors restructured by modification of terms (number)	71	150
Loan balances before restructuring (million Baht)	59	53
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	4
Corporate loan receivables	-	-
Interest income on restructured receivables (million Baht)	16	16
Receipt of principal and interest (million Baht)	92	121

- The balance of the restructured debts

	(Unit: Million Baht)	
	As at	
	31 March 2011	31 December 2010
The balance of the restructured debts	1,670	1,711

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

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

	As at 31 March 2011						Total
	Pass	Special-Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	
Balance - beginning of period	794,419	59,208	177,958	51,122	425,880	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the period	119,524	(4,251)	104,200	136,373	2,089	113,513	471,448
Bad debt written-off	(155)	(80)	(97,119)	(143,076)	(2,445)	-	(242,875)
Balance - end of period	913,788	54,877	185,039	44,419	425,524	2,464,338	4,087,985

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

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	As at 31 March 2011			
	Individual impairment	Collective impairment	Reserve for counter cyclical business factors*	Total
Balance - beginning of period	547,072	961,515	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the period	61,017	296,918	113,513	471,448
Bad debt written-off	(204)	(242,671)	-	(242,875)
Balance - end of period	607,885	1,015,762	2,464,338	4,087,985

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

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

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring <sup>(1)</sup>	As at	
	31 March 2011	31 December 2010
Amount to be provided under BOT's guidelines	1,614	1,485
Amount already recorded by the Bank	4,104	3,859
Amount in excess of the required amount under BOT's guidelines	2,464	2,351

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

4.5.4 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	31 March 2011	31 December 2010
Non-performing loans to customers	2,303	2,359
Allowance for doubtful accounts	655	655



## 4.6 Classification of assets

### 4.6.1 Investments in companies with weak financial position and poor operating results

(Unit: Million Baht)

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

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

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

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

### 4.6.2 Classification of assets under the Bank of Thailand's guidelines

(Unit: Million Baht)

	Debt balance as at		Debt balance after net of collateral as at		Allowance for doubtful accounts Amounts already set up by the Bank as at	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 December 2010
	<b>Loans and receivables<sup>(1)(2)(3)</sup></b>					
Pass	155,436	139,279	140,034	122,958	930	794
Special mentioned	6,206	6,611	6,153	6,547	55	59
Substandard	781	788	772	768	185	178
Doubtful	197	267	165	239	44	51
Doubtful of loss	1,325	1,304	813	789	426	426
Total	163,945	148,249	147,937	131,301	1,640	1,508
Reserve for counter cyclical business factors <sup>(4)</sup>					2,464	2,351
Total					4,104	3,859
<b>Investments in securities</b>						
Doubtful of loss						
Debt instruments	2	2	2	2	2	2
Equity instruments	86	85	86	85	86	85
Total	88	87	88	87	88	87
<b>Investments in receivables</b>						
Doubtful of loss	27	23	27	23	27	23
<b>Property foreclosed</b>						
Doubtful of loss	70	61	70	61	326	326
Total classified assets	164,130	148,420	148,122	131,472	4,545	4,295

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

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

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

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

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

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up <sup>(2)</sup>		as at	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Hire purchase receivables<sup>(1)</sup></b>								
Pass	115,022	104,568	115,022	104,568	0.60	0.60	679	610
Special mentioned	5,977	6,360	5,977	6,360	0.60	0.60	51	55
Substandard	741	747	741	747	20.33	20.31	154	157
Doubtful	152	234	152	234	20.33	20.31	32	46
Doubtful of loss	512	479	512	479	20.33	20.31	100	94
<b>Total</b>	<b>122,404</b>	<b>112,388</b>	<b>122,404</b>	<b>112,388</b>			<b>1,016</b>	<b>962</b>

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

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

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

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at		as at	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December
	2011	2010	2011	2010	2011	2010	2011	2010
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	250	254	148	148	125	127
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	2	2	349	349	269	269	80	80
5. Companies whose auditor's report cited going concern issues	3	3	494	506	441	453	53	53
<b>Total</b>	<b>6</b>	<b>6</b>	<b>1,093</b>	<b>1,109</b>	<b>858</b>	<b>870</b>	<b>258</b>	<b>260</b>

**4.7 Other assets**

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
Value added tax - net	583,501	343,017
Accrued interest receivable	22,003	18,370
Fee and charges receivable	42,103	31,395
Deposits	29,849	28,495
Other receivables	176,968	221,787
Dividend receivables from subsidiaries	22,499	-
Other assets	105,914	213,207
<b>Total other assets</b>	<b>982,837</b>	<b>856,271</b>

**4.8 Debt issued and borrowings**

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,000,000	6,000,000
Unsubordinated unsecured debentures	1,000,000	1,000,000
Bills of exchange	112,029,944	80,973,771
<b>Total</b>	<b>119,029,944</b>	<b>87,973,771</b>

**4.8.1 Subordinated unsecured debentures**

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

#### 4.8.2 Unsubordinated unsecured debentures

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

#### 4.8.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2011 to 2014. The interest rates of the fixed interest rates bearing bills of exchange are between 1.00 and 3.50 percent per annum.

#### 4.9 Other liabilities

	(Unit: Thousand Baht)	
	As at	
	31 March 2011	31 December 2010
Withholding income tax and other tax payable	40,752	77,298
Accrued insurance premium	325,351	370,212
Deferred income	391,904	233,226
Accrued expenses	735,350	651,749
Other liabilities	461,254	669,075
Total other liabilities	1,954,611	2,001,560

#### 4.10 Preference shares converted to ordinary shares

Up to 31 December 2011, 627,952,146 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2011, there are 104 preference shares which are convertible to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

#### 4.11 Capital funds

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

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

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

Capital funds of the Bank are as follows:

	(Unit: Thousand Baht)	
	As at	
	31 March 2011	31 December 2010
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,281,523
Premium on share capital	130,451	130,451
Statutory reserve	714,600	614,900
Retained earnings - unappropriated	4,026,712	3,196,595
Less : Deferred tax assets	(960,966)	(960,966)
<b>Total Tier I</b>	<b>11,192,320</b>	<b>10,262,503</b>
<u>Tier II</u>		
Subordinated debentures	5,596,160	5,131,251
Reserve for loans classified as pass	656,240	552,695
Add: Excess provision according to IRB	306,157	280,332
<b>Total Tier II</b>	<b>6,558,557</b>	<b>5,964,278</b>
<b>Total capital fund</b>	<b>17,750,877</b>	<b>16,226,781</b>

Capital ratios	As at			
	31 March 2011		31 December 2010	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	10.81%	4.25%	11.29% <sup>(1)</sup>	4.25%
Total capital to risk assets	14.87%	8.50%	15.23% <sup>(2)</sup>	8.50%

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

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

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

**4.12 Surplus on changes in the value of investments**

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
Balance - beginning of period	14,311	11,324
Increase from changes in the value of securities during the peirod	6,095	9,120
	20,406	20,444
Less: The effect of deferred tax assets / liabilities	(6,122)	(6,133)
Balance - end of period	14,284	14,311

**4.13 Interest income**

Interest income in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	2011	2010
Interbank and money market items	88,097	40,686
Investments in debt securities	68,675	135,195
Loans to customers	593,189	317,107
Hire purchase and financial lease income	1,767,307	1,540,392
Total interest income	2,517,268	2,033,380

**4.14 Interest expenses**

Interest expenses in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	2011	2010
Deposits	162,030	192,784
Interbank and money market items	37,610	22,081
Contribution fee to the Deposit Protection Agency	45,727	63,552
Issues debt instruments		
- Subordinated debentures	75,945	51,781
- Unsubordinated debentures	9,962	37,701
Borrowings	512,761	165,855
Total interest expenses	844,035	533,754

**4.15 Fees and service income - net**

Fees and service income in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	2011	2010
Fees and service income		
- Acceptance, aval and guarantees	2,701	1,990
- Insurance service	264,730	194,669
- Others	115,059	105,108
Total fees and service income	382,490	301,767
Fees and service expenses	(18,414)	(13,535)
Fees and service income - net	364,076	288,232

**4.16 Gains (losses) on trading and foreign exchange transactions**

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	2011	2010
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	3,170	-
- Derivatives on interest rates	(32,151)	145
- Debt securities	3,368	1,995
Total	(25,613)	2,140

**4.17 Gain on investments**

Gains on investments in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	2011	2010
Gains (loss) on disposal		
- Available-for-sale securities	214	1,387
- Held-to-maturity securities	6	(57)
- General investments	12,855	19,574
Total	13,075	20,904
Loss on impairment		
- General investments	2	557
- Investments in subsidiaries	(1,084)	(3,228)
Total	(1,082)	(2,671)
Grand total	11,993	18,233

**4.18 Bad debt, doubtful accounts and impairment loss of debt securities**

Bad debt, doubtful accounts and impairment loss of debt securities in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	2011	2010
Interbank and money market items	16,000	14,000
Held-to-maturity debt securities	4,208	1,327
Loans to customers	282,763	272,714
Total	302,971	288,041

**4.19 Other income**

Other income in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	2011	2010
Gains on disposal of property foreclosed	19,686	32,169
Dividend income	31,254	36,895
Others	5,927	4,679
Total	56,867	73,743



**4.20 Other operating expenses**

Other operating expenses in the statements of comprehensive income for the three-month periods ended 31 March 2011 and 2010 consisted of the following:

	(Unit: Thousand Baht)	
	2011	2010
Mailing expenses	10,742	8,961
Software amortisation expenses	10,067	10,522
Loan losses from court - ordered executions	30,954	29,111
Transportation expenses	19,735	16,725
Others	35,709	30,893
Total	<u>107,207</u>	<u>96,212</u>

**4.21 Income tax expenses**

Income tax expenses of the Bank of the three-month periods ended 31 March 2011 and 2010 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended	
	31 March	
	2011	2010
Income tax payable on taxable profit for the period	326,015	335,108
Add (less): Net increase in deferred tax on temporary differences	(58,483)	(111,348)
Adjustment in respect of current income tax of prior year	-	18
Income tax expenses	<u>267,532</u>	<u>223,778</u>

Deferred tax is recorded directly to shareholders' equity during the three-month periods ended 31 March 2011 and 2010 as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended	
	31 March	
	2011	2010
Deferred tax on surplus on change in value of investments	<u>12</u>	<u>6,661</u>

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

For the three-month periods ended

31 March

	2011	2010
Accounting profit before income tax expenses	898,246	762,101
Income tax rate of 30%	269,474	228,630
Tax effect of tax-exempt net income and net expense that are disallowed	(1,942)	(4,870)
Adjustment in respect of current income tax of prior year	-	18
Income tax expense	267,532	223,778

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

(Unit: Thousand Baht)

Change in deferred tax  
assets/deferred tax liabilities  
reported in the statements of  
comprehensive income for the  
three-month periods ended

	As at		three-month periods ended	
	31 March 2011	31 December 2010	31 March 2011	31 March 2010
Allowance for doubtful debts - reserve for counter cyclical business factors	739,301	705,247	34,054	150,799
Allowance for impairment of investments	48,954	47,390	1,564	1,199
Allowance for impairment of property foreclosed	97,926	97,919	7	(63,337)
Non-accrual of interest income	176,233	177,497	(1,264)	(1,858)
Depreciation of assets	21,216	21,521	(305)	(10)
Financial leases	12,740	13,910	(1,170)	143
Revaluation surplus on investments	(6,121)	(6,133)	-	-
Unrealised gain (loss) on derivatives	9,499	(146)	9,645	(43)
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(329,638)	(296,388)	(33,250)	(18,134)
Unrealised gain on disposal of property foreclosed	-	-	-	34,459
Deferred income	85,448	67,017	18,431	8,273
Accrued expenses	118,405	118,405	-	-
Employee benefits	19,517	-	747	-
Others	38,618	8,594	30,024	(143)
<b>Deferred tax assets</b>	<b>1,032,098</b>	<b>954,833</b>	<b>58,483</b>	<b>111,348</b>

(Unaudited but reviewed)

**4.22 Components of other comprehensive income**

(Unit: Thousand Baht)

For the three-month periods ended  
31 March

	2011	2010
Other comprehensive income		
Available-for-sale securities:		
Gain arising during the period	175	23,594
Less: Reclassification adjustments for gain included in profit or loss	(214)	(1,387)
Total other comprehensive income	(39)	22,207
Income tax relating to components of other comprehensive income	12	(6,661)
Other comprehensive income for the periods - net	(27)	15,546

**4.23 Income tax effects relating to components of other comprehensive income**

(Unit: Thousand Baht)

	For the three-month period ended 31 March 2011			For the three-month period ended 31 March 2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Surplus (deficit) on change in value of investments	(39)	12	(27)	22,207	(6,661)	15,546

**4.24 Earnings per share**

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

For the three-month periods ended  
31 March

	2011	2010
Profit for the period attributable to equity holders of the Bank (Thousand Baht)	630,714	538,323
Weighted average number of shares (Thousand shares)	728,152	728,152
Earnings per share for the periods (Baht/share)	0.87	0.74

**4.25 Related party transactions**

	(Unit: Thousand Baht)			
	As at 31 December 2010	Increase	Decrease	As at 31 March 2011
<b><u>Outstanding balance</u></b>				
<b>Parent company:</b>				
TISCO Financial Group Plc.				
Other assets	2,344	-	-	2,344
Deposits	6,461	-	(745)	5,716
Accrued interest payable	93	161	-	254
Borrowings	387,000	593,000	-	980,000
Dividend payable	1,019,246	-	(1,019,246)	-
Other liabilities	74,588	7,706	-	82,294
<b>Subsidiary company</b>				
TISCO Leasing Co., Ltd.				
Dividend receivable	-	22,499	-	22,499
Deposits	3,925	-	(465)	3,460
Borrowings	10,000	25,000	-	35,000
Accrued interest payable	1	34	-	35
<b>Related companies</b>				
Loans:				
TISCO Tokyo Leasing Co., Ltd.	100,000	30,000	-	130,000
Deposits:				
Hi-Way Co., Ltd.	21,993	-	(12,067)	9,926
TISCO Information Technology Co., Ltd.	7,054	-	(2,413)	4,641
Primus Leasing Co., Ltd.	33,699	-	(3,563)	30,136
TISCO Tokyo Leasing Co., Ltd.	23	662	-	685
TISCO Learning Center Co., Ltd.	-	4,187	-	4,187
TISCO Advisory Co., Ltd.	-	1,000	-	1,000
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	515,701	-	(503,229)	12,472
TISCO Asset Management Co., Ltd.	54,139	-	(25,838)	28,301
Borrowings:				
TISCO Information Technology Co., Ltd.	30,000	20,000	-	50,000
Accrued interest payable:				
TISCO Securities Co., Ltd.	51	-	(51)	-
TISCO Asset Management Co., Ltd.	98	-	(93)	5
Hi-Way Co., Ltd.	-	39	-	39
TISCO Information Technology Co., Ltd.	7	14	-	21
Other liabilities:				
TISCO Learning Center Co., Ltd.	-	1,539	-	1,539

(Unaudited but reviewed)

(Unit Thousand Baht)

	2011	2010	Terms and pricing policy
			(For the period 2011)
<b><u>Transactions occurred during the three-month periods ended 31 March</u></b>			
<b>Parent company</b>			
Risk and financial management fee income, human resources management fee income and office administration fee income	233,570	232,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	2,639	895	With reference to the terms and prices as offered to other customers
Others expenses	2,344	1,527	With reference to the terms and prices as offered to other customers
<b>Subsidiary companies and related companies</b>			
Interest income	676	276	With reference to the terms and prices as offered to other customers
Other income	423	423	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	53,250	52,750	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	2,598	-	With reference to the terms and prices as offered to other customers
Interest expenses	421	425	With reference to the terms and prices as offered to other customers
Others expenses	330	712	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
Loans	171	196

**Directors and management's remuneration**

For the three-month period ended 31 March 2011, the Bank paid directors and management's remuneration composed of monthly remuneration, meeting allowances, salaries, provident fund contribution and long-term benefit totaling Baht 16 million.

## 4.26 Financial information by segment

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

## 4.27 Commitments and contingent liabilities

### 4.27.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	31 March 2011	31 December 2010
Avals	134,664	194,136
Other guarantees	955,284	888,386
Undrawn client overdraft facilities	35,645	33,273
Interest rate swap agreements (Note 4.28.5)	3,332,000	300,000
Cross currency swap agreements (Note 4.28.5)	3,211,445	180,908
	7,669,038	1,596,703

### 4.27.2 Litigation

As at 31 March 2011, the Bank has been sued for compensation totaling approximately Baht 172 million. Final judgments have not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 181 million as at 31 March 2011). During the current period, this case is currently under consideration of the court.

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

### 4.27.3 Other commitments

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

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

	<u>Million Baht</u>
Payable within:	
Less than 1 year	62
1 to 3 years	34

#### 4.28 Financial instruments

There have been no significant changes in the risk management policy of the Bank during the current period.

##### 4.28.1 Credit risk

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

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

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

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

	(Unit: Million Baht)	
	As at	
	31 March 2011	31 December 2010
Neither past due nor impaired		
Very high grade	73,971	70,228
High grade	36,510	30,510
Medium grade	4,541	3,830
Sub total	115,022	104,568
Hire purchase receivable - overdue 31 - 90 days	5,977	6,360
Hire purchase receivable - overdue more than 90 days	1,405	1,460
Total	<u>122,404</u>	<u>112,388</u>

## 4.28.2 Market risk

## 4.28.2.1 Market risk - Marketable portfolio

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

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

## 4.28.2.2 Market risk sensitivity - Interest bearing assets and liabilities

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

	(Unit: Million Baht)	
	Increase (decrease) in sensitivity of net	
	interest income as at	
	31 March 2011	31 December 2010
Change in interest rate		
Increase 1 percent	(388.33)	(258.13)
Decrease 1 percent	388.33	258.13



However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual, the 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.

#### 4.28.2.3 Interest rate risk

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

(Unit: Million Baht)

<u>Transactions</u>	As at 31 March 2011			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<b><u>Financial assets</u></b>				
Cash	-	-	757	757
Interbank and money market items	-	19,785	339	20,124
Derivatives assets	-	-	17	17
Investments - net	-	4,349	531	4,880
Investments in subsidiaries - net	-	-	134	134
Loans to customers <sup>(1)</sup>	7,790	152,120	1,553	161,463
	<u>7,790</u>	<u>176,254</u>	<u>3,331</u>	<u>187,375</u>
<b><u>Financial liabilities</u></b>				
Deposits	27,963	15,843	360	44,166
Interbank and money market items	80	5,439	80	5,599
Liabilities payable on demand	-	-	659	659
Derivatives liabilities	-	-	32	32
Debt issued and borrowings	-	119,030	-	119,030
	<u>28,043</u>	<u>140,312</u>	<u>1,131</u>	<u>169,486</u>

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

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)

<u>Transactions</u>	As at 31 March 2011						Interest rates (%)
	At call	Repricing or maturity date				Total	
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b><u>Financial assets</u></b>							
Interbank and money market items	-	19,785	-	-	-	19,785	2.0545
Investments - net	397	947	400	2,600	5	4,349	5.3850
Loans to customers	11,957	14,801	30,452	91,579	3,331	152,120	6.5098
	<u>12,354</u>	<u>35,533</u>	<u>30,852</u>	<u>94,179</u>	<u>3,336</u>	<u>176,254</u>	
<b><u>Financial liabilities</u></b>							
Deposits	963	11,926	2,584	370	-	15,843	2.1473
Interbank and money market items	207	1,451	799	2,982	-	5,439	2.9709
Debt issued and borrowings	2,677	90,875	9,972	9,506	6,000	119,030	2.5082
	<u>3,847</u>	<u>104,252</u>	<u>13,355</u>	<u>12,858</u>	<u>6,000</u>	<u>140,312</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.

#### 4.28.3 Liquidity risk

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

##### Liquidity risk management framework

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

(Unaudited but reviewed)

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

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

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

#### 4.28.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

	As at 31 March 2011			
	Remaining days			Total
	Less than 3 months	3 - 12 months	More than 1 year	
Liabilities	140,954	13,355	18,858	173,167

The matured liabilities, both deposit and bill of exchange, are generally rollover with 90% average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit at 20% of total liabilities with remaining maturity less than three months. Both current deposit and saving deposit are considered to be more stable than term deposit or bill of exchange in term of cash outflow.

#### 4.28.3.2 Volume and composition of highly liquid assets and internal ratio.

	(Unit: Million Baht)
	As at
	31 March 2011
<b>Composition of highly liquid assets</b>	
Cash	757
Interbank and money market - net	18,540
Investments - net	2,514
Total liquid assets <sup>(1)</sup>	21,811
Liquid asset requirement <sup>(1)</sup>	2,685

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 March 2011, the Bank has highly liquid assets at Baht 21,811 million, which higher than internal liquid asset requirement of Baht 2,685 million. In addition of liquid assets, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

4.28.3.3 Counting from the financial statement date, as at 31 March 2011 the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 31 March 2011							Non performing Loans*	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified			
<b>Financial assets</b>									
Cash	757	-	-	-	-	-	-	-	757
Interbank and money market items	339	19,785	-	-	-	-	-	-	20,124
Derivatives assets	-	-	8	9	-	-	-	-	17
Investments - net	397	947	400	2,600	5	531	-	-	4,880
Investment in subsidiaries - net	-	-	-	-	-	134	-	-	134
Loans to customers	13,345	14,271	31,136	93,906	5,260	-	3,545	-	161,463
	<u>14,838</u>	<u>35,003</u>	<u>31,544</u>	<u>96,515</u>	<u>5,265</u>	<u>665</u>	<u>3,545</u>	<u>-</u>	<u>187,375</u>
<b>Financial liabilities</b>									
Deposits	29,286	11,926	2,584	370	-	-	-	-	44,166
Interbank and money market items	367	1,451	799	2,982	-	-	-	-	5,599
Liabilities payable on demand	659	-	-	-	-	-	-	-	659
Derivatives liabilities	-	-	-	32	-	-	-	-	32
Debt issued and borrowings	2,677	90,875	9,972	9,506	6,000	-	-	-	119,030
	<u>32,989</u>	<u>104,252</u>	<u>13,355</u>	<u>12,890</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,486</u>
<b>Contingent liability</b>									
Aval to bills and guarantees of loans	2	11	408	-	-	669	-	-	1,090
Other commitments	-	-	3,330	3,213	-	36	-	-	6,579

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

4.28.4 Foreign exchange risk

- a) As at 31 March 2011, the Bank had the significant financial instruments in foreign currencies which are investment in a subsidiary company amounting to HKD 20 million (under the cost method net allowance for impairment equivalent to Baht 49 million).
- b) Investment in foreign debt securities amounting to USD 6 million (amortised cost amounting to Baht 181 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 4.28.5 to the financial statements.
- c) Loans in foreign currency amounting to USD 100 million (equal to Baht 3,030 million as at 31 March 2011), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 4.28.5 to the financial statements.

## 4.28.5 Derivatives

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

As at 31 March 2011, the Bank has the following financial derivative instruments.

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

## a.1) Interest rate swap agreement

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

			(Unit: Million Baht)
Maturity	Notional amount	Fair value gain (loss)	
2012	300	1	
2016	3,032	(32)	

## a.2) Cross currency swap agreement

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

				(Unit: Million Baht)
Maturity	Number of contracts	Notional amount	Fair value gain (loss)	
2012	1	3,030	7	
2013	4	181	9	

## 4.28.6 Fair value of financial instruments

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

(Units: Million Baht)

<u>Transactions</u>	As at			
	31 March 2011		31 December 2010	
	Book Value	Fair Value	Book Value	Fair Value
<b><u>Financial assets</u></b>				
Cash	757	757	903	903
Interbank and money market items - net	20,124	20,124	12,360	12,360
Investments - net	4,880	4,880	4,965	4,965
Investments in subsidiaries - net	134	134	135	135
Loans to customers and accrued interest receivables - net	157,375	162,740	141,445	145,253
<b><u>Financial liabilities</u></b>				
Deposits	44,166	44,166	48,609	48,609
Interbank and money market items - net	5,599	5,599	8,867	8,867
Liabilities payable on demand	659	659	532	532
Debt issued and borrowings	119,030	119,112	87,974	88,061

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

## 5. Reclassification

The Company has reclassified certain amounts in the financial statements as at 31 December 2010 to conform to the current period's classifications, which are in accordance with the format stipulated by the BOT under its Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", which is effective for fiscal years beginning on or after 1 January 2011, and comply with new accounting standards, as mentioned in Note 2 to the financial statements. These reclassifications have no effect to previously reported profit and shareholders' equity. Reclassifications are as follows:

(Unaudited but reviewed)

(Units: Million Baht)

As at 31 December 2010

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

## 6. Significant events during the period

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

- Approval for the disposal of TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited at a price equal to the book value as at 31 December 2010 net the dividend payment made from retain earning of TISCO Leasing Company Limited up to the end of the year 2010.
- Approval an amendment on the Bank's memorandum of association "No.4 registered capital" to accord with the Bank's fully paid-up registered capital. The Bank's issued and fully paid-up registered capital is Baht 11,002,000,000, which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

## 7. Approval of interim financial statements

These financial statements were approved by the Bank's Audit Committee on 9 May 2011.