

TISCO Bank Public Company Limited
Report and financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statements of financial position as at 31 December 2012, and the related 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.

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 audits 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 Bank Public Company Limited as at 31 December 2012, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 11 February 2013

TISCO Bank Public Company Limited

Statement of financial position

As at 31 December 2012

(Unit: Thousand Baht)

	Note	2012	2011
Assets			
Cash		1,045,647	903,069
Interbank and money market items - net	3.1	31,370,138	29,983,895
Derivatives assets	3.2	41,863	22,450
Investments - net	3.3, 3.7	4,912,832	2,595,951
Investments in subsidiaries - net	3.4	43,956	46,911
Loans to customers and accrued interest receivable	3.5, 3.7		
Loans to customers		261,696,683	196,934,575
Accrued interest receivable		322,266	222,666
Total loans to customers and accrued interest receivable		262,018,949	197,157,241
Less: Deferred revenue		(23,030,237)	(17,321,366)
Less: Allowance for doubtful accounts	3.6	(4,687,644)	(4,098,963)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		234,301,065	175,736,909
Property foreclosed - net	3.7, 3.8	266,241	257,736
Investment Property - net	3.9	63,139	-
Premises and equipment - net	3.10	392,541	518,331
Intangible assets - net	3.11	64,638	100,304
Deferred tax assets		-	103,387
Other assets	3.12	2,621,881	1,248,831
Total assets		275,123,941	211,517,774

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2012

(Unit: Thousand Baht)

	Note	2012	2011
Liabilities and shareholders' equity			
Liabilities			
Deposits	3.13	220,633,709	38,059,886
Interbank and money market items - net	3.14	9,943,228	10,857,981
Liability payable on demand		652,310	448,049
Derivatives liabilities	3.2	-	270,360
Debts issued and borrowings	3.15	21,565,619	143,786,767
Provision for long-term employee benefits	3.16	131,686	83,767
Deferred tax liabilities		45,690	-
Accrued interest payable		1,726,436	1,380,677
Income tax payable		257,464	-
Dividend payable		1,237,859	400,484
Other liabilities	3.17	3,726,262	2,425,738
Total liabilities		259,920,263	197,713,709

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2012

(Unit: Thousand Baht)

Note	2012	2011
Shareholders' equity		
Share capital		
Registered		
372,047,854 preference shares of Baht 10 each	3,720,479	3,720,479
728,152,146 ordinary shares of Baht 10 each	7,281,521	7,281,521
	<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	3,383	106,410
Retained earnings		
Appropriated-statutory reserve	984,000	846,100
Unappropriated	6,804,322	5,439,582
	<u>15,203,678</u>	<u>13,804,065</u>
Total shareholders' equity		
	<u>275,123,941</u>	<u>211,517,774</u>

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



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 Mrs. Oranuch Apisaksirikul

(Chairperson of the Executive Board)



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TISCO Bank Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2012

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

	Note	2012	2011
Interest income	3.21	14,205,581	11,556,819
Interest expenses	3.22	(7,871,743)	(5,260,491)
Net interest income		6,333,838	6,296,328
Fees and service income		2,495,539	1,614,351
Fees and service expenses		(73,367)	(61,577)
Net fees and service income	3.23	2,422,172	1,552,774
Net gains on tradings and foreign exchange transactions	3.24	146,047	58,599
Net gains on investments	3.25	117,933	24,637
Penalty fee income from loans		233,855	192,900
Income from business promotion relating to the business		1,259,511	538,092
Revesal allowance for impairment of property foreclosed		315	248,232
Other operating incomes	3.27	132,338	161,151
Total operating incomes		10,646,009	9,072,713
Expenses to business promotion relating to the business		1,422,668	598,701
Total net operating income		9,223,341	8,474,012
Other operating expenses			
Employee's expenses		1,710,317	1,472,728
Directors' remuneration		480	480
Premises and equipment expenses		719,937	660,357
Taxes and duties		161,287	217,382
Supporting service expenses	3.33	1,029,720	802,810
Others	3.28	491,518	448,172
Total other operating expenses		4,113,259	3,601,929
Bad debt, doubtful accounts and impairment losses	3.26	1,564,282	1,065,609
Profit before income tax expenses		3,545,800	3,806,474
Income tax expenses	3.29	788,777	1,176,565
Profit for the year		2,757,023	2,629,909

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

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the year ended 31 December 2012

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

	Note	2012	2011
Other comprehensive income	3.30		
Investment in available-for-sale securities		(507)	(15,708)
Actuarial gains (losses)		(20,655)	(11,124)
Cash flow hedges		(128,277)	128,277
Income tax effect	3.29, 3.31	29,888	(18,245)
Other comprehensive income for the year		(119,551)	83,200
Total comprehensive income for the year		2,637,472	2,713,109
Earnings per share			
Basic earnings per share	3.32	3.79	3.61

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

TISCO Bank Public Company Limited**Cash flow statement****For the year ended 31 December 2012**

(Unit: Thousand Baht)

	2012	2011
Cash flows from operating activities		
Profit before income tax	3,545,800	3,806,474
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	160,042	168,093
Bad debts and doubtful accounts	2,364,545	1,729,230
Allowance for impairment of investments (reversal)	(63,835)	(56,897)
Allowance for impairment of property foreclosed (reversal)	(315)	(248,232)
Gain on sale of investments	(51,248)	(76,876)
Unrealised gain on tradings and foreign exchange transactions	(29,340)	(48,362)
Gain on disposal of equipment	(4,786)	(6,518)
Gain on disposal of property foreclosed	(48,353)	(63,074)
Gain on cash flow hedge	(100,761)	-
Provision for long-term employee benefits	29,024	10,727
Increase in accrued income	(25,456)	(5,729)
Increase in accrued expenses	557,526	678,701
Net interest income	(6,333,838)	(6,296,328)
Dividend income	(54,832)	(75,135)
Cash received on interest income	14,041,695	11,220,356
Cash paid on interest expenses	(6,807,295)	(4,162,767)
Cash received on dividend income	54,832	75,135
Cash paid on income tax expenses	(351,195)	(1,365,190)
Profit from operating activities before changes in operating assets and liabilities	6,882,210	5,283,608
Operating assets (increase) decrease		
Interbank and money market items	(1,546,724)	(17,332,883)
Loans to customers	(62,633,996)	(36,675,652)
Property foreclosed	1,560,219	862,018
Other assets	(888,506)	80,443
Operating liabilities increase (decrease)		
Deposits	182,573,823	(10,546,492)
Interbank and money market items	(914,753)	1,991,803
Liability payable on demand	204,261	(84,399)
Short-term debts issued and borrowings	(123,577,148)	58,447,499
Employee benefit	(1,760)	-
Other liabilities	(211,094)	201,180
Net cash flows from operating activities	1,446,532	2,227,125

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

TISCO Bank Public Company Limited**Cash flows statement (continued)****For the year ended 31 December 2012**

(Unit: Thousand Baht)

	2012	2011
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(6,127,403)	(2,058,398)
Cash received from disposal of investment in securities held for investment	3,927,604	4,505,733
Cash paid for purchase of equipment	(57,581)	(61,012)
Cash paid for purchase of intangible assets	(8,249)	(29,595)
Cash received from disposal of equipment	6,159	6,418
Cash received from disposal of a subsidiary	-	136,655
Net cash flows from (used in) investing activities	(2,259,470)	2,499,801
Cash flows from financing activities		
Long-term debts issued and borrowings	(5,639,200)	(2,712,879)
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	(400,484)	(2,089,793)
Net cash flows from (used in) financing activities	955,516	(4,726,672)
Net increase in cash	142,578	254
Cash at beginning of the year	903,069	902,816
Cash at end of the year	1,045,647	903,070
	-	
Supplemental cash flows information		
Non-cash transaction		
Transfer of property foreclosed from receivables for debt settlement	-	3,382

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

TISCO Bank Public Company Limited

Statement of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity		Total other components of shareholders' equity	Retained earnings		Total
	Preference shares	Ordinary shares		Surplus (deficit) on change in value of available-for-sale investments	Cash flow hedges		Appropriated	Unappropriated	
Balance as at 1 January 2011	1	7,281,521	130,451	14,311	-	14,311	714,600	4,020,455	12,161,339
Dividend paid (Note 4)	-	-	-	-	-	-	-	(1,070,383)	(1,070,383)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	131,500	(131,500)	-
Total comprehensive income for the year	-	-	-	(10,522)	102,621	92,099	-	2,621,010	2,713,109
Balance as at 31 December 2011	1	7,281,521	130,451	3,789	102,621	106,410	846,100	5,439,582	13,804,065
Balance as at 1 January 2012	1	7,281,521	130,451	3,789	102,621	106,410	846,100	5,439,582	13,804,065
Dividend paid (Note 4)	-	-	-	-	-	-	-	(1,237,859)	(1,237,859)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	137,900	(137,900)	-
Total comprehensive income for the year	-	-	-	(406)	(102,621)	(103,027)	-	2,740,499	2,637,472
Balance as at 31 December 2012	1	7,281,521	130,451	3,383	-	3,383	984,000	6,804,322	15,203,678

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

TISCO Bank Public Company Limited

Notes to 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 Bank. The financial statements in English language have been translated from the Thai language financial statements.

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

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

1.2 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 Bank's management has assessed the effects of these standards and believes that TAS 20 (revised 2009) and SIC 10 are not relevant to the business of the Bank, 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 Bank's management has assessed the effects of these standards and believes that SIC 29 and TFRIC 12 are not relevant to the business of the Bank, 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.

1.3 Significant accounting policies

1.3.1 Income recognition

a) Interest and discounts on loans

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

The Bank has policies for corporated loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank to cease accruing income. For 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.

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 are established.

c) Gain (losses) on trading in securities

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

d) Fees and service income

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

1.3.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

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

1.3.3 Securities purchased under resale agreements according to private repurchase transactions

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

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

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

1.3.4 Investments

- a) Investments in securities held for trading are state 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 Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The fair value of marketable securities is based on the latest bid price of the last working day of 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 is 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.
- h) 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.
- i) The weighted average method is used for computation of the cost of investments.

- j) In the event the Bank reclassifies 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.
- k) Purchases and sales of investments are recorded on settlement date.

1.3.5 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 customer 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 customer.

1.3.6 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.

1.3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

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

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

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

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

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

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

1.3.8 Troubled debt restructuring

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

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

1.3.9 Property foreclosed

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

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

1.3.10 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 in the period when the asset is derecognised.

1.3.11 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 equipments, 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	years
Furniture, fixtures and equipments	-	5	years
Motor vehicles	-	5	years

Depreciation is included in the 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.

1.3.12 Intangible assets

The Bank 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 Bank 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 Bank 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 Bank amortised over the following estimated useful lives:

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

1.3.13 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 Bank recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that the Bank will generate future taxable profits will be available against which such deductible deferred tax assets can be utilised. The Bank recognises 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 Bank records 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 Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

1.3.14 Impairment of assets

The Bank assesses 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 Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

1.3.15 Derecognition of financial assets and financial liabilities

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

1.3.16 Foreign currencies

Transactions in foreign currencies are translated into Baht at exchange rates ruling as specified by the Bank when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of reporting period.

Gain and losses on exchange are included in determining income.

1.3.17 Employee benefits

Short-term employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

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

Defined benefit plans and other long-term employee benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Bank treats these severance payment obligations as a defined benefit plan. In addition, the Bank provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Bank 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 TAS19 "Employee Benefits" in 2011, the Bank elected to recognize 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.

1.3.18 Provisions

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

1.3.19 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”.

The Bank has recorded derivatives held for trading in fair value method. The Bank 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.

The Bank has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in 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.

1.3.20 Financial instruments

a) Financial risk management

The Bank’s financial instruments, as defined under Thai Accounting Standard No.107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities and debt issued and borrowings. 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 rate at which financial instruments with similar features.

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the financial statements 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 to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of 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.

1.3.21 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements 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.

1.3.22 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 exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

The Bank treats available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment 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 to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future 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 benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, and 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 Bank has contingent liabilities as a result of litigation. The Bank'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.

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2012, the Bank has 49 branches in Thailand.

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

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

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

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

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	3,394,365	230,000	3,624,365	425,785	-	425,785
Commercial banks	240,987	25,000,000	25,240,987	173,923	21,350,000	21,523,923
Specialised financial institutions	997	2,000,000	2,000,997	854	4,000,000	4,000,854
Other financial institutions	-	500,000	500,000	-	-	-
Total	3,636,349	27,730,000	31,366,349	600,562	25,350,000	25,950,562
Add: Accrued interest	-	8,789	8,789	-	6,775	6,775
Less: Allowance for doubtful						
accounts	-	(5,000)	(5,000)	-	(10,000)	(10,000)
Total domestic	3,636,349	27,733,789	31,370,138	600,562	25,346,775	25,947,337
<u>Foreign</u>						
Yuan	-	-	-	-	4,026,121	4,026,121
Total	-	-	-	-	4,026,121	4,026,121
Add: Accrued interest	-	-	-	-	11,968	11,968
Less: Deferred revenue	-	-	-	-	(1,531)	(1,531)
Total foreign	-	-	-	-	4,036,558	4,036,558
Total domestic and foreign	3,636,349	27,733,789	31,370,138	600,562	29,383,333	29,983,895

The Bank entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are used 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 banks	25,000	20,350
Specialised financial institutions	2,000	4,000

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral	
	as at 31 December	
	2012	2011
Commercial banks	25,114	20,558
Specialised financial institutions	1,973	4,042

3.2 Derivatives

3.2.1 Trading derivatives

The Bank 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)

Type of risk	As at 31 December					
	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.

3.2.2 Hedging derivatives

The Bank entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with their foreign currency certificates of deposit, as follows:

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	-	-	-	-	128,017	4,046,482
Interest rate	-	-	-	543	-	300,000
Total	-	-	-	543	128,017	4,346,482

All counter parties of these derivative transactions are financial institutions.

3.3 Investments

3.3.1 Classified by types of investment

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Available-for-sale securities - fair value		
Government and state enterprise securities	4,136,424	605,918
Debt securities of private sector	171,460	837,593
Add: Allowance for changes in value	4,229	4,736
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale securities	4,310,653	1,446,787
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	186,843	686,409
Less: Allowance for impairment	(20,797)	(17,947)
Total held-to-maturity debt securities	166,046	668,462
General investments - cost		
Domestic non-marketable equity securities	483,874	598,083
Less: Allowance for impairment	(47,741)	(117,381)
Total other investments	436,133	480,702
Investments - net	4,912,832	2,595,951

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

(Unit: Million Baht)

	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								
Investment in receivables	129	58	-	187	297	388	1	686
Less: Allowance for impairment	(16)	(5)	-	(21)	(18)	-	-	(18)
Total	113	53	-	166	279	388	1	668
Total debt securities	4,391	86	-	4,477	1,287	827	1	2,115

3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restriction
	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

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

(Unit: Thousand Baht)

	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)

	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.

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

(Unit: Thousand Baht)

Securities' name	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

3.4 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Type of share as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the year ended 31 December	
		2012	2011	2012	2011	2012	2011	2012	2011
				(%)	(%)				
Subsidiaries directly held by the Bank:									
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	Ordinary shares	Ordinary shares	100	100	66	66	-	-
Less: Allowance for impairment						(22)	(19)	-	-
						44	47	-	-
Investments in subsidiaries - net						44	47	-	-

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) 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.

3.5 Loans to customers and accrued interest receivable

3.5.1 Classified by loans to customers type

(Unit: Thousand Baht)

As at 31 December

	2012	2011
Loans to customers		
Loans	65,762,530	44,852,873
Hire purchase receivables	195,394,831	151,717,574
Financial lease receivables	667,368	442,015
Less: Deferred revenue	(23,030,237)	(17,321,366)
Advances received from financial lease receivables	(128,046)	(77,887)
Total loans to customers	238,666,446	179,613,209
Add: Accrued interest receivable	322,266	222,666
Less: Allowance for doubtful accounts	(4,687,644)	(4,098,963)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivables - net	<u>234,301,065</u>	<u>175,736,909</u>

3.5.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

As at 31 December

	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	235,603,286	-	235,603,286	176,444,089	-	176,444,089
US Dollars	-	3,063,160	3,063,160	-	3,169,120	3,169,120
Total loans to customers						
net of deferred revenue	<u>235,603,286</u>	<u>3,063,160</u>	<u>238,666,446</u>	<u>176,444,089</u>	<u>3,169,120</u>	<u>179,613,209</u>

3.5.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

As at 31 December 2011						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521
Personal consumption						
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945
Total loans to customers	166,517,915	10,880,161	1,517,199	254,481	443,453	179,613,209
Add: Accrued interest receivable	88,148	134,518	-	-	-	222,666
Total loans to customers and accrued interest receivable	166,606,063	11,014,679	1,517,199	254,481	443,453	179,835,875

3.5.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2012			2011		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful account ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful account ^{(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 the 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 account set up			
	Hire purchase receivable ⁽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 the 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 allowance for doubtful accounts in accordance with the BOT's minimum requirement.

3.5.5 Hire purchase and financial lease receivables

As at 31 December 2012, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 173,087 million (31 December 2011: Baht 134,944 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 December 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	57,781	128,361	6,419	3,501	196,062
Less: Deferred revenue*	(8,851)	(12,813)	118	(1,301)	(22,847)
Advances received from financial lease receivables	(2)	(123)	(2)	(1)	(128)
Present value of minimum lease pay from agreements	48,928	115,425	6,535	2,199	173,087
Allowance for doubtful accounts**					(2,502)
Net hire purchase and financial lease receivables					<u>170,585</u>

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

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

(Unit: Million Baht)

	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	47,092	98,809	3,386	2,873	152,160
Less: Deferred revenue*	(6,754)	(9,104)	(106)	(1,174)	(17,138)
Advances received from financial lease receivables	-	(72)	(6)	-	(78)
Present value of minimum lease pay from agreements	40,338	89,633	3,274	1,699	134,944
Allowance for doubtful accounts **					(2,246)
Net hire purchase and financial lease receivables					<u>132,698</u>

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

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

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

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under the 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.

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

(Unit: Million Baht)

	As at 31 December	
	2011	2011
	Deferred revenue ⁽¹⁾	23,030

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

3.5.8 Troubled debt restructuring

	For the 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, the Bank has the outstanding balances with troubled restructured debtors as follows:

(Unit: Million Baht)

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

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

3.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 31 December 2012						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,279,654	188,048	378,456	54,094	194,848	3,863	4,098,963
Increase (decrease) in allowance for doubtful accounts during the year	(527,337)	836,435	663,471	1,360,838	46,199	(10,058)	2,369,548
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	9,635	9,635
Bad debt written-off	(447)	(326)	(486,440)	(1,278,571)	(24,718)	-	(1,790,502)
Balance - end of year	<u>2,751,870</u>	<u>1,024,157</u>	<u>555,487</u>	<u>136,361</u>	<u>216,329</u>	<u>3,440</u>	<u>4,687,644</u>

(Unit: Thousand Baht)

As at 31 December 2011

	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	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 year	2,486,197	130,137	575,132	614,501	283,511	(2,360,249)	1,729,229
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(962)	(1,297)	(374,634)	(611,529)	(514,543)	-	(1,502,965)
Balance - end of year	<u>3,279,654</u>	<u>188,048</u>	<u>378,456</u>	<u>54,094</u>	<u>194,848</u>	<u>3,863</u>	<u>4,098,963</u>

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

(Unit: Thousand Baht)

As at 31 December 2012

	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	1,852,247	2,242,853	3,863	4,098,963
Increase (decrease) in allowance for doubtful accounts during the year	461,050	1,918,556	(10,058)	2,369,548
Transfer from allowance for declining in value of property foreclosed	-	-	9,635	9,635
Bad debt written-off	(107,227)	(1,683,275)	-	(1,790,502)
Balance - end of year	<u>2,206,070</u>	<u>2,478,134</u>	<u>3,440</u>	<u>4,687,644</u>

(Unit: Thousand Baht)

As at 31 December 2011

	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	547,072	961,515	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the year	1,414,893	2,674,585	(2,360,249)	1,729,229
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(109,718)	(1,393,247)	-	(1,502,965)
Balance - end of year	<u>1,852,247</u>	<u>2,242,853</u>	<u>3,863</u>	<u>4,098,963</u>

3.6.3 Non-performing loans to customers

(Unit: Million Baht)

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

3.7 Classification of assets

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

(Unit: Million Baht)

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

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

As at 31 December 2012 and 2011, the quality of the Bank's assets 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 customers 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 statements of financial position)

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

(Unit: Million Baht)

	Debt balance		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 Bank 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.

3.7.4 Loans to customers with weak financial position and poor operating results

	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	
	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 Property foreclosed

(Unit: Thousand Baht)

	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	30,335	42,485
Additions	2,646,264	1,151,473
Disposals	(2,657,324)	(1,163,623)
Balance - end of year	19,275	30,335
Total property foreclosed	284,428	307,586
Less: Allowance for impairment		
Balance - beginning of year	49,850	326,397
Increase	1,268	1,885
Decrease	(32,931)	(278,432)
Balance - end of year	18,187	49,850
Property foreclosed - net	266,241	257,736

3.9 Investment properties

The book value of investment properties as at 31 December 2012 is presented as follows:

	(Unit: Thousand Baht)
	Office condominium for lease
	<hr/>
As at 31 December 2012	
Cost	136,713
Less: Accumulated depreciation	(73,574)
Net book value	<hr/> <u>63,139</u>

A reconciliation of net book value of investment properties for the year 2012 is presented as follows:

	(Unit: Thousand Baht)
	For the year ended 31 December 2012
	<hr/>
Book value - beginning of year	-
Transfer type of asset	67,215
Depreciation	(4,076)
Book value - end of year	<hr/> <u>63,139</u>

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

	(Unit: Thousand Baht)
	As at 31 December 2012
	<hr/>
Office condominium for lease	151,700

The fair value of investment properties was calculated by the asset appraisal method based on the market approach. The market approach was made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account 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.

3.10 Premises and equipment

(Unit: Thousand Baht)

	Land	Building, office condominium and building improvements	Furniture, fixtures computer and equipment	Motor vehicles	Total
<u>Cost:</u>					
As at 1 January 2011	17,509	896,910	529,809	69,541	1,513,769
Additions/transfers in	-	29,484	31,490	2,646	63,620
Disposals/written-off/ transfers out	-	(611)	(12,523)	(16,613)	(29,747)
As at 31 December 2011	17,509	925,783	548,776	55,574	1,547,642
Additions/transfers in	-	31,762	25,914	-	57,676
Disposals/written-off/ transfers out	-	(150,117)	(8,955)	(4,346)	(163,418)
As at 31 December 2012	17,509	807,428	565,735	51,228	1,441,900
<u>Accumulated depreciation:</u>					
As at 1 January 2011	-	450,949	442,573	44,975	938,497
Depreciation for the year	-	61,116	51,378	7,479	119,973
Depreciation on disposals/ written-off/transfers out	-	(611)	(11,935)	(16,613)	(29,159)
As at 31 December 2011	-	511,454	482,016	35,841	1,029,311
Depreciation for the year	-	64,379	41,324	6,443	112,146
Depreciation on disposals/ written-off/transfers out	-	(79,398)	(8,354)	(4,346)	(92,098)
As at 31 December 2012	-	496,435	514,986	37,938	1,049,359
<u>Net book value:</u>					
As at 31 December 2011	17,509	414,329	66,760	19,733	518,331
As at 31 December 2012	17,509	310,993	50,749	13,290	392,541
<u>Depreciation for the years ended 31 December:</u>					
2011					119,973
2012					112,146

3.11 Intangible assets

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

	(Unit: Thousand Baht)
	<u>Computer software</u>
As at 31 December 2012:	
Cost	377,785
Less: Accumulated amortisation	<u>(313,147)</u>
Net book value	<u>64,638</u>
As at 31 December 2011:	
Cost	369,631
Less: Accumulated amortisation	<u>(269,327)</u>
Net book value	<u>100,304</u>

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

	(Unit: Thousand Baht)	
	<u>For the years ended 31 December</u>	
	<u>2012</u>	<u>2011</u>
Net book value at beginning of year	100,304	121,279
Acquisitions of computer software	8,154	29,595
Disposals of computer software	-	(2,450)
Amortisation	<u>(43,820)</u>	<u>(48,120)</u>
Net book value at end of year	<u>64,638</u>	<u>100,304</u>

3.12 Other assets

	(Unit: Thousand Baht)	
	<u>As at 31 December</u>	
	<u>2012</u>	<u>2011</u>
Value added tax - net	1,415,594	226,451
Accrued interest receivable	31,867	12,147
Fee and charges receivable	62,580	37,124
Refundable income tax	346,990	348,144
Deposits	32,210	30,466
Other receivables	588,435	345,631
Other assets	144,205	248,868
Total other assets	<u>2,621,881</u>	<u>1,248,831</u>

3.13 Deposits

3.13.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Deposits		
Current accounts	3,572,743	3,503,982
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	220,633,709	38,059,886

3.13.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Not over 1 year*	220,402,114	37,533,669
Over 1 year	231,595	526,217
Total deposits	220,633,709	38,059,886

*Including fully-mature deposit contract

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

3.14 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	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	210,504	-	210,504	124,703	-	124,703
Specialised financial institutions	-	1,915,131	1,915,131	-	-	-
Other financial institutions	964,380	6,824,356	7,788,736	282,506	10,450,772	10,733,278
Total	1,174,884	8,768,344	9,943,228	407,209	10,450,772	10,857,981

3.15 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	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	7,493,622	136,709,733
Promissory notes	797	1,034
Total	<u>21,565,619</u>	<u>143,786,767</u>

3.15.1 Subordinated unsecured debentures

Year	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
		2012	2011		2012	2011		
		(Units)	(Units)		(Million Baht)	(Million Baht)		
2009	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	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	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2022	4.85 percent per annum.
2012	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>		

3.15.2 Unsubordinated unsecured debentures

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

3.15.3 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 rate bearing bills of exchange are between 2.50 and 4.25 percent per annum.

3.16 Provision for long-term employee benefits

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Defined post employment benefit obligation at beginning of year	83,767	62,567
Current service cost	10,114	7,996
Interest cost	3,506	2,730
Benefits paid during the year	(1,760)	(650)
Adjustment on actuarial gain or (losses)	2,907	11,124
Defined post employment benefit obligation at end of year	98,534	83,767
Other long-term benefits	33,152	-
Total provision for long-term employee benefits at end of year	131,686	83,767

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)	
	For the years ended 31 December	
	2012	2011
Current service cost	25,081	7,996
Interest cost	3,943	2,730
Total employee benefits expenses	<u>29,024</u>	<u>10,726</u>

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: Percent per annum)	
	2012	2011
Discount rate	3.09 - 4.20	3.97 - 4.27
Average salary increase rate	4.39	3.27
Average inflation rate	3.50	3.27

3.17 Other liabilities

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Withholding income tax and other tax payable	228,263	263,548
Accrued insurance premium	864,254	399,104
Deferred income	532,813	490,439
Accrued expenses	1,336,525	743,715
Suspense creditors	567,035	393,614
Other liabilities	197,372	135,318
Total other liabilities	<u>3,726,262</u>	<u>2,425,738</u>

The above accrued expenses include accrued bonus expenses which are remuneration paid to the management and employees based on annual performances. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily share price of the parent company's shares over the period of five years from grant date to settlement date. As of 31 December 2012 and 2011, the Bank has issued under this scheme amounting to Baht 103 million and Baht 49 million, respectively.

3.18 Preference shares converted to ordinary shares

Up to 31 December 2012 and 2011, preference shares have been converted into ordinary shares totaling 627,952,146 shares and 627,952,146 shares, respectively, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2012 and 2011, there are preference shares which are convertible to ordinary shares totaling 104 shares and 104 shares, respectively. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.19 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 compliance 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, 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 method under BOT's regulation.

Capital funds of the 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	
	The Bank			The Bank	
	Capital ratios as at 31 December 2012	Capital ratios after appropriation of net profit for the year ⁽³⁾ 2012	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 the 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.

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 25/2552 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank has disclosed capital maintenance information as at 30 June 2012 on its website on 31 October 2012.

3.20 Surplus on changes in the value of investments

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Balance - beginning of year	4,736	20,444
Decrease from changes in the value of securities during the year	(507)	(15,708)
	4,229	4,736
Less: The effect of deferred tax assets / liabilities	(846)	(947)
Balance - end of year	3,383	3,789

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)

	For the years ended 31 December	
	2012	2011
Interbank and money market items	662,079	572,252
Investments in debt securities	174,548	225,029
Loans to customers	4,404,475	3,216,639
Hire purchase and financial lease income	8,964,479	7,542,899
Total interest income	14,205,581	11,556,819

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)	
	For the years ended 31 December	
	2012	2011
Deposits	3,403,625	842,103
Interbank and money market items	368,816	242,264
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	2,833,303	3,664,681
Total interest expenses	7,871,743	5,260,491

⁽¹⁾ Record at 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 exchanges, and other securities issued by 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.

3.23 Fees and service 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)	
	For the years ended 31 December	
	2012	2011
Fees and service income		
- Acceptance, aval and guarantees	13,288	30,604
- Insurance service	1,918,332	1,130,000
- Financial advisory fees	3,500	1,800
- Others	560,419	451,947
Total fees and service income	2,495,539	1,614,351
Fees and service expenses	(73,367)	(61,577)
Fees and service income - net	2,422,172	1,552,774

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)	
	For the years ended 31 December	
	2012	2011
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(10,449)	40,588
- Derivatives on interest rates	39,789	7,774
- Debt securities	15,946	10,237
Gains on cash flow hedges	100,761	-
Total	<u>146,047</u>	<u>58,599</u>

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)	
	For the years ended 31 December	
	2012	2011
Gains on disposal		
- Available-for-sale securities	1,512	65,898
- Held-to-maturity securities	449	189
- General investments	49,287	10,789
Total	<u>51,248</u>	<u>76,876</u>
Reversal (losses) on impairment		
- General investments	69,640	(49,835)
- Investments in subsidiaries	(2,955)	(2,404)
Total	<u>66,685</u>	<u>(52,239)</u>
Gains on investments - net	<u>117,933</u>	<u>24,637</u>

3.26 Bad debt, doubtful accounts and impairment losses

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

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	5,000	10,000
Held-to-maturity debt securities	2,850	(4,658)
Loans to customers	1,556,432	1,060,267
Total	<u>1,564,282</u>	<u>1,065,609</u>

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)	
	For the years ended 31 December	
	2012	2011
Gains on disposal of property foreclosed	48,353	63,074
Dividend income	54,832	75,134
Others	29,153	22,943
Total	<u>132,338</u>	<u>161,151</u>

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)	
	For the years ended 31 December	
	2012	2011
Mailing expenses	40,653	38,012
Software amortisation expenses	43,820	48,120
Legal expenses	142,846	120,466
Transportation expenses	68,743	73,688
Others	195,456	167,886
Total	<u>491,518</u>	<u>448,172</u>

3.29 Income tax expenses

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

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Current income tax:		
Income tax expenses for the year	608,653	329,552
Adjustment in respect of current income tax of previous year	1,159	1,298
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	178,965	788,089
Effects of changes in the applicable tax rates	-	57,626
Income tax expenses reported in statements of comprehensive income	788,777	1,176,565

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)	
	For the years ended 31 December	
	2012	2011
Decrease in surplus on change in value of investments	101	4,712
Cash flow hedges	25,656	(38,483)
Actuarial gains (losses)	4,131	3,337
Effects of changes in the applicable tax rates	-	12,189
Income tax expenses recorded directly to other comprehensive income	29,888	(18,245)

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)	
	For the years ended	
	31 December	
	2012	2011
Accounting profit before tax	3,545,800	3,806,474
Applicable tax rate	23%	30%
Accounting profit before tax multiplied by applicable tax rate	815,534	1,141,942
Adjustment in respect of current income tax of previous year	1,159	1,298
Effects of changes in the applicable tax rates	-	57,626
Tax effect of net tax-exempt income and net disallowed expenses	(183)	(24,301)
Effects of tax rate used for deferred tax	(27,733)	-
Income tax expenses reported in the statement of comprehensive income	<u>788,777</u>	<u>1,176,565</u>

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

	(Unit: Thousand Baht)			
	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	688	-	688	(705,247)
Allowance for impairment of investments	28,313	41,080	(12,767)	(6,266)
Allowance for impairment of property foreclosed	3,637	9,970	(6,333)	(87,949)
Non-accrual of interest income	17,536	24,764	(7,228)	(152,733)
Depreciation of assets	9,309	11,088	(1,779)	(10,433)
Financial leases	15,034	8,468	6,566	(5,443)
Revaluation surplus on investments	(845)	(947)	-	-
Unrealised gain or loss on derivatives	(5,610)	(1,652)	(3,958)	(1,506)
Cash flow hedges	-	(25,655)	-	-
Deferred commissions and direct expenses				
incurred at the initiation of hire purchase	(403,876)	(238,256)	(165,620)	58,133
Unearned interest income on hire purchase	60,671	82,735	(22,064)	15,718
Accrued expenses	138,587	119,825	18,762	1,420
Employee benefits	26,337	16,884	5,322	2,146
Others	64,529	55,083	9,446	46,445
Deferred tax assets (liabilities)	<u>(45,690)</u>	<u>103,387</u>	<u>(178,965)</u>	<u>(845,715)</u>

3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2012	2011
Other comprehensive income		
Available-for-sale securities:		
Gains arising during the year	1,005	50,190
Less: Reclassification adjustments for gains included in profit or loss	(1,512)	(65,898)
	(507)	(15,708)
Actuarial gains (losses)	(20,655)	(11,124)
Cash flow hedges:		
Gains (losses) arising during the year	(36,288)	119,649
Add: Reclassification adjustments for losses (gains) included in profit or loss	(91,989)	8,628
	(128,277)	128,277
Total other comprehensive income	(149,439)	101,445
Income tax effect	29,888	(18,245)
Other comprehensive income for the year - net	(119,551)	83,200

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	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
Decrease in surplus on change in value of investments	(507)	101	(406)	(15,708)	5,186	(10,522)
Actuarial gains (losses)	(20,655)	4,131	(16,524)	(11,124)	2,225	(8,899)
Cash flow hedges	(128,277)	25,656	(102,621)	128,277	(25,656)	102,621
	(149,439)	29,888	(119,551)	101,445	(18,245)	83,200

3.32 Earnings per share

Basic earnings per share is calculated by dividing profit for the year 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 year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the years ended 31 December	
	2012	2011
Profit attributable to equity holders of the Bank (Thousand Baht)	2,757,023	2,629,909
Weighted average number of shares (Thousand shares)	728,152	728,152
Basic earnings per share (Baht/share)	3.79	3.61

3.33 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2011	Increase	Decrease	As at 31 December 2012
<u>Outstanding balance</u>				
Parent company:				
TISCO Financial Group Plc.				
Other assets	54,955	-	(54,955)	-
Deposits	25,413	558,805	(18,473)	565,745
Accrued interest payable	33	1,567	(1,361)	239
Borrowings	144,000	773,000	(917,000)	-
Dividend payable	400,418	1,237,656	(400,418)	1,237,656
Other liabilities	-	113,273	(25,980)	87,293
<u>Outstanding balance</u>				
Related companies (related by common shareholder):				
Interbank and money market items (Assets):				
TISCO Securities Co., Ltd.	-	495,000	-	495,000
Other Assets:				
TISCO Securities Co., Ltd.	90	190	(91)	189
TISCO Leasing Co., Ltd.	-	21,064	(5,657)	15,407
Hi-Way Co., Ltd.	-	60	-	60
Deposits:				
Hi-Way Co., Ltd.	15,451	13,509	(15,456)	13,504
TISCO Information Technology Co., Ltd.	1,130	79,255	(4,377)	76,008
Primus Leasing Co., Ltd.	30,113	2,730	(2)	32,841
TISCO Tokyo Leasing Co., Ltd.	383	1,040	(459)	964
TISCO Learning Center Co., Ltd.	1,997	14,164	(2,617)	13,544
Deutsche TISCO Investment Advisory Co., Ltd.	852	100,082	(1,128)	99,806
TISCO Leasing Co., Ltd.	5,552	10,464	(8,057)	7,959
Interbank and money market items (Liabilities):				
TISCO Securities Co., Ltd.	3,408	855,015	-	858,423
TISCO Asset Management Co., Ltd.	7,475	59,393	(35,151)	31,717
Borrowings:				
TISCO Information Technology Co., Ltd.	50,000	40,000	(90,000)	-
TISCO Learning Center Co., Ltd.	5,000	-	(5,000)	-
Accrued interest payable:				
TISCO Securities Co., Ltd.	-	476	-	476
TISCO Asset Management Co., Ltd.	2	92	(81)	13
Hi-Way Co., Ltd.	-	170	(170)	-
TISCO Information Technology Co., Ltd.	124	149	(161)	112
TISCO Leasing Co., Ltd.	-	71	(71)	-
TISCO Learning Center Co., Ltd.	12	23	(12)	23
Other liabilities:				
Hi-Way Co., Ltd.	-	4,305	-	4,305
TISCO Learning Center Co., Ltd.	1,473	4,256	(2,698)	3,031

	(Unit Thousand Baht)		
	2012	2011	Terms and pricing policy
	(For the year 2012)		
<u>Transactions occurred during the years ended 31 December</u>			
Parent company			
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	1,025,415	802,810	Determined on the basis on actual cost
Interest expenses	17,313	14,754	With reference to the terms and prices as offered to other customers
Others expenses	8,737	8,559	With reference to the terms and prices as offered to other customers
Related companies (under the same parent company)			
Interest income	3,759	3,855	With reference to the terms and prices as offered to other customers
Other income	9,578	1,719	With reference to the terms and prices as offered to other customers
Expenses involving to loan	4,305	-	Determined on the basis on actual cost
Computer system advisory service expenses	230,000	213,000	Determined on the basis on actual cost
Training expenses	29,093	25,502	With reference to the prices as offered from other service providers
Interest expenses	7,364	3,107	With reference to the terms and prices as offered to other customers
Others expenses	7,625	1,473	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Loans ⁽¹⁾	9,082	7,396

⁽¹⁾ Including employee welfare loan and normal loan

Liabilities payable to directors and key management personnel

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Deposits	79,348	47,053
Debt issued and Borrowings	-	15,174

Directors and management's benefits

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

(Unit: Million Baht)

	For the years ended 31 December	
	2012	2011
Short-term benefit	127	116

3.34 Financial information by segment

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

3.35 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the year 2012 and 2011, The Bank paid provident fund contributions totaling Baht 55 million and Baht 46 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	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	5,982,000
Cross currency swap agreements (Note 3.37.5)	3,063,160	7,215,602
	<u>7,020,801</u>	<u>17,680,994</u>

3.36.2 Litigation

As at 31 December 2012 and 2011, the Bank 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 Bank and its subsidiary believes that no material losses to the 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 Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3 years.

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

	(Unit: Million Baht)	
	As at 31 December	
	2012	2011
Payable within:		
Not over 1 year	97	76
Over 1 to 3 years	102	86

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 Bank on the due date or to intentionally fail to make payments to the Bank in accordance with the agreement.

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

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

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

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

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

(Unit: Million Baht)

	As at 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 receivables - overdue 31 - 90 days	10,939	10,066
Hire purchase receivables - overdue more than 90 days	2,197	1,699
Total	172,608	134,616

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 Bank.

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

3.37.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Market risk as at 31 December	
	2012	2011
Marketable financial assets		
Debts securities	4	10
Derivatives	-	31
Foreign currencies	3	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 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 December	
	2012	2011
Change in interest rate		
Increase 1 percent	(704.60)	(349.25)
Decrease 1 percent	704.60	349.25

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 Bank has the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2012			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	1,045	1,045
Interbank and money market items	50	27,734	3,586	31,370
Derivatives assets	-	-	42	42
Investments - net	-	4,477	436	4,913
Investments in subsidiaries - net	-	-	44	44
Loans to customers ⁽¹⁾	11,556	226,209	1,224	238,989
	<u>11,606</u>	<u>258,420</u>	<u>6,377</u>	<u>276,403</u>
<u>Financial liabilities</u>				
Deposits	31,496	188,921	217	220,634
Interbank and money market items	464	9,366	113	9,943
Liabilities payable on demand	-	-	652	652
Derivatives liabilities	-	-	-	-
Debts issued and borrowings	-	21,566	-	21,566
	<u>31,960</u>	<u>219,853</u>	<u>982</u>	<u>252,795</u>

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

(Unit: Million Baht)

As at 31 December 2011				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating</u>	<u>Fixed</u>	<u>Without</u>	<u>Total</u>
	<u>interest rate</u>	<u>interest rate</u>	<u>interest</u>	
Financial assets				
Cash	-	-	903	903
Interbank and money market items	-	29,383	601	29,984
Derivatives assets	-	-	22	22
Investments - net	-	2,115	481	2,596
Investments in subsidiary - net	-	-	47	47
Loans to customers ⁽¹⁾	9,119	168,899	1,818	179,836
	<u>9,119</u>	<u>200,397</u>	<u>3,872</u>	<u>213,388</u>
Financial liabilities				
Deposits	20,434	17,431	195	38,060
Interbank and money market items	266	10,585	7	10,858
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	270	270
Debts issued and borrowings	-	143,787	-	143,787
	<u>20,700</u>	<u>171,803</u>	<u>920</u>	<u>193,423</u>

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

As at 31 December 2012							
Repricing or maturity date							
<u>Transactions</u>	<u>At call</u>	<u>0 - 3</u>	<u>3 - 12</u>	<u>1 - 5</u>	<u>Over 5</u>	<u>Total</u>	<u>Interest</u>
		<u>months</u>	<u>months</u>	<u>years</u>	<u>years</u>		<u>rates (%)</u>
Financial assets							
Interbank and money market items	-	27,239	-	495	-	27,734	2.7622
Investments - net	10	2,689	1,692	86	-	4,477	3.1959
Loans to customers	15,485	24,151	43,081	136,551	6,941	226,209	6.8708
	<u>15,495</u>	<u>54,079</u>	<u>44,773</u>	<u>137,132</u>	<u>6,941</u>	<u>258,420</u>	
Financial liabilities							
Deposits	7,257	135,578	45,855	231	-	188,921	3.1821
Interbank and money market items	603	5,854	1,880	1,027	2	9,366	3.0944
Debts issued and borrowings	58	5,967	7,187	111	8,243	21,566	4.0594
	<u>7,918</u>	<u>147,399</u>	<u>54,922</u>	<u>1,369</u>	<u>8,245</u>	<u>219,853</u>	

(Unit: Million Baht)

As at 31 December 2011							
Transactions	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	-	25,359	4,024	-	-	29,383	2.7951
Investments - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,107	18,134	34,369	101,717	3,572	168,899	6.7768
	<u>11,125</u>	<u>43,545</u>	<u>39,611</u>	<u>102,544</u>	<u>3,572</u>	<u>200,397</u>	
Financial liabilities							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	134	1,947	6,834	1,670	-	10,585	3.8405
Debts issued and borrowings	1,661	59,064	71,312	5,750	6,000	143,787	3.8384
	<u>2,464</u>	<u>71,329</u>	<u>84,064</u>	<u>7,946</u>	<u>6,000</u>	<u>171,803</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 Bank is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

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

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

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

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

3.37.3.1 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	259,920

(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	197,713

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 Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2012 and 2011, the Bank 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 Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 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)

As at 31 December 2012								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans*	Total
Financial assets								
Cash	1,045	-	-	-	-	-	-	1,045
Interbank and money market items	3,636	27,239	-	495	-	-	-	31,370
Derivatives assets	-	15	-	27	-	-	-	42
Investments - net	10	2,689	1,692	86	-	436	-	4,913
Investments in subsidiaries - net	-	-	-	-	-	44	-	44
Loans to customers	21,093	25,539	43,711	137,519	7,686	-	3,441	238,989
	<u>25,784</u>	<u>55,482</u>	<u>45,403</u>	<u>138,127</u>	<u>7,686</u>	<u>480</u>	<u>3,441</u>	<u>276,403</u>
Financial liabilities								
Deposits	38,970	135,578	45,855	231	-	-	-	220,634
Interbank and money market items	1,180	5,854	1,880	1,027	2	-	-	9,943
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivatives liabilities	-	-	-	-	-	-	-	-
Debts issued and borrowings	58	5,967	7,187	111	8,243	-	-	21,566
	<u>40,860</u>	<u>147,399</u>	<u>54,922</u>	<u>1,369</u>	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>252,795</u>
Commitment and contingent liability								
Aval to bills and guarantees of loans	-	4	147	4	-	-	-	155
Other commitments	9	3,080	30	3,065	-	681	-	6,865

* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

As at 31 December 2011								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans*	Total
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	601	25,359	4,024	-	-	-	-	29,984
Derivatives assets	-	-	-	22	-	-	-	22
Investments - net	18	52	1,218	827	-	481	-	2,596
Investments in subsidiary - net	-	-	-	-	-	47	-	47
Loans to customers	14,134	18,255	36,370	103,070	5,058	-	2,949	179,836
	<u>15,656</u>	<u>43,666</u>	<u>41,612</u>	<u>103,919</u>	<u>5,058</u>	<u>528</u>	<u>2,949</u>	<u>213,388</u>
Financial liabilities								
Deposits	21,256	10,360	5,918	526	-	-	-	38,060
Interbank and money market items	407	1,947	6,834	1,670	-	-	-	10,858
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	127	128	-	15	-	-	270
Debts issued and borrowings	1,661	59,064	71,312	5,750	6,000	-	-	143,787
	<u>23,772</u>	<u>71,498</u>	<u>84,192</u>	<u>7,946</u>	<u>6,015</u>	<u>-</u>	<u>-</u>	<u>193,423</u>
Commitment and contingent liability								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,474	4,092	4,032	1,650	4,279	-	17,676

* Non performing loans according to the BOT's guidelines

3.37.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 31 December 2012 and 2011 are as follows:

- a) Investment in a subsidiary company amounting to HKD 20 million (31 December 2011: HKD 20 million) (under the cost method net allowance for impairment equivalent to Baht 44 million (31 December 2011: Baht 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, the 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 financial statements.

3.37.5 Derivatives

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

As at 31 December 2012 and 2011, the Bank has the following financial derivative instruments.

- a) Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets, 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

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2014	1,000	1
2016	3,032	21
2021	1,650	(15)

b) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with financial asset, as follows:

(Unit: Million Baht)

As at 31 December 2012

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2013	3,063	15

(Unit: Million Baht)

As at 31 December 2011

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	3,169	(128)

As at 31 December 2012 and 2011, the Bank has financial derivative instruments classified as cash flow hedge derivatives

a) Cross currency swap agreement

The Bank 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

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
-	-	-

(Unit: Million Baht)

As at 31 December 2011

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	4,046	(128)

B) Interest rate swap agreement

The Bank entered into interest rate swap agreement to manage the risk associated with its interest-bearing 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

3.37.6 Fair value of financial instruments

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

(Unit: Million Baht)

Transactions	As at 31 December			
	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Cash	1,046	1,046	903	903
Interbank and money market items - net	31,370	31,370	29,984	29,984
Investments - net	4,913	4,913	2,596	2,596
Investments in subsidiaries - net	44	44	47	47
Loans to customers and accrued interest receivables - net	234,301	240,664	175,737	180,040
Financial liabilities				
Deposits	220,634	220,634	38,060	38,060
Interbank and money market items - net	9,943	9,943	10,858	10,858
Liabilities payable on demand	652	652	448	448
Debt issued and borrowings	21,566	21,478	143,787	143,729

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

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)		
Interim dividend for 2011	The Board of Directors' Meeting of TISCO Bank No.6/2011 on 30 August 2011	0.92	0.92	670	September 2011
Interim dividend for 2011	The Board of Directors' Meeting of TISCO Bank No.8/2011 on 19 December 2011	0.55	0.55	400	January 2012
Total dividend payment in year 2011				<u>1,070</u>	
Interim dividend for 2012	The Board of Directors' Meeting of TISCO Bank No.12/2011 on 21 December 2012	1.70	1.70	1,238	January 2013
Total dividend payment in year 2012				<u>1,238</u>	

5. Approval of financial statements

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