

Thanachart Capital Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2008 and 2007

**Report of Independent Auditor**

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2008 and 2007, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2008 and 2007, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 26 February 2009

**Thanachart Capital Public Company Limited and its subsidiaries**

**Balance sheets**

**As at 31 December 2008 and 2007**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
<b>Assets</b>					
Cash		4,017,994,398	3,274,646,674	40,000	40,000
Interbank and money market items	6				
Domestic					
Interest bearing		40,977,469,318	1,369,192,055	3,366,782,963	822,452,538
Non-interest bearing		3,945,117,314	3,310,826,238	111,212,539	249,224,880
Foreign					
Interest bearing		20,372,080,617	35,600,519,727	-	-
Non-interest bearing		495,714,325	181,005,967	-	-
Total interbank and money market items - net		65,790,381,574	40,461,543,987	3,477,995,502	1,071,677,418
Securities purchased under resale agreements	7	-	2,500,000,000	-	-
Investments					
Current investments - net	8	11,823,115,615	5,296,660,463	2,999,343,403	-
Long-term investments - net	8	26,157,767,934	22,269,203,345	5,562,867,577	6,155,936,302
Investments in subsidiaries - net	9	-	-	16,903,296,764	16,840,417,694
Investments in an associated company - net	10	1,404,443,616	1,308,475,772	657,994,072	657,994,072
Total investments - net		39,385,327,165	28,874,339,580	26,123,501,816	23,654,348,068
Receivables from clearing house		50,185,586	243,570,359	-	-
Loans and accrued interest receivables	11				
Loans		277,553,638,314	237,306,778,789	8,627,833,429	24,793,914,227
Securities business receivables		1,896,481,321	1,930,104,554	-	-
Total loans and receivables		279,450,119,635	239,236,883,343	8,627,833,429	24,793,914,227
Accrued interest receivable		323,639,772	252,786,998	181,348	13,779,451
Total loans and accrued interest receivable		279,773,759,407	239,489,670,341	8,628,014,777	24,807,693,678
Less: Allowance for doubtful accounts	12	(9,920,939,383)	(8,371,854,678)	(1,302,142,043)	(1,651,568,121)
Less: Revaluation allowance for debt restructuring	13	(86,795,159)	(84,025,462)	(272,113)	(393,052)
Total loans and accrued interest receivable - net		269,766,024,865	231,033,790,201	7,325,600,621	23,155,732,505
Property foreclosed - net	15	7,554,495,386	8,074,114,289	2,440,979,948	2,867,334,573
Property, premises and equipment - net	16	2,522,254,110	2,308,196,743	209,231,156	220,236,517
Intangible assets - software - net	17	419,172,975	216,292,664	2,424,444	3,728,279
Leasehold right - net		552,383,624	430,465,286	247,209,909	150,096,832
Goodwill		44,274,108	44,274,108	-	-
Value added tax refundable		398,585,716	1,095,149,691	-	-
Financial derivative assets		1,369,064,034	364,009,659	-	-
Other assets - net	18	2,265,567,186	2,335,758,850	97,299,088	129,165,157
<b>Total assets</b>		<b>394,135,710,727</b>	<b>321,256,152,091</b>	<b>39,924,282,484</b>	<b>51,252,359,349</b>

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

Thanachart Capital Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
Note	2008	2007	2008	2007
<b>Liabilities and shareholders' equity</b>				
Deposits	19			
Deposits in Baht		269,660,018,831	187,537,866,185	-
Deposits in foreign currencies		70,367,617	628,475,240	-
Total deposits		269,730,386,448	188,166,341,425	-
Interbank and money market items	20			
Domestic				
Interest bearing		6,679,211,369	3,113,262,261	4,501,864,428
Non-interest bearing		607,157,923	588,938,459	-
Foreign				
Non-interest bearing		6,450,786	6,679,965	-
Total interbank and money market items - net		7,292,820,078	3,708,880,685	4,501,864,428
Payable to clearing house		294,804,300	-	-
Securities business payable		854,589,048	1,243,919,399	-
Liabilities payable on demand		1,316,693,276	1,329,027,334	-
Borrowings	21			
Short-term borrowings		46,652,604,936	65,848,267,154	2,944,305,375
Long-term borrowings		18,810,500,000	14,116,546,400	8,000,000,000
Total borrowings		65,463,104,936	79,964,813,554	10,944,305,375
Accrued interest payable		1,774,584,759	1,499,245,735	70,886,986
Life premium reserve		7,821,623,453	5,593,424,455	-
Unearned premium reserve		1,465,630,973	1,207,394,714	-
Corporate income tax payable		301,189,486	941,425,140	70,220,357
Other liabilities	22	5,459,115,503	5,339,410,742	416,663,548
<b>Total liabilities</b>		<b>361,774,542,260</b>	<b>288,993,883,183</b>	<b>16,003,940,694</b>
				<b>26,643,736,965</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Balance sheets (continued)**

**As at 31 December 2008 and 2007**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
<b>Shareholders' equity</b>					
Share capital	23				
Registered, issued and paid-up					
15,856 preference shares of Baht 10 each					
(2007: 19,336 preference shares of Baht 10 each)		158,560	193,360	158,560	193,360
1,333,138,147 ordinary shares of Baht 10 each					
(2007: 1,333,134,667 ordinary shares of Baht 10 each)		<u>13,331,381,470</u>	<u>13,331,346,670</u>	<u>13,331,381,470</u>	<u>13,331,346,670</u>
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Share premium of a subsidiary company		1,141,663,553	1,141,663,553	-	-
Amount by which the value of investment in subsidiary is lower than attributable net book value	2.2	226,460,173	-	-	-
Revaluation surplus on investments	24	380,736,772	510,938,562	99,597,575	355,674,041
Revaluation deficit on investments	24	(1,699,455,335)	(528,018,466)	(543,784,863)	(54,979,876)
Retained earnings					
Appropriated - statutory reserve	25	803,178,954	734,878,415	803,178,954	734,878,415
- treasury stock reserve		110,260,325	-	110,260,325	-
Unappropriated		<u>10,342,356,392</u>	<u>8,951,655,999</u>	<u>8,164,165,206</u>	<u>8,175,864,886</u>
<b>Total shareholders' equity before treasury stock and minority interest</b>		<b>26,702,385,752</b>	<b>26,208,302,981</b>	<b>24,030,602,115</b>	<b>24,608,622,384</b>
Less: Treasury stock	23	<u>(110,260,325)</u>	<u>-</u>	<u>(110,260,325)</u>	<u>-</u>
<b>Equity attributable to the Company's shareholders</b>		<b>26,592,125,427</b>	<b>26,208,302,981</b>	<b>23,920,341,790</b>	<b>24,608,622,384</b>
Minority interest - equity attributable to minority shareholders of subsidiaries		<u>5,769,043,040</u>	<u>6,053,965,927</u>	<u>-</u>	<u>-</u>
<b>Total shareholders' equity</b>		<b><u>32,361,168,467</u></b>	<b><u>32,262,268,908</u></b>	<b><u>23,920,341,790</u></b>	<b><u>24,608,622,384</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>394,135,710,727</u></b>	<b><u>321,256,152,091</u></b>	<b><u>39,924,282,484</u></b>	<b><u>51,252,359,349</u></b>
		-	-	-	-
<b>Off-balance sheet items - commitments</b>					
	36.1				
Avals to bills and guarantees of loans		128,025,575	33,887,500	10,000,000	10,000,000
Obligation under unmatured import bills		442,517,702	25,150,252	-	-
Letter of credit		664,174,238	399,286,956	-	-
Other contingencies		94,516,146,613	85,246,622,627	8,000,560,088	10,600,966,747

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

Directors

**Thanachart Capital Public Company Limited and its subsidiaries**

**Income statements**

**For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
<b>Interest and dividend income</b>					
Loans		3,792,822,588	3,063,653,516	52,150,519	166,731,917
Interbank and money market items		1,570,454,164	1,274,549,060	79,616,398	13,642,660
Hire-purchase and financial leases		14,735,660,791	13,118,259,526	951,117,371	2,276,261,880
Investments		1,313,893,064	1,342,781,396	907,201,319	527,539,750
<b>Total interest and dividend income</b>		<b>21,412,830,607</b>	<b>18,799,243,498</b>	<b>1,990,085,607</b>	<b>2,984,176,207</b>
<b>Interest expenses</b>					
Deposits		6,999,255,765	7,113,468,932	-	-
Interbank and money market items		183,897,580	120,116,245	287,320,057	1,275,447,740
Short-term borrowings		1,675,476,084	1,478,629,894	240,395,896	248,390,910
Long-term borrowings		647,662,475	994,954,840	154,956,164	329,728,263
<b>Total interest expenses</b>		<b>9,506,291,904</b>	<b>9,707,169,911</b>	<b>682,672,117</b>	<b>1,853,566,913</b>
<b>Net interest and dividend income</b>		<b>11,906,538,703</b>	<b>9,092,073,587</b>	<b>1,307,413,490</b>	<b>1,130,609,294</b>
Reversal of bad debt and doubtful accounts					
(Bad debt and doubtful accounts)	26	(3,579,667,767)	(2,051,231,770)	237,081,083	852,729,039
Loss on debt restructuring	27	(13,549,829)	(339,015)	(197,938)	(4,285)
<b>Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring</b>		<b>8,313,321,107</b>	<b>7,040,502,802</b>	<b>1,544,296,635</b>	<b>1,983,334,048</b>
<b>Non-interest income</b>					
Brokerage fees		756,390,129	713,717,596	-	-
Gain (loss) on investments	28	(302,267,769)	819,236,623	77,476,605	1,765,762,512
Share of income from investments in associated company accounted for under equity method	10	334,979,289	270,890,523	-	-
Fees and service income					
Acceptances, aval and guarantees		34,500,005	21,780,855	-	-
Discounted income on insurance premium		546,811,955	709,260,467	208,620	402,876
Others		1,840,453,159	1,421,742,661	396,271,335	455,582,124
Gain on exchange and financial derivatives		222,700,412	50,604,465	-	-
Gain (loss) on property foreclosed and other assets	29	248,667,857	250,792,045	(69,549,214)	48,773,809
Gain on debt settlements/disposals		240,888,950	493,878,162	17,344,359	59,232,032
Insurance premium/Life insurance premium income		7,340,117,864	5,389,475,019	-	-
Other income		643,959,569	504,613,425	333,436,931	344,408,117
<b>Total non-interest income</b>		<b>11,907,201,420</b>	<b>10,645,991,841</b>	<b>755,188,636</b>	<b>2,674,161,470</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Income statements (continued)**

**For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
<b>Non-interest expenses</b>					
Personnel expenses		3,660,134,901	2,894,603,867	70,523,076	87,297,704
Premises and equipment expenses		1,576,323,775	1,287,629,189	139,811,156	142,998,757
Taxes and duties		222,246,926	363,849,820	3,878,180	22,636,214
Fees and service expenses		271,646,962	251,784,630	11,810,847	15,764,832
Directors' remuneration	30	41,306,048	31,199,766	20,088,386	19,390,232
Fund contributed to the Financial Institutions					
Development Fund/Deposits Protection Fund		822,569,724	814,591,364	-	-
Insurance/Life insurance expenses		5,818,093,457	4,460,895,992	-	-
Other expenses		3,466,208,622	2,708,399,184	434,942,531	559,072,283
<b>Total non-interest expenses</b>		<b>15,878,530,415</b>	<b>12,812,953,812</b>	<b>681,054,176</b>	<b>847,160,022</b>
<b>Income before corporate income tax</b>		<b>4,341,992,112</b>	<b>4,873,540,831</b>	<b>1,618,431,095</b>	<b>3,810,335,496</b>
Corporate income tax	31	(999,509,115)	(1,704,551,296)	(252,420,316)	(1,060,152,537)
<b>Net income for the year</b>		<b>3,342,482,997</b>	<b>3,168,989,535</b>	<b>1,366,010,779</b>	<b>2,750,182,959</b>
<b>Net income attributable to</b>					
The Company		2,768,410,852	2,817,748,523	1,366,010,779	2,750,182,959
Minority interests of the subsidiaries		574,072,145	351,241,012	-	-
		<u>3,342,482,997</u>	<u>3,168,989,535</u>	<u>1,366,010,779</u>	<u>2,750,182,959</u>
<b>Earnings per share</b>					
33					
Basic earnings per share					
Net income attributable to the Company		<u>2.08</u>	<u>2.11</u>	<u>1.03</u>	<u>2.06</u>
Diluted earnings per share					
Net income attributable to the Company		<u>2.08</u>	<u>2.11</u>	<u>1.03</u>	<u>2.06</u>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Cash flows statements**

**For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Net income before tax	4,341,992,112	4,873,540,831	1,618,431,095	3,810,335,496
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities				
Share of income from investments accounted for under equity method	(334,979,289)	(270,890,523)	-	-
Depreciation and amortisation	591,221,423	445,550,561	55,126,181	55,721,348
Bad debt and doubtful accounts and loss on debt restructuring (reversal)	3,593,217,596	2,051,570,785	(236,883,145)	(852,724,754)
Increase in provision for impairment of property foreclosed	222,211,352	32,282,661	175,653,364	27,734,974
Increase (decrease) in provision for impairment of equipment/other assets	22,325,329	34,537,179	(16,116,691)	(1,401,144)
Increase in provision for impairment/reevaluation of investments	271,493,156	99,296,814	18,461,193	43,287,541
Amortisation of deferred gain on disposal of property foreclosed	(262,113,076)	(94,423,716)	(578,798)	-
Amortisation of goodwill/amount by which value of investments is lower than book value - net	-	(7,895,861)	-	-
Loss (gain) on foreign exchange and financial derivatives	(63,415,644)	93,316,444	-	-
Increase in unearned premium reserve/life insurance premium reserve	2,500,684,257	2,263,029,327	-	-
Gain on transfers of assets for debt repayment	(16,123,706)	(34,798,095)	(10,250,543)	-
Gain on sales of/capital return from investments in subsidiaries	-	(885,275,270)	(27,362,015)	(1,981,314,592)
Loss (gain) on disposal of equipment	11,339,578	15,712,026	(2,053,257)	(4,844,234)
Amortisation of deferred income	(5,143,845)	(38,835,093)	-	-
Decrease (increase) in accrued other income receivable	104,380,634	(224,025,554)	(5,155,310)	28,704,516
	10,977,089,877	8,352,692,516	1,569,272,074	1,125,499,151
Net interest and dividend income	(11,906,538,703)	(9,092,073,587)	(1,307,413,490)	(1,130,609,294)
Cash received from interest on operating activities	20,029,226,286	17,477,808,625	1,071,658,755	2,422,977,374
Cash paid for interest on operating activities	-6,791,372,482	-8,017,438,775	(287,320,057)	(1,275,447,740)
Cash paid for income tax	(1,834,568,370)	(1,073,789,018)	(803,143,488)	(528,410,610)
<b>Income from operating activities before changes in operating assets and liabilities</b>	10,473,836,608	7,647,199,761	243,053,794	614,008,881
Operating assets (increase) decrease				
Interbank and money market items	(25,244,741,544)	(13,447,260,777)	(2,405,297,116)	(794,732,853)
Securities purchased under resale agreements	2,500,000,000	3,800,000,000	-	-
Investments in trading securities	(113,015,594)	(77,472,844)	-	-
Receivables from clearing house	193,384,773	(242,784,059)	-	-
Loans	(48,608,207,276)	(36,504,192,650)	15,840,844,273	24,213,577,614
Property foreclosed	6,567,269,825	5,254,341,364	348,442,312	927,706,649
Other assets	(70,165,484)	(73,431,391)	48,778,517	42,050,063

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



**Thanachart Capital Public Company Limited and its subsidiaries**

**Cash flows statements (continued)**

**For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Cash flows from operating activities (continued)</b>				
Operating liabilities increase (decrease)				
Deposits	81,564,045,023	(7,900,582,720)	-	-
Interbank and money market items	3,583,939,393	261,522,753	(7,998,200,357)	(27,100,363,961)
Payable to clearing house	294,804,300	(609,006,654)	-	-
Securities business payable	(389,330,351)	598,493,832	-	-
Liability payable on demand	(12,334,058)	(132,595,448)	-	-
Other liabilities	436,668,268	81,973,271	(308,646,005)	(163,010,276)
<b>Net cash flows provided by (used in) operating activities</b>	<b>31,176,153,883</b>	<b>(41,343,795,562)</b>	<b>5,768,975,418</b>	<b>(2,260,763,883)</b>
<b>Cash flows from investing activities</b>				
Decrease (increase) in long-term investments	(12,372,090,746)	6,694,954,216	(3,134,960,106)	(99,312,338)
Cash received from disposal of investments in subsidiaries	-	2,572,221,636	-	6,730,459,084
Capital returned from subsidiaries	-	-	209,750,790	2,188,990
Cash paid for purchase of investments in subsidiaries/associated	(245,267,845)	(204,078,076)	(245,267,845)	(472,853,838)
Cash received from interest and dividend	1,477,355,869	1,245,127,506	875,753,740	524,912,980
Cash paid for purchase of premises and equipment/intangible assets	(889,784,152)	(957,728,381)	(13,163,134)	(40,344,068)
Cash received from disposal of equipment/intangible assets	16,901,413	13,336,271	2,124,605	233,626,210
<b>Net cash flows provided by (used in) investing activities</b>	<b>(12,012,885,461)</b>	<b>9,363,833,172</b>	<b>(2,305,761,950)</b>	<b>6,878,677,020</b>
<b>Cash flows from financing activities</b>				
Cash received from new issuance shares of a subsidiary	-	4,522,428,584	-	-
Cash received from borrowings	15,692,268,621	45,165,811,768	10,692,268,621	-
Cash paid for borrowings	-30,264,447,509	(13,783,696,000)	(12,542,281,165)	(2,935,000,000)
Cash paid for interest expenses	(2,372,995,236)	(2,048,286,895)	(350,340,243)	(616,535,779)
Dividend payment	(1,153,451,026)	(1,066,377,358)	(1,153,451,026)	(1,066,377,358)
Cash paid for treasury stock	(109,409,655)	-	(109,409,655)	-
Dividend paid to minority interest	(211,885,893)	(1,396,975)	-	-
<b>Net cash flows provided by (used in) financing activities</b>	<b>(18,419,920,698)</b>	<b>32,788,483,124</b>	<b>(3,463,213,468)</b>	<b>(4,617,913,137)</b>
<b>Net increase in cash</b>	<b>743,347,724</b>	<b>808,520,734</b>	<b>-</b>	<b>-</b>
Cash at beginning of the year	3,274,646,674	2,466,125,940	40,000	40,000
<b>Cash at end of the year</b>	<b>4,017,994,398</b>	<b>3,274,646,674</b>	<b>40,000</b>	<b>40,000</b>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Conversion of preference shares to ordinary shares	34,800	2,100	34,800	2,100
Property foreclosed transferred from loans, other receivables and investments in receivables purchased	6,379,826,380	4,905,459,240	213,578,318	624,104,513
Leasehold transferred from property foreclosed	126,087,811	-	126,087,811	-
Accounts payable for purchase of fixed assets	153,821,746	73,016,701	1,967,832	5,988,314
Bad debt written off	1,880,676,167	1,490,128,073	108,515,804	256,813,973

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Consolidated financial statements

Equity attributable to the Company's shareholders

	Amount by which										Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders			
	Issued and paid-up share capital		Share premium of a subsidiary company	the value of investment in subsidiary is lower than attributable net book value	Revaluation surplus (deficit) on investments	Retained earnings				Treasury stock		shareholders	of subsidiaries	Total	
	Preference shares	Ordinary shares				Share premium	Statutory reserve	Treasury stock reserve	Unappropriated						Appropriated
<b>Balance as at 1 January 2007</b>	195,460	13,331,344,570	2,065,644,888	-	(766,159,929)	597,369,267	-	7,336,945,260	-	-	22,565,339,516	865,485,764	23,430,825,280		
Increase in share premium of a subsidiary company	-	-	1,141,663,553	-	-	-	-	-	-	-	1,141,663,553	-	1,141,663,553		
Decrease in revaluation deficit on investments	-	-	-	-	749,080,025	-	-	-	-	-	749,080,025	-	749,080,025		
Income recognised directly in equity	-	-	-	1,141,663,553	749,080,025	-	-	-	-	-	1,890,743,578	-	1,890,743,578		
Net income for the year	-	-	-	-	-	-	-	2,817,748,523	-	-	2,817,748,523	351,241,012	3,168,989,535		
Total income for the year	-	-	-	1,141,663,553	749,080,025	-	-	2,817,748,523	-	-	4,708,492,101	351,241,012	5,059,733,113		
Conversion of preference shares to ordinary shares	(2,100)	2,100	-	-	-	-	-	-	-	-	-	-	-		
Dividend paid (Note 23)	-	-	-	-	-	-	-	(1,066,523,202)	-	-	(1,066,523,202)	-	(1,066,523,202)		
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	994,566	-	-	994,566	-	994,566		
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	137,509,148	-	(137,509,148)	-	-	-	-	-		
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	4,837,239,151	4,837,239,151		
<b>Balance as at 31 December 2007</b>	<b>193,360</b>	<b>13,331,346,670</b>	<b>2,065,644,888</b>	<b>1,141,663,553</b>	<b>(17,079,904)</b>	<b>734,878,415</b>	<b>-</b>	<b>8,951,655,999</b>	<b>-</b>	<b>-</b>	<b>26,208,302,981</b>	<b>6,053,965,927</b>	<b>32,262,268,908</b>		
<b>Balance as at 1 January 2008</b>	<b>193,360</b>	<b>13,331,346,670</b>	<b>2,065,644,888</b>	<b>1,141,663,553</b>	<b>(17,079,904)</b>	<b>734,878,415</b>	<b>-</b>	<b>8,951,655,999</b>	<b>-</b>	<b>-</b>	<b>26,208,302,981</b>	<b>6,053,965,927</b>	<b>32,262,268,908</b>		
Increase in revaluation deficit on investments	-	-	-	-	(1,301,638,659)	-	-	-	-	-	(1,301,638,659)	-	(1,301,638,659)		
Amount by which the value of investment in subsidiary is lower than attributable net book value	-	-	-	-	226,460,173	-	-	-	-	-	226,460,173	-	226,460,173		
Income (expenses) recognised directly in equity	-	-	-	-	226,460,173	(1,301,638,659)	-	-	-	-	(1,075,178,486)	-	(1,075,178,486)		
Net income for the year	-	-	-	-	-	-	-	2,768,410,852	-	-	2,768,410,852	574,072,145	3,342,482,997		
Total income (expenses) for the year	-	-	-	-	226,460,173	(1,301,638,659)	-	2,768,410,852	-	-	1,693,232,366	574,072,145	2,267,304,511		
Conversion of preference shares to ordinary shares (Note 23)	(34,800)	34,800	-	-	-	-	-	-	-	-	-	-	-		
Cash payment for treasury stock (Note 23)	-	-	-	-	-	-	-	-	(110,260,325)	-	(110,260,325)	-	(110,260,325)		
Dividend paid (Note 23)	-	-	-	-	-	-	-	(1,199,838,602)	-	-	(1,199,838,602)	-	(1,199,838,602)		
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	689,007	-	-	689,007	-	689,007		
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	68,300,539	-	(68,300,539)	-	-	-	-	-		
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	110,260,325	(110,260,325)	-	-	-	-		
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(858,995,032)	(858,995,032)		
<b>Balance as at 31 December 2008</b>	<b>158,560</b>	<b>13,331,381,470</b>	<b>2,065,644,888</b>	<b>1,141,663,553</b>	<b>226,460,173</b>	<b>(1,318,718,563)</b>	<b>803,178,954</b>	<b>110,260,325</b>	<b>10,342,356,392</b>	<b>(110,260,325)</b>	<b>26,592,125,427</b>	<b>5,769,043,040</b>	<b>32,361,168,467</b>		

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

**Thanachart Capital Public Company Limited and its subsidiaries**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	Separate financial statements								
	Issued and paid-up share capital			Revaluation surplus (deficit) on investments	Retained earnings				
	Preference shares	Ordinary shares	Share premium		Appropriated		Unappropriated	Treasury stock	Total
				Statutory reserve	Treasury stock reserve				
<b>Balance as at 1 January 2007</b>	195,460	13,331,344,570	2,065,644,888	(66,516,946)	597,369,267	-	6,628,719,710	-	22,556,756,949
Increase in revaluation surplus on investments	-	-	-	367,211,111	-	-	-	-	367,211,111
Income recognised directly in equity	-	-	-	367,211,111	-	-	-	-	367,211,111
Net income for the year	-	-	-	-	-	-	2,750,182,959	-	2,750,182,959
Total income for the year	-	-	-	367,211,111	-	-	2,750,182,959	-	3,117,394,070
Conversion of preference shares to ordinary shares	(2,100)	2,100	-	-	-	-	-	-	-
Dividend paid (Note 23)	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Reversal of dividend on shares hold by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	994,567	-	994,567
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	137,509,148	-	(137,509,148)	-	-
<b>Balance as at 31 December 2007</b>	<b>193,360</b>	<b>13,331,346,670</b>	<b>2,065,644,888</b>	<b>300,694,165</b>	<b>734,878,415</b>	<b>-</b>	<b>8,175,864,886</b>	<b>-</b>	<b>24,608,622,384</b>
<b>Balance as at 1 January 2008</b>	<b>193,360</b>	<b>13,331,346,670</b>	<b>2,065,644,888</b>	<b>300,694,165</b>	<b>734,878,415</b>	<b>-</b>	<b>8,175,864,886</b>	<b>-</b>	<b>24,608,622,384</b>
Increase in revaluation deficit on investments	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Expenses recognised directly in equity	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Net income for the year	-	-	-	-	-	-	1,366,010,779	-	1,366,010,779
Total income (expenses) for the year	-	-	-	(744,881,453)	-	-	1,366,010,779	-	621,129,326
Conversion of preference shares to ordinary shares (Note 23)	(34,800)	34,800	-	-	-	-	-	-	-
Cash payment for treasury stock (Note 23)	-	-	-	-	-	-	-	(110,260,325)	(110,260,325)
Dividend paid (Note 23)	-	-	-	-	-	-	(1,199,838,602)	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	689,007	-	689,007
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	68,300,539	-	(68,300,539)	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	110,260,325	(110,260,325)	-	-
<b>Balance as at 31 December 2008</b>	<b>158,560</b>	<b>13,331,381,470</b>	<b>2,065,644,888</b>	<b>(444,187,288)</b>	<b>803,178,954</b>	<b>110,260,325</b>	<b>8,164,165,206</b>	<b>(110,260,325)</b>	<b>23,920,341,790</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the years ended 31 December 2008 and 2007**

**1. General information**

**1.1 The Company's information**

Thanachart Capital Public Company Limited ("the Company") was incorporated as a public company limited under Thai laws and operates its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The Company's registered address is 444 MBK Tower, 10-11 and 15-20 Floors, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered as limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries' business include commercial banking business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business, fund management business, and others. On 15 January 2008, the Stock Exchange of Thailand granted permission to delist the common shares of Thanachart Bank Public Company Limited (a subsidiary company), as volunteered by the Bank which was in accordance with a resolution of the Extraordinary Meeting of the Shareholders of the Bank held on 1 October 2007.

**1.2 Restructuring of financial institution operations**

- a) During the year 2007, the Bank of Thailand ("the BOT") approved a proposal for the Company and Thanachart Bank Public Company Limited (a subsidiary company) ("the Bank") to change the structure of the financial business group in accordance with the principle of consolidated supervision. The Company and the Bank successfully changed the structure in the year 2007. In this regard, the Company has to calculate capital funds at the consolidated level by applying full consolidated supervision, whereby direct and indirect investments in companies in the financial business group at the amount less than 50% of the issued and paid-up capital, investments in companies in which the Company is not permitted to hold more than 10% of paid-up share capital and investments in insurance and life-assurance companies are to be deducted from the capital funds of the financial business group. The Bank is also to prepare financial statements on a solo consolidation basis, consolidating the financial information of the Bank, Thanachart Group Leasing Company Limited and T-Leasing Company Limited (formerly known as "Thanachart Leasing 2000 Company Limited"), with the Bank's direct and indirect shareholdings being deducted in the same way as those of the Company.

- b) On 19 July 2007, the Bank offered additional issued shares for selling to The Bank of Nova Scotia Asia Limited (“BNSAL”) and the Company sold existing ordinary shares of the Bank to BNSAL. As a result, BNSAL’s shareholding in the Bank reached 24.98% of its total issued capital (in accordance with the relaxation of the rule granted by the minister of Ministry of Finance, allowing BNSAL to hold the Bank’s shares not to exceed 24.99% of the total paid-up capital, permitting the Bank to have non-Thai shareholding of up to 49% of its total paid-up capital, and allowing non-Thai nationals directors to comprise more than one fourth, but no more than one half of the total number of directorships, and no more than the proportion of non-Thai shareholding).

In addition, under the Shareholders’ Agreement made between the Company and BNSAL on 29 April 2007, BNSAL had indicated its intention to purchase up to 49% of the issued and outstanding ordinary shares of the Bank as a strategic partner, in terms of both investment and management, with all additional shares to be purchased from the Company, under conditions whereby the shares are to be purchased in 2 periods. However, the purchase of additional shares of the Bank depends on the receipt of regulatory approval.

- The initial obligation period ends in 2008, BNSAL will purchase the shares at a price of 1.6 times the net book value per share, calculated after deducting the amount and the number of shares in which BNSAL has already invested.
- The subsequent call period is for a period of 4 years from the end of the initial obligation period, with BNSAL to purchase the shares at a price of 1.7 times the net book value per share, calculated after deducting the amount and the number of shares in which BNSAL has already invested.

On 11 January 2008, BNSAL transferred all of its shares in the Bank to The Bank of Nova Scotia (“BNS”), which is the parent company of Nova Scotia Group. The transfer was made with the approval of the minister of the Ministry of Finance, who has permitted BNS to hold up to 24.99% of the total paid-up capital of the Bank. As a result, BNS is a shareholder in the Bank instead of BNSAL.

- c) On 3 February 2009, the Company sold an additional 416,526,737 ordinary shares of the Bank to BNS at a price of Baht 18.38 per share (1.6 times the net book value per share because BNS announced exercise of its option to purchase the shares within the obligation period), or a total of Baht 7,656 million. This accords with the conditions of the Shareholders' Agreements. As a result of the sale, BNS's shareholding in the Bank is total 49%.

### **1.3 Financial crisis**

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit and failures of large financial institutions. The governments of many countries have made continuous efforts to remedy the liquidity crisis, and financial institutions have increased their share capital in order to resolve the problem and to build confidence. However, the global economy remains uncertain. These financial statements have been prepared on the bases of facts currently known to the Company and its subsidiaries, and on estimates and assumptions currently considered appropriate. However, they could be affected by an array of future events.

## **2. Basis of preparation of financial statements**

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and with reference to the guidelines stipulated by the BOT. The presentation of the financial statements has been made in compliance with the Notification of the BOT relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 3 August 2008.

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

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

## 2.2 Basis of consolidation

These consolidated financial statements include the financial statements of Thanachart Capital Public Company Limited (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter referred to as “the subsidiaries”) as follows:

	Percentage of shares held by the Company		Percentage of shares held by the subsidiaries	
	2008	2007	2008	2007
<b><u>Subsidiaries directly held by the Company</u></b>				
Thanachart Bank Plc.	74.93	74.92	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	58.45	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
Pasara Co., Ltd.	-	100.00	-	-
Sinkahakarn Co., Ltd.	-	95.12	-	-
Bangkok Home Co., Ltd.	-	99.87	-	-
<b><u>Subsidiaries indirectly held through Thanachart Bank</u></b>				
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Co., Ltd.	-	-	100.00	100.00
Thanachart Life Assurance Co., Ltd.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management & Services Co., Ltd.	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	-	-	100.00	100.00
T-Leasing Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training & Development Co., Ltd.	-	-	100.00	100.00

Total assets and total income of the subsidiaries that have a significant impact to and are included in the consolidated financial statements as at 31 December 2008 and 2007 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Total income	
	2008	2007	2008	2007
Thanachart Bank Plc.	351,272	265,968	20,635	16,867
NFS Asset Management Co., Ltd.	5,585	5,596	464	680
Max Asset Management Co., Ltd.	1,778	1,933	244	304
Thanachart Life Assurance Co., Ltd.	7,148	5,665	4,967	3,473
Thanachart Insurance Co., Ltd.	2,443	2,164	2,566	2,136
Thanachart Securities Plc.	2,662	3,035	887	832

- a) On 30 April 2008, Thanachart Group Leasing Co., Ltd. sold ordinary shares of T-Leasing Co., Ltd. to Thanachart Bank Plc. for a total of Baht 191 million. The gain on disposal in Thanachart Group Leasing's financial statements amounting to Baht 11 million has been eliminated from the consolidated financial statements.
- b) On 28 November 2008, the Company purchased shares of Max Asset Management Co., Ltd. from another shareholder for Baht 242 million. As a result, the Company's shareholding in that company increased from 58.45% to 83.44% of its issued shares. The amount by which the purchase price which was lower than the net book value of such subsidiary company, amounting to Baht 226 million, was separately presented in shareholders' equity because the additional shares purchased is not treated as a business combination under accounting standards.
- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control.
- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies. In case where there are different in accounting policies, the Company has adjusted the effect of these in the consolidated financial statements.



- e) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and its subsidiaries' books of accounts have been eliminated against the shareholders' equity of the subsidiaries.
- f) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

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

### **3. Adoption of new accounting standards**

#### **3.1 Accounting standards which are effective for the current year**

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 29 does not have any impact on the current year's financial statements because the Company and its subsidiaries have applied since 2007. TAS 31, TAS 33 and TAS 49 are not relevant to the businesses of the Company and its subsidiaries. The remaining accounting standards do not have any significant impact on the financial statements for the current year, except for TAS 43 regarding business combinations, which stipulates that goodwill acquired in a business combination is not required to be amortised, but is to be tested for impairment, and that goodwill is to be presented at cost less accumulated impairment losses. This accounting standard applies to goodwill arising from business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the discontinuation of and the effecting of accumulated amortisation reversed against the previously recorded amount of goodwill. The balance of goodwill should be tested for impairment as from the beginning of the first fiscal year starting on or after 1 January 2008.

### **3.2 Accounting standards which are not effective for the current year**

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire-purchases and financial lease agreements is recognised under the effective rate method.

The Company and its subsidiaries cease accruing interest income for loans on which principal or interest payments have been defaulted for more than three months, with interest income formerly recognised for such defaulted loans being reversed from the accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received.

The Company and its subsidiaries recognise interest income on restructured loans on an accrual basis, with reference to interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Company and its subsidiaries recognise as income on a cash basis until the debtors are able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the year based on multiplication of the effective yield rate of the portfolio by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the year.

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 or in proportion of debt repayment.

Deferred interest income on hire-purchases, represents discounts on interest granted to debtors by dealers, is recognised as income based on the effective interest rate method, in the same manner as interest income recognised on hire-purchases receivable.

b) Interest and dividends from investments

Interest income is recognised on an accrual basis based on the effective rate method. Dividend income is recognised when the right to receive the dividend is established.

c) Brokerage fees income

Brokerage fees charged on securities trading are recognised as income on the transaction date.

d) Interest on loans for purchases of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under conditions stipulated by the Securities and Exchange Commission ("SEC").

e) Gain (loss) on investments and financial derivatives.

Gain (loss) on investments and financial derivatives are recognised as income/ expenses at the transaction date.

f) Fees and services income

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

g) Insurance/life insurance premium income

- Insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and cancelled for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income and expenses over the coverage period.

Insurance premium income is presented at the net amount from unearned premium reserve in the income statement.

- Life insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded.
- Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

#### 4.2 Expense recognition

a) Interest expense

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

b) Commission and expenses charged on hire-purchase/financial lease

For hire-purchase/financial lease contracts originating on or after 1 January 2007, initial direct expenses at the inception of a hire-purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire-purchases/financial leases is presented net of commission expenses and initial direct costs at the inception of the contracts.

### 4.3 Unearned premium/life insurance premium reserve

Unearned premium reserve of a subsidiary company is set aside in compliance with the Notification of the Ministry of Commerce regarding the appropriation of unearned premium reserve as follows:

Fire, marine (hull), motors and miscellaneous (except for traveling accident with coverage of not more than 6 months)	- Monthly average basis (the one-twenty fourth basis)
Marine and transportation (cargo)	- Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	- Net premium written for the last thirty days

Life insurance premium reserve represents the accumulated total reserve for liability from the effective date up to the balance sheet date, for all life insurance policies in force. The reserve is calculated by the subsidiary company under the actuarial method prescribed by the Regulation on Life Insurance Policy Reserve as promulgated by the Ministry of Commerce.

- a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.
- b) Reserve for life insurance policies of 1 year or less is determined based on the full unearned premium reserve and the period of coverage.

### 4.4 Investments

Investments in securities held for trading are determined at fair value. The Company and its subsidiaries recognise changes in the value of such securities as income (losses) in the income statements.

Investments in available-for-sale securities, both held for short-term and long-term investments, are determined at fair value. The Company and its subsidiaries recognise changes in the value of the securities as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method, which the amortisation amount is presented as an adjustment to the interest income.

Investments in non-marketable equity securities which are classified as other investments are valued at cost net of allowance for impairment (if any).

The Company and its subsidiaries do not treat the investments in mutual fund as being investments in subsidiary or associated companies because the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds are under the supervision of the Securities and Exchange Commission.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Market Association adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

The Company and its subsidiaries recognise loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and other investments in the income statement.

The weighted average method is used for computation of the cost of investment.

In the event of the transfer of investment portfolio, the Company and its subsidiaries value such investments at their fair values prevailing at the transfer date. Differences between the carrying amounts of the investments and their fair values at that date are recorded as gains (losses) in the income statement or presented as surplus (deficit) from revaluation of investments, which is presented as a separate item in shareholders' equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investments which is reclassified.

#### **4.5 Investments in receivables purchased and allowance for impairment**

Investments in receivables purchased, which are classified as other investments, are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense in the income statement.

In case that the receivables purchased enter into troubled debt restructuring agreements, they are transferred to loans and presented at fair value. The fair value is based on the outstanding balance of investments in receivables purchased as at the transfer date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is determined based on the fair value, with reference to the collateral value.

#### **4.6 Investments in subsidiary and associated companies**

Investments in subsidiaries, jointly controlled entities and associated companies in the separate financial statements are accounted for under the cost method net of allowance for impairment (if any). Loss on impairment is recognised as expenses in the income statement.

Investments in associated company in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the income from the operations of associated company in proportion to the investment.

#### **4.7 Securities purchased under resale agreements**

##### 2008

The subsidiary company entered into agreements with a private company to purchase securities, whereby there is an agreement to resell the securities at certain dates and at a fixed price. Amounts paid for securities purchased are presented as assets under the caption of “Interbank and money market items” or “Loan”, depending on the counter party and the underlying securities are treated as collateral to such receivables.



2007

The subsidiary company entered into agreements to purchase securities, whereby there is a condition to resell at certain dates and at a fixed price. Amounts paid for securities purchased subject to resale commitment are presented as assets under the caption of "Securities purchased under resale agreements" in the balance sheets and the underlying securities are treated as collateral to such receivables.

#### **4.8 Receivables from/payable to Clearing House**

Receivables from/payable to Clearing House comprises the net balance receivable from/payable to Thailand Securities Depository in respect of securities trades settled through the Clearing House of Thailand Securities Depository and the net receivable from/payable to Derivatives Clearing House. These also include amounts pledged with Derivatives Clearing House as security for derivatives trading.

#### **4.9 Loans**

Loans are presented at the principal amounts, excluding accrued interest receivable, except for overdrafts which are presented at the principal amount plus accrued interest receivable. Unrecognised deferred income/discounts on loans are deducted from the loan balances.

Hire-purchase and finance lease receivables are stated at the contract value of the hire-purchase and finance lease receivables net of unearned income, which is presented after netting commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables. Securities business receivable comprise the net receivable balances of cash accounts and credit balance accounts (for which the securities purchased are used as collateral) as well as other receivables, such as overdue amounts in cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments.

#### 4.10 Allowance for doubtful accounts

- a) The Company and its subsidiaries provide allowance for doubtful accounts in accordance with the Notifications of the BOT and adjust 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. Increase (decrease) in an allowance for doubtful accounts is recognised as expenses during the year.

The Company and its subsidiaries set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) after net of collateral value, as required by the BOT's guidelines. Collateral values included vehicles under hire purchase/financial lease contracts. For non-performing loans, the Company and the subsidiaries provide provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline.

- b) A securities subsidiary has provided an allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collaterals. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the Notifications of the SEC.
- c) Leasing and hire-purchase receivables of subsidiaries have provided allowance for doubtful accounts at a percentage of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under BOT's guidelines). Allowance for doubtful accounts is set for normal and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances after deducting collateral, and at 100% of the balance of non-performing loans without deducting collateral.
- d) Allowance for doubtful accounts of other receivables is based on the amount of debts that may not be collectible, determined from a review of the current status of the receivables as at the balance sheet date.

- e) The Company and its subsidiaries write off debtors when the relevant criteria under tax law are met. A subsidiary company engaged in commercial bank business writes off hire-purchase receivables when full allowance for doubtful accounts has been made for such receivables.
- f) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

#### **4.11 Troubled debt restructuring**

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash flows, discounted by the market minimum loan rate for credit to large customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense in the income statements in the restructuring period. Such allowance is reviewed based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income for the year, as the case may be. In case of the assets transferred with the conditions that the debtor must repurchase or has the option to repurchase the assets at prices within a period specified in the agreement, the Company and its subsidiaries record such assets at the lower of their fair value or book value.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised in the income statement when incurred.

#### **4.12 Recognition and amortisation of customers' assets**

Assets which customers have placed with a subsidiary company for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading are recorded as assets and liabilities of a subsidiary company for internal control purpose, and at the balance sheet date a subsidiary company writes off those amounts which there are no guarantee obligations for both assets and liabilities, and presents only those assets which belong to a subsidiary company.

#### **4.13 Property foreclosed**

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value less estimated selling expenses, providing this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses.

Gains on disposal of property foreclosed are recognised in the income statement on disposal date, unless the purchase is made with a loan from the Company or its subsidiaries. In such cases, gains are recognised in accordance with the BOT's guideline. Losses on disposal and impairment are recognised as expenses in the income statement.

#### **4.14 Property, premises and equipment and depreciation**

- a) Land and assets in progress are stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20	years
Building improvements	-	5 - 10	years
Furniture, fixtures and equipment	-	5 - 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

#### **4.15 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

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

The intangible assets with finite useful lives have useful lives of approximately 5 - 10 years.

#### **4.16 Goodwill**

Since 1 January 2008, goodwill has been initially measured at cost, which is the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets, liabilities and contingent liabilities is higher than the acquisition cost, the difference is recognised directly in the income statement. Goodwill is carried at cost less any accumulated impairment losses, and is tested for impairment annually and when circumstances indicate that the carrying value may be impaired (before 1 January 2008, goodwill was the excess of the cost of the business combination over the net book value of the acquired company and was stated at cost less accumulated amortisation, with the amortised amount being recognised as expenses in the income statements over 5 - 10 years, by the straight - line basis).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.17 Long-term leases**

Leases that transfer substantially all the risks and rewards of ownership to the Company and its subsidiaries are classified as financial lease. Financial leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to the income statement over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. The Company and its subsidiaries record advance payments made under operating leases as leasehold rights, and amortise them as expenses in the income statement over the term of the leases on the straight-line basis.

#### **4.18 Premium due and uncollected and allowance for doubtful accounts**

Premium due and uncollected is stated at its net realisable value. Subsidiaries provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the balance sheet date.

#### **4.19 Sales of commercial paper**

Commercial paper with an aval by a subsidiary company, or without an aval or acceptance which is sold with recourse, is recorded as a liability under the caption of "Liabilities under commercial paper sold". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

#### **4.20 Loss reserve and outstanding claims/Benefits payment to life policy**

Loss reserves are taken up in the accounts when the subsidiary company receives claims advices from the insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary company on a case by case basis. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, a subsidiary company engaged in the non-life insurance business, additionally set up provision for losses incurred but not yet reported (IBNR) at the rate of 2.5 percent of net cash inflows from insurance premiums during the previous 12 months. Such reserve is set up in accordance with the Notification of the Ministry of Commerce governing the appropriation of loss reserves of non-life insurance companies.

Benefits paid under life policy are provided for upon receipt of the claims advices from the insured or in accordance with the conditions of the policy.

#### **4.21 Related party transactions**

Related parties comprise enterprises and individuals that control or are controlled by the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies and individuals which have significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company and its subsidiaries' operations.

#### **4.22 Impairment of assets**

The Company and its subsidiaries assess at each balance sheet date whether there are indications that an asset may be impaired. If any such indication exists or when annual impairment testing of an asset is required, the Company and its subsidiaries recognise impairment of loss when the asset's recoverable amount is less than the carrying amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An asset's fair value less costs to sell reflects the amount that could be obtained from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company and its subsidiaries recognise impairment loss in the income statement.

At the reporting date, for assets other than goodwill, an assessment is made whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and its subsidiaries estimate the asset's recoverable amount and impairment loss recognised in prior periods for assets other than goodwill is reversed.

#### **4.23 Employee benefits**

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

#### **4.24 Foreign currencies**

Foreign currency transactions occurring during the year have been translated into Baht at the rates ruling at the transaction dates. Assets and liabilities in foreign currencies and off-balance sheets transactions, which were outstanding on the balance sheet date, are translated into Baht at the rates ruling at the balance sheet date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

#### **4.25 Provisions**

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

#### **4.26 Income tax**

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

#### **4.27 Financial derivatives**

The Company and its subsidiaries have entered into off-balance sheet transactions involving derivative financial instruments in order to manage foreign exchange and interest rate risk and in response to customer needs.

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance sheet items, and presented at fair value. Gains or losses arising from changes in the fair value of the contracts are recognised in the income statement.



Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts which are originated not for trading purposes are recorded as off-balance sheet items, and presented on an accrual basis. Foreign currency components are translated at the year-end exchange rate, in the same manner as the hedged items, with unrealised gains or losses on translation recognised in the income statement. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets and liabilities, with gains or losses recorded to income and expense over the terms of the contracts. Receivables and payables under cross currency and interest rate swap contracts are presented at the net amount in the balance sheet.

## **5. Significant accounting judgments and estimates**

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

### **5.1 Assessment of risk and rewards**

In considering the recognition and derecognition of assets or liabilities, the management is required to use judgment in assessing risk and rewards. Although management uses its best knowledge of current events and actions in making such assessments of risk and rewards, actual risks and rewards may ultimately differ.

### **5.2 Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased**

Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased are intended to adjust the value of loans and receivables for probable credit losses. The management uses the Bank of Thailand's regulation regarding the provision of allowance for doubtful accounts, and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful accounts and allowance for impairment, and adjustments to the allowances may therefore be required in the future.

### **5.3 Fair value of financial instruments**

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

### **5.4 Allowance for impairment of investments**

The Company and its subsidiaries review an impairment of investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The management uses judgment to establish reserves for estimated losses on investments based on an evaluation of the current status of each investment transaction.

### **5.5 Allowance for impairment of property foreclosed**

The Company and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets. However, the use of different estimates and assumptions could affect the amounts of the allowance for impairment and adjustments to the allowance may therefore be required in the future.

### **5.6 Property, premises and equipment and depreciation**

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

### **5.7 Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets requires the management to make estimates of the recoverable amount to be generated by the asset using the discounted cash flows method. The estimated cash flows may differ as a result of competitive forces, or changes in revenue trends, cost structures, and the discount rate, industry circumstances or related market conditions.

## **5.8 Financial leases/Operating leases**

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased assets have been transferred to the lessee. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating lease.

## **5.9 Share of losses arising from the transfer of non-performing loans to TAMC**

In estimating the share of losses from the transfer of non-performing loans to the Thai Asset Management Corporation (“TAMC”), the Company and its subsidiaries use the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from collateral. The management use judgment in determining the assumptions as to the percentage on amount expected to be recovered from the receivable under the debt restructuring agreement, or as to collateral value. The management considers these assumptions to appropriate given the currently available information and current situation. However, the use of different estimates and assumptions could affect the losses sharing arising from the transfer of non-performing loans recorded in the accounts.

## **5.10 Life insurance premium reserve**

Life insurance premium reserve is calculated under the actuarial method, based on the current assumptions or on assumptions established at inception of the contract which reflect the best estimate at the time increased with a margin for risk and adverse deviation. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

## **5.11 Loss reserve and outstanding claims**

Part of loss reserve and outstanding claims are estimated from claims advices from insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary company, depending on the particular case. The estimated value of losses is derived from actual losses but not more than the sum insured of the related insurance policies. The other part is for losses incurred but not yet reported (IBNR) and is estimated based on statistical data and historical experience. The actual results could differ from the estimates.

## 5.12 Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The management has used judgment to assess of the results of the litigation cases, and in case where they believe that there will be no losses, they will provide no contingent liabilities at the balance sheet date. However, actual results could differ from the estimates.

## 6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institution Development Fund	3,422	35,800	39,222	2,571	-	2,571
Commercial banks	689	4,490	5,179	1,218	453	1,671
Other banks	118	50	168	107	200	307
Other financial institutions	18	320	338	42	113	155
<b>Total</b>	<b>4,247</b>	<b>40,660</b>	<b>44,907</b>	<b>3,938</b>	<b>766</b>	<b>4,704</b>
Add: Accrued interest receivable	1	40	41	1	17	18
Less: Allowance for doubtful accounts	-	(26)	(26)	(42)	-	(42)
<b>Total domestic items</b>	<b>4,248</b>	<b>40,674</b>	<b>44,922</b>	<b>3,897</b>	<b>783</b>	<b>4,680</b>
<b>Foreign</b>						
US Dollar	286	20,236	20,522	34	35,447	35,481
Euro	98	-	98	73	-	73
Others	112	-	112	74	-	74
<b>Total</b>	<b>496</b>	<b>20,236</b>	<b>20,732</b>	<b>181</b>	<b>35,447</b>	<b>35,628</b>
Add: Accrued interest receivable	-	136	136	-	157	157
Less: Allowance for doubtful accounts	-	-	-	-	(3)	(3)
<b>Total foreign items</b>	<b>496</b>	<b>20,372</b>	<b>20,868</b>	<b>181</b>	<b>35,601</b>	<b>35,782</b>
<b>Total - net</b>	<b>4,744</b>	<b>61,046</b>	<b>65,790</b>	<b>4,078</b>	<b>36,384</b>	<b>40,462</b>

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	201	3,250	3,451	236	800	1,036
Other banks	6	-	6	15	-	15
Other financial institutions	-	20	20	-	20	20
<b>Total</b>	<b>207</b>	<b>3,270</b>	<b>3,477</b>	<b>251</b>	<b>820</b>	<b>1,071</b>
Add: Accrued interest receivable	-	1	1	-	1	1
<b>Total - net</b>	<b>207</b>	<b>3,271</b>	<b>3,478</b>	<b>251</b>	<b>821</b>	<b>1,072</b>

As at 31 December 2008, deposits of Baht 300 million of a subsidiary company are deposited with a financial institution that is in the process of proposing a restructuring of its debts, plans to increase share capital and plans to enter into a rehabilitation process. The subsidiary company has set aside partial allowance for doubtful accounts of Baht 25 million for this amount.

As at 31 December 2008, a subsidiary company has deposit in foreign financial institutions amounting to Baht 20,732 million, of which Baht 20,098 million have been covered by forward exchange contracts, as presented in Note 36.1 to the financial statements (2007: Baht 35,628 million and Baht 33,140 million, respectively).

Moreover, as at 31 December 2008, the Company had deposits of Baht 3,250 million with Thanachart Bank Plc. (a subsidiary company) in the form of bill of exchange, maturing in January 2009 and bearing interest at a rate of 2.13 percent per annum (2007: Baht 800 million).

#### **7. Securities purchased under resale agreements**

As at 31 December 2007, total amount of securities purchased under resale agreements were investments in government bonds and the Bank of Thailand's bonds.

## 8. Investments

### 8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2008		2007		2008		2007	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b><u>Current investments</u></b>								
<b>Trading securities</b>								
Government and state								
enterprise securities	604	607	480	480	-	-	-	-
Private debt securities	-	-	11	11	-	-	-	-
	604	607	491	491	-	-	-	-
Add: Allowance for change in value	3		-		-		-	
	<u>607</u>		<u>491</u>		<u>-</u>		<u>-</u>	
<b>Available-for-sale securities</b>								
Government and state								
enterprise securities	4,264	4,290	2,882	2,881	-	-	-	-
Private debt securities	463	469	133	134	-	-	-	-
Domestic marketable equity securities	49	49	10	10	-	-	-	-
	4,776	4,808	3,025	3,025	-	-	-	-
Add: Allowance for change in value	32		-		-		-	
	<u>4,808</u>		<u>3,025</u>		<u>-</u>		<u>-</u>	
<b>Held-to-maturity debt securities - due within 1 year</b>								
Government and state								
enterprise securities	5,783		966		2,999		-	
Private debt securities	101		75		-		-	
Foreign debt securities	524		675		-		-	
	<u>6,408</u>		<u>1,716</u>		<u>2,999</u>		<u>-</u>	
<b>Other investments</b>								
Investments in property fund	-		65		-		-	
	<u>-</u>		<u>65</u>		<u>-</u>		<u>-</u>	
<b>Total current investments - net</b>	<u>11,823</u>		<u>5,297</u>		<u>2,999</u>		<u>-</u>	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2008		2007		2008		2007	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Long-term investments</b>								
<b>Available-for-sale securities</b>								
Government and state								
enterprise securities	618	697	486	478	-	-	-	-
Private debt securities	4,360	4,540	1,582	1,585	-	-	-	-
Domestic marketable equity								
securities	4,492	2,819	3,647	4,010	1,505	1,050	1,217	1,518
	9,470	8,056	5,715	6,073	1,505	1,050	1,217	1,518
Add (less): Allowance for change in value	(1,168)		358		(444)		301	
Less: Allowance for impairment	(246)		-		(11)		-	
	8,056		6,073		1,050		1,518	
<b>Held-to-maturity debt securities</b>								
Government and state								
enterprise securities	10,688		12,220		418		480	
Private debt securities	792		786		3,000		3,000	
Foreign debt securities	4,323		675		-		-	
	15,803		13,681		3,418		3,480	
Less: Allowance for impairment	(557)		(557)		(183)		(183)	
	15,246		13,124		3,235		3,297	
<b>Other investments</b>								
Investments in receivables								
purchased	2,318		2,278		1,227		1,283	
Investments in property fund	658		884		-		-	
Domestic non-marketable								
equity securities	329		331		230		230	
	3,305		3,493		1,457		1,513	
Less: Allowance for impairment	(449)		(421)		(179)		(172)	
	2,856		3,072		1,278		1,341	
<b>Total long-term investments - net</b>	<b>26,158</b>		<b>22,269</b>		<b>5,563</b>		<b>6,156</b>	

**8.2 Classified by due date of debt securities**

(Unit: Million Baht)

## Consolidated financial statements

	2008				2007			
	Maturity				Maturity			
	Not over		Over	Total	Not over		Over	Total
	1 year	1-5 years	5 years		1 year	1-5 years	5 years	
<b>Trading securities</b>								
Government and state enterprise securities	604	-	-	604	430	50	-	480
Private debt securities	-	-	-	-	11	-	-	11
Total	604	-	-	604	441	50	-	491
Add: Allowance for change in value	3	-	-	3	-	-	-	-
Total	607	-	-	607	441	50	-	491
<b>Available-for-sale securities</b>								
Government and state enterprise securities	4,264	43	575	4,882	2,882	13	473	3,368
Private debt securities	463	4,060	300	4,823	133	1,582	-	1,715
Total	4,727	4,103	875	9,705	3,015	1,595	473	5,083
Add (less): Allowance for change in value	32	159	100	291	-	4	(9)	(5)
Total	4,759	4,262	975	9,996	3,015	1,599	464	5,078
<b>Held-to-maturity debt securities</b>								
Government and state enterprise securities	5,783	10,484	204	16,471	966	10,043	2,177	13,186
Private debt securities	101	273	519	893	75	167	619	861
Foreign debt securities	524	4,323	-	4,847	675	675	-	1,350
Total	6,408	15,080	723	22,211	1,716	10,885	2,796	15,397
Less: Allowance for impairment	-	(557)	-	(557)	-	(557)	-	(557)
Total	6,408	14,523	723	21,654	1,716	10,328	2,796	14,840
<b>Total debt securities</b>	<b>11,774</b>	<b>18,785</b>	<b>1,698</b>	<b>32,257</b>	<b>5,172</b>	<b>11,977</b>	<b>3,260</b>	<b>20,409</b>

(Unit: Million Baht)

## Separate financial statements

	2008				2007			
	Maturity				Maturity			
	Not over		Over	Total	Not over		Over	Total
	1 year	1-5 years	5 years		1 year	1-5 years	5 years	
<b>Held-to-maturity debt securities</b>								
Government and state enterprise securities	2,999	418	-	3,417	-	480	-	480
Private debt securities	-	3,000	-	3,000	-	-	3,000	3,000
Total	2,999	3,418	-	6,417	-	480	3,000	3,480
Less: Allowance for impairment	-	(183)	-	(183)	-	(183)	-	(183)
<b>Total debt securities</b>	<b>2,999</b>	<b>3,235</b>	<b>-</b>	<b>6,234</b>	<b>-</b>	<b>297</b>	<b>3,000</b>	<b>3,297</b>



**8.3** As at 31 December 2008, a revaluation surplus and a revaluation deficit in the consolidated shareholders' equity, amounting to Baht 30 million and Baht 331 million, respectively, are as a result of the recategorisation of debt securities (2007: outstanding revaluation surplus amounting to Baht 36 million and outstanding revaluation deficit amounting to Baht 426 million in the consolidated financial statements).

**8.4** As at 31 December 2008, long-term investments in held-to-maturity debt securities include Baht 1,169 million of non-transferable, 10-year promissory notes received from Thai Asset Management Corporation ("TAMC") as a result of the transfer of non-performing loans to TAMC (separate financial statements: Baht 418 million) (2007: Baht 1,465 million in the consolidated financial statements and Baht 480 million in the separate financial statements). However, the agreed transfer price received in the form of promissory notes could be revised up or down after TAMC reviews the prices, or assesses the collateral or adjusts the prices.

As at 31 December 2008, the Company and its subsidiaries are still unable to assess the exact amount of such losses. However, the Company and its subsidiaries have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 557 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (separate financial statements: Baht 183 million) (2007: Baht 557 million in the consolidated financial statements and Baht 183 million in the separate financial statements).

During the year ended 31 December 2008, the Company and its subsidiaries have recognised interest on TAMC's promissory notes amounting to Baht 22 million and have received payment under promissory notes and interest amounting to Baht 317 million (separate financial statements: Baht 8 million and Baht 72 million, respectively).

Moreover, the Company and its subsidiaries remain jointly liable with TAMC for their share of gains or losses arising from management of non-performing assets, as described in Note 36.2 to the financial statements.

**8.5** As at 31 December 2008 and 2007, the Company has investments of Baht 3,000 million in 7-year subordinated debentures issued by Thanachart Bank Plc. (a subsidiary company) maturing on 8 December 2013 and bearing interest at a rate of 6.18 percent per annum.

**8.6** As at 31 December 2008, investments in government and state enterprise bonds in the consolidated financial statements amounting to Baht 1,257 million, at amortised cost, have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2007: Baht 949 million).

**8.7** As at 31 December 2008, all foreign debt securities of a subsidiary company, amounting to Baht 4,847 million, have been hedged through cross currency interest rate swap contracts, an investments in private debt securities of the subsidiary companies amounting to Baht 800 million have been hedged through interest rate swap contracts. All of these contracts are presented in Note 36.1 to the financial statements (2007: all investments in foreign debt securities amounting to Baht 1,350 million of a subsidiary company have been hedged through cross currency interest rate swap contracts).

**8.8** As at 31 December 2008 and 2007, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investees are as follow:

Name	Nature of business	Consolidated financial statements			
		2008		2007	
		Net book value Million Baht	Percentage of holding Percent	Net book value Million Baht	Percentage of holding Percent
<b><u>Manufacturing and commercial industries</u></b>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	376	19.60	335	19.59
<b><u>Real estate and construction</u></b>					
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10
Preecha Group Plc.	Property development	15	9.91	26	10.00
<b><u>Others</u></b>					
The Thai Business Fund 3 <sup>(1)</sup>	Mutual fund invests in property	340	26.67	423	26.67
Sub Thawee Property Fund <sup>(1)</sup>	Mutual fund invests in property	156	56.00	196	56.00
Thai Pattana Fund 1 <sup>(1)</sup>	Mutual fund invests in property	-	-	184	20.00
Thanasarn Open-Ended Fund <sup>(1)</sup>	Mutual fund invests in debt securities	267	28.99	268	29.14
Thanachart Tuntawee 1 <sup>(1)</sup>	Mutual fund invests in equity and debt securities	-	-	200	21.94
Nasset Long Term Equity Dividend Fund	Mutual fund invests in equity securities	20	7.28	42	12.26
Thanachart Infrastructure and Natural Resource Fund of Fund	Mutual fund invests in foreign equity securities	-	-	123	11.26
1 A.M. Global Emerging Market Equity Fund	Mutual fund invests in foreign equity securities	-	-	52	15.93
Tri Ra Sombat Open End Fund <sup>(1)</sup>	Mutual fund invests in debt securities	40	5.09	31	23.55
The Krung Thai Dividend Fixed-Income Fund	Mutual fund invests in debt securities	-	-	130	14.81
Thanachart Premium Brand Fund	Mutual fund invests in foreign equity securities	-	-	114	18.96
Thanachart VALUexU.S. Fund	Mutual fund invests in foreign equity securities	-	-	172	13.37
Saturn Inc.	Joint venture	-	12.49	-	12.49

*(1) The Company and its subsidiaries do not consider the investments in the mutual funds as being investments in subsidiaries or associated company as the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds are under the supervision of the Securities and Exchange Commission. Therefore, the Company and its subsidiaries account for their investment in these mutual funds as long-term available-for-sale or other investments which depend on the investment objectives.*

Name	Nature of business	Separate financial statements			
		2008		2007	
		Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	Percent	Million Baht	Percent
<b><u>Manufacturing and commercial industries</u></b>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	188	9.79	167	9.79
<b><u>Real estate and construction</u></b>					
HTR Corporation Limited	Office building and property development	20	10.00	20	10.00
Preecha Group Plc.	Property development	15	9.91	26	10.00
<b><u>Others</u></b>					
Nasset Long Term Equity Dividend Fund	Mutual fund invests in equity securities	20	7.28	35	10.22

### 8.9 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 31 December 2008 and 2007 can be summarised as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Investments in receivables	2,318	2,278	1,227	1,283
Less: Allowance for impairment	(322)	(301)	(81)	(74)
Investments in receivables - net	1,996	1,977	1,146	1,209

	2008				2007			
	Number of debtors	Balance per agreement	Purchase price	Yield	Number of debtors	Balance per agreement	Purchase price	Yield
		Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent
<b><u>Consolidated financial statements</u></b>								
Total accumulated investments in receivables	1,662	33,559	7,793	6.50 - 18.97	1,653	33,265	7,621	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	933	14,868	2,318		966	14,797	2,278	
<b><u>Separate financial statements</u></b>								
Total accumulated investments in receivables	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in receivables as at the balance sheet date	495	6,983	1,227		522	7,073	1,283	

During the year ended 31 December 2008, a subsidiary company purchased additional investments in receivable of Baht 172 million. Moreover, the Company and its subsidiaries have restructured investments in receivable purchased, by means of various types of restructuring, as summarised below.

Type of restructuring	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		
<b><u>Consolidated financial statements</u></b>					
Modification of terms	16	3	3		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	17	3	3		
<b><u>Separate financial statements</u></b>					
Modification of terms	5	1	1		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	6	1	1		

The remaining years to maturity of the restructured debts of the Company and its subsidiaries, counting from the balance sheet date are as follow:

Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Due within 2008	16	3	6	1
Less than 5 years	1	-	-	-
Total	17	3	6	1

Restructured investments in receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 31 December 2008, there were no outstanding restructured receivables in the investments in receivables account.

**8.10** As at 31 December 2008 and 2007, investments in securities of the Company and its subsidiaries, include investments in securities of companies with weak financial positions and poor operating results, are summarised as below.

Consolidated financial statements								
Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts		
2008	2007	2008	2007	2008	2007	2008	2007	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<b><u>Equity securities - common shares</u></b>								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
2. Companies which auditors' reports cited going concern issues	13	14	134	134	36	36	98	98
3. Financial institutions that are in the process of proposing plans in order to enter the rehabilitation process	1	-	8	-	-	-	8	-
<b><u>Investments in receivables purchased</u></b>								
1. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	3	-	-	3	3
2. Companies which have loan settlement problems or have defaulted the repayment of debts	351	356	1,672	1,622	2,481	2,593	207	203

Separate financial statements								
Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts		
2008	2007	2008	2007	2008	2007	2008	2007	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<b><u>Equity securities - common shares</u></b>								
1. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
2. Companies which auditors' reports cited going concern issues	5	5	113	113	35	35	77	77
<b><u>Investments in receivables purchased</u></b>								
1. Companies which have loan settlement problems or have defaulted the repayment of	161	165	907	948	1,401	1,502	36	39

debts

## 9. Investments in subsidiaries

9.1 As at 31 December 2008 and 2007, investments in subsidiaries in the separate financial statements which are recorded under the cost method comprise of investments in ordinary shares of the following subsidiaries:

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements						Dividend income for the year ended	
		Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		31 December	
		2008	2007	2008	2007	2008	2007	2008	2007
Thanachart Bank Plc.	Commercial bank	17,346	17,346	74.93	74.92	14,409	14,406	559	215
NFS Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	83.44	58.45	576	334	-	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	900	900	99.80	99.80	898	898	-	-
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
Pasara Co., Ltd.	Ceased operation	-	30	-	100.00	-	181	-	-
Bangkok Home Co., Ltd.	Ceased operation	-	15	-	99.87	-	46	-	-
Sinkahakarn Co., Ltd.	Ceased operation	-	25	-	95.12	-	20	-	-
						16,919	16,921	559	215
						(16)	(81)		
						16,903	16,840		

Less: Allowance for impairment

Investments in subsidiaries - net

9.2 The consolidated balance sheet as at 31 December 2008 and the consolidated income statement for the year then ended included assets of Thanachart Life Assurance Co., Ltd., a subsidiary company of Thanachart Bank Plc., amounting to Baht 7,148 million, income of Baht 4,967 million and net income of Baht 501 million (2007: assets of Baht 5,665 million and income of Baht 3,473 million and net income of Baht 239 million). The auditor of the subsidiary company issued a qualified report on the financial statements of that company for the year ended 31 December 2007 with respect to the effect of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. Such issue has continued to have an effect in the current year. However, the Company's management believes that there is no material impact to the consolidated financial statements.

**9.3** The consolidated balance sheet as at 31 December 2008 included Baht 6 million of assets, Baht 0.2 million of liabilities and 0.1 million of net loss of Thiravanit Co., Ltd. which registered its dissolution and is currently in the liquidation process. The financial statement of this subsidiary was prepared by its management and was not audited by its auditor.

During the year ended 31 December 2008, the Company received the refund of capital amounting to Baht 210 million from 3 subsidiaries, comprising with Pasara Co., Ltd., Bangkok Home Co., Ltd. and Sinkahakarn Co., Ltd.. The gain on the capital refund, totaling Baht 27 million (after reversing allowance for impairment of Baht 65 million), has been eliminated in the consolidated financial statements.

**9.4** In November 2008, the Company purchased 14,294,280 shares of Max Asset Management Co., Ltd. from a shareholder for Baht 242 million. As a result, the Company's shareholding is 83.44 percent.

**9.5 Cash flows information of asset management companies which are subsidiaries**

Cash flows information of asset management companies which are subsidiaries for the year ended 31 December 2008 and 2007 are as follows:

	(Unit: Million Baht)			
	NFS Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Net income before corporate income tax	366	194	212	206
Adjustments to reconcile net income to net cash provided by (paid for) operating activities				
Interest income on operating activities	(122)	(137)	(26)	(72)
Interest expense	166	327	18	45
Gain on assets transferred from receivables	(14)	(40)	(48)	(51)
Loss on impairment of investments in receivables (reversal)	12	(1)	(1)	(21)
Loss on transfer of receivables to TAMC	5	-	-	-
Gain on disposal of investments	-	(12)	-	(7)
Reversal of diminution of property foreclosed	(13)	(25)	(5)	(5)
Reversal of allowance for impairment of investments	-	33	-	-
Bad debts and doubtful accounts (reversal)	(217)	80	(10)	(9)
Others	(22)	(73)	-	2
Income from operating activities before changes in operating assets and liabilities	161	346	140	88

(Unit: Million Baht)

	NFS Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2008	2007	2008	2007
Operating assets (increase) decrease				
Current investments	(645)	2,760	-	-
Investments in receivables	(158)	(88)	55	87
Loans	652	669	18	69
Property foreclosed	204	457	95	92
Other assets	11	(32)	18	(27)
Operating liabilities increase (decrease)				
Other liabilities	53	(200)	(32)	(51)
Cash flow from operating activities	278	3,912	294	258
Cash received for interest income on operating activities	112	122	25	71
Cash paid for corporate income tax	(82)	(88)	(104)	(142)
<b>Net cash flows from operating activities</b>	<b>308</b>	<b>3,946</b>	<b>215</b>	<b>187</b>
<b>Cash flows from investing activities</b>				
Proceeds from sales of long-term investments	229	292	-	11
Cash received from interest income	16	23	-	-
Cash paid for equipments	(3)	-	(1)	-
Cash received from disposal of fixed assets	1	-	-	-
<b>Net cash flows from (used in) investing activities</b>	<b>243</b>	<b>315</b>	<b>(1)</b>	<b>11</b>
<b>Cash flows from financing activities</b>				
Cash paid for borrowings	(429)	(3,957)	(269)	(160)
Cash paid for interest expenses	(166)	(327)	(30)	(52)
<b>Net cash flows used in financing activities</b>	<b>(595)</b>	<b>(4,284)</b>	<b>(299)</b>	<b>(212)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(44)</b>	<b>(23)</b>	<b>(85)</b>	<b>(14)</b>
Cash and cash equivalents at beginning of the year	75	98	322	336
<b>Cash and cash equivalents at end of the year</b>	<b>31</b>	<b>75</b>	<b>237</b>	<b>322</b>

## 10. Investments in an associated company

**10.1** As at 31 December 2008 and 2007, the Company and its subsidiaries have investments in ordinary shares of MBK Public Company Limited which is registered under Thai laws and engages in property rental, hotel and services. Information of the associated company is as follow:



(Unit: Million Baht)

Company's name	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income		Share of income	
					Cost method		Equity method		for the years ended		for the years ended	
							31 December		31 December			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007		
<b>Consolidated financial statements</b>												
MBK Plc.	1,886	1,886	18.06	18.06	992	992	1,404	1,308	157	147	335	271
<b>Separate financial statements</b>												
<b>in which the cost method is applied</b>												
MBK Plc.	1,886	1,886	10.00	10.00	658	658			75	59		

The Company and its subsidiaries classify investments in ordinary shares of MBK Public Company Limited as investments in associated company. Even though the Company and its subsidiaries hold 18.06 percent of the paid-up share capital (determined under the effective rates), that is because the Company and its subsidiaries have significant influence over that associated company.

## 10.2 Summarised financial information of associated company

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Net income	
	as at 30 September		as at 30 September		as at 30 September		for the years ended		for the years ended	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
MBK Plc.	1,886	1,886	22,846	19,027	12,173	8,951	6,410	5,868	1,424	1,408

The share of income is determined based on financial statements of that associated company prepared for a different period, as a result of a limitation on the availability of information. The financial information used was that as at 30 September 2008 and 2007 and for the year then ended, prepared by the Company's management, with reference to the financial statements as reviewed by its auditor and adjusted for the effect of the differences in accounting policy. The Company's management believes that income for the year ended 30 September 2008 is not materially different from that income for the year ended 31 December 2008.

**10.3** As at 31 December 2008, the fair values of the investment in MBK Plc. which is a listed in the Stock Exchange of Thailand, on a portion held by the Company and its subsidiaries is Baht 1,938 million (separate financial statements: Baht 933 million).

## 11. Loans and accrued interest receivable

### 11.1 Classified by loan types

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<u>Loans</u>				
Overdrafts	2,511	1,468	-	-
Loans	43,691	35,026	235	509
Notes receivable	17,636	8,549	394	1,216
Hire-purchases receivables	211,828	191,025	7,999	23,069
Financial leases receivables	1,888	1,239	-	-
Total loans	277,554	237,307	8,628	24,794
Add: Accrued interest receivable	324	252	-	14
Less: Allowance for doubtful accounts	(9,623)	(8,066)	(1,302)	(1,652)
Less: Revaluation allowance for debt restructuring	(87)	(84)	-	-
Loans and accrued interest receivable - net	268,168	229,409	7,326	23,156
<u>Securities business receivables</u>				
Customers' accounts	884	770	-	-
Credit balances in receivables	598	853	-	-
Other receivables	414	307	-	-
Total securities business receivables	1,896	1,930	-	-
Add: Accrued interest receivable	-	1	-	-
Less: Allowance for doubtful accounts	(298)	(306)	-	-
Securities business receivables and accrued interest receivable - net	1,598	1,625	-	-
Loans and accrued interest receivable - net	269,766	231,034	7,326	23,156

## 11.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
At call *	8,798	7,215	1,139	1,808
Not over 1 year	31,041	17,164	7,448	4,331
Over 1 year	240,144	215,366	41	18,669
Total loans and accrued interest receivable	279,983	239,745	8,628	24,808
Less: Intercompany profits from loans transferred	(209)	(255)	-	-
Total loans and accrued interest receivable	279,774	239,490	8,628	24,808

\* Includes expired contracts

## 11.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Baht				
- Domestic	278,704	239,016	8,628	24,808
- Foreign	256	330	-	-
US Dollar Currency - Domestic	955	399	-	-
Other Currency - Domestic	68	-	-	-
Total loans and accrued interest receivable	279,983	239,745	8,628	24,808
Less: Intercompany profits from loans transferred	(209)	(255)	-	-
Total loans and accrued interest receivable	279,774	239,490	8,628	24,808

## 11.4 Classified by type of business and loans classification

(Unit: Million Baht)

Consolidated financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,146	-	-	9	32	1,187
Manufacturing and commercial	11,439	653	25	372	915	13,404
Real estate and construction	13,405	429	318	25	1,419	15,596
Public utilities and services	12,020	1,240	312	14	243	13,829
Personal consuming						
Housing loans	6,473	563	93	130	465	7,724
Securities	1,597	-	4	296	-	1,897
Hire-purchase	183,872	22,826	1,155	961	3,014	211,828
Others	6,510	718	318	285	725	8,556
Others	4,750	13	1	-	1,198	5,962
Total loans and accrued interest receivable	<u>241,212</u>	<u>26,442</u>	<u>2,226</u>	<u>2,092</u>	<u>8,011</u>	279,983
Less: Intercompany profits from loans transferred						(209)
Total loans and accrued interest receivable						<u>279,774</u>

(Unit: Million Baht)

Consolidated financial statements						
2007						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,289	5	4	-	33	1,331
Manufacturing and commercial	6,448	99	50	464	656	7,717
Real estate and construction	5,258	77	106	257	1,560	7,258
Public utilities and services	7,873	111	902	3	240	9,129
Personal consuming						
Housing loans	6,896	562	122	128	435	8,143
Securities	1,623	-	7	-	301	1,931
Hire-purchase	165,674	21,552	1,055	717	2,027	191,025
Others	6,833	685	348	281	372	8,519
Others	3,404	75	9	428	776	4,692
Total loans and accrued interest receivable	<u>205,298</u>	<u>23,166</u>	<u>2,603</u>	<u>2,278</u>	<u>6,400</u>	239,745
Less: Intercompany profits from loans transferred						(255)
Total loans and accrued interest receivable						<u>239,490</u>

(Unit: Million Baht)

Separate financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	386	-	-	-	-	386
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	2	2
Personal consuming						
Housing loans	3	4	2	14	15	38
Hire-purchase	6,107	885	98	66	843	7,999
Others	3	8	69	3	118	201
Total loans and accrued interest receivable	6,499	897	169	83	980	8,628

(Unit: Million Baht)

Separate financial statements						
2007						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	1,446	-	-	-	-	1,446
Manufacturing and commercial	1	-	-	-	4	5
Public utilities and services	-	-	1	-	2	3
Personal consuming						
Housing loans	12	2	2	1	30	47
Hire-purchase	18,731	3,027	180	163	968	23,069
Others	17	10	91	17	103	238
Total loans and accrued interest receivable	20,207	3,039	274	181	1,107	24,808

### 11.5 Non-performing loans

As at 31 December 2008 and 2007, the Company and its financial institution subsidiaries (banking, asset management and securities business) have non-performing loans, classified in accordance with the BOT's and SEC's regulations (debtors classified as substandard, doubtful, doubtful of loss and loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Non-performing loans (excluding accrued interest receivable)				
The Company	1,232	1,562	1,232	1,562
Banking business	7,167	5,213	-	-
Asset management business	3,176	3,947	-	-
Securities business	299	307	-	-

The above non-performing loans do not include loans which have already restructured and are now qualified for classification as normal debts or special mentioned debts.

Additionally, the Company and its financial institutions subsidiaries (banking and securities business) have the following loans for which income recognition under an accrual basis has been discontinued:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
The Company	1,198	1,665	1,198	1,665
Banking business	7,251	4,927	-	-
Securities business	299	307	-	-

For subsidiaries engaged in the asset management business, income from loans is recognised under a cash basis.

## 11.6 Unearned income

As at 31 December 2008 and 2007, unearned income is summarised as follows:

(Unit: Million Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2008	2007	2008	2007
Unearned interest income	75	86	-	-
Unearned income from hire-purchase/ financial lease	31,446	28,650	352	1,378

## 11.7 Hire-purchases/Financial leases receivables

As at 31 December 2008, the Company and its subsidiaries have net receivables under hire-purchases and financial leases agreements amounting to Baht 207,928 million. Most of the hire-purchase/financial leases agreements were made for car and motorcycle and they generally have terms of between 3 and 6 years, with interest charged at a fixed rate (separate financial statements: Baht 6,972 million).

(Unit: Million Baht)

	Consolidated financial statements			
	2008			
	Amount due under lease agreement			
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	83,204	156,810	5,148	245,162
Unearned financial income	(13,754)	(17,513)	(179)	(31,446)
Present value of minimum lease payments receivable	69,450	139,297	4,969	213,716
Allowance for doubtful accounts				5,788

\* Includes non-performing loans

(Unit: Million Baht)

	Consolidated financial statements			
	2007			
	Amount due under lease agreement			
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	75,062	141,907	3,945	220,914
Unearned financial income	(12,489)	(16,028)	(133)	(28,650)
Present value of minimum lease payments receivable	62,573	125,879	3,812	192,264
Allowance for doubtful accounts				4,313

\* Includes non-performing loans

(Unit: Million Baht)

	Separate financial statements			
	2008			
	Amount due under lease agreement			
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	6,969	1,382	-	8,351
Unearned financial income	(319)	(33)	-	(352)
Present value of minimum lease payments receivable	6,650	1,349	-	7,999
Allowance for doubtful accounts				1,027

\* Includes non-performing loans

(Unit: Million Baht)

	Separate financial statements			
	2007			
	Amount due under lease agreement			
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	16,082	8,365	-	24,447
Unearned financial income	(1,050)	(328)	-	(1,378)
Present value of minimum lease payments receivable	15,032	8,037	-	23,069
Allowance for doubtful accounts				1,359

\* Includes non-performing loans

## 11.8 Troubled debt restructuring

During the year ended 31 December 2008, the Company and its subsidiaries entered into debt restructuring agreements with loans. The details are as followed.

Type of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Value of
		balance before restructuring <sup>(1)</sup>	balance after restructuring <sup>(1)</sup>		assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<b>Consolidated financial statements</b>					
Transfer of assets	1	1	1	Land	4
Modification of terms	347	1,028	1,024		
Transfer of assets and/or equity securities and/or modification of terms	15	23	23	Land and premises thereon	33
Total	363	1,052	1,048		
<b>Separate financial statements</b>					
Modification of terms	53	16	16		
Transfer of assets and/or equity securities and/or modification of terms	3	7	7	Land and premises thereon	13
Total	56	23	23		

(1) Outstanding balance includes both principal and interest receivable



The remaining period to maturity of the restructured receivables of the Company and its subsidiaries, counting from the balance sheet date are as follow:

Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Defaulted after debt restructuring	128	513	16	14
Due within 2008	147	290	22	8
Less than 5 years	59	170	17	1
5 - 10 years	14	31	1	-
10 - 15 years	4	6	-	-
More than 15 years	11	38	-	-
Total	<u>363</u>	<u>1,048</u>	<u>56</u>	<u>23</u>

Supplemental information for the current year relating to restructured receivables is as follows:

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Interest income recognised in income statements	277	7
Gain on debt repayment/disposals recognised in income statements	155	7
Gain on transfers of assets for debt repayment recognised in income statements	16	10
Loss on debt restructuring recognised in income statements	14	-
Cash proceeds from collection of debts	1,666	31
Assets transferred from debtors	57	17

As at 31 December 2008, the subsidiaries have an outstanding balance of assets that are to be transferred under debt restructuring agreements totaling Baht 101 million.

As at 31 December 2008, the Company and its subsidiaries have the following restructured receivables balances (principal and interest receivable), including restructured receivables who were transferred from investments in receivables:

	Total number of outstanding receivables	Restructured receivables		
		Number of receivables	Outstanding loans balance	Outstanding loans balance, net of collateral
Thanachart Capital Plc.	94,989	63	138	37
Thanachart Bank Plc.	707,430	381	2,645	883
NFS Asset Management Co., Ltd.	6,692	276	1,545	444
Thanachart Securities Plc.	1,579	8	134	134
Max Asset Management Co., Ltd.	73	73	348	73
NASSET Property Fund 6	30	30	36	-

**11.9** As at 31 December 2008 and 2007, the Company has the following loans to the subsidiary companies:

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
		as at	as at	2008	2007
		31 December 2008	31 December 2008	Million Baht	Million Baht
Max Asset Management Co., Ltd.	Long-term loan	5 years (maturing August 2010)	Fixed at 11.51% per annum	-	224
National Leasing Co., Ltd.	Promissory note	At call	Fixed at 5.25% per annum	112	259
Thanachart Group Leasing Co., Ltd.	Promissory note	At call	Fixed at 5.25% per annum	-	846
NFS Asset Management Co., Ltd.	Promissory note	At call	The Company's cost of funds	264	93
Thanachart Legal and Appraisal Co., Ltd.	Promissory note	At call	Floating rate of 1 year fixed deposit plus fix rate per annum	10	10
Total				386	1,432

## 11.10 Classification of loans under the Bank of Thailand's guidelines

As at 31 December 2008 and 2007, the Company and its financial institution subsidiaries (banking and asset management business) classified and made allowances against their loans (including loans to financial institutions which are presented as part of interbank and money market items) in accordance with the BOT's guidelines as summarise below.

(Unit: Million Baht)

	Consolidated financial statements <sup>(1)</sup>						
	Debt balance/ book value		Debt balance after collateral <sup>(3)</sup>		Minimum percentage	Allowance for doubtful accounts	
	2008	2007	2008	2007		2008	2007
<b>Loans and accrued interest</b>							
<b>receivable (including interbank and money</b>							
<b>market items) <sup>(2)</sup></b>							
Normal <sup>(4)</sup>	274,523	199,066	64,078	45,023	1	912	528
Special mention	25,107	22,100	9,253	7,053	2	185	141
Substandard	2,093	2,492	1,436	1,333	100	1,475	1,685
Doubtful	1,719	2,244	1,230	1,085	100	1,230	1,085
Doubtful of loss	7,828	6,047	5,065	3,786	100	5,118	3,870
Total	311,270	231,949	81,062	58,280		8,920	7,309
Additional allowance for possible uncollectible debts	-	-	-	-		270	523
	311,270	231,949	81,062	58,280		9,190	7,832
Less: Revaluation allowance for debt restructuring	(87)	(84)					
Intercompany gain	(209)	(255)					
<b>Total loans and accrued interest receivable</b>	<b>310,974</b>	<b>231,610</b>					

(1) Only the Company and those subsidiaries under control of the BOT.

(2) Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(3) The debt balance after collateral for substandard, doubtful and doubtful of loss loans is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

(4) As at 31 December 2008, debt balance/book value, debt balance after collateral and allowance for doubtful accounts of normal loans in the above table are presented after eliminated transactions amounting to Baht 13,004 million, Baht 13,004 million and Baht 130 million, respectively (2007: Baht 22,476 million, Baht 22,476 million and Baht 225 million, respectively).

(Unit: Million Baht)

	Separate financial statements						
	Debt balance/ book value		Debt balance after collateral <sup>(2)</sup>		Minimum percentage	Allowance for doubtful accounts	
	2008	2007	2008	2007		2008	2007
<b><u>Loans and accrued interest receivable</u></b>							
<b><u>(including interbank and money</u></b>							
<b><u>market items) <sup>(1)</sup></u></b>							
Normal	6,519	20,213	1,740	4,407	1	17	44
Special mention	897	3,039	346	904	2	7	18
Substandard	169	274	109	188	100	109	188
Doubtful	83	181	73	180	100	73	180
Doubtful of loss	980	1,107	956	1,082	100	956	1,082
Total	8,648	24,814	3,224	6,761		1,162	1,512
Additional allowance for possible uncollectible debts	-	-	-	-		140	140
<b>Total loans and accrued interest receivable</b>	<b>8,648</b>	<b>24,814</b>	<b>3,224</b>	<b>6,761</b>		<b>1,302</b>	<b>1,652</b>

(1) Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(2) The debt balance after collateral for substandard, doubtful and doubtful of loss loans remained after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

## 11.11 Loans to companies which have settlement problems

As at 31 December 2008 and 2007, the Company and its subsidiaries' loans (including loans to financial institutions) in the consolidated and the separate financial statements included the following debtors with weak financial positions and operating results:

	Consolidated financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2008	2007	2008	2007	2008	2007	2008	2007
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	5	-	42	-	-	-	42
2. Listed companies vulnerable to delisting from the SET	4	4	294	294	124	116	206	194
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	13	15	858	903	809	1,533	284	269
4. Companies which have loan settlement problems or have defaulted on the repayment of debts	980	787	2,696	2,646	2,288	2,360	1,124	1,018
5. Companies whose auditors' reports cited going concern issues	2	3	51	51	-	-	51	51

  

	Separate financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2008	2007	2008	2007	2008	2007	2008	2007
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment of debts	268	320	173	193	75	89	106	118

### 11.12 Classification of securities business receivables in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2008 and 2007, a subsidiary company operating in the securities business classifies its securities business receivables and accrued interest receivable and provides related allowance for doubtful accounts in accordance with the Notification of the Office of the Securities and Exchange Commission (SEC) as follows:

(Unit: Million Baht)

	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2008	2007	2008	2007	2008	2007
	Doubtful	296	301	296	301	296
Substandard	4	7	-	-	2	5
Total	300	308	296	301	298	306

The above substandard receivables represent receivable balances with a value equivalent to these of their collaterals.

### 11.13 Hire-purchase receivables/financial lease receivables of subsidiaries separate by aging

As at 31 December 2008 and 2007, hire-purchase and financial lease receivables of three subsidiaries engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts (after eliminating intercompany transactions) as follows:

(Unit: Million Baht)

	2008	2007
Current or overdue less than 90 days	5,177	5,795
Overdue 91 – 365 days	207	137
Overdue more than 1 year	45	19
Debtors under legal actions	136	31
Total	5,565	5,982
Allowance for doubtful accounts	433	237

## 12. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2008									
The Company and its financial institution subsidiaries									
(Banking and asset management business)									
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	525	141	1,685	1,085	3,870	523	7,829	543	8,372
Add: Increase (decrease)									
during the year	387	44	(210)	145	3,057	(253)	3,170	393	3,563
Bad debt recovery	-	-	-	-	54	-	54	1	55
Less: Bad debt written-off	-	-	-	-	(1,634)	-	(1,634)	(206)	(1,840)
Reversal from the disposals	-	-	-	-	(229)	-	(229)	-	(229)
Balance - end of the year	912	185	1,475	1,230	5,118	270	9,190	731	9,921

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2007									
The Company and its financial institution subsidiaries									
(Banking and asset management business)									
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	1,555	188	953	777	3,731	486	7,690	406	8,096
Add: Increase (decrease)									
during the year	(1,030)	(47)	732	308	1,949	(13)	1,899	162	2,061
Reversal from revaluation allowance for debt restructuring	-	-	-	-	-	50	50	-	50
Bad debt recovery	-	-	-	-	8	-	8	-	8
Less: Bad debt written-off	-	-	-	-	(1,465)	-	(1,465)	(25)	(1,490)
Reversal from the disposals	-	-	-	-	(353)	-	(353)	-	(353)
Balance - end of the year	525	141	1,685	1,085	3,870	523	7,829	543	8,372

As at 31 December 2008, the allowance for debts classified as normal loans in the consolidated financial statements is presented after deducting allowance for doubtful accounts amounting to Baht 130 million for intercompany loans (2007: Baht 225 million).

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2008							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	44	18	188	180	1,082	140	1,652
Add: Decrease during the year	(27)	(11)	(79)	(107)	(13)	-	(237)
Bad debt recovery	-	-	-	-	11	-	11
Less: Bad debt written-off	-	-	-	-	(109)	-	(109)
Reversal from the disposals	-	-	-	-	(15)	-	(15)
Balance - end of the year	17	7	109	73	956	140	1,302

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2007							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	1,248	128	62	148	1,458	66	3,110
Add: Increase (decrease)							
during the year	(1,204)	(110)	126	32	230	74	(852)
Bad debt recovery	-	-	-	-	3	-	3
Less: Bad debt written-off	-	-	-	-	(256)	-	(256)
Reversal from the disposals	-	-	-	-	(353)	-	(353)
Balance - end of the year	44	18	188	180	1,082	140	1,652

### 13. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2008	2007	2008	2007
Balance - beginning of the year	84	150	-	-
Add: Increase during the year	8	-	-	-
Less: Amortised during the year	(5)	(12)	-	-
Transfer to allowance for doubtful accounts	-	(50)	-	-
Reversal from hair cut	-	(4)	-	-
Balance - end of the year	87	84	-	-



## 14. Classification of assets

As at 31 December 2008 and 2007, the quality of assets of the Company and its financial business subsidiaries classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	Loans and accrued		Property				Other assets		Total	
	interest receivable		Investments		foreclosed					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Normal	274,523	199,066	-	-	-	-	67	90	274,590	199,156
Special mention	25,107	22,100	-	-	-	-	82	95	25,189	22,195
Substandard	2,093	2,492	-	-	-	-	6	9	2,099	2,501
Doubtful	1,719	2,244	-	-	-	-	7	7	1,726	2,251
Doubtful of loss	7,828	6,047	1,547	948	906	723	242	214	10,523	7,932
<b>Total</b>	<b>311,270</b>	<b>231,949</b>	<b>1,547</b>	<b>948</b>	<b>906</b>	<b>723</b>	<b>404</b>	<b>415</b>	<b>314,127</b>	<b>234,035</b>
Less: Revaluation	(87)	(84)								
allowance for debt										
restructuring										
Intercompany gain	(209)	(255)								
from loans										
transferred										
	<b>310,974</b>	<b>231,610</b>								

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued		Property				Other assets		Total	
	interest receivable		Investments		foreclosed					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Normal	6,519	20,213	-	-	-	-	10	22	6,529	20,235
Special mention	897	3,039	-	-	-	-	14	28	911	3,067
Substandard	169	274	-	-	-	-	2	5	171	279
Doubtful	83	181	-	-	-	-	1	2	84	183
Doubtful of loss	980	1,107	933	491	519	379	126	138	2,558	2,115
<b>Total</b>	<b>8,648</b>	<b>24,814</b>	<b>933</b>	<b>491</b>	<b>519</b>	<b>379</b>	<b>153</b>	<b>195</b>	<b>10,253</b>	<b>25,879</b>

## 15. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the year ended 31 December 2008				For the year ended 31 December 2008			
	Balance -			Balance -	Balance -			Balance -
	beginning	Disposals/		end of	beginning	Disposals/		end of
	of the	Transfer	the year	of the	of the	Transfer	the year	of the
	year	Additions		year	year	Additions		year
Assets acquired from settlement of debts								
Immovable assets	5,980	86	(894)	5,172	2,747	51	(375)	2,423
Movable assets	830	6,355	(5,844)	1,341	68	207	(216)	59
Assets acquired from auction bidding on the open market								
Immovable assets	1,995	225	(262)	1,958	431	81	(34)	478
Total property foreclosed	8,805	6,666	(7,000)	8,471	3,246	339	(625)	2,960
Less: Allowance for impairment	(731)	(605)	419	(917)	(379)	(213)	73	(519)
Property foreclosed - net	<u>8,074</u>	<u>6,061</u>	<u>(6,581)</u>	<u>7,554</u>	<u>2,867</u>	<u>126</u>	<u>(552)</u>	<u>2,441</u>

As at 31 December 2008, the Company and its subsidiaries have entered into sales agreements with customers to sell property foreclosed of approximately Baht 80 million (at cost) (separate financial statements: Baht 7 million), but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiaries have not recognised any gains in these cases and the assets are still recorded as property foreclosed.

In addition, the Company and its subsidiaries have property foreclosed acquired through bidding at auction on the open market totaling approximately Baht 110 million. Those property have not been registered in the name of the Company and its subsidiaries because the debtors have filed suit petitioning for cancellation of the sale with the Legal Execution Department (separate financial statements: Baht 4 million). However, the management believes that the Company and its subsidiaries will win the lawsuit, and therefore such property foreclosed is recorded as asset of the Company and its subsidiaries and deducted against the outstanding balance receivable.

## 16. Property, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost</u>						
31 December 2007	461	389	2,494	209	27	3,580
Additions	-	2	610	23	101	736
Disposals/Transfers	-	-	(25)	(26)	(33)	(84)
31 December 2008	461	391	3,079	206	95	4,232
<u>Accumulated depreciation</u>						
31 December 2007	-	45	1,118	109	-	1,272
Disposals/Transfers	-	(1)	(34)	(23)	-	(58)
Depreciation during the year	-	22	443	31	-	496
31 December 2008	-	66	1,527	117	-	1,710
<u>Net book value</u>						
31 December 2007	461	344	1,376	100	27	2,308
31 December 2008	461	325	1,552	89	95	2,522
Depreciation charge included in the income statements						
for the year ended 31 December						
2007						374
2008						496

(Unit: Million Baht)

	Separate financial statements					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	
<u>Cost</u>						
31 December 2007	63	147	87	37	5	339
Additions	-	-	5	-	4	9
Disposal/Transfers	-	-	7	(6)	(9)	(8)
31 December 2008	63	147	99	31	-	340
<u>Accumulated depreciation</u>						
31 December 2007	-	31	61	27	-	119
Disposals	-	-	(2)	(5)	-	(7)
Depreciation during the year	-	8	9	2	-	19
31 December 2008	-	39	68	24	-	131
<u>Net book value</u>						
31 December 2007	63	116	26	10	5	220
31 December 2008	63	108	31	7	-	209
Depreciation charge included in the income statements						
for the year ended 31 December						
2007						24
2008						19

As at 31 December 2008, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 84 million. In addition, the Company and its subsidiaries have office equipment and motor vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 324 million (separate financial statements: Baht 7 million and Baht 50 million, respectively).

## 17. Intangible assets - software

(Unit: Million Baht)

		Consolidated financial statements			
		For the year ended 31 December 2008			
	Remaining	Balance -			Balance -
	useful life	beginning of	Additions	Disposals	end of
		the year			the year
Computer software	0 – 10 years	339	235	(27)	547
Less: Amortisation		(123)	(29)	24	(128)
Intangible assets - net		<u>216</u>	<u>206</u>	<u>(3)</u>	<u>419</u>
Amortised expenses included in the income statement for the year					<u>29</u>

(Unit: Million Baht)

		Separate financial statements			
		For the year ended 31 December 2008			
	Remaining	Balance -			Balance -
	useful life	beginning of	Additions	Disposals	end of
		the year			the year
Computer software	0 – 5 years	8	-	-	8
Less: Amortisation		(4)	(2)	-	(6)
Intangible assets - net		<u>4</u>	<u>(2)</u>	<u>-</u>	<u>2</u>
Amortised expenses included in the income statement for the year					<u>2</u>

As at 31 December 2008, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 56 million (separate financial statements: Baht 1 million).

## 18. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Premium receivable from direct insurance	516	752	-	-
Accrued interest	247	223	25	24
Accrued income	98	181	17	11
Other receivable - VAT paid in advance for customers	201	211	25	53
Other receivables	749	774	121	146
Deposits	152	120	7	8
Others	578	327	32	33
Total	2,541	2,588	227	275
Less: Allowance for impairment	(275)	(252)	(130)	(146)
Total other assets - net	2,266	2,336	97	129

## 19. Deposits

### 19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
At call	563	419	-	-
Savings	72,713	57,727	-	-
Promissory notes	68	3,440	-	-
Fixed				
- Less than 6 months	64,704	48,574	-	-
- 6 months and up to 1 year	82,934	39,270	-	-
- Over 1 year	48,748	38,736	-	-
Total deposits	269,730	188,166	-	-

### 19.2 Classified by the remaining period of contract

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Not over 1 year*	268,316	186,799	-	-
Over 1 year	1,414	1,367	-	-
Total deposits	269,730	188,166	-	-

\*Include matured contracts

### 19.3 Classified by currency and location

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Domestic</b>				
Baht	269,660	187,538	-	-
US Dollars	65	628	-	-
Other currencies	5	-	-	-
<b>Total deposits</b>	<b>269,730</b>	<b>188,166</b>	<b>-</b>	<b>-</b>

As at 31 December 2008 and 2007, deposits amounting to Baht 6,000 million in the consolidated financial statements are covered by interest rate swap agreements, as disclosed in Note 36.1 to financial statements.

### 20. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions						
Development Fund	-	-	-	-	108	108
Commercial banks	63	-	63	4	-	4
Finance and securities companies	3,921	493	4,414	1,903	505	2,408
Other financial institutions	2,005	804	2,809	816	366	1,182
<b>Total - Domestic</b>	<b>5,989</b>	<b>1,297</b>	<b>7,286</b>	<b>2,723</b>	<b>979</b>	<b>3,702</b>
<b>Foreign</b>						
Baht	7	-	7	7	-	7
<b>Total - Foreign</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Total</b>	<b>5,996</b>	<b>1,297</b>	<b>7,293</b>	<b>2,730</b>	<b>979</b>	<b>3,709</b>

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	4,502	-	4,502	12,500	-	12,500
<b>Total</b>	<b>4,502</b>	<b>-</b>	<b>4,502</b>	<b>12,500</b>	<b>-</b>	<b>12,500</b>

As at 31 December 2008, Baht 4,500 million of interbank and money market items in the separate financial statements are borrowed from a subsidiary company (Thanachart Bank Plc.). The interest rate charged is based on the Bank's cost of funds plus a fixed percentage per annum. Principal is payable at call but not later than December 2009 (2007: Baht 12,500 million).

## 21. Borrowings

Type of borrowing	Interest rate per annum (As at 31 December 2008)	Maturity year	(Unit: Million Baht)			
			Consolidated financial statements		Separate financial statements	
			2008	2007	2008	2007
<b>Short-term borrowings</b>						
Subordinated debenture issued in accordance with the plan to establish the Restricted Bank		2008	-	1,943	-	-
Unsubordinated and unsecured debentures		2008	-	1,000	-	1,000
Bills of exchange	Fixed rate of 2.13 - 4.25 percent	2009	43,752	54,225	2,444	-
Bills of exchange	Floating rate of the average MLR of 4 commercial banks minus 3.55 percent	2009	1,650	1,000	-	-
Bills of exchange	Floating rate of US-LIBOR- BBA six-month plus 0.64 percent	2009	500	-	-	-
Bills of exchange	Fixed rate of 4.62 percent when US-LIBOR-BBA six-month is in the range of 0 - 7.00 percent	2009	200	-	-	-
Bills of exchange	Floating rate of THB-THBFIX- REUTERS plus 0.80 percent when THB-THBFIX- REUTERS is in the range of 0 - 7.50 percent	2009	50	-	-	-
Bills of exchange		2008	-	450	-	-
Promissory notes	Floating rate of the average MLR of 4 commercial banks minus 3.60 percent	2009	500	7,080	500	7,080
Promissory note		2008	-	150	-	150
<b>Total short-term borrowings</b>			<b>46,652</b>	<b>65,848</b>	<b>2,944</b>	<b>8,230</b>



(Unit: Million Baht)

Type of borrowing	Interest rate per annum (As at 31 December 2008)	Maturity year	Consolidated financial		Separate financial	
			statements		statements	
			2008	2007	2008	2007
<b>Long-term borrowings</b>						
Subordinated debentures (TIER II)	Fixed rate of 5.10 percent	2015	5,000	-	-	-
Unsubordinated and unsecured debentures	Floating rate of the average MLR of 4 commercial banks minus the fix rate	2010	3,865	3,902	4,000	4,000
Unsubordinated and unsecured debentures	Fixed rate of 5.25 and 4.75 percent	2010 - 2011	3,876	-	4,000	-
Loan agreement		2010	-	45	-	-
Bills of exchange	Fixed rate of 4.64 - 4.80 percent	2010	3,000	4,200	-	-
Bills of exchange	Floating rate of US-LIBOR- BBA six-month plus 0.42 - 0.70 percent	2010	2,320	2,820	-	-
Bills of exchange	Floating rate of THB-THBFIX-REUTERS plus 0.45 - 0.47 percent	2010	750	750	-	-
Bills of exchange		2009	-	1,650	-	-
Bills of exchange		2009	-	200	-	-
Bills of exchange		2009	-	50	-	-
Promissory note		2009	-	500	-	500
Total long-term borrowings			18,811	14,117	8,000	4,500
<b>Total borrowings</b>			<b>65,463</b>	<b>79,965</b>	<b>10,944</b>	<b>12,730</b>

As at 31 December 2008, borrowings of Baht 9,020 million in the consolidated financial statement are covered by interest rate swap agreements, as disclosed in Note 36.1 to the financial statements (separate financial statements: Baht 4,000 million) (2007: Baht 13,315 million in the consolidated financial statements and Baht 5,150 million in the separate financial statements).

## 22. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Financial derivative liabilities	296	59	-	-
Insurance premium payable	269	631	5	6
Value added tax payable	141	148	62	123
Deferred gain on disposal of property foreclosed	40	219	-	1
Loss reserves and outstanding claims from				
insurance/life assurance	786	617	-	-
Unearned income from hire-purchase	233	231	21	45
Accrued personnel expenses	390	397	8	7
Suspense account receivable	892	1,166	125	283
Payables for property foreclosed	156	201	47	62
Provision for corporate income tax	421	165	-	-
Other expenses payable	408	354	20	22
Others	1,427	1,151	129	157
<b>Total</b>	<b>5,459</b>	<b>5,339</b>	<b>417</b>	<b>706</b>

## 23. Share capital/treasury stocks/dividends

During the year 2008, preference shareholders converted 3,480 preference shares to the Company's ordinary shares. Therefore, as at 31 December 2008, 15,856 preference shares, with each preference share convertible to 1 ordinary share, remained unconverted. The conversion rights are unconditional and do not expire.

During the year 2008, the Company purchased 16,289,600 of its own common shares for a total of Baht 110.26 million at an average price of Baht 6.77 per share from the shareholders. Such treasury stocks were not disposed of during the year and are to be disposed of within 3 years counting from the purchasing date.

Moreover, during the year ended 31 December 2008 and 2007, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share	Payment date
		Million Baht	Baht	
Interim dividend on earnings for the first half-year of 2008	The Company's Board of Directors on 25 September 2008	400	0.30	24 October 2008
Dividend on earnings for the second half-year of 2007	The Annual General Meeting of shareholders on 28 April 2008	800	0.60	27 May 2008
Total dividend during the year 2008		<u>1,200</u>	<u>0.90</u>	
Interim dividend on earnings for the first half-year of 2007	The Company's Board of Directors on 4 October 2007	400	0.30	2 November 2007
Dividend on earnings for the second half-year of 2006	The Annual General Meeting of shareholders on 30 April 2007	667	0.50	29 May 2007
Total dividend during the year 2007		<u>1,067</u>	<u>0.80</u>	

#### 24. Revaluation surplus (deficit) on investments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
<b>Revaluation surplus on investments</b>				
Available-for-sale investments				
Debt instruments	220	32	-	-
Equity instruments	131	430	100	356
Held-to-maturity debt securities	30	36	-	-
Surplus recognised for an associated company - under equity method	-	13	-	-
Total	<u>381</u>	<u>511</u>	<u>100</u>	<u>356</u>
<b>Revaluation deficit on investments</b>				
Available-for-sale investments				
Debt instruments	(1)	(19)	-	-
Equity instruments	(1,329)	(83)	(544)	(55)
Held-to-maturity debt securities	(331)	(426)	-	-
Deficit recognised for an associated company - under equity method	(39)	-	-	-
Total	<u>(1,700)</u>	<u>(528)</u>	<u>(544)</u>	<u>(55)</u>
Revaluation surplus (deficit) on investments	<u>(1,319)</u>	<u>(17)</u>	<u>(444)</u>	<u>301</u>

## 25. Statutory reserve

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

As at 31 December 2008, the Company allocated 68,300,539 Baht of net income for the year 2008 to the statutory reserve (2007: 137,509,148 Baht).

## 26. Bad debt and doubtful accounts

Bad debt and doubtful accounts in the income statements for the years ended 31 December 2008 and 2007 consists of:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2008	2007	2008	2007
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	3,585	2,063	(237)	(853)
Amortisation of revaluation allowance for debt restructuring during the year	(5)	(12)	-	-
Total bad debt and doubtful accounts (reversal)	<u>3,580</u>	<u>2,051</u>	<u>(237)</u>	<u>(853)</u>

## 27. Loss from debt restructuring

Loss from debt restructuring in the income statements for years ended 31 December 2008 and 2007 consists of:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2008	2007	2008	2007
Loss from hair-cut	6	-	-	-
Increase in revaluation allowance for debt restructuring	8	-	-	-
Total loss from debt restructuring	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 28. Gain (loss) on investments

Gain (loss) on investments for the years ended 31 December 2008 and 2007 consists of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Unrealised gain on valuation adjustment	3	-	-	-
Allowance for impairment	(253)	(135)	(11)	(66)
Loss on price adjustment for loan transferred to TAMC	(5)	-	-	-
Reversal of allowance for impairment of investment in receivables (allowance for impairments)	(21)	35	(7)	23
Gain on debt settlement/assets transferred from investments in receivables purchased	120	133	52	41
Realised gain (loss) on sales of investments	(146)	786	43	1,768
Total	<u>(302)</u>	<u>819</u>	<u>77</u>	<u>1,766</u>

During the year ended 31 December 2007, the Company sold investments in eight subsidiaries to Thanachart Bank Plc., another subsidiary, with a gain of Baht 1,146 million in the separate income statement and such gain was eliminated in the consolidated financial statement. Moreover, the Company sold shares of Thanachart Bank Plc. to BNSAL with gain on the sale of Baht 835 million in the separate income statement (calculated under the cost method), and with gain of Baht 885 million in the consolidated income statement under the equity method.

## 29. Gain (loss) on property foreclosed and other assets

Gain (loss) on property foreclosed and other assets for the years ended 31 December 2008 and 2007 consists of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Gains on sales	471	284	106	78
Additional set up allowance for impairment	(222)	(33)	(176)	(29)
Total	<u>249</u>	<u>251</u>	<u>(70)</u>	<u>49</u>

### **30. Directors' remuneration**

Directors' remuneration represents the benefits paid to the Company and a public subsidiary company's directors in accordance with Section 90 of the Public Company Limited Act, including the payment of director's remuneration amounting to approximately Baht 19 million to the directors of the Company and the subsidiary company which was approved by the Annual General Meeting of Shareholders (separate financial statement: Baht 12 million), exclusive of salaries and related benefits payable to director who hold executive positions.

### **31. Corporate income tax**

Corporate income tax was calculated on net income for the year, after adding back expenses and allowances which are disallowable for tax computation purposes and deducting income which is exempted for tax computation purposes.

Corporate income tax in the consolidated income statement for the year ended 31 December 2008 is presented after netting the Baht 102 million cash refund received from the Revenue Department. This is a result of a subsidiary company changing its accounting method for recognising property foreclosed - movable assets in 2007, from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at fair value with reference to the appraisal value less estimated selling expenses, but not exceed the book value of such receivables. In this regard, the subsidiary company restated the year 2006 financial statements to reflect these changes, of which the effect was to decrease the corporate income tax of the year 2006. The subsidiary company therefore resubmitted a tax return to refund the over paid amount.

### **32. Provident fund**

The Company, certain of its subsidiaries and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 5 percent of their basic salaries, and by the Company and its subsidiaries at the same rate, and will be paid to employees upon termination in accordance with the rules of the funds. During the year ended 31 December 2008, Baht 84 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements: Baht 2 million).



conversion of dilutive securities



### 34. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with their related parties. These transactions, which have been concluded on the commercial terms and bases specified in the agreements between the Company and those companies, are summarised below.

(Unit: Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2008)
	Consolidated		Separate		
	financial statements		financial statements		
	2008	2007	2008	2007	
<b>Subsidiary companies</b>					
Sales of investments in subsidiaries (2007: with gain of Baht 1,146 million in the separate financial statements)	-	-	-	4,158	
Purchase of investments in an associated company	-	-	-	347	
Purchase of investments in debt securities	-	-	28,443	5,685	At market price
Purchase of assets	-	-	1	-	At book value
Sales of operating assets (2007: no gain on sales)	-	-	-	225	
Interest income from loans	-	-	39	128	At interest rates of 3.74 - 5.25 and 11.51 percent per annum
Interest income from cash at banks	-	-	70	13	At interest rates of 2.00 - 4.00 percent per annum
Interest income from investments in debt securities	-	-	186	186	At interest rates of 6.18 percent per annum
Rental and other service income	-	-	175	134	At the contracted rates
Fees and other income	-	6	6	47	At the contracted rates
Dividend income	-	-	559	215	As declared
Interest expenses	-	-	292	1,280	At interest rates of 3.42 - 5.25 percent per annum
Rental and other service expenses	-	14	180	205	At the contracted rates
Insurance expenses	-	-	2	2	As insurance policy
<b>Associated company</b>					
Interest income	3	5	-	-	At interest rates of 3.40 - 4.30 percent per annum
Dividend income	-	-	75	59	As declared
Other income	3	5	-	-	
Interest expenses	5	11	-	-	At interest rates of 1.00 - 2.75 and 11.51 percent per annum
Other expenses	53	48	29	31	

(Unit: Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2008)
	Consolidated		Separate		
	financial statements		financial statements		
	2008	2007	2008	2007	
<b>Related companies</b>					
Purchase of investments in debt securities	21,047	17,790	-	-	At market price
Sales of investments in debt securities (2008: with gain on sales of Baht 13 million, 2007: with loss on sales of Baht 1 million)	1,454	511	-	-	At market price
Purchase/sales of forward exchange contracts (2008: with loss by Baht 36 million)	132,786	-	-	-	At market price
Transfer of loans and receivable	-	824	-	-	
Transfer of deposits	-	53	-	-	
Purchase of fixed assets	-	4	-	-	
Interest income	192	189	-	-	At interest rates of 1.00 - 8.50 percent per annum
Dividend income	40	38	25	18	As declared
Gain on disposals of debts	-	168	-	-	
Other income	10	26	2	1	
Dividend payment	186	-	-	-	As declared
Interest expenses	61	76	-	-	At interest rates of 1.00 - 4.85 percent and 9.00 per annum
Project management expenses	59	57	29	30	At the contract price, calculated by reference to estimated usage time
Other expenses	87	67	4	7	

In addition to the transactions mentioned above, during the year ended 31 December 2008 Thanachart Bank Plc. transferred non-performing loans amounting to Baht 8 million to NFS Asset Management Co., Ltd. (2007: NFS Asset Management Co., Ltd. disposed its property foreclosed valued at Baht 258 million, with reference to the appraisal value determined by an independent appraiser, to Thanachart Bank Plc. and Thanachart Life Assurance Co., Ltd., the subsidiaries in Thanachart Group).

The outstanding balances of the above transactions during the year ended 31 December 2008 and 2007 are below shown at the average month end balance.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	2,036	568
Investments in debt securities	-	-	3,000	3,000
Loans	-	-	647	2,008
Deposits	-	30	-	-
Interbank and money market items (Liabilities)	-	-	7,389	25,095
Borrowings	-	-	129	88
<u>Associated companies</u>				
Investment in debt securities	48	108	-	-
Loans	51	183	-	-
Deposits	57	35	-	-
Borrowings	25	64	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	4,457	4,944	37	60
Investment in debt securities	842	787	-	-
Loans	812	1,377	-	2
Deposits	1,039	845	-	-
Interbank and money market items (Liabilities)	324	24	-	1
Borrowings	534	874	-	-

The significant outstanding balances with subsidiaries, associated company or related parties as at 31 December 2008 and 2007 are separately shown as follows:

(Unit: Million Baht)

Consolidated financial statements										
2008										
Assets						Liabilities				
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Deposits	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitments
<b>Associated company</b>										
MBK Plc.	-	-	-	10	65	-	-	-	6	64
<b>Related companies</b>										
Advanced Info										
Service Plc.	-	714	43	12	11	32	-	-	6	-
The Bank of Nova										
Scotia	7,743	-	-	8	3	-	8	-	4	1,194
Others	20	-	307	1	16	568	94	212	9	2
<b>Total</b>	<b>7,763</b>	<b>714</b>	<b>350</b>	<b>21</b>	<b>40</b>	<b>665</b>	<b>102</b>	<b>212</b>	<b>9</b>	<b>18</b>

(Unit: Million Baht)

Consolidated financial statements										
2007										
Assets						Liabilities				
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Deposits	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitments
<b>Associated company</b>										
MBK Plc.	-	271	-	5	9	14	-	45	2	56
<b>Related companies</b>										
Advanced Info										
Service Plc.	-	700	31	11	24	987	-	-	4	-
Siam Commercial										
Bank Plc.	601	169	-	1	-	-	-	-	-	15,452
Siam City Bank Plc.	61	-	-	-	-	-	750	3	-	-
The Bank of Nova										
Scotia	8,875	-	-	28	-	-	7	-	-	-
Others	20	35	777	3	15	652	20	148	5	30
<b>Total</b>	<b>9,557</b>	<b>1,175</b>	<b>808</b>	<b>48</b>	<b>48</b>	<b>1,653</b>	<b>27</b>	<b>943</b>	<b>10</b>	<b>34</b>

(Unit: Million Baht)

## Separate financial statements

	2008											
	Assets					Liabilities						
	Interbank and money market items		Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items		Borrowings	Accrued interest payable	Other liabilities	Commitments
<b>Subsidiaries</b>												
Thanachart Bank Plc.	3,413	3,000	-	13	11	4,502	-	-	22	-		
Thanachart Securities Plc.	-	-	-	-	2	-	-	-	9	-		
National Leasing Co., Ltd.	-	-	112	-	-	-	-	-	9	-		
NFS Asset Management Co., Ltd.	-	-	264	-	-	-	-	-	1	-		
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	-	-		
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	123	1	-	-		
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	-	137	1	-	-		
<b>Associated company</b>												
MBK Plc.	-	-	-	-	3	-	-	-	5	-		
<b>Related companies</b>												
Others	20	-	-	-	1	-	-	-	1	10		
<b>Total</b>	<b>3,433</b>	<b>3,000</b>	<b>386</b>	<b>13</b>	<b>18</b>	<b>4,502</b>	<b>260</b>	<b>2</b>	<b>47</b>	<b>10</b>		

(Unit: Million Baht)

## Separate financial statements

	2007											
	Assets					Liabilities						
	Interbank and money market items		Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items		Borrowings	Accrued interest payable	Other liabilities	Commitments
<b>Subsidiaries</b>												
Thanachart Bank Plc.	931	3,000	-	13	6	12,500	-	-	15	-		
Thanachart Securities Plc.	-	-	-	-	-	-	-	-	32	-		
Thanachart Group Leasing Co., Ltd.	-	-	846	3	-	-	-	-	-	-		
National Leasing Co., Ltd.	-	-	259	-	-	-	-	-	13	-		
Max Asset Management Co., Ltd.	-	-	224	10	1	-	-	-	-	-		
NFS Asset Management Co., Ltd.	-	-	93	-	-	-	-	-	1	-		
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	1	-		
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	98	1	2	-		
<b>Associated company</b>												
MBK Plc.	-	-	-	-	3	-	-	-	-	-		
<b>Related companies</b>												
Siam Commercial Bank Plc.	29	-	-	-	-	-	-	-	-	8,000		
Others	29	-	-	-	1	-	-	-	1	10		
<b>Total</b>	<b>989</b>	<b>3,000</b>	<b>1,432</b>	<b>26</b>	<b>12</b>	<b>12,500</b>	<b>98</b>	<b>1</b>	<b>65</b>	<b>8,010</b>		

As at 31 December 2008, the Company and its subsidiaries have investments amounting to approximately Baht 439 million (separate financial statements: Baht 219 million) in companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2007: Baht 1,285 million in the consolidated financial statements and Baht 1,085 million in separate financial statements).

The Company and its subsidiaries have related party transactions with executive employees of the Company and companies in Thanachart Group from department manager level up, including the related persons who together with these employees. The outstanding balances as at 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Loans	69	52	2	4
Deposits	496	399	-	-

#### Remunerations to key management personnel

During the year ended 31 December 2008, the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their key management personnel, including directors totaling Baht 273 million (separate financial statements: Baht 51 million) (2007: Baht 240 million in the consolidated financial statements and Baht 44 million in the separate financial statements).

### **35. Financial information by segment**

Financial information presented in the consolidated financial statements as at 31 December 2008 and 2007 and for the year then ended, is presented below by segment.

(Unit: Million Baht)

## For the year ended 31 December 2008

	Asset						Eliminations	Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business		
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,544	6,921	215	112	348	285	(1,112)	8,313
Share of income from investments accounted for under equity method	-	-	-	-	-	-	335	335
Non-interest income	755	2,213	484	1,239	4,688	3,187	(994)	11,572
Non-interest expenses	(681)	(7,715)	(121)	(1,036)	(4,518)	(3,004)	1,197	(15,878)
Corporate income tax	(252)	(76)	(199)	(95)	(168)	(210)	-	(1,000)
Net income	1,366	1,343	379	220	350	258	(574)	3,342

(Unit: Million Baht)

## For the year ended 31 December 2007

	Asset						Eliminations	Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business		
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,983	5,132	(160)	126	221	233	(494)	7,041
Share of income from investments accounted for under equity method	-	-	-	-	-	-	271	271
Non-interest income	2,674	1,941	736	1,304	3,324	2,670	(2,274)	10,375
Non-interest expenses	(847)	(6,041)	(177)	(926)	(3,298)	(2,577)	1,053	(12,813)
Corporate income tax	(1,060)	(41)	(221)	(144)	(69)	(170)	-	(1,705)
Net income	2,750	991	178	360	178	156	(1,444)	3,169

(Unit: Million Baht)

As at 31 December 2008

	Asset							Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business	Eliminations	
Investments - Net	26,124	26,586	2,147	701	5,787	2,878	(24,838)	39,385
Loans and accrued interest receivable - Net (including interbank and money market items)	10,803	330,534	2,263	2,436	2,840	6,213	(19,533)	335,556
Land, premises and equipment - Net	209	2,015	2	107	139	50	-	2,522
Other assets	2,788	9,176	3,372	175	285	1,130	(253)	16,673
<b>Total assets</b>	<b>39,924</b>	<b>368,311</b>	<b>7,784</b>	<b>3,419</b>	<b>9,051</b>	<b>10,271</b>	<b>(44,624)</b>	<b>394,136</b>

(Unit: Million Baht)

As at 31 December 2007

	Asset							Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business	Eliminations	
Investments - Net	23,654	19,968	1,621	1,020	5,042	2,643	(25,074)	28,874
Loans and accrued interest receivable - Net (including interbank and money market items)	24,227	259,286	2,846	2,493	1,440	6,805	(25,601)	271,496
Land, premises and equipment - Net	220	1,783	1	131	117	56	-	2,308
Other assets	3,151	10,061	3,615	357	434	1,194	(234)	18,578
<b>Total assets</b>	<b>51,252</b>	<b>291,098</b>	<b>8,083</b>	<b>4,001</b>	<b>7,033</b>	<b>10,698</b>	<b>(50,909)</b>	<b>321,256</b>



### 36. Commitments and contingent liabilities

As at 31 December 2008 and 2007, the significant commitments and contingent liabilities consisted of the following:

#### 36.1

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	Foreign		Total	Foreign		Total
Baht	currencies	Baht		currencies		
Avals to bills	118	-	118	24	-	24
Guarantees of loans	10	-	10	10	-	10
Liabilities under unmatured import bills	69	374	443	-	25	25
Letters of credit	1	663	664	-	399	399
Other commitments						
Interest rate swap agreements						
Bought contracts	16,270	-	16,270	19,465	-	19,465
Sold contracts	16,270	-	16,270	19,465	-	19,465
Forward foreign exchange contracts						
Bought contracts	-	8,519	8,519	-	1,555	1,555
Sold contracts	-	36,161	36,161	-	37,776	37,776
Cross currency and interest rate swap contracts						
Bought contracts	-	5,169	5,169	-	-	-
Sold contracts	-	4,846	4,846	-	1,350	1,350
Committed but not drawn down overdraft	4,164	-	4,164	2,673	-	2,673
Other guarantees	3,083	34	3,117	2,468	495	2,963
<b>Total</b>	<b>39,985</b>	<b>55,766</b>	<b>95,751</b>	<b>44,105</b>	<b>41,600</b>	<b>85,705</b>

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	Foreign		Total	Foreign		Total
Baht	currencies	Baht		currencies		
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Interest rate swap agreements						
Bought contracts	4,000	-	4,000	5,300	-	5,300
Sold contracts	4,000	-	4,000	5,300	-	5,300
Other	1	-	1	1	-	1
<b>Total</b>	<b>8,011</b>	<b>-</b>	<b>8,011</b>	<b>10,611</b>	<b>-</b>	<b>10,611</b>

**36.2** During the years 2001 to 2003, the Company and its subsidiaries entered into agreements to sell loans with transfer prices totaling approximately Baht 3,414 million to the Thai Asset Management Corporation (“TAMC”). The Company and its subsidiaries are still jointly entitled to/liable for a share of the gains or losses arising from TAMC’s management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiaries are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiaries and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiaries at this stage. However, as at 31 December 2008, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 557 million (separate financial statements: Baht 183 million). This is presented as a part of the allowance for impairment of investment in promissory notes (2007: Baht 557 million and Baht 183 million, respectively).

**36.3** The Company and a subsidiary company have entered into agreements to sell housing loans/transfer rights of claim in housing debts to the Secondary Mortgage Corporation, under which they are committed to compensate the Corporation for losses from uncollected debts up to a maximum of 20 percent of the selling price of the said receivables. As at 31 December 2008, the maximum commitment is approximately Baht 5 million in the consolidated financial statements and Baht 3 million in separate financial statements.

**36.4** As at 31 December 2008, the Company and its subsidiaries have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements, as follows:

(Unit: Million Baht)

Year	Consolidated	Separate financial statements	
	financial statements	Other companies	Subsidiaries
	Other companies		
2009	521	28	3
2010	320	5	3
2011 onward	497	29	4

The Company also has commitments under support service agreement with a subsidiary company which had expired on 31 December 2007. However, subsequent to the balance sheet date, the Company still to be received such services and in the process of drawing up a new service agreement. Moreover, the Company has an obligation to pay an administrative service fee to another subsidiary company at actual cost plus margin based on the period in the agreement.

**36.5** As at 31 December 2008, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on quarterly basis at the rate specified in the agreement. The agreement will expire on 30 September 2009

**36.6** Under the agreements among the Company, the Bank and BNSAL (on 11 January 2008, BNSAL transferred rights and obligations under the agreements to BNS), the Company and the Bank have to disclose information relating to business, business performance, operations and legal compliance of the Bank and the Bank's subsidiaries, and certify the correctness of the disclosed information, to assist in deciding whether to purchase shares in the Bank. In the event that the Bank or its subsidiaries have to pay any damages, compensation or penalties to any other parties as a result of events or information which the Company and the Bank failed to disclose to BNS before it purchases shares, the Company and the Bank will jointly compensate BNS for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescribed period stipulated by Thai laws for each damages claim.

In addition, under the Shareholders' Agreement between the Company and BNS there are mutual agreements whereby the Company and its subsidiaries and BNS have certain stipulated rights and obligations per the conditions therein, with no expiry date on such obligations. However, the management of the Company and the Bank believe that the Company, the Bank and the Bank's subsidiaries operate their businesses under adequate supervision and therefore no material losses will result which would significantly affect the Company, the Bank and its subsidiaries financial positions.

## **37. Litigation**

As at 31 December 2008, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 1,360 million as a result of litigation (separate financial statements: Baht 836 million). The cases are not yet finalised. However, the Company and its subsidiaries' management believe that no losses will result and therefore no liabilities are currently recorded.

### **38. Bank guarantee**

As at 31 December 2008, there are outstanding bank guarantees of approximately Baht 6 million (separate financial statements: Baht 6 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

### **39. Financial instruments**

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

#### **39.1 Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiaries. The maximum exposure to credit risk is the carrying amount of financial assets less provision for losses as stated in the balance sheet and off-balance sheet aval, guarantees of loans, other guarantees and derivative contracts.

The Company and its subsidiaries manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customers' ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

#### **39.2 Market risk**

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

##### **a) Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company and its subsidiaries manage the changes in interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels. Such management is under the supervision of the Asset and Liability Management Committee.

As at 31 December 2008 and 2007, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements								
Outstanding balances of financial instruments								
2008				2007				
Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	
<b>Financial assets</b>								
Cash	-	-	4,018	4,018	-	-	3,275	3,275
Interbank and money market items	322	60,876	4,441	65,639	606	36,192	3,534	40,332
Securities purchased under resale agreements	-	-	-	-	-	2,500	-	2,500
Investments	2,318	33,214	6,238	41,770	2,278	21,903	5,313	29,494
Receivables from clearing house	-	-	50	50	-	-	244	244
Loans (include intercompany gain on loan transferred) <sup>(1)</sup>	41,831	235,826	2,038	279,695	33,154	204,966	1,415	239,535
<b>Financial liabilities</b>								
Deposits	76,102	193,065	563	269,730	60,200	127,547	419	188,166
Interbank and money market items	5,332	1,347	614	7,293	2,134	979	596	3,709
Payables from clearing house	-	-	295	295	-	-	-	-
Securities business payable	-	-	855	855	-	-	1,244	1,244
Liabilities payable on demand	-	-	1,317	1,317	-	-	1,329	1,329
Borrowings	-	65,463	-	65,463	-	79,965	-	79,965

<sup>(1)</sup> The outstanding balances of loans which have floating interest rates or fixed interest rate include loans on which interest recognition has been ceased.

(Unit: Million Baht)

Separate financial statements								
Outstanding balances of financial instruments								
2008				2007				
Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	
<b>Financial assets</b>								
Interbank and money market items	116	3,250	111	3,477	22	800	249	1,071
Investments	1,227	6,417	19,312	26,956	1,283	3,480	19,026	23,789
Loans <sup>(1)</sup>	136	8,413	79	8,628	154	24,543	97	24,794
<b>Financial liabilities</b>								
Interbank and money market items	2	4,500	-	4,502	-	12,500	-	12,500
Borrowings	-	10,944	-	10,944	-	12,730	-	12,730

<sup>(1)</sup> The outstanding balances of loans which have floating interest rates or fixed interest rate include loans on which interest recognition has been ceased.

With respect to financial instruments that carry fixed interest rates, the periods from the balance sheet date to the repricing or maturity date (whichever is the earlier) are presented below.

(Unit: Million Baht)

Consolidated financial statements							
2008							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							Percentage
<b>Financial assets</b>							
Interbank and money market items	129	60,547	200	-	-	60,876	2.59 - 3.89
Investments	-	8,797	8,932	13,887	1,598	33,214	2.23 - 4.59
Loans (include intercompany gain on loan transferred)	1,677	6,666	14,663	170,655	42,164	235,825	6.61 - 9.99
<b>Financial liabilities</b>							
Deposits	4	107,599	85,420	42	-	193,065	3.49
Interbank and money market items	50	1,060	237	-	-	1,347	3.56
Borrowings	2	37,456	9,194	13,811	5,000	65,463	3.71 - 4.03

(Unit: Million Baht)

Consolidated financial statements							
2007							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							Percentage
<b>Financial assets</b>							
Interbank and money market items	87	34,447	1,658	-	-	36,192	4.22 - 5.14
Securities purchased under resale agreements	-	2,500	-	-	-	2,500	3.22
Investments	-	4,860	2,705	11,607	2,731	21,903	3.83 - 4.03
Loans (include intercompany gain on loan transferred)	1,239	4,752	8,799	157,484	32,692	204,966	6.65 - 10.36
<b>Financial liabilities</b>							
Deposits	8	65,579	61,379	581	-	127,547	3.11
Interbank and money market items	-	787	192	-	-	979	2.84
Borrowings	-	49,860	19,388	10,717	-	79,965	3.32 - 4.18

(Unit: Million Baht)

Separate financial statements							
2008							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percentage
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	-	3,250	-	-	-	3,250	2.13
Investments	-	3,417	-	3,000	-	6,417	4.08
Loans	1,184	337	2,424	4,468	-	8,413	6.61
<b>Financial liabilities</b>							
Interbank and money market items	4,500	-	-	-	-	4,500	4.06
Borrowings	-	2,426	518	8,000	-	10,944	4.03

(Unit: Million Baht)

Separate financial statements							
2007							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percentage
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	-	800	-	-	-	800	3.80
Investments	-	480	-	-	3,000	3,480	5.57
Loans	2,010	343	3,774	18,416	-	24,543	6.65
<b>Financial liabilities</b>							
Interbank and money market items	12,500	-	-	-	-	12,500	4.38
Borrowings	-	1,650	7,080	4,000	-	12,730	3.32

In addition, the Company and its subsidiaries have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiaries for the years ended 31 December 2008 and 2007, and the average rate of interest income and expense, can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	40,815	1,539	3.77	22,972	828	3.61
Securities purchased under resale agreements	962	31	3.24	11,415	446	3.91
Investments	30,283	1,314	4.34	34,376	1,343	3.91
Loans/hire-purchase and finance lease	268,670	18,529	6.90	212,448	16,182	7.62
<b><u>Interest bearings financial liabilities</u></b>						
Deposits	228,417	6,999	3.06	197,072	7,113	3.61
Interbank and money market items	6,882	184	2.67	5,078	120	2.37
Borrowings	62,037	2,323	3.74	58,710	2,474	4.21

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	2,233	80	3.57	568	13	2.40
Investments	24,263	907	3.74	25,614	528	2.06
Loans/hire-purchase and finance lease	14,261	1,003	7.04	35,487	2,443	6.88
<b><u>Interest bearings financial liabilities</u></b>						
Interbank and money market items	7,390	287	3.89	25,099	1,275	5.08
Borrowings	11,169	396	3.54	15,091	579	3.83



b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rate will result in changes in the values of financial instruments or fluctuations in revenues or in the values of financial assets or financial liabilities.

Because the subsidiary company has transactions in foreign currency, it is exposure to foreign exchange risk. However, the subsidiary company has a policy to hedge its foreign currency risk by means of managing net foreign currency under the risk management approved by the Board of Directors of the subsidiary company which strictly comply with the Bank of Thailand's regulation.

The status of the subsidiaries' foreign currency balances in the consolidated financial statements as at 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Outstanding balances of financial instruments							
	2008				2007			
	US dollar	Euro	Yen	Others	US dollar	Euro	Yen	Others
<b><u>Foreign currency - in balance sheets</u></b>								
Cash	50	98	88	36	107	60	3	44
Interbank and money market items	20,658	98	65	47	35,635	73	18	56
Investments	699	-	-	4,148	1,350	-	-	-
Loans	955	68	-	-	399	-	-	-
Other assets	8	-	-	12	14	-	-	-
<b>Total assets</b>	<b>22,370</b>	<b>264</b>	<b>153</b>	<b>4,243</b>	<b>37,505</b>	<b>133</b>	<b>21</b>	<b>100</b>
Deposits	65	-	-	5	628	-	-	-
<b>Total Liabilities</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency in balance sheets</b>	<b>22,305</b>	<b>264</b>	<b>153</b>	<b>4,238</b>	<b>36,877</b>	<b>133</b>	<b>21</b>	<b>100</b>
<b><u>Foreign currency - off balance sheets</u></b>								
Liabilities under unmatured import bills	291	-	83	-	16	9	-	-
Letters of credit	472	165	-	26	379	2	2	16
Foreign exchange contracts								
- Bought contracts	8,393	10	27	89	1,337	-	10	208
- Sold contracts	35,239	398	281	243	37,084	260	61	371
Cross currency interest rate swap contracts								
- Bought contracts	5,169	-	-	-	-	-	-	-
- Sold contracts	699	-	-	4,147	1,350	-	-	-
Others	34	-	-	-	297	-	-	198

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in revenues and in the values of financial assets.

### 39.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrence of a financial loss.

The Company and its subsidiaries manage liquidity risk by mean of appropriate structuring of short-term and long-term sources of capital, under the supervision of an Assets and Liabilities Management Committee.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements									
	2008					2007				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>										
Cash	4,018	-	-	-	4,018	3,275	-	-	-	3,275
Interbank and money market items	5,172	60,447	20	-	65,639	4,176	36,136	20	-	40,332
Securities purchased under resale agreements	-	-	-	-	-	-	2,500	-	-	2,500
Investments	2,318	11,778	21,476	6,198	41,770	2,278	5,237	16,701	5,278	29,494
Receivables to clearing house	-	50	-	-	50	-	244	-	-	244
Loans <sup>(1)</sup>	15,951	83,090	180,654	-	279,695	13,138	69,516	156,881	-	239,535
<b>Financial liabilities</b>										
Deposits	73,475	194,841	1,414	-	269,730	58,216	128,583	1,367	-	188,166
Interbank and money market items	5,996	1,297	-	-	7,293	2,730	979	-	-	3,709
Payables to clearing house	-	295	-	-	295	-	-	-	-	-
Securities business payable	-	855	-	-	855	-	1,244	-	-	1,244
Liabilities payable on demand	1,317	-	-	-	1,317	1,329	-	-	-	1,329
Borrowings	2	46,650	18,811	-	65,463	-	65,848	14,117	-	79,965
<b>Off-balance sheet items</b>										
Avals to bills and guarantee of loans	10	106	12	-	128	10	24	-	-	34
Liability under unmatured import bills	-	360	83	-	443	-	25	-	-	25
Letters of credit	48	616	-	-	664	8	391	-	-	399
Other commitments	4,311	51,611	37,533	1,061	94,516	2,768	49,342	31,841	1,296	85,247

(1) The outstanding balance of loans includes intercompany gain on loan transfers. Call loans include loans on which interest recognition has been ceased.

Transactions	Separate financial statements									
	2008					2007				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>										
Interbank and money market items	207	3,250	20	-	3,477	251	800	20	-	1,071
Investments	1,227	2,999	3,418	19,312	26,956	1,283	-	3,480	19,026	23,789
Loans <sup>(1)</sup>	1,693	5,573	1,362	-	8,628	2,985	13,596	8,213	-	24,794
<b>Financial liabilities</b>										
Interbank and money market items	4,502	-	-	-	4,502	12,500	-	-	-	12,500
Borrowings	-	2,944	8,000	-	10,944	-	8,230	4,500	-	12,730
<b>Off-balance sheet items</b>										
Avals to bills and guarantee of loans	10	-	-	-	10	10	-	-	-	10
Other commitments	1	-	8,000	-	8,001	1	2,600	8,000	-	10,601

(1) Call loans include loans on which interest recognition has been ceased.

### 39.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows:

#### a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets, including cash, interbank and money market items, securities purchased under resale agreements, receivables from clearing house, loans and investments in receivables are considered to approximate their respective carrying values since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments, have their fair values determined based on the quoted market price.

#### b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, payable to clearing house, securities business payable, borrowings and liabilities payable on demand, are considered to approximate their respective carrying values for the same reason as described above.

As at 31 December 2008 and 2007, there are no material differences between the book values of financial instruments and their fair values.

### 39.5 Financial derivatives

The Company and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk. The subsidiaries are engaged in other financial derivatives activities to meet their clients' needs. These financial derivatives include forward foreign currency contracts, cross currency contracts and interest rate swap contracts.

The Company and its subsidiaries have a policy to hedge the risk limits by which they require risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Company and its subsidiaries manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, so that the Company and its subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2008 and 2007, financial derivatives to which the Company and its subsidiaries are a party can be classified by period to maturity as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought contracts	8,519	-	8,519	1,555	-	1,555
- Sold contracts	36,161	-	36,161	37,776	-	37,776
Cross currency interest rate swap contracts						
- Bought contracts	-	5,169	5,169	-	-	-
- Sold contracts	524	4,322	4,846	675	675	1,350
Interest rate swap contracts						
- Fixed interest rate payment	950	13,070	14,020	600	14,020	14,620
- Floating interest rate payment	1,450	800	2,250	3,395	1,450	4,845
- Fixed interest rate receipt	1,450	800	2,250	3,395	1,450	4,845
- Floating interest rate receipt	950	13,070	14,020	600	14,020	14,620

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	Less than	Over 1	Total	Less than	Over 1	Total
	1 year	year		1 year	year	
Interest rate swap contracts						
- Fixed interest rate payment	-	4,000	4,000	150	4,000	4,150
- Floating interest rate payment	-	-	-	1,150	-	1,150
- Fixed interest rate receipt	-	-	-	1,150	-	1,150
- Floating interest rate receipt	-	4,000	4,000	150	4,000	4,150

#### 40. Reclassification

The Company and its subsidiaries reclassified certain amounts in the financial statements for the year ended 31 December 2007 to conform with the current year's classification and mostly to comply with the BOT regulations as announced in the year 2008, with no effect on previously reported net income and shareholders' equity. Reclassifications are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	As	As previously	As	As previously
reclassified	reported	reclassified	reported	
Interbank and money market items (Assets)	-	-	1,072	271
Investment	-	-	23,654	24,454
Deposits	188,166	190,626	-	-
Interbank and money market items (Liabilities)	3,709	4,769	-	-
Short-term borrowings	65,848	65,398	-	-
Long-term borrowings	14,117	11,047	-	-
Interest expenses			-	-
- Deposits	7,113	7,228	-	-
- Interbank and money market items	120	169	-	-
- Short-term borrowings	1,479	1,444	-	-
- Long-term borrowings	995	861	-	-

**41. Subsequent events**

On 26 February 2009, the Board of Directors of the Company passed a resolution to propose the payment of a dividend of Baht 0.60 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2008, a total of Baht 800 million, to the Annual General Meeting of Shareholders.

**42. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2009.