

Thanachart Capital Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2010 and 2009

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 2010 and 2009, 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 2010 and 2009, 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: 21 February 2011

Thanachart Capital Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements		
	2010	2009	2010	2009	
Assets					
Cash	15,298,104,533	3,720,273,462	-	40,000	
Interbank and money market items	7				
Domestic					
Interest bearing	78,264,089,282	53,198,935,262	46,380,197	6,671,661,369	
Non-interest bearing	5,166,677,280	3,765,768,198	42,617,596	68,094,045	
Foreign					
Interest bearing	345,125,503	7,571,684,915	-	-	
Non-interest bearing	1,329,563,399	331,088,960	-	-	
Total interbank and money market items - net	85,105,455,464	64,867,477,335	88,997,793	6,739,755,414	
Investments					
Current investments - net	8	52,362,209,690	34,927,223,547	2,108,125,083	10,765,759,094
Long-term investments - net	8	90,567,011,579	60,484,334,073	5,235,815,668	8,464,436,663
Investments in subsidiaries - net	9	-	-	30,964,679,289	13,243,048,879
Investments in an associated companies - net	10	2,238,700,963	1,701,081,590	657,994,071	657,994,072
Total investments - net		145,167,922,232	97,112,639,210	38,966,614,111	33,131,238,708
Receivables from clearing house		391,265,269	429,219,703	-	-
Loans and accrued interest receivables	11				
Loans		609,646,459,582	289,112,832,433	1,544,869,588	4,057,199,651
Accrued interest receivables		955,544,510	310,757,162	9,268,976	57,533
Total loans and accrued interest receivables		610,602,004,092	289,423,589,595	1,554,138,564	4,057,257,184
Less: Allowance for doubtful accounts	12	(27,494,509,085)	(10,435,922,132)	(505,432,311)	(588,013,363)
Less: Revaluation allowance for debt restructuring	13	(464,255,084)	(98,252,571)	(30,235)	(151,174)
Total loans and accrued interest receivables - net		582,643,239,923	278,889,414,892	1,048,676,018	3,469,092,647
Property foreclosed - net	15	11,969,514,938	6,524,474,610	2,056,335,655	2,161,600,774
Customers' liability under acceptance		72,156,072	-	-	-
Land, premises and equipment - net	16	9,111,000,559	2,423,022,732	123,520,583	209,667,425
Intangible assets - net	17	4,805,331,741	477,149,436	342,338	1,286,527
Leasehold right - net		466,904,434	476,491,249	64,262,656	212,270,335
Goodwill	2.6	16,619,947,047	44,274,108	-	-
Financial derivative assets		3,117,061,360	956,688,110	-	-
Receivables from purchase and sale securities and derivatives		2,006,851,383	1,031,719,762	-	-
Accrued interest receivables		1,024,990,931	541,842,312	70,404,794	20,588,296
Other assets - net	18	4,114,774,723	2,470,573,355	42,587,266	65,263,906
Total assets		881,914,520,609	459,965,260,276	42,461,741,214	46,010,804,032

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Liabilities and shareholders' equity					
Deposits	19				
Deposits in Baht		531,980,227,513	265,780,765,438	-	-
Deposits in foreign currencies		402,182,469	89,953,995	-	-
Total deposits		532,382,409,982	265,870,719,433	-	-
Interbank and money market items	20				
Domestic					
Interest bearing		31,323,535,637	15,305,723,563	491,892	540,375
Non-interest bearing		1,927,595,038	430,964,353	-	-
Foreign					
Interest bearing		7,249,485,725	5,193,820,752	-	-
Non-interest bearing		44,469,156	8,822,437	-	-
Total interbank and money market items		40,545,085,556	20,939,331,105	491,892	540,375
Liabilities payable on demand		3,126,944,626	2,111,811,444	-	-
Bank's liability under acceptance		72,156,072	-	-	-
Borrowings	21				
Short-term borrowings		136,318,737,983	74,928,699,414	1,500,000,000	6,500,000,000
Long-term borrowings		48,398,719,425	22,376,700,000	12,000,000,000	10,500,000,000
Total borrowings		184,717,457,408	97,305,399,414	13,500,000,000	17,000,000,000
Accrued interest payable		1,873,369,377	1,109,756,961	89,453,426	117,342,465
Corporate income tax payable		2,404,392,225	1,348,105,322	1,310,348	-
Payables to clearing house		98,469,786	95,690,201	-	-
Payables from purchase and sale securities and derivatives		4,053,939,649	1,345,843,382	603,600,134	-
Financial derivatives liabilities		941,190,832	24,227,749	-	-
Accrued expenses		3,069,434,927	1,471,549,736	26,389,240	28,267,776
Unearned premium reserve		1,881,392,538	1,354,934,243	-	-
Life premium reserve		26,348,270,294	15,286,244,129	-	-
Provisions for contingent liabilities	22	781,452,640	43,927,044	11,143,249	17,233,249
Other liabilities	23	7,900,574,820	4,251,104,157	124,906,977	325,069,050
Total liabilities		810,196,540,732	412,558,644,320	14,357,295,266	17,488,452,915

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Shareholders' equity					
Share capital	24				
Registered, issued and paid-up					
15,856 preference shares of Baht 10 each		158,560	158,560	158,560	158,560
1,333,138,147 ordinary shares of Baht 10 each		13,331,381,470	13,331,381,470	13,331,381,470	13,331,381,470
		<u>13,331,540,030</u>	<u>13,331,540,030</u>	<u>13,331,540,030</u>	<u>13,331,540,030</u>
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Share premium of a subsidiary company		775,814,226	775,814,226	-	-
Amount by which the value of investment in subsidiary is lower than attributable net book value		226,460,173	226,460,173	-	-
Revaluation surplus on investments	25	897,598,144	2,657,959,695	289,997,112	2,126,587,108
Revaluation deficit on investments	25	(203,382,200)	(499,108,900)	-	(5,767,831)
Retained earnings					
Appropriated - statutory reserve	26	1,120,419,676	979,538,466	1,120,419,676	979,538,466
- treasury stock reserve		387,500,975	387,500,975	387,500,975	387,500,975
Unappropriated		17,878,079,476	13,784,814,953	11,296,844,242	10,024,808,456
Total shareholders' equity before treasury stock and minority interest		<u>36,479,675,388</u>	<u>33,710,164,506</u>	<u>28,491,946,923</u>	<u>28,909,852,092</u>
Less: Treasury stock	24	(387,500,975)	(387,500,975)	(387,500,975)	(387,500,975)
Equity attributable to the Company's shareholders		<u>36,092,174,413</u>	<u>33,322,663,531</u>	<u>28,104,445,948</u>	<u>28,522,351,117</u>
Minority interest - equity attributable to minority shareholders of subsidiaries		35,625,805,464	14,083,952,425	-	-
Total shareholders' equity		<u>71,717,979,877</u>	<u>47,406,615,956</u>	<u>28,104,445,948</u>	<u>28,522,351,117</u>
Total liabilities and shareholders' equity		<u>881,914,520,609</u>	<u>459,965,260,276</u>	<u>42,461,741,214</u>	<u>46,010,804,032</u>
Off-balance sheet items - commitments 38.1					
Avals to bills and guarantees of loans		1,076,330,327	306,250,634	-	10,000,000
Obligation under unmatured import bills		570,914,444	87,557,302	-	-
Letter of credit		2,455,484,764	1,009,878,320	-	-
Other commitments		200,900,849,261	99,881,319,942	560,088	8,000,560,088

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 2010 and 2009

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Interest and dividend income				
Loans	14,683,624,655	4,146,082,509	50,812,207	73,923,677
Interbank and money market items	1,056,860,328	1,063,659,390	35,568,249	82,678,891
Hire purchase and financial leases	15,262,308,343	15,241,401,397	32,011,202	257,877,338
Investments	4,248,774,053	1,661,299,981	1,283,323,808	1,094,735,730
Total interest and dividend income	35,251,567,379	22,112,443,277	1,401,715,466	1,509,215,636
Interest expenses				
Deposits	5,952,893,183	4,863,002,497	-	-
Interbank and money market items	512,126,543	119,972,167	13,699	15,455,055
Short-term borrowings	1,503,310,117	1,106,931,883	96,503,575	207,613,598
Long-term borrowings	2,115,161,772	802,150,241	604,974,652	215,431,509
Total interest expenses	10,083,491,615	6,892,056,788	701,491,926	438,500,162
Net interest and dividend income	25,168,075,764	15,220,386,489	700,223,540	1,070,715,474
Reversal of bad debt and doubtful accounts				
(Bad debt and doubtful accounts)	28 (1,689,198,668)	(2,795,999,902)	98,178,345	189,459,384
Loss on debt restructuring	29 (130,765,032)	(53,273,798)	(149,447)	(294,161)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	23,348,112,064	12,371,112,789	798,252,438	1,259,880,697
Non-interest income				
Brokerage fees	1,328,672,543	885,292,839	-	-
Gain on investments	2.3, 30 895,460,363	2,722,003,966	2,310,547,852	3,076,142,454
Share of income from investments in associated companies accounted for under equity method	10 369,400,435	256,973,374	-	-
Fees and service income				
Acceptances, aval and guarantees	228,347,882	40,710,681	138,356	202,800
Others	3,396,952,415	2,148,396,920	49,723,914	138,544,894
Gain on exchange and financial derivatives	375,814,679	147,882,056	-	-
Gain on property foreclosed and other assets	31 679,721,235	311,629,162	413,174,122	31,400,484
Gain on debt settlements/disposals	298,557,109	326,198,829	29,128,615	44,803,707
Insurance premium/Life insurance premium income	11,185,217,797	14,465,286,937	-	-
Other income	1,420,636,854	1,005,883,319	374,806,654	507,258,177
Total non-interest income	20,178,781,312	22,310,258,083	3,177,519,513	3,798,352,516

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Non-interest expenses					
Personnel expenses		8,577,017,413	4,434,811,338	99,690,351	81,406,700
Premises and equipment expenses		3,346,162,322	1,778,856,791	105,735,985	132,487,812
Taxes and duties		634,921,409	234,197,458	4,738,999	10,334,387
Fees and service expenses		238,847,755	789,607,522	1,750,912	5,110,613
Directors' remuneration	32	65,945,231	42,111,535	21,079,382	19,096,440
Fund contributed to the Deposits					
Protection Agency		1,914,555,642	1,072,378,634	-	-
Insurance/Life insurance expenses		8,834,249,409	12,533,227,743	-	-
Other expenses		4,769,300,316	3,632,397,001	157,696,364	293,479,535
Total non-interest expenses		28,380,999,497	24,517,588,022	390,691,993	541,915,487
Income before corporate income tax		15,145,893,879	10,163,782,850	3,585,079,958	4,516,317,726
Corporate income tax	33	(4,843,449,810)	(2,988,865,257)	(767,455,767)	(989,127,479)
Net income for the year		10,302,444,069	7,174,917,593	2,817,624,191	3,527,190,247
Net income attributable to					
The Company		5,638,852,928	5,109,005,558	2,817,624,191	3,527,190,247
Minority interests of the subsidiaries		4,663,591,141	2,065,912,035	-	-
		10,302,444,069	7,174,917,593	2,817,624,191	3,527,190,247
Earnings per share					
35					
Basic earnings per share					
Net income attributable to the Company		4.41	3.99	2.21	2.76
Diluted earnings per share					
Net income attributable to the Company		4.41	3.99	2.21	2.76

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 2010 and 2009

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2010	2009	2010	2009
Cash flows from operating activities				
Net income before corporate income tax	15,145,893,879	10,163,782,850	3,585,079,958	4,516,317,726
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid from) operating activities				
Share of income from investments accounted for under equity method	(369,400,435)	(256,973,374)	-	-
Depreciation and amortisation	1,338,712,212	711,726,247	74,641,802	80,626,951
Bad debt and doubtful accounts and loss on debt restructuring (reversal)	1,819,963,700	2,849,273,700	(98,028,898)	(189,165,223)
Increase (decrease) in provision for impairment of property foreclosed	(5,882,788)	(86,594,799)	(46,745,038)	12,112,623
Increase (decrease) in provision for impairment of equipment/other assets	148,229,698	(40,384,701)	(1,956,928)	(27,664,582)
Increase (decrease) in provision for impairment/ revaluation of investments	(182,486,048)	(216,743,227)	28,345,777	20,483,068
Amortisation of deferred gain on disposal of property foreclosed	(11,078,318)	(6,298,049)	-	-
Unrealised loss on foreign exchange and financial derivatives	1,304,774,184	333,271,072	-	-
Increase in unearned premium reserve/ life insurance premium reserve	4,908,472,930	7,580,848,406	-	-
Gain on sales of/capital return from investments in subsidiary and associated companies	(27,351,480)	(2,833,251,176)	(2,143,541,359)	(3,038,370,168)
Gain on transfers of assets for debt repayment	(21,349,988)	(45,006,801)	-	(2,477,073)
Loss (gain) on disposal of equipment	(100,153,792)	17,059,140	(125,303,266)	(3,855,055)
Amortisation of deferred income	(14,514,107)	(7,755,656)	-	-
Decrease (increase) in accrued other income receivable	(188,608,048)	268,204,378	13,410,670	(2,243,873)
	23,745,221,599	18,431,158,010	1,285,902,718	1,365,764,394
Net interest and dividend income	(25,168,075,764)	(15,220,386,489)	(700,223,540)	(1,070,715,474)
Cash received from interest on operating activities	31,084,477,363	20,570,077,578	125,319,592	388,519,427
Cash paid for interest on operating activities	(6,944,767,491)	(5,484,770,797)	(13,699)	(15,455,055)
Cash paid for corporate income tax	(5,274,631,359)	(1,961,823,919)	(766,145,419)	(1,062,283,277)
Income (loss) from operating activities before changes in operating assets and liabilities	17,442,224,348	16,334,254,383	(55,160,348)	(394,169,985)

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 2010 and 2009

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Cash flows from operating activities (continued)				
Operating assets (increase) decrease				
Interbank and money market items	42,723,588,359	691,663,445	6,638,797,117	(3,249,431,118)
Investments in trading securities	3,378,437,146	(1,072,679,711)	(10,350,761)	-
Receivables from clearing house	173,587,247	(379,034,117)	-	-
Loans	(48,943,922,931)	(19,225,483,665)	2,540,205,215	3,967,167,517
Property foreclosed	5,424,135,898	7,780,844,187	288,125,614	362,068,626
Receivables from purchase and sale securities and derivatives	(708,787,605)	(441,028,873)	-	-
Other assets	(176,093,647)	7,599,607	(12,047,554)	16,642,314
Operating liabilities increase (decrease)				
Deposits	(41,792,087,422)	(3,859,667,015)	-	-
Interbank and money market items	(22,028,967,861)	13,646,511,027	(48,483)	(4,501,324,053)
Payable to clearing house	2,298,262,379	(199,114,099)	-	-
Payable from purchase and sales securities and derivatives	(80,294,063)	181,366,064	603,600,134	-
Liability payable on demand	120,125,135	795,118,168	-	-
Other liabilities	1,337,192,055	502,984,900	(107,444,497)	(76,082,830)
Net cash provided from (used in) operating activities	(40,832,600,962)	14,763,334,301	9,885,676,437	(3,875,129,529)
Cash flows from investing activities				
Decrease (increase) in long-term investments	28,637,012,837	(52,547,805,389)	8,792,558,361	(8,113,700,326)
Cash received from disposal of investments in subsidiary and associated companies	212,765,721	7,740,066,401	3,402,204,692	7,655,761,426
Capital returned from subsidiary companies	-	-	404,485,661	61,759,617
Cash paid for purchase of investments in subsidiary companies	(55,879,977,241)	-	(18,245,563,897)	(1,018,902,990)
Cash received from interest and dividend	7,002,591,660	1,690,651,613	1,181,285,817	1,069,771,163
Cash paid for purchase of land and equipment/ intangible assets	(891,822,768)	(716,103,167)	(5,029,463)	(26,419,669)
Cash received from disposal of equipment/ intangible assets	470,288,353	14,039,523	314,064,356	4,446,484
Net cash used in investing activities	(20,449,141,438)	(43,819,151,019)	(4,155,994,473)	(367,284,295)

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 2010 and 2009

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Cash flows from financing activities				
Cash received from borrowings	525,431,335,922	235,310,440,704	5,989,260,139	9,980,797,105
Cash paid for borrowings	(462,821,144,388)	(203,520,331,863)	(9,500,000,000)	(3,959,336,627)
Cash paid for interest expenses on borrowings	(5,196,112,817)	(2,014,322,673)	(718,627,405)	(336,750,002)
Cash received from minority interest for shares capital issuance of a subsidiary company	17,542,017,427	981,096,810	-	-
Cash paid to minority interest for decrease shares capital of a subsidiary company	6,833,126	-	-	-
Dividend payment	(1,500,354,698)	(1,165,056,002)	(1,500,354,698)	(1,165,056,002)
Cash paid for treasury stocks	-	(277,240,650)	-	(277,240,650)
Dividend paid to minority interest	(603,001,101)	(556,490,544)	-	-
Net cash provided from (used in) financing activities	72,859,573,471	28,758,095,782	(5,729,721,964)	4,242,413,824
Net increase (decrease) in cash	11,577,831,071	(297,720,936)	(40,000)	-
Cash at beginning of the year	3,720,273,462	4,017,994,398	40,000	40,000
Cash at ending of the year	15,298,104,533	3,720,273,462	-	40,000
	-	-	-	-
Supplemental cash flows information				
Non-cash transactions				
Property foreclosed transferred from loans, other receivable and investments in receivables purchased	4,090,092,126	6,615,869,714	136,115,457	92,325,003
Bad debt written off	1,172,526,469	1,886,595,986	5,505,376	21,120,040

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 2010 and 2009

(Unit: Baht)

Consolidated financial statements

	Equity attributable to the Company's shareholders											
	Issued and paid-up share capital		Share premium	Share premium of a subsidiary company	Amount by which		Retained earnings			Minority interest - equity attributable to minority shareholders	Total	
	Preference shares	Ordinary shares			the value of investment in subsidiary is lower than attributable net book value	Revaluation surplus (deficit) on investments	Appropriated		Unappropriated			Treasury stock
			Statutory reserve	Treasury stock reserve								
Balance as at 1 January 2009	158,560	13,331,381,470	2,065,644,888	1,141,663,553	226,460,173	(1,318,718,563)	803,178,954	110,260,325	10,342,356,392	(110,260,325)	5,769,043,040	32,361,168,467
Decrease in share premium of a subsidiary company from disposal of investments	-	-	-	(365,849,327)	-	-	-	-	-	-	-	(365,849,327)
Increase in revaluation surplus on investments	-	-	-	-	-	3,477,569,358	-	-	-	-	-	3,477,569,358
Income (expenses) recognised directly in equity	-	-	-	(365,849,327)	-	3,477,569,358	-	-	-	-	-	3,111,720,031
Net income for the year	-	-	-	-	-	-	-	-	5,109,005,558	-	2,065,912,035	7,174,917,593
Total income (expenses) for the year	-	-	-	(365,849,327)	-	3,477,569,358	-	-	5,109,005,558	-	2,065,912,035	10,286,637,624
Cash payment for treasury stock	-	-	-	-	-	-	-	-	-	(277,240,650)	-	(277,240,650)
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	(1,213,938,218)	-	-	(1,213,938,218)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	991,383	-	-	991,383
Transfer of retained earnings to statutory reserve (Note 26)	-	-	-	-	-	-	176,359,512	-	(176,359,512)	-	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	277,240,650	(277,240,650)	-	-	-
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	6,248,997,350	6,248,997,350
Balance as at 31 December 2009	158,560	13,331,381,470	2,065,644,888	775,814,226	226,460,173	2,158,850,795	979,538,466	387,500,975	13,784,814,953	(387,500,975)	14,083,952,425	47,406,615,956
Balance as at 1 January 2010	158,560	13,331,381,470	2,065,644,888	775,814,226	226,460,173	2,158,850,795	979,538,466	387,500,975	13,784,814,953	(387,500,975)	14,083,952,425	47,406,615,956
Decrease in revaluation surplus on investments	-	-	-	-	-	(1,464,634,851)	-	-	-	-	-	(1,464,634,851)
Expenses recognised directly in equity	-	-	-	-	-	(1,464,634,851)	-	-	-	-	-	(1,464,634,851)
Net income for the year	-	-	-	-	-	-	-	-	5,638,852,928	-	4,663,591,141	10,302,444,069
Total income (expenses) for the year	-	-	-	-	-	(1,464,634,851)	-	-	5,638,852,928	-	4,663,591,141	8,837,809,218
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	(1,405,612,673)	-	-	(1,405,612,673)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	905,478	-	-	905,478
Transfer of retained earnings to statutory reserve (Note 26)	-	-	-	-	-	-	140,881,210	-	(140,881,210)	-	-	-
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	16,878,261,898	16,878,261,898
Balance as at 31 December 2010	158,560	13,331,381,470	2,065,644,888	775,814,226	226,460,173	694,215,944	1,120,419,676	387,500,975	17,878,079,476	(387,500,975)	35,625,805,464	71,717,979,877

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 2010 and 2009

(Unit: Baht)

Separate financial statements

	Issued and paid-up share capital		Revaluation surplus (deficit) on investments	Retained earnings				Total	
	Preference shares	Ordinary shares		Share premium	Appropriated		Unappropriated		Treasury stock
					Statutory reserve	Treasury stock reserve			
Balance as at 1 January 2009	158,560	13,331,381,470	2,065,644,888	(444,187,288)	803,178,954	110,260,325	8,164,165,206	(110,260,325)	23,920,341,790
Increase in revaluation surplus on investments	-	-	-	2,565,006,565	-	-	-	-	2,565,006,565
Income recognised directly in equity	-	-	-	2,565,006,565	-	-	-	-	2,565,006,565
Net income for the year	-	-	-	-	-	-	3,527,190,247	-	3,527,190,247
Total income for the year	-	-	-	2,565,006,565	-	-	3,527,190,247	-	6,092,196,812
Cash payment for treasury stock	-	-	-	-	-	-	-	(277,240,650)	(277,240,650)
Dividend paid (Note 24)	-	-	-	-	-	-	(1,213,938,218)	-	(1,213,938,218)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	991,383	-	991,383
Transfer of retained earnings to statutory reserve (Note 26)	-	-	-	-	176,359,512	-	(176,359,512)	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	277,240,650	(277,240,650)	-	-
Balance as at 31 December 2009	158,560	13,331,381,470	2,065,644,888	2,120,819,277	979,538,466	387,500,975	10,024,808,456	(387,500,975)	28,522,351,117
Balance as at 1 January 2010	158,560	13,331,381,470	2,065,644,888	2,120,819,277	979,538,466	387,500,975	10,024,808,456	(387,500,975)	28,522,351,117
Decrease in revaluation surplus on investments	-	-	-	(1,830,822,165)	-	-	-	-	(1,830,822,165)
Expenses recognised directly in equity	-	-	-	(1,830,822,165)	-	-	-	-	(1,830,822,165)
Net income for the year	-	-	-	-	-	-	2,817,624,191	-	2,817,624,191
Total income (expenses) for the year	-	-	-	(1,830,822,165)	-	-	2,817,624,191	-	986,802,026
Dividend paid (Note 24)	-	-	-	-	-	-	(1,405,612,673)	-	(1,405,612,673)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	905,478	-	905,478
Transfer of retained earnings to statutory reserve (Note 26)	-	-	-	-	140,881,210	-	(140,881,210)	-	-
Balance as at 31 December 2010	158,560	13,331,381,470	2,065,644,888	289,997,112	1,120,419,676	387,500,975	11,296,844,242	(387,500,975)	28,104,445,948

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 2010 and 2009

1. General information

Thanachart Capital Public Company Limited (“the Company”) is a public company incorporated and operated its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The registered office of the Company is at 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.

2. Thanachart Bank Plc.’s project to purchase Siam City Bank Plc.’s common shares with the purpose of transferring Siam City Bank Plc.’s entire business to Thanachart Bank Plc.

2.1 The purchase of the common shares of Siam City Bank Plc. from the Financial Institutions Development Fund

On 24 February 2010, the Board of Directors of the Company passed a resolution to approve Thanachart Bank Plc. (“Thanachart Bank”), a subsidiary company, entered into a share purchase agreement with the Financial Institutions Development Fund (“FIDF”) to purchase shares of Siam City Bank Plc. (“SCIB”). On 11 March 2010, Thanachart Bank signed such agreement to purchase 1,005,330,950 SCIB’s shares, or 47.58% of the total issued and paid-up shares capital, at a price of Baht 32.50 per share, or for total of Baht 32,673 million.

On 1 April 2010, the Bank of Thailand (“BOT”) approved Thanachart Bank to hold the shares of SCIB in accordance with certain specified conditions, i.e. SCIB is to continue operating as a commercial bank but has to return its license within 31 December 2011, the requirements on capital fund calculation, the structure of financial business group, and holding in companies in the financial business group.

On 7 April 2010, the Annual General Meeting of the Shareholders of the Company and Thanachart Bank for the year 2010 passed resolutions to (a) approve Thanachart Bank to purchase SCIB's shares from FIDF, make a tender offer for all shares of SCIB from the other shareholders, and accept the transfer of the entire business of SCIB, including SCIB's employees, and to propose SCIB to delist its shares from the Stock Exchange of Thailand and Thanachart Bank then to submit a tender offer for SCIB's shares. On 9 April 2010, Thanachart Bank paid FIDF for SCIB's shares, in accordance with conditions in an agreement and, as a result, Thanachart Bank is now a major shareholder of SCIB; and (b) approve a tender offer for all shares of Ratchthani Leasing Plc., an associated company of SCIB, because indirect control over this listed company, as a result of the acquisition of SCIB's shares (according to the Chain Principle).

As a result of Thanachart Bank's purchase of SCIB's shares from FIDF and combined with 104,964,000 SCIB's shares held by the Company, as at 9 April 2010 the Company and Thanachart Bank's shareholding in SCIB is totaling 52.55%.

2.2 Significant procedures after acquiring of SCIB's ordinary shares from FIDF

Rights offering of additional paid-up share capital to shareholders of Thanachart Bank

During 8 - 19 April 2010, Thanachart Bank called up 3,579,045,631 additional shares with a par value of Baht 10, or a total of Baht 35,790 million, from existing shareholders, in proportion to their holdings, and as a result Thanachart Bank's issued and paid-up share capital totals Baht 55,136,649,030. The Company exercised both its own entitlement and the unexercised entitlements of minority shareholders to purchase such shares for a total of Baht 18,245,490,680 and as a consequence the Company's shareholding in Thanachart Bank increased from 50.92% to 50.96%.

Offering of subordinate debentures of Thanachart Bank

In April 2010, Thanachart Bank issued 6,000,000 units of subordinated, unsecured debentures (Lower Tier II), with a face value of Baht 1,000 each, to the public offering. BOT granted permission for these debentures to be counted as Tier II Capital. In addition, Thanachart Bank issued 7,130,000 units of perpetual non-cumulative subordinated hybrid bonds (Hybrid Tier I), with a face value of Baht 1,000 each, by private placement to the Company and another major shareholder of Thanachart Bank (The Bank of Nova Scotia or BNS) which the Company invested Baht 3,636 million in these debentures. BOT granted permission for these debentures to be counted as Tier I Capital of Thanachart Bank. The objectives of these issues are to provide funds for the acquisition of the SCIB's shares and to increase Thanachart Bank's capital funds to support operations.

2.3 Tender offer for ordinary shares of SCIB

After acquiring of SCIB's common shares from FIDF, Thanachart Bank submitted a tender offer for all shares of SCIB of Baht 32.50 per share (the same price as Thanachart Bank paid at auction from FIDF). This comprised 1,107,479,726 shares, with a value not exceeding Baht 35,993 million and the tender offer period ran from 29 April 2010 to 9 June 2010. During the tender offer period, other shareholders sold totaling 1,091,439,949 shares of common stock, amounting to Baht 35,472 million, or 51.66% of the issued and paid-up shares of SCIB. Combined with Thanachart Bank's existing holding, Thanachart Bank's shareholding in SCIB totals 99.24%. Such additional purchase of SCIB's shares included 104,964,000 shares purchased from the Company, the Company therefore recorded a gain on sale of Baht 2,136 million and related income tax expenses of Baht 629 million in the separate income statement. The total gain on sale has been eliminated from the consolidated financial statements and the related income tax has been presented as "suspense account - deferred tax from business combination".

On 9 June 2010, the Board of Directors of Thanachart Bank passed resolutions to approve (a) SCIB to delist of its shares from the Stock Exchange of Thailand; (b) Thanachart Bank to submit a tender offer for SCIB's shares at a price of Baht 32.50 per share, legally effective when the delisting is approved by a shareholders of SCIB and the Stock Exchange of Thailand. On 5 August 2010, the extraordinary of SCIB's shareholders meeting approved the delisting, and the Stock Exchange of Thailand granted approval for the voluntary delisting application on 27 August 2010, with condition that SCIB is obligated to perform the tender offer for SCIB's shares in accordance with certain specified conditions; (c) and to appoint Thanachart Securities Plc. (a subsidiary company) as financial advisor and to prepare the tender offer for delisting of SCIB's shares.

Thanachart Bank made a tender offer for additional SCIB's shares from 17 September 2010 to 19 November 2010. During the tender offer period, SCIB's shareholders sold totaling 14,907,658 shares of common stock, amounting to Baht 484 million. As the result, Thanachart Bank holds 2,111,678,557 share or 99.95% of the paid-up shares of SCIB. The Stock Exchange of Thailand therefore announced the delisting of SCIB's shares on 13 December 2010.

2.4 Making a tender offer of the common shares in Ratchthani Leasing Plc. from other shareholders

SCIB holds 48.32% of the issued and paid-up share capital of Ratchthani Leasing Plc., and so Thanachart Bank has to make a tender offer for all shares of Ratchthani Leasing Plc. held by other shareholders. Thanachart Bank made tender offer for 822,593,906 shares at a price of Baht 1.10 per share (the price that financial advisor opines that is a reasonable price) and ran from 29 April 2010 to 9 June 2010. During the tender offer period, other shareholders of Ratchthani Leasing Plc. sold 215,000 shares of common stock, or 0.03 percent of the issued and paid-up shares. As a result, Thanachart Bank and SCIB hold 48.35% shares in Ratchthani Leasing Plc., and also treated as associated company of Thanachart Bank and the Company.

In addition, on 30 June 2010, the Board of Directors of Thanachart Bank passed a resolution approving a decision not make a second tender offer for the remaining shares of Ratchthani Leasing Plc.

2.5 Key operational plans after the tender offer for SCIB's shares

Thanachart Bank and SCIB have together set plans, in preparation for the entire business transfer of SCIB's business, including a business plan for the period after the transfer, to be submitted for BOT approval. The plan is currently being considered by the BOT. Once the BOT approves the plan, both Thanachart Bank and SCIB are to hold meetings of their shareholders in order to propose the plan for approval. Thanachart Bank expects to be able to complete the entire business transfer in 2011, and upon completion, SCIB will return its banking licenses to the BOT and proceed with the liquidation process.

2.6 Allocating the cost of a business combination

On 9 April 2010, Thanachart Bank acquired 47.58% in SCIB's shares and combined with the Company's existing holding at 4.97%, the Thanachart Group hold 52.55% interest in SCIB's shares. In addition, at the same day, the Thanachart's management are assigned to be the SCIB's directors at the portion that Thanachart has control over voting right of SCIB. Because of Thanachart has control over SCIB through shareholding and management, the Company and Thanachart Bank have considered the investment in SCIB's shares as investments in subsidiary company since 9 April 2010. Moreover, Thanachart Bank purchased additional ordinary shares of SCIB on 10 June 2010, to the portion that Thanachart Bank holds SCIB's shares at 99.24% and increasing to 99.95% on 24 November 2010. The Company and Thanachart Bank paid a total cost of Baht 66,484 million, with direct expenses related to business combination amounting to Baht 206 million, including expenses of Baht 34 million that were paid to a subsidiary company. Total cost of investments thus total Baht 66,656 million in the consolidated financial statements.

Because the acquisitions of ordinary shares of SCIB on 10 June 2010 and 24 November 2010 are transactions under the Securities and Commission Act, hence, two more share purchase transactions are considered as the same as acquisition from FIDF. The Company and Thanachart Bank therefore used the fair value of assets, liabilities and intangible assets estimated at the first transaction date in computing goodwill for the second and the third purchase transactions.

For the purpose of allocating the cost of a business combination, the management of the Company and Thanachart Bank estimated the initial fair value of each assets and liabilities as at 9 April 2010, as follows:

1. Assets and liabilities in SCIB's accounts were valued and noted that the fair value of assets and liabilities of SCIB as at investment payment date were totaled of Baht 45,685 million, which was Baht 1,314 million higher than book value.
2. Intangible assets are assets that will generate future economic benefits. The Company and Thanachart Bank estimated the fair value of the intangible assets of SCIB at Baht 4,100 million, comprised of (a) Core Deposit Intangibles which are evaluated using the incremental cash-flows from low cost deposit, and considering the cost saving for current and savings deposits; (b) Customer Relationships, which are valued on the base of future revenues that will be earned from SCIB's existing customers.

3. For liabilities specify at acquisition date and contingent liabilities, the Company and Thanachart Bank estimated these and concluded that no additional contingent liabilities need to be recognised.

Differences between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to the shareholding, amounting to Baht 16,576 million, are recognised as goodwill from business combination in the consolidated financial statements.

The initial estimated fair value of assets and liabilities of SCIB and its subsidiaries and the carrying value of each significant account as at the date that the Company and Thanachart Bank have control over SCIB are as follow:

	(Unit: Million Baht)	
	Book value	Fair value
Assets		
Cash and Interbank and money market items	72,528	72,528
Investments	83,019	84,333
Loans and receivables	262,154	262,154
Intangible assets	293	4,393
Other assets	18,001	18,001
	<u>435,995</u>	<u>441,409</u>
Liabilities		
Deposits and Borrowings	375,255	375,255
Other liabilities	16,369	16,369
	<u>391,624</u>	<u>391,624</u>
Net asset value	<u>44,371</u>	<u>49,785</u>
Cost of business combination		<u>66,656</u>
Cash flows used in purchase of investments in subsidiaries		
Total cash payment		66,656
Cash payment before the year 2010		(1,266)
Net cash of subsidiaries at purchase date		<u>(9,510)</u>
Net cash paid for the year 2010		<u>55,880</u>

In allocating the cost of a business combination, the Company and Thanachart Bank did not recognised deferred tax liabilities of Baht 1,581 million, arising from adjustment of assets to fair value, and did not recognised the SCIB and its subsidiaries' employees benefits payable under the labour law amounting to Baht 1,500 million, since the two relevant accounting standards are not yet effective in the year of business combination.

However, the Company and Thanachart Bank have 12 months from the purchase date, or until 8 April 2011, to adjust the estimated fair value of the above transactions and the allocation of the cost of a business combination.

After acquiring of SCIB's ordinary shares, goodwill stated in the consolidated financial statements are as follows.

	(Unit: Million Baht)
Goodwill as at 1 January 2010	44
Goodwill increase during the year	<u>16,576</u>
Goodwill as at 31 December 2010	<u><u>16,620</u></u>

2.7 Obligations of FIDF under the Share Purchase Agreement

The Share Purchase Agreement between Thanachart Bank as “the Purchaser” and FIDF as “the Seller”, dated 11 March 2010, states that the obligations, guarantees, liabilities or indemnities of the Seller to SCIB under any arrangements, agreements or documents in connection with the merger between SCIB and Bangkok Metropolitan Bank Public Company Limited (“BMB”) (the “Seller’s Obligations”), including funds deposited in accounts opened and maintained with SCIB to compensate for any losses or damages suffered or incurred by SCIB arising out of or in connection with the merger between SCIB and BMB will continue in full force and effect after completion of the sale and purchase of SCIB’s shares. Rights and obligations of SCIB related to the Seller’s Obligation, including funds deposited in the accounts opened and maintained with SCIB, will be transferred to and/or assumed by Thanachart Bank, with effect from the completion date of the entire business transfer from SCIB to Thanachart Bank. In addition, in case of the liquidation of the Seller, the Seller’s Obligations will be transferred and/or assumed by another government agency.

2.8 Transfer of subsidiary's business in the Group

On 28 October 2010, the Board of Directors of Thanachart Bank and SCIB passed a resolution to approve a business combination plan between Thanachart Securities Plc. ("Thanachart Securities") and Siam City Securities Co., Ltd. ("SCIB Securities"), subsidiaries of the Group, by means of a partial business transfer of the assets of SCIB Securities to Thanachart Securities, excluding SCIB Securities' licenses and membership of the Stock Exchange of Thailand. The price of the transfer is to be not less than the book value of the assets of SCIB Securities, with reference to the latest adjusted book value before the transaction date. After the transfer of assets, SCIB Securities will temporarily discontinue its operations.

On 11 November 2010, an extraordinary meeting of SCIB Securities' shareholders approved the partial business transfer. Meanwhile, the Stock Exchange of Thailand approved SCIB Securities' temporary discontinuance of its brokerage business, and the Securities and Exchange Commission ("SEC") approved SCIB Securities' temporary discontinuance of its securities business and derivatives agent business, effective from 1 January 2011.

On 30 December 2010, SCIB Securities entered into agreements to transfer assets, rights, ownership, duties, benefits, interest, payables, arrangements and obligations under contracts or documents made between SCIB Securities and clients or other parties to Thanachart Securities. The agreements for the transfers of assets relating to the securities business and obligations from the investment banking business, amounting to Baht 11 million, are effective on 31 December 2010, while the transfers of claims under agreements appointing an agent and/or broker for securities trading, including securities business receivables and payable netting of Baht 206 million, and cash collateral for settlements amounting to Baht 216 million, are effective on 1 January 2011. Moreover, on 1 January 2011, SCIB Securities transferred certain employees to Thanachart Securities.

3. Basis of preparation of financial statements

- 3.1** The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547, including accounting practice of Transferring/Transferred of financial assets; 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 group, 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 the Thai language financial statements.

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

3.2 Basis of preparation of the consolidated financial statements

- a) The consolidated financial statements included the financial statements of 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	
	2010	2009	2010	2009
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.96	50.92	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
MAX Asset Management Co., Ltd.	83.44	83.44	-	-
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	-	-
<u>Subsidiaries indirectly held</u>				
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
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training & Development Co., Ltd.	-	-	100.00	100.00
Siam City Bank Plc.	-	-	99.95	-
SCIB Services Co., Ltd.	-	-	100.00	-
Siam City Life Assurance Co., Ltd.	-	-	100.00	-
Siam City Securities Co., Ltd.	-	-	99.79	-
Siam City Asset Management Co., Ltd.	-	-	60.00	-
T Leasing Co., Ltd.	-	-	-	100.00

Shareholding in Thanachart Bank increased from 50.92% to 50.96% since Thanachart Bank issued additional ordinary shares and the Company exercised both its own entitlement and unexercised entitlement of minority shareholders as discussed in Note 2.2 to the financial statements.

Since Thanachart Bank purchased ordinary shares of SCIB from FIDF in April 2010 and purchased additional shares from the minority shareholders in June and November 2010 as discussed in Note 2.3 to the financial statements, as a result, Thanachart Bank has a 99.95% shareholding in SCIB and treats SCIB as a subsidiary.

Therefore, the consolidated financial statements included the balance sheets of SCIB and its subsidiaries as at 31 December 2010 and the consolidated income statements included income and expenses from 9 April 2010 (the date on which the Company and Thanachart Bank assumed control over SCIB) to 31 December 2010. The consolidated income statements for the year 2010 recognised net income of SCIB and its subsidiaries totaling Baht 929 million from the date that the Company and Thanachart Bank assumed control, based on its shareholding interest at each period.

For additional information to facilitate evaluation of the financial impact of the business combination, proforma consolidated total income and net income of the Company and its subsidiaries for the year are presented below, inclusive of income and net income of SCIB and its subsidiaries as if business combination had occurred since the beginning of the year.

	(Unit: Million Baht)
	<u>For the year ended 31 December 2010</u>
Total income as if business combination occurred on	
1 January 2010	61,529
Net income as if business combination occurred on	
1 January 2010 (exclude adjustment transactions	
before the purchase date)	6,363

Moreover, during the year 2010, Thanachart Bank disposed all investments in common shares of T Leasing Co., Ltd. to MBK Plc. for a total of Baht 213 million. The gain on disposal of Baht 27 million was recognised in the consolidated income statement.

- b) 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 2010 and 2009 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Total income	
	2010	2009	2010	2009
Thanachart Bank Plc.	406,574	406,426	23,834	22,499
Siam City Bank Plc.	403,998	-	14,517	-
Thanachart Life Assurance Co., Ltd.	19,753	15,936	6,413	12,015
Siam City Life Assurance Co., Ltd.	11,008	-	2,865	-
Thanachart Securities Plc.	3,953	3,079	1,363	1,115
Thanachart Insurance Co., Ltd.	4,689	3,095	3,139	2,730
NFS Asset Management Co., Ltd.	3,542	4,167	547	552
MAX Asset Management Co., Ltd.	1,479	1,594	186	233

- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. However, the consolidated financial statements for the year ended 31 December 2010 did not include the financial statements of Chada Thong Properties Co., Ltd., a subsidiary indirectly held by SCIB at 70 percent, because that subsidiary has ceased its operation and is in the process of being liquidated. SCIB has already made a full allowance for impairment in value of its investment in this subsidiary.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company. In case where there are different in accounting policies, the Company has adjusted the effect of these in the consolidated financial statements.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from 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 value 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.

3.3 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.

4. Adoption of new accounting standards

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

4.1 Accounting standards that are effective for fiscal year beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective)

Framework for the Preparation and Presentation of Financial Statements (revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations

TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

4.2 Accounting standards that are effective for fiscal year beginning on or after 1 January 2013

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Company and its subsidiaries' management believes that these accounting standards will not have any significant impact on the financial statements for the years when they are initially applied, except for TAS 19 and TAS 12 which management expects the impact on the financial statements in the years when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expenses in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post - employment benefits using actuarial techniques. Currently, the Company and its subsidiaries account for such employee benefits when they are incurred.

Based on the management's preliminary assessment, the impact of this accounting standard in 2011 will have the effect of decreasing the beginning balance of retained earnings (1 January 2011) by Baht 2,038 million in the consolidated financial statements and Baht 10 million in the separate financial statements.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

5. Significant accounting policies

5.1 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 purchase and financial lease agreements is recognised on the effective interest 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 past the due date. The Company and its subsidiaries reverse accrued interest formerly recognised for such defaulted loans 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 receivables 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 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 purchase, 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 interest rate. Dividend income is recognised when the Company and its subsidiaries have the right to receive the dividend is established.

c) Brokerage fees income

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

d) Interest on margin loans for purchases of securities

Interest on margin loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary companies cease accruing interest for certain loans that fall under conditions stipulated by SEC.

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

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

f) Fees and services income

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

g) Insurance/life insurance premium income

Non-life insurance business

Insurance premium income on insurance policies is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded, 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 in the income statement is presented at the net amount from unearned premium reserve.

Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

Life insurance business

Life insurance premium income is recognised when underwriting of the insurance is approved, after deducting premium ceded and refunded. Premium due and uncollected at the end of year is recognised as revenue only if the policy is still in force.

5.2 Expense recognition

a) Interest expenses

Interest expenses are 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 leases

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 purchase/financial leases is presented net of commission expenses and initial direct costs at the inception of the contracts.

5.3 Unearned premium/life insurance premium reserve

Non-life insurance business

Unearned premium reserve of a subsidiary company is set aside in compliance with the Notification of the OIC regarding the appropriation of unearned premium reserve and claim loss reserves as follows:

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
Others	-	Monthly average basis (the one-twenty fourth basis)

Life insurance business

Life assurance policy reserve represents the accumulated total liability for policies in force on the balance sheet date. Life assurance policy reserve is calculated under actuarial method as prescribed by the OIC related to “Guideline, procedures and conditions for Life Assurance Policy Reserve for the inforced policies”, dated 29 October 2009.

Subsidiary companies use the mortality and morbidity tables announced by the OIC which reflect historical experiences.

- a) Reserve for life insurance policies of over 1 year is determined using the actuarial method
- b) Reserve for other insurance and group insurance of 1 year or less, unearned premium reserve is set aside at the full amount of unearned premium and the period of coverage

5.4 Investments

Investments in securities held for trading are stated at fair value. The Company and its subsidiaries recognise changes in the carrying amounts of these securities as gains or losses in the income statement.

Investments in available-for-sale securities, both held for short-term and long-term investments, are stated at fair value. The Company and its subsidiaries recognise changes in the fair value of these securities as separate items in shareholders' equity and will be recorded as gains or losses in the income statement when the securities are sold.

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

Investments in non-marketable equity securities which are classified as other investments are stated at cost net of allowance for loss on diminution in value (if any).

The Company and its subsidiaries do not treat the investments in mutual funds in which they hold more than 20 percent of the units issued 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 are under the supervision of SEC.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association or other market or yield rate of government bond adjusted by an appropriate risk factor, as the case may be. The fair value of unit trusts is determined based on their net asset value.

Subsidiary company measures the value of investments with embedded derivatives using the fair value as estimated by the seller, with gain/losses arising from revaluation recognised in the income statement. This method of measurement is in compliance with the BOT's notification.

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.

In the event of the reclassification of investments, the Company and its subsidiaries adjust value of such investments to their fair values as at the reclassification date. The differences between the carrying amount of the investments and their fair value on the date of reclassification are recorded as gains or losses in the income statement or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, which is amortised over the remaining period to maturity of the debt securities, depending on the type of investments which is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement. If the Company and its subsidiaries dispose of only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

5.5 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.

5.6 Investments in subsidiary and associated companies

Investments in subsidiary 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 companies 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 net income from the operations of an associated company in proportion to the investment.

5.7 Securities purchased under resale agreements/Securities sold under repurchase agreements

Subsidiary companies enter into agreements to purchase/sell securities on the private repurchase market with agreements to sell back/buy back the securities at certain dates and at a fixed price. Amounts paid for the securities purchased are presented as assets under the caption of "Interbank and money market items" or "Loans", depending on the counterparty and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement is presented as liabilities under the caption of "Interbank and money market items" at the amount received and the underline securities are treated as collateral.

5.8 Receivables from/Payable to clearing House

Receivables from/Payable to clearing house comprises the net balance receivable/payable in respect of securities trades settled and derivatives business including amounts pledged with the derivative clearing house as security for derivatives trading.

5.9 Loans

Loans are presented at the principal amounts, excluding accrued interest receivables, except for overdrafts which are presented at the principal amount plus accrued interest receivables. 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 receivable of credit balance accounts for which the securities purchased are used as collateral, and 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. The receivable balances of cash accounts are presented under the caption of "Receivables from purchase and sale of securities and derivatives".

5.10 Allowance for doubtful accounts

- a) The Company and its subsidiaries that operate in banking and asset management business 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 receivables) after net of collateral value. Collateral values include 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. However, non-performing hire purchase or financial lease receivables are treated as uncollateralised.

- b) Subsidiaries engaged in securities business provide 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) Subsidiaries engaged in hire purchase and leasing businesses have provided allowance for doubtful accounts at percentages 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 the BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances after net of collateral value for receivables overdue no more than 3 months, while provided without deducting collateral value for receivables overdue more than 3 months.
- 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, except for hire purchase receivables of a subsidiary company which is engaged in commercial bank business will be written off when full allowance for doubtful accounts has been made for such receivables. Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

5.11 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 statement in the restructuring period. Such allowance is reviewed based on the 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, as the case may be.

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

5.12 Recognition and amortisation of customers' assets

Assets which customers have placed with subsidiary companies 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 subsidiary companies for internal control purpose. As at the balance sheet date, subsidiary companies write off those amounts which there are no guarantee obligations for both assets and liabilities, and present only those assets which belong to subsidiary companies.

5.13 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, adjust these in accordance with the BOT's guideline and taking into consideration the type and the nature of the assets.

Gains on disposal of property foreclosed are recognised in the income statement on the disposal date, unless the purchase is made with a loan. 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.

5.14 Land, 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 - 30 years
Building improvements	-	5 - 10 years
Furniture, fixtures and equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

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

5.15 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation. Leasehold rights are amortised on a straight-line basis over the lease period and the amortisation amounts are recognised as expenses in the income statement.

5.16 Intangible assets and amortisation

The Company and its subsidiaries initially recognised intangible assets acquired through business combination at fair value on the date of business acquisition. Other intangible assets are initially measured at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Company and its subsidiaries amortised intangible assets with finite lives 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 3 - 10 years.

No amortisation for computer software under development.

5.17 Business combination and goodwill

Business combination accounted for under purchase method.

Goodwill is initially measured at cost, which equals to the excess of the cost of the business combination over the Company's share in the net fair value of the net assets acquired. Goodwill is carried at cost less any accumulated impairment losses (if any), and is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

5.18 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. Moreover, operating leases payments are recognised as expenses in the income statement on a straight line basis over the lease term.

5.19 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.

5.20 Sales of commercial paper

Subsidiary companies engaged in commercial banking business record commercial paper with an aval by a subsidiary companies or without an aval or acceptance which is sold with recourse, 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".

5.21 Loss reserves and outstanding claims/Benefit payments to life policies

Non-life insurance business

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon the receipt of the claims advice from the insured based on the claims notified by the insured and estimates made by subsidiary companies' management. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, a subsidiary company set up additional provision for losses incurred but not yet reported (IBNR) at the higher of the reserve calculated using actuarial method minus the recorded amount of outstanding claims, and 2.5 percent of total net written premiums in the previous twelve months, in compliance with the Notification of the OIC.

Life insurance business

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

5.22 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 directly or indirectly own a voting interest in the Company and its subsidiaries that gives them 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.

5.23 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.

In assessing impairment of asset other than goodwill, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss for assets other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

5.24 Employee benefits

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

5.25 Foreign currencies

Transactions in foreign currency occurring during the year are translated into Baht at the exchange rate ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and off-balance sheet transactions, which were outstanding on the balance sheet date, are translated into Baht at the exchange rate ruling at the balance sheet date.

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

5.26 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.

5.27 Income tax

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

5.28 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. 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 not originated 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 or liabilities, with gains or losses recorded to interest income and interest expense over the terms of the contracts. Receivables and payables under forward exchange contracts and interest rate swap contracts are presented at the net amount in the balance sheet.

6. Significant accounting judgments and estimates

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

6.1 Recognition and derecognition of assets and liabilities

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

6.2 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 BOT's and SEC's regulations 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.

6.3 Allowance for impairment of investments

The Company and its subsidiaries review an impairment of investments when indication of impairment exists. The determination of what is indication of impairment requires judgment of management.

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

6.5 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 the BOT's, and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

6.6 Land, 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 of premises and equipment and to review estimate useful lives and salvage values when there are any changes.

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

6.7 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets requires the management to exercise judgment as to the recoverable amount to be generated by the asset, using the discounted cash flows method. That will be generated by the assets or the cash generating units, and to select a suitable discount rate in order to determine the present value of that cash flow. 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. In addition, the management estimates the useful lives of those assets that have finite useful lives and reviews these estimates whenever circumstance's change.

6.8 Financial leases/Operating leases

When entering into leases agreement, management is required to access and consider the scope of significant risk and rewards of ownership of the leased assets. 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.

6.9 Loss sharing from the transfer of non-performing loans to TAMC

In estimating loss sharing 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 debtors' collateral. The management use judgment in determining the assumptions as to the percentage on the amount expected to be recovered from the receivable under the debt restructuring agreement, or as to collateral value. The management considers these assumptions are appropriate given the currently available information and current situation.

6.10 Life insurance premium reserve

Life insurance premium reserve is calculated under the actuarial method in accordance with the OIC's regulations which reflect the best estimate at that time, and adjusted with the increase with the risk and the deviation. The main assumptions used relate to mortality, morbidity, longevity, expenses and discount rates.

6.11 Loss reserves and outstanding claims

Part of the loss reserve for claims of the subsidiary company is estimated by the subsidiary's management on the basis of claims advices received from insured parties. Another part is for losses incurred but not yet reported (IBNR), which is estimated using a range of standard actuarial claims techniques in compliance with the principle defined by OIC. The main assumptions underlying these techniques relate to historical claims experience, including development of estimates of paid and incurred losses, average costs per claim, claim numbers and insurance type.

6.12 Litigation and contingent liabilities

The Company and its subsidiaries have contingent liabilities as a result of litigation, business transfer and non-performing assets transfer. The management has used judgment to assess of the results of the litigation cases and contingent liabilities, and in case where they believe that there will be no losses, they will not provide contingent liabilities at the balance sheet date.

7. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institution Development Fund	4,821	26,000	30,821	3,442	6,600	10,042
Commercial banks	879	21,022	21,901	494	45,300	45,794
Other banks	43	14,545	14,588	50	50	100
Other financial institutions	150	16,099	16,249	350	667	1,017
Total	5,893	77,666	83,559	4,336	52,617	56,953
Add: Accrued interest receivables	-	34	34	-	11	11
Less: Allowance for doubtful accounts	-	(162)	(162)	-	-	-
Total domestic items	5,893	77,538	83,431	4,336	52,628	56,964
Foreign						
US Dollar	776	169	945	200	7,546	7,746
Euro	119	-	119	55	-	55
Others	495	114	609	76	-	76
Total	1,390	283	1,673	331	7,546	7,877
Add: Accrued interest receivables	-	1	1	-	26	26
Total foreign items	1,390	284	1,674	331	7,572	7,903
Total	7,283	77,822	85,105	4,667	60,200	64,867

(Unit: Million Baht)

	Separate financial statements					
	2010			2009		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	68	-	68	152	6,550	6,702
Other banks	1	-	1	5	-	5
Other financial institutions	-	20	20	-	20	20
Total	69	20	89	157	6,570	6,727
Add: Accrued interest receivables	-	-	-	-	13	13
Total	69	20	89	157	6,583	6,740

As at 31 December 2009, the Company had deposits of Baht 6,550 million with Thanachart Bank, in the form of bills of exchange. The amount matured in May 2010 and bearing interest at rates of 1.20 - 1.50 percent per annum.

8. Investments

8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2010		2009		2010		2009	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments								
Trading securities								
Government and state enterprise securities	324	325	917	917	-	-	-	-
Private debt securities	31	31	754	759	10	10	-	-
Foreign debt securities	3,015	3,023	-	-	-	-	-	-
Domestic marketable equity securities	78	87	5	6	-	-	-	-
	3,448	3,466	1,676	1,682	10	10	-	-
Add: Allowance for change in value	18		6		-		-	
	3,466		1,682		10		-	
Available-for-sale securities								
Government and state enterprise securities	31,173	31,144	24,545	24,553	-	-	10,077	10,083
Private debt securities	4,130	4,168	1,379	1,387	-	-	-	-
Foreign debt securities	904	908	334	336	-	-	-	-
Domestic marketable equity securities	234	253	128	132	-	-	-	-
	36,441	36,473	26,386	26,408	-	-	10,077	10,083
Add: Allowance for change in value	32		22		-		6	
	36,473		26,408		-		10,083	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2010		2009		2010		2009	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments (continued)								
Held-to-maturity debt securities								
- due within 1 year								
Government and state enterprise securities	6,519		2,252		2,271		648	
Private debt securities	1,356		35		10		35	
Foreign debt securities	4,799		4,450		-		-	
	12,674		6,737		2,281		683	
Less: Allowance for impairment	(358)		-		(183)		-	
	12,316		6,737		2,098		683	
Other investments								
Domestic non-marketable equity securities	107		-		-		-	
Investment in property fund	-		100		-		-	
	107		100		-		-	
Total current investments - net	52,362		34,927		2,108		10,766	
Long-term investments								
Available-for-sale securities								
Government and state enterprise securities	21,512	21,460	20,844	20,864	-	-	-	-
Private debt securities	5,723	5,849	7,060	7,222	-	-	578	575
Foreign debt securities	11,800	12,012	5,406	5,667	-	-	-	-
Domestic marketable equity securities	7,834	8,884	3,668	5,775	317	607	1,476	3,594
	46,869	48,205	36,978	39,528	317	607	2,054	4,169
Add: Allowance for change in value	1,340		2,556		290		2,115	
Less: Allowance for impairment	(4)		(6)		-		-	
	48,205		39,528		607		4,169	
Held-to-maturity debt securities								
Government and state enterprise securities	32,583		17,839		-		331	
Private debt securities	4,528		1,372		3,636		3,010	
Foreign debt securities	905		-		-		-	
	38,016		19,211		3,636		3,341	
Less: Allowance for impairment	(25)		(557)		-		(183)	
	37,991		18,654		3,636		3,158	
Other investments								
Investments in receivables purchased	1,802		2,062		1,002		1,118	
Investments in property fund	845		367		-		-	
Domestic non-marketable equity securities	2,076		338		209		230	
Foreign non-marketable equity securities	84		3		-		-	
	4,807		2,770		1,211		1,348	
Less: Allowance for impairment	(436)		(468)		(218)		(211)	
	4,371		2,302		993		1,137	
Total long-term investments - net	90,567		60,484		5,236		8,464	

8.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements								
2010					2009			
Maturity					Maturity			
Not over 1 year	1 - 5 years	Over 5 years	Total		Not over 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprise securities								
	31,163	21,491	31	52,685	24,525	20,186	678	45,389
Private debt securities								
	4,130	5,600	123	9,853	1,379	6,972	88	8,439
Foreign debt securities								
	904	11,800	-	12,704	334	5,406	-	5,740
Total								
	36,197	38,891	154	75,242	26,238	32,564	766	59,568
Add : Allowance for change in value								
	13	278	8	299	18	432	11	461
Total								
	36,210	39,169	162	75,541	26,256	32,996	777	60,029
Held-to-maturity debt securities								
Government and state enterprise securities								
	6,519	11,127	21,456	39,102	2,252	9,788	8,051	20,091
Private debt securities								
	1,356	3,063	1,465	5,884	35	899	473	1,407
Foreign debt securities								
	4,799	905	-	5,704	4,450	-	-	4,450
Total								
	12,674	15,095	22,921	50,690	6,737	10,687	8,524	25,948
Less: Allowance for impairment								
	(358)	(25)	-	(383)	-	(557)	-	(557)
Total								
	12,316	15,070	22,921	50,307	6,737	10,130	8,524	25,391
Total debt securities								
	48,526	54,239	23,083	125,848	32,993	43,126	9,301	85,420

(Unit: Million Baht)

	Separate financial statements							
	2010				2009			
	Maturity				Maturity			
	Not over 1 year	1 - 5 years	Over 5 years	Total	Not over 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprise securities	-	-	-	-	10,077	-	-	10,077
Private debt securities	-	-	-	-	-	500	78	578
Total	-	-	-	-	10,077	500	78	10,655
Add (less): Allowance for change in value	-	-	-	-	6	3	(6)	3
Total	-	-	-	-	10,083	503	72	10,658
Held-to-maturity debt securities								
Government and state enterprise securities	2,271	-	-	2,271	648	331	-	979
Private debt securities	10	-	3,636	3,646	35	3,010	-	3,045
Total	2,281	-	3,636	5,917	683	3,341	-	4,024
Less: Allowance for impairment	(183)	-	-	(183)	-	(183)	-	(183)
Total	2,098	-	3,636	5,734	683	3,158	-	3,841
Total debt securities	2,098	-	3,636	5,734	10,766	3,661	72	14,499

8.3 As at 31 December 2010, a revaluation surplus and a revaluation deficit in the consolidated shareholders' equity amounting to Baht 18 million and Baht 125 million, respectively, are as a result of the recategorisation of debt securities (2009: outstanding revaluation surplus amounting to Baht 22 million and outstanding revaluation deficit amounting to Baht 193 million in the consolidated financial statements).

8.4 As at 31 December 2010, investment in debt securities include Baht 715 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 320 million) (2009: Baht 933 million in the consolidated financial statements and Baht 331 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 2010, 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 383 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) (2009: Baht 557 million in the consolidated financial statements and Baht 183 million in the separate financial statements).

During the year ended 31 December 2010, the Company and its subsidiaries recognised interest income on TAMC's notes amounting to Baht 6 million and received payment under promissory notes and interest amounting to Baht 224 million (separate financial statements: Baht 2 million and Baht 13 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 38.2 to the financial statements.

- 8.5** As at 31 December 2010, the Company has investments of Baht 3,636 million in perpetual non-cumulative subordinated hybrid bonds (Hybrid Tier I). These debentures are unsecured and non-convertible and will be redeemed only upon the dissolution of Thanachart Bank or when conditions specified are met. The debentures bear interest at a rate equal to the highest rate for a six-month fixed deposit plus 6 percent per annum, payable semi-annually.

As at 31 December 2009, the Company had investments of Baht 3,000 million in subordinated debentures issued by Thanachart Bank, and classified as held-to-maturity debt securities since the debentures will be matured in 2013. However, on 30 March 2010, Thanachart Bank, subordinate debentures' issuer, early redeemed all debentures at par value.

8.6 Investments subject to restrictions

As at 31 December 2010 and 2009, subsidiary companies have the following government and state enterprise securities (presented at amortised cost) subject to restrictions as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Placed at insurance registrar	6,211	1,718	-	-
Placed at court	283	20	-	-
Placed for derivative agreements	190	-	-	-
Placed for utilities usage	12	-	-	-
	<u>6,696</u>	<u>1,738</u>	<u>-</u>	<u>-</u>

8.7 Investments in securities in which the Company and its subsidiaries hold not less than 10 percent

As at 31 December 2010 and 2009, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investees, but which are not treated as investments in subsidiaries or associated companies, classified by type of business as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Manufacturing and commerce	800	664	400	332
Banking and finance sector	1,307	417	-	-
Real estate and construction	21	21	20	20

The investments mentioned above include investments in unit trusts in which subsidiary companies hold not less than 20 percent of the unit issued. The subsidiary companies do not treat these investments as investments in subsidiaries or associated companies because the subsidiary companies 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 are under the supervision of the Securities and Exchange Commission. The subsidiary companies therefore record these investments in unit trusts as long-term available-for-sale or other investments, based on their investment objectives.

Name	Consolidated financial statements			
	2010		2009	
	Net	Percentage	Net	Percentage
	book value	of holding	book value	of holding
	Million Baht	Percent	Million Baht	Percent
The Thai Business Fund 3	355	60.00	252	26.67
Business Strategic Fund	278	67.33	-	-
Sub Thawee Property Fund	76	56.00	116	56.00
Thanachart Fixed Long Term	60	27.79	-	-
Thanachart Fixed Income FIF51	50	22.63	-	-

8.8 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 2010 and 2009 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Investments in receivables	1,802	2,062	1,002	1,118
Less: Allowance for impairment	(355)	(349)	(141)	(113)
Investments in receivables - net	1,447	1,713	861	1,005

	2010				2009			
	Number	Balance	Purchase	Yield	Number	Balance	Purchase	Yield
	of debtors	per agreement	price	Percent	of debtors	per agreement	price	Percent
	Million Baht	Million Baht			Million Baht	Million Baht		
<u>Consolidated financial statements</u>								
Total accumulated investments in receivables	2,938	33,611	7,845	1.75 - 18.97	1,662	33,559	7,793	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	1,396	12,876	1,802		775	13,997	2,062	
<u>Separate financial statements</u>								
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	343	6,221	1,002		346	6,290	1,118	

During the years 2010 and 2009, the Company and its subsidiaries have entered into debt restructuring agreements with its investments in receivable purchased, by means of various types of restructuring, as summarised below.

2010					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
<u>Consolidated financial statements</u>					
Modification of terms	10	66	66		
Transfer of assets and/or equity securities and/or modification of terms	2	2	2	Land and premises thereon	4
Total	12	68	68		
<u>Separate financial statements</u>					
Modification of terms	2	31	31		
Total	2	31	31		
2009					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	1	11	11	Land	16
Modification of terms	7	31	31		
Transfer of assets and/or equity securities and/or modification of terms	3	24	24	Land and ordinary shares	27
Total	11	66	66		
<u>Separate financial statements</u>					
Modification of terms	3	7	7		
Transfer of assets and/or equity securities and/or modification of terms	1	7	7	Land	10
Total	4	14	14		

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from the end of the years 2010 and 2009 are as follows:

2010				
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		
	Defaulted after debt restructuring	1	-	-
Due within 2010	11	68	2	31
Total	12	68	2	31

2009				
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		
	Defaulted after debt restructuring	3	21	1
Due within 2009	8	45	3	7
Total	11	66	4	14

Restructured 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 2010 and 2009, there were no outstanding restructured receivables in the investments in receivables account.

8.9 Investments in companies having problems relating to financial position and operating results

As at 31 December 2010 and 2009, investments in securities of the Company and its subsidiaries included investments in securities of companies with having problems relating to financial position and operating results, summarised below.

Consolidated financial statements								
Number of transactions		Cost		Fair value/		Allowance for possible		
				collateral value		loss/impairment		
2010	2009	2010	2009	2010	2009	2010	2009	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
<u>Equity securities - common shares</u>								
1. Companies which have loan settlement problems or have defaulted on the repayment	2	1	-	-	-	-	-	-
2. Companies which auditors' reports cited going concern issues	9	8	-	18	-	-	-	18
<u>Investments in receivables purchased</u>								
1. Closed financial institutions	7	-	-	-	-	-	-	-
2. 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
3. Companies which have loan settlement problems or have defaulted on the repayment	251	296	1,279	1,487	1,828	2,013	251	231
Separate financial statements								
Number of transactions		Cost		Fair value/		Allowance for possible		
				collateral value		loss/impairment		
2010	2009	2010	2009	2010	2009	2010	2009	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
<u>Equity securities - common shares</u>								
1. Companies which have loans settlement problems or have defaulted on the repayment	1	-	-	-	-	-	-	-
2. Companies which auditors' reports cited going concern issues	2	1	-	-	-	-	-	-
<u>Investments in receivables purchased</u>								
1. Companies which have loan settlement problems or have defaulted on the repayment	109	111	752	845	1,105	1,188	85	70

9. Investments in subsidiaries

9.1 As at 31 December 2010 and 2009, 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	
		Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		the years ended	
		2010	2009	2010	2009	2010	2009	31 December	2009
Thanachart Bank Plc.	Commercial bank	55,137	19,346	50.96	50.92	29,056	10,811	552	495
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	83.44	469	514	157	189
NASSET Property Fund 6	Investment in non-performing assets and collection rights	420	900	99.80	99.80	420	898	145	-
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	-	-
						30,981	13,259	854	684
	Less: Allowance for impairment					(16)	(16)		
	Investments in subsidiaries - net					30,965	13,243		

9.2 During April 2010, Thanachart Bank issued 3,579,045,631 new ordinary shares for offering to the existing shareholders. The Company exercised its own entitlement and unexercised entitlements of minority shareholders, and as a result, the Company's shareholding increased to 50.96%.

9.3 During the year 2010, NASSET Property Fund 6 decreased the number of its registered units and returned of Baht 479 million to the Company, based on the net assets value at the declaration date. The Company therefore recorded a gain on capital return of Baht 8 million in the separate income statement. This gain has been eliminated in the consolidated financial statements. As at 31 December 2010, the remaining cost of the investment, in NASSET Property Fund 6 is Baht 420 million.

9.4 The consolidated balance sheets as at 31 December 2010 and 2009 included Baht 19 million of assets and Baht 0.1 million of liabilities (before eliminated transactions) of Thiravanit Co., Ltd. which registered its dissolution and is currently in the liquidation process. The financial statements of this subsidiary was prepared by its management and was not audited by its auditor.

9.5 Cash flows information of asset management companies which are subsidiaries

Cash flows information of asset management companies which are subsidiaries for the years ended 31 December 2010 and 2009 are as follows:

	(Unit: Million Baht)			
	NFS Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income before corporate income tax	568	509	158	194
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid for) operating activities				
Gain on assets transferred from receivables	(10)	(39)	(29)	(50)
Loss on impairment of investments in receivables (reversal)	7	-	(2)	(10)
Loss on impairment of property foreclosed	95	17	2	3
Reversal of impairment of investment in securities	(173)	-	-	-
Loss on debt restructuring	77	-	3	-
Gain on sale of investments	(2)	-	-	-
Bad debts and doubtful accounts (reversal)	(259)	(136)	(6)	7
Others	(1)	(9)	(2)	-
	<u>302</u>	<u>342</u>	<u>124</u>	<u>144</u>
Interest expenses	43	80	-	-
Interest income	(181)	(266)	(6)	(20)
Dividend income	(1)	(2)	-	-
Cash received from interest income	167	259	6	21
Cash paid for corporate income tax	(93)	(135)	(79)	(73)
Income from operating activities before changes in operating assets and liabilities	<u>237</u>	<u>278</u>	<u>45</u>	<u>72</u>
Operating assets (increase) decrease				
Current investments	130	643	-	-
Investments in receivables	82	5	25	56
Loans	259	679	27	18
Property foreclosed	246	106	95	159
Other assets	(3)	1	2	(1)
Operating liabilities increase (decrease)				
Other liabilities	<u>233</u>	<u>(178)</u>	<u>5</u>	<u>(26)</u>
Net cash flows from operating activities	<u>1,184</u>	<u>1,534</u>	<u>199</u>	<u>278</u>
Cash flows from investing activities				
Proceeds from sales of long-term investments	210	149	-	-
Cash received from interest of long-term investments	3	8	-	-
Cash received from dividend	1	2	-	-
Net cash flows from investing activities	<u>214</u>	<u>159</u>	<u>-</u>	<u>-</u>

(Unit: Million Baht)

	NFS Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2010	2009	2010	2009
Cash flows from financing activities				
Cash received from borrowings	-	2,136	-	-
Cash paid for borrowings	(1,400)	(3,650)	-	-
Cash paid for interest expenses on borrowings	(43)	(80)	-	-
Cash paid for dividend	-	-	(243)	(300)
Net cash flows used in financing activities	(1,443)	(1,594)	(243)	(300)
Net increase (decrease) in cash and cash equivalents	(45)	99	(44)	(22)
Cash and cash equivalents at beginning of the year	130	31	215	237
Cash and cash equivalents at end of the year	85	130	171	215

10. Investments in associated companies

10.1 As at 31 December 2010 and 2009, the Company and its subsidiaries have investments in ordinary shares of the associated companies, which operate business in Thailand, are as follows:

Company's name	Paid-up capital		Percentage of holding (%)		Investment value				Dividend income		Share of income (loss)	
					Cost method		Equity method		for the years ended		for the years ended	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Unit: Million Baht)											
Consolidated financial statements												
MBK Plc.	1,886	1,886	19.90	19.90	948	948	1,591	1,701	178	163	323	257
Siam Samsung Life Insurance Co., Ltd.	500	500	25.00	-	104	-	82	-	-	-	(24)	-
Siam City Insurance Co., Ltd.	40	40	45.50	-	92	-	109	-	-	-	17	-
Ratchthani Leasing Plc.	823	823	48.35	-	403	-	457	-	-	-	54	-
Total investments in associated companies					<u>1,547</u>	<u>948</u>	<u>2,239</u>	<u>1,701</u>	<u>178</u>	<u>163</u>	<u>370</u>	<u>257</u>
Separate financial statements in which the cost method is applied												
MBK Plc.	1,886	1,886	10.00	10.00	<u>658</u>	<u>658</u>			<u>90</u>	<u>80</u>		

10.2 The Company and its subsidiaries classify investments in MBK Public Company Limited, which engages in property rental, hotel and services, as investments in an associated company because the Company and its subsidiaries have significant influence over that associated company.

10.3 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 30 September 2010 and 2009 and for the years then ended is as follows:

(Unit: Million Baht)

Paid-up capital		Total assets		Total liabilities		Total revenues		Net income for the	
30 September		30 September		30 September		for the years ended		years ended	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1,886	1,886	28,752	23,988	14,006	13,021	8,911	6,391	2,477	1,258

The share of income of MBK Plc. is determined based on financial statements as prepared for a different period, as a result of limitations on the availability of information. The financial information used was based on the balance sheets as at 30 September 2010 and 2009 and the income statements for the years 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 policies. The Company's management believes that the net income for the year ended 30 September 2010 is not material different from that income for the year ended 31 December 2010.

- b) Summarised financial information of Siam Sumsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 31 December 2010 and for the period then ended are as follows:

(Unit: Million Baht)

Company's name	Paid-up	Total assets	Total liabilities	Total income	Net income
	share capital			for the period	(loss) for the
	31 December	31 December	31 December	ended	period ended
	2010	2010	2010	31 December	31 December
	2010	2010	2010	2010	2010
Siam Samsung Life Insurance Co., Ltd.					
(engage in life insurance)	500	2,073	1,766	911	(98)
Siam City Insurance Co., Ltd.					
(engage in non-life insurance)	40	932	689	632	37
Ratchthani Leasing Plc.					
(engage in lease of car)	823	9,549	8,270	695	112

Investments in the above 3 associated companies are indirectly held through SCIB, therefore, the share of income (loss) were determined based on the financial statements which prepared by the management of a subsidiary company for the period as from Thanachart bank has investment in SCIB, and in the interest proportion of its subsidiaries.

10.4 As at 31 December 2010 and 2009, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
MBK Plc.	3,791	2,440	1,904	1,226
Ratchthani Leasing Plc.	616	-	-	-

11. Loans and accrued interest receivables

11.1 Classified by loan types

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<u>Loans</u>				
Overdrafts	24,562	2,812	-	-
Loans	277,732	52,242	205	227
Notes receivable	62,144	18,919	1,008	2,407
Hire purchase receivables	239,943	211,564	332	1,423
Financial lease receivables	2,153	2,323	-	-
Others	429	-	-	-
Total loans	606,963	287,860	1,545	4,057
Add: Accrued interest receivables	956	311	9	-
Less: Allowance for doubtful accounts	(26,157)	(10,121)	(505)	(588)
Revaluation allowance for debt restructuring	(464)	(98)	-	-
Loans and accrued interest receivables - net	581,298	277,952	1,049	3,469
<u>Securities business receivables</u>				
Credit balances receivables	1,341	870	-	-
Other receivables	1,342	382	-	-
Total securities business receivables	2,683	1,252	-	-
Less: Allowance for doubtful accounts	(1,338)	(315)	-	-
Securities business receivables - net	1,345	937	-	-
Loans and accrued interest receivables - net	582,643	278,889	1,049	3,469

As at 31 December 2010 and 2009, the Company and its subsidiaries have unearned income as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Unearned interest income	70	68	-	-
Unearned income from hire purchase/ financial lease	32,466	30,423	13	43

11.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	At call *	39,357	9,410	1,406
Not over 1 year	88,773	29,443	119	710
Over 1 year	482,647	250,770	29	540
Total loans and accrued interest receivables	610,777	289,623	1,554	4,057
Less: Intercompany gain from loans transferred	(175)	(200)	-	-
Total loans and accrued interest receivables	610,602	289,423	1,554	4,057

* Includes expired contracts

11.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	594,330	4,724	599,054	286,979	323	287,302
US Dollar	7,493	3,857	11,350	1,313	1,004	2,317
Other currencies	373	-	373	4	-	4
Total loans and accrued interest receivables	602,196	8,581	610,777	288,296	1,327	289,623
Less: Intercompany gain from loans transferred	(175)	-	(175)	(200)	-	(200)
Total loans and accrued interest receivables	602,021	8,581	610,602	288,096	1,327	289,423

(Unit: Million Baht)

	Separate financial statements					
	2010			2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,554	-	1,554	4,057	-	4,057
Total loans and accrued interest receivables	1,554	-	1,554	4,057	-	4,057

11.4 Classified by type of business and loan classification

(Unit: Million Baht)

	Consolidated financial statements					
	2010					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	8,132	2,433	194	72	166	10,997
Manufacturing and commercial	74,029	8,702	1,707	8,461	5,115	98,014
Real estate and construction	46,001	1,996	1,553	651	2,847	53,048
Public utilities and services	55,715	4,497	1,459	1,661	3,244	66,576
Personal consuming						
Housing loans	73,011	1,911	590	826	1,564	77,902
Securities business	1,344	-	4	1,335	-	2,683
Hire purchase	219,713	15,827	807	625	2,971	239,943
Others	46,920	1,611	633	362	1,894	51,420
Others	9,120	28	-	430	616	10,194
Total loans and accrued interest receivables	533,985	37,005	6,947	14,423	18,417	610,777
Less: Intercompany gain from loans transferred						(175)
Total loans and accrued interest receivables						610,602

(Unit: Million Baht)

Consolidated financial statements						
2009						
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	2,598	2	8	8	22	2,638
Manufacturing and commercial	15,297	72	163	301	939	16,772
Real estate and construction	14,369	473	166	457	824	16,289
Public utilities and services	15,209	456	263	7	249	16,184
Personal consuming						
Housing loans	6,079	409	119	269	365	7,241
Securities business	936	-	3	313	-	1,252
Hire purchase	189,471	16,880	909	828	3,476	211,564
Others	6,307	506	169	366	858	8,206
Others	8,315	5	1	-	1,156	9,477
Total loans and accrued interest receivables	<u>258,581</u>	<u>18,803</u>	<u>1,801</u>	<u>2,549</u>	<u>7,889</u>	<u>289,623</u>
Less: Intercompany gain from loans transferred						(200)
Total loans and accrued interest receivables						<u>289,423</u>

(Unit: Million Baht)

Separate financial statements						
2010						
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	1,000	-	-	-	-	1,000
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	2	3	-	9	8	22
Hire purchase	91	9	1	3	228	332
Others	4	-	-	1	192	197
Total loans and accrued interest receivables	<u>1,097</u>	<u>12</u>	<u>1</u>	<u>13</u>	<u>431</u>	<u>1,554</u>

(Unit: Million Baht)

	Separate financial statements					Total
	2009					
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	
Subsidiaries	2,400	-	-	-	-	2,400
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	6	-	2	-	29	37
Hire purchase	1,005	124	16	21	257	1,423
Others	5	-	2	1	186	194
Total loans and accrued interest receivables	3,416	124	20	22	475	4,057

11.5 Non-performing loans

As at 31 December 2010 and 2009, 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 financial statements		Separate financial statements	
	2010	2009	2010	2009
Non-performing loans (excluding accrued interest receivables)				
The Company	436	517	436	517
Banking business	35,520	8,359	-	-
Asset management business	2,058	2,561	-	-
Securities business	1,339	316	-	-

The above non-performing loans do not include overdue loans which have been already restructured and are now qualified for classification as normal 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	
	2010	2009	2010	2009
The Company	330	424	330	424
Banking business	44,046	8,777	-	-
Securities business	1,339	316	-	-

The Company recognises income from loans that were transferred from investments in receivables on a cash basis. Subsidiaries engaged in the asset management business also recognise income from loans on a cash basis.

11.6 Hire purchase/Financial lease receivables

As at 31 December 2010, the Company and its subsidiaries have net receivables under hire purchase and financial lease agreements amounting to Baht 236,726 million (separate financial statements: Baht 99 million). Most of the hire purchase/financial lease 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 as specified in the contract.

(Unit: Million Baht)

	Consolidated financial statements			
	2010			
	Amounts due under lease agreements			
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	89,626	177,745	7,191	274,562
Unearned finance income	(13,978)	(18,246)	(242)	(32,466)
Present value of minimum lease payments receivable	75,648	159,499	6,949	242,096
Allowance for doubtful accounts				5,370

* Includes non-performing loans

(Unit: Million Baht)

Consolidated financial statements				
2009				
Amounts due under lease agreements				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	84,145	155,860	4,305	244,310
Unearned finance income	(13,528)	(16,759)	(136)	(30,423)
Present value of minimum lease payments receivable	70,617	139,101	4,169	213,887
Allowance for doubtful accounts				5,964
<i>* Includes non-performing loans</i>				

(Unit: Million Baht)

Separate financial statements				
2010				
Amounts due under lease agreements				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	345	-	-	345
Unearned finance income	(13)	-	-	(13)
Present value of minimum lease payments receivable	332	-	-	332
Allowance for doubtful accounts				233
<i>* Includes non-performing loans</i>				

(Unit: Million Baht)

Separate financial statements				
2009				
Amounts due under lease agreements				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	1,341	125	-	1,466
Unearned finance income	(42)	(1)	-	(43)
Present value of minimum lease payments receivable	1,299	124	-	1,423
Allowance for doubtful accounts				301
<i>* Includes non-performing loans</i>				

11.7 Debt restructuring

During the years 2010 and 2009, the Company and its subsidiaries entered into debt restructuring agreements with debtors. The details are as follows:

2010					
Type of restructuring	Number of receivables	Outstanding loan balance before restructuring ⁽¹⁾ Million Baht	Outstanding loan balance after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	3	24	24	Land and premises thereon	37
Modification of terms	5,998	11,041	10,974		
Transfer of assets and/or equity securities and/or modification of terms	6	203	189	Land	173
Total	6,007	11,268	11,187		
<u>Separate financial statements</u>					
Modification of terms	28	25	25		
Total	28	25	25		

(1) Outstanding balance includes both principal and interest receivables

2009					
Type of restructuring	Number of receivables	Outstanding loan balance before restructuring ⁽¹⁾ Million Baht	Outstanding loan balance after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	5	119	119	Land and premises thereon	142
Modification of terms	10,917	3,646	3,645		
Transfer of assets and/or equity securities and/or modification of terms	18	312	312	Land and premises thereon	101
Total	10,940	4,077	4,076		
<u>Separate financial statements</u>					
Modification of terms	48	3	3		
Total	48	3	3		

(1) Outstanding balance includes both principal and interest receivables

The remaining periods to maturity of the restructured receivable of the Company and its subsidiaries, counting from the end of the years 2010 and 2009 are as follows:

2010				
Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan balance	Number of receivables	Outstanding loan balance
		after restructuring		after restructuring
		Million Baht		Million Baht
Defaulted after debt restructuring	1,305	593	6	12
Due within 2010	733	808	22	13
Less than 5 years	2,112	1,739	-	-
5 - 10 years	1,616	7,328	-	-
10 - 15 years	114	459	-	-
More than 15 years	127	260	-	-
Total	6,007	11,187	28	25

2009				
Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan balance	Number of receivables	Outstanding loan balance
		after restructuring		after restructuring
		Million Baht		Million Baht
Defaulted after debt restructuring	4,785	1,595	9	1
Due within 2009	861	410	34	1
Less than 5 years	2,184	884	3	-
5 - 10 years	3,083	1,121	1	-
10 - 15 years	14	32	1	1
More than 15 years	13	34	-	-
Total	10,940	4,076	48	3

Supplemental information for the years 2010 and 2009 relating to restructured receivables are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Interest income recognised in income statements	1,270	527	7	2
Gain on debt repayment/disposals	105	53	29	1
Gain on transfers of assets for debt repayment	21	41	-	2
Loss on debt restructuring	131	44	-	-
Cash proceeds from collection of debts	4,925	1,304	83	13
Assets transferred from debtors	400	350	-	10

As at 31 December 2010 and 2009, the Company and its subsidiaries have the following restructured receivables balances (principal and interest receivables), including restructured receivables who were transferred from investments in receivables. There are summary below.

	Total number of outstanding receivables		Restructured receivables					
			Number of receivables		Outstanding balance		Outstanding balance net of collateral	
	2010	2009	2010	2009	2010	2009	2010	2009
					Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	7,605	31,232	57	67	122	137	26	32
Thanachart Bank Plc.	944,324	812,480	13,944	10,600	5,324	5,280	2,414	1,963
Siam City Bank Plc.	358,647	-	6,247	-	22,871	-	9,560	-
Thanachart Securities Plc.	395	388	3	6	35	101	35	101
Other subsidiary companies	6,068	6,528	283	335	1,404	1,617	424	483

11.8 Classification of loans under the Bank of Thailand's guidelines

As at 31 December 2010 and 2009, 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 ⁽¹⁾						
	Debt balance/ book value ⁽²⁾		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts	
	2010	2009	2010	2009	(Percent)	2010	2009
Loans and accrued interest receivables							
(including interbank and money market items)							
Normal	582,386	307,188	205,585	82,599	1	2,341	909
Special mention	36,532	17,970	16,955	7,484	2	2,249	190
Substandard	6,919	1,713	2,978	1,141	100	3,071	1,237
Doubtful	13,072	2,180	8,206	1,345	100	8,283	1,345
Doubtful of loss	18,253	7,737	9,371	5,624	100	9,455	5,709
Total	657,162	336,788	243,095	98,193		25,399	9,390
Additional allowance for possible uncollectible debts	-	-	-	-		707	387
	657,162	336,788	243,095	98,193		26,106	9,777
Less: Revaluation allowance							
for debt restructuring	(464)	(98)					
Intercompany gain from loans transferred	(175)	(200)					
Total loans and accrued interest receivables	656,523	336,490					

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

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

(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.

(Unit: Million Baht)

	Separate financial statements						
	Debt balance/ book value ⁽¹⁾		Debt balance after collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2010	2009	2010	2009	(Percent)	2010	2009
Loans and accrued interest receivables							
(including interbank and money market items)							
Normal	1,117	3,436	1,111	2,965	1	10	29
Special mention	12	124	8	86	2	-	2
Substandard	1	20	1	17	100	1	17
Doubtful	13	22	4	22	100	4	22
Doubtful of loss	431	475	350	378	100	350	378
Total loans and accrued interest receivables	1,574	4,077	1,474	3,468		365	448
Additional allowance for possible uncollectible debts						140	140
						505	588

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

(2) 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.

11.9 Loans to companies which have settlement problems

As at 31 December 2010 and 2009, loans of the Company and its subsidiaries (including loans to financial institutions presented as part of interbank and money market items) 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	
	2010	2009	2010	2009	2010	2009	2010	2009
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	8	5	456	343	113	116	359	267
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	11	14	750	835	753	815	275	281
4. Companies which have loan settlement problems or have defaulted on the repayment	1,342	946	31,802	2,340	14,343	1,776	14,247	1,112
5. Companies whose auditors' reports cited going concern issues	2	2	51	51	-	-	51	51

Separate financial statements

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2010	2009	2010	2009	2010	2009	2010	2009
			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	109	135	113	115	107	101	39	41

11.10 Classification of securities business receivables in accordance with the Notification of the Securities and Exchange Commission

As at 31 December 2010 and 2009, subsidiary companies operating in the securities business classify its securities business receivables and accrued interest receivables and provide related allowance for doubtful accounts in accordance with the Notification of the Securities and Exchange Commission (“SEC”) as follows:

(Unit: Million Baht)

	Receivable and accrued interest receivables		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2010	2009	2010	2009	2010	2009
Doubtful	1,335	313	1,335	313	1,335	313
Substandard	4	3	-	-	3	2
Total	<u>1,339</u>	<u>316</u>	<u>1,335</u>	<u>313</u>	<u>1,338</u>	<u>315</u>

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

11.11 Hire purchase receivables/financial lease receivables of subsidiaries classified by aging

As at 31 December 2010, hire purchase and financial lease receivables of 2 subsidiaries (2009: 3 subsidiaries) engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination intercompany transactions) as follows:

	(Unit: Million Baht)	
	2010	2009
Current or overdue less than 90 days	1,568	3,563
Overdue 91 - 365 days	40	141
Overdue more than 1 year	48	58
Debtors under legal actions	107	93
Total	<u>1,763</u>	<u>3,855</u>
Allowance for doubtful accounts	<u>212</u>	<u>344</u>

11.12 As at 31 December 2010, the Company has loans to NFS Asset Management Co., Ltd. (its subsidiary) in term of promissory note amounting to Baht 1,000 million. The loans are due at call and bear interest at minimum loan rate (MLR) of Thanachart Bank (2009: Baht 2,400 million).

12. Allowance for doubtful accounts

	(Unit: Million Baht)								
	Consolidated financial statements								
	For the year ended 31 December 2010								
	The Company and its financial institution subsidiaries								
	(Banking and asset management business)								
	Special	Sub -			General				
	Normal	mention	standard	Doubtful	of loss	reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	909	190	1,237	1,345	5,709	387	9,777	659	10,436
Balance brought forward of subsidiaries purchased during the year	971	2,854	1,346	4,745	6,244	-	16,160	1,074	17,234
Allowance for doubtful accounts of subsidiary disposed during the year	-	-	-	-	-	-	-	(64)	(64)
Increase (decrease) during the year	299	(795)	488	2,437	(1,034)	320	1,715	(28)	1,687
Bad debt recovery	-	-	-	222	77	-	299	16	315
Bad debt written-off	-	-	-	(466)	(600)	-	(1,066)	(106)	(1,172)
Reversal from the	-	-	-	-	(941)	-	(941)	-	(941)

disposals									
Balance - end of the year	2,179	2,249	3,071	8,283	9,455	707	25,944	1,551	27,495

(Unit: Million Baht)

Consolidated financial statements

For the year ended 31 December 2009

The Company and its financial institution subsidiaries

(Banking and asset management business)

	Special	Sub -		Doubtful	General		Other	Consolidated	
	Normal	mention	standard	Doubtful	of loss	reserve	subsidiarie s		
Balance - beginning of the year	912	185	1,466	1,230	5,127	270	9,190	731	9,921
Increase (decrease) during the year	(3)	5	(229)	115	2,558	117	2,563	278	2,841
Bad debt recovery	-	-	-	-	80	-	80	12	92
Bad debt written-off	-	-	-	-	(1,524)	-	(1,524)	(362)	(1,886)
Reversal from the disposals	-	-	-	-	(532)	-	(532)	-	(532)
Balance - end of the year	909	190	1,237	1,345	5,709	387	9,777	659	10,436

(Unit: Million Baht)

Separate financial statements

For the year ended 31 December 2010

	Special	Sub -		Doubtful	General		Total
	Normal	mention	standard	Doubtful	of loss	reserve	Total
Balance - beginning of the year	29	2	17	22	378	140	588
Decrease during the year	(19)	(2)	(16)	(18)	(43)	-	(98)
Bad debt recovery	-	-	-	-	21	-	21
Bad debt written-off	-	-	-	-	(6)	-	(6)
Balance - end of the year	10	-	1	4	350	140	505

(Unit: Million Baht)

Separate financial statements

For the year ended 31 December 2009

	Special	Sub -		Doubtful	General		Total
	Normal	mention	standard	Doubtful	of loss	reserve	Total
Balance - beginning of the year	17	7	100	73	965	140	1,302
Increase (decrease) during the year	12	(5)	(83)	(51)	(62)	-	(189)
Bad debt recovery	-	-	-	-	28	-	28
Bad debt written-off	-	-	-	-	(21)	-	(21)
Reversal from the disposals	-	-	-	-	(532)	-	(532)

Balance - end of the year

<u>29</u>	<u>2</u>	<u>17</u>	<u>22</u>	<u>378</u>	<u>140</u>	<u>588</u>
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13. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2010	2009	2010	2009
Balance - beginning of the year	98	87	-	-
Balance brought forward of subsidiaries				
purchased during the year	472	-	-	-
Increase (decrease) during the year	(40)	31	-	-
Amortised during the year	(39)	(20)	-	-
Reversal on hair-cut loans	(27)	-	-	-
Balance - end of the year	<u>464</u>	<u>98</u>	<u>-</u>	<u>-</u>

14. Classification of assets

As at 31 December 2010 and 2009, the quality of assets of the Company and its financial business subsidiaries classified in accordance with the announcements of the BOT are as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	Loans and accrued interest receivables		Investments		Property foreclosed		Other assets		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Normal	582,386	307,188	-	-	-	-	193	131	582,579	307,319
Special mention	36,532	17,970	-	-	-	-	86	58	36,618	18,028
Substandard	6,919	1,713	-	-	-	-	8	3	6,927	1,716
Doubtful	13,072	2,180	-	-	-	-	14	3	13,086	2,183
Doubtful of loss	18,253	7,737	724	986	3,782	822	608	196	23,367	9,741
Total	<u>657,162</u>	<u>336,788</u>	<u>724</u>	<u>986</u>	<u>3,782</u>	<u>822</u>	<u>909</u>	<u>391</u>	<u>662,577</u>	<u>338,987</u>
Less: Revaluation allowance for debt restructuring	(464)	(98)								
Intercompany gain from loans transferred	(175)	(200)								
	<u>656,523</u>	<u>336,490</u>								

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued		Property						Total	
	interest receivables		Investments		foreclosed		Other assets			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Normal	1,117	3,436	-	-	-	-	-	3	1,117	3,439
Special mention	12	124	-	-	-	-	3	5	15	129
Substandard	1	20	-	-	-	-	-	-	1	20
Doubtful	13	22	-	-	-	-	-	1	13	23
Doubtful of loss	431	475	417	416	484	531	83	101	1,415	1,523
Total	1,574	4,077	417	416	484	531	86	110	2,561	5,134

15. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2010					
		Increase	Decrease			
	Balance -	from	from	Balance -		
	beginning of	purchase of	disposals of	Balance -		
	the year	subsidiary	subsidiary	end of the		
		companies	companies	year	Additions	Disposals
Assets acquired from settlement						
of debts						
Immovable assets						
Appraised by internal appraiser	1,489	16	-	201	(173)	1,533
Appraised by external appraiser	3,580	8,817	-	328	(1,328)	11,397
Movable assets	434	113	(4)	3,742	(3,884)	401
Assets acquired from auction bidding						
on the open market						
Immovable assets						
Appraised by internal appraiser	1,346	7	-	244	(459)	1,138
Appraised by external appraiser	506	424	-	312	(81)	1,161
Unused branch appraised by						
external appraiser	-	123	-	-	-	123
Total property foreclosed	7,355	9,500	(4)	4,827	(5,925)	15,753
Less: Allowance for impairment	(831)	(2,958)	-	(325)	331	(3,783)
Property foreclosed - net	6,524	6,542	(4)	4,502	(5,594)	11,970

(Unit: Million Baht)

	Separate financial statements			
	For the year ended 31 December 2010			
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets acquired from settlement of debts				
Immovable assets				
Appraised by internal appraiser	249	4	(17)	236
Appraised by external appraiser	1,960	17	(305)	1,672
Movable assets	6	9	(12)	3
Assets acquired from auction bidding on the open market				
Immovable assets				
Appraised by internal appraiser	402	37	(76)	363
Appraised by external appraiser	76	74	(14)	136
Others				
Immovable assets				
Appraised by external appraiser	-	130	-	130
Total property foreclosed	2,693	271	(424)	2,540
Less: Allowance for impairment	(531)	(24)	71	(484)
Property foreclosed - net	2,162	247	(353)	2,056

15.1 As at 31 December 2010 and 2009, property foreclosed acquired from settlement of debt that are subject to restrictions can be summarised follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Immovable assets subject to buy back options or first refusal rights	463	28	-	-

15.2 As at 31 December 2010, the Company and its subsidiaries have entered into sales agreements with customers to sell property foreclosed of approximately Baht 1,832 million (at cost) (separate financial statements: Baht 105 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 of the Company and its subsidiaries.

16. Land, premises and equipment

(Unit: Million Baht)

	Consolidated financial statements					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	
<u>Cost</u>						
31 December 2009	489	540	3,399	216	18	4,662
Increase from purchase of subsidiary companies	4,174	4,770	4,404	363	134	13,845
Decrease from disposals of subsidiary company	-	-	(6)	(1)	-	(7)
Additions	101	69	395	23	91	679
Transfers	-	69	37	2	(108)	-
Disposals	(99)	(42)	(346)	(109)	-	(596)
31 December 2010	4,665	5,406	7,883	494	135	18,583
<u>Accumulated depreciation</u>						
31 December 2009	-	92	2,025	121	-	2,238
Increase from purchase of subsidiary companies	-	2,628	3,698	301	-	6,627
Decrease from disposals of subsidiary company	-	-	(2)	(1)	-	(3)
Disposals	-	(15)	(309)	(107)	-	(431)
Depreciation during the year	-	169	802	66	-	1,037
31 December 2010	-	2,874	6,214	380	-	9,468
<u>Allowance for impairment</u>						
31 December 2009	1	-	-	-	-	1
Increase from purchase of subsidiary companies	1	-	2	-	-	3
Increase (decrease) during the year	(1)	-	1	-	-	-
31 December 2010	1	-	3	-	-	4
<u>Net book value</u>						
31 December 2009	488	448	1,374	95	18	2,423
31 December 2010	4,664	2,532	1,666	114	135	9,111
Depreciation charge included in the income statements for the years ended 31 December						
2009						593
2010						1,037

(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 2009	63	147	103	35	-	348
Additions	-	-	1	3	1	5
Disposal	(48)	(19)	(24)	(9)	-	(100)
31 December 2010	15	128	80	29	1	253
<u>Accumulated depreciation</u>						
31 December 2009	-	46	77	15	-	138
Disposals	-	(6)	(14)	(9)	-	(29)
Depreciation during the year	-	7	8	5	-	20
31 December 2010	-	47	71	11	-	129
<u>Net book value</u>						
31 December 2009	63	101	26	20	-	210
31 December 2010	15	81	9	18	1	124
Depreciation charge included in the income statements for the years ended 31 December						
2009						21
2010						20

As at 31 December 2010, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 68 million and have office equipment and motor vehicles which have been fully depreciated but are still in use with gross carrying amount, before deducting accumulated depreciation, amounting to approximately Baht 3,753 million (separate financial statements: Baht 18 million and Baht 56 million, respectively).

17. Intangible assets

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements	
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
31 December 2009	-	534	7	116	657	8
Increase from purchase of subsidiary companies	-	930	4	40	974	-
Additions/increase due to business combination	4,100	67	-	109	4,276	-
Transfers	-	101	-	(101)	-	-
Disposals	-	(19)	(4)	(1)	(24)	-
31 December 2010	4,100	1,613	7	163	5,883	8
<u>Accumulated amortisation</u>						
31 December 2009	-	175	5	-	180	7
Increase from purchase of subsidiary companies	-	647	3	-	650	-
Disposals	-	(16)	(3)	-	(19)	-
Amortisation for the year	137	99	1	-	237	1
31 December 2010	137	905	6	-	1,048	8
<u>Allowance for impairment</u>						
31 December 2009	-	-	-	-	-	-
Increase from purchase of subsidiary companies	-	30	-	-	30	-
31 December 2010	-	30	-	-	30	-
<u>Net book value</u>						
31 December 2009	-	359	2	116	477	1
31 December 2010	3,963	678	1	163	4,805	-
Amortised expenses included in the income statements for the years ended 31 December						
2009					47	1
2010					237	1
Amortisation period	9 years	0 - 10 years	0 - 1 year	-		0 - 2 years

As at 31 December 2010, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with gross carrying amount, before deducting accumulated amortisation, amounting to approximately Baht 65 million (separate financial statements: Baht 3 million).

18. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Other receivables	1,095	490	100	105
Premium receivable from direct insurance	444	757	-	-
Value added tax refundable	676	401	-	-
Deposits	311	159	4	5
Prepaid expenses	173	85	3	5
Suspense accounts between head office and branches	326	146	-	-
Other receivable - VAT paid in advance for customers	174	172	2	8
Accrued estimated claims refunded from other parties	187	166	-	-
Differences as a result of asset transferred to Sukhumvit Asset Management Company Limited	83	-	-	-
Suspense amount - Deferred tax arrived from business combination	629	-	-	-
Others	690	328	18	44
Total	4,788	2,704	127	167
Less: Allowance for impairment	(673)	(233)	(84)	(102)
Total other assets - net	4,115	2,471	43	65

19. Deposits

19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
At call	7,205	636	-	-
Savings	181,106	81,338	-	-
Promissory notes	61	66	-	-
Certificates of deposit	5,297	-	-	-
Fixed deposits				
- Less than 6 months	154,231	66,649	-	-
- 6 months and up to 1 year	39,381	17,746	-	-
- Over 1 year	145,101	99,436	-	-
Total deposits	532,382	265,871	-	-

19.2 Classified by the remaining period of contracts

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Not over 1 year*	506,551	220,579	-	-
Over 1 year	25,831	45,292	-	-
Total deposits	532,382	265,871	-	-

*Include matured contracts

19.3 Classified by currency and location

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	531,979	1	531,980	265,780	1	265,781
US Dollar	160	25	185	44	6	50
Other currencies	90	127	217	40	-	40
Total deposits	532,229	153	532,382	265,864	7	265,871

20. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	1,427	2,601	4,028	-	-	-
Commercial banks	174	4,823	4,997	7	1,150	1,157
Other banks	133	3,206	3,339	-	534	534
Finance and securities companies	5,904	1,511	7,415	4,773	3,545	8,318
Other financial institutions	8,348	5,124	13,472	4,298	1,430	5,728
Total domestic	15,986	17,265	33,251	9,078	6,659	15,737
Foreign						
Baht	95	262	357	35	130	165
US Dollar	81	6,832	6,913	-	5,037	5,037
Euro	-	24	24	-	-	-
Total foreign	176	7,118	7,294	35	5,167	5,202
Total	16,162	24,383	40,545	9,113	11,826	20,939

(Unit: Million Baht)

	Separate financial statements					
	2010			2009		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	-	-	-	1	-	1

Total	-	-	-	1	-	1
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21. Borrowings

As at 31 December 2010 and 2009, domestic borrowings are as follows:

Type of borrowings	Interest rate per annum (as at 31 December 2010)	Maturity year	(Unit: Million Baht)			
			Consolidated financial statements		Separate financial statements	
			2010	2009	2010	2009
<u>Short-term borrowings</u>						
Unsubordinated and unsecured debentures			-	6,328	-	6,500
Unsubordinated and unsecured debentures (c)	5.25 percent	2011	1,455	-	1,500	-
Bills of exchange	1.10 - 2.40 percent	2011	134,850	68,600	-	-
Bills of exchange	0.00 percent	Call	11	-	-	-
The Department of Alternative Energy Development and Efficiency	0.50 percent	2011	3	-	-	-
Total short-term borrowings			136,319	74,928	1,500	6,500
<u>Long-term borrowings</u>						
Bills of exchange	0.50 - 1.83 percent	2012 - 2016	4,673	-	-	-
Perpetual subordinated hybrid bonds (Tier I) (a)	7.40 percent	Dissolution	3,494	-	-	-
Subordinated hybrid bonds (Tier II) (b)	5.25 percent	2019 and 2024	5,000	4,922	-	-
Unsubordinated and unsecured debentures (c - e)	3.35 and 4.90 percent	2013 and 2014	12,000	10,455	12,000	10,500
Subordinated debentures (Tier II) (f - i)	5.00 - 5.50 percent	2015 - 2020	23,000	7,000	-	-
The Department of Alternative Energy Development and Efficiency	0 - 0.50 percent	2012 - 2017	231	-	-	-
Total long-term borrowings			48,398	22,377	12,000	10,500
Total borrowings			184,717	97,305	13,500	17,000

- (a) On 22 April 2010, Thanachart Bank issued 7,130,000 units of perpetual, non-cumulative, subordinated, hybrid bonds (Hybrid Tier I), with a face value of Baht 1,000 each, and sold them to the Company and BNS. The bonds will mature upon dissolution or liquidation or similar of Thanachart Bank. The bonds are unsecured and non-convertible and bear interest at a rate equal to the highest interest rate for a six-month fixed deposit plus 6.00 percent per annum, payable semi-annually. Thanachart Bank has a call option to early redeem these bonds at

par if the conditions as specified are met. The Company has investments in subordinated debentures amounting to Baht 3,636 million.

- (b) On 24 July 2009, Thanachart Bank issued 5,000,000 units of name registered subordinated, unsecured, unconvertible, hybrid bonds with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures amounting to 3.5 million units will mature in 2019 and bear interest at fixed rates of 5.25 percent per annum for the first five years and 5.50 percent per annum for the sixth to tenth years, and the debentures amounting to 1.5 million units will mature in 2024 and bear interest at fixed rates of 5.25 percent per annum for the first five years, 6.00 percent per annum for the sixth to tenth years, and 6.50 percent per annum for the eleventh to fifteenth years. All interest is payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par and has option to postpone principal and/or interest payment if the conditions specified are met.
- (c) On 18 November 2008, the Company issued 1,500,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2011 and bear interest at fixed rate of 5.25 percent per annum, payable semi-annually.
- (d) On 12 November 2009, the Company issued 9,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2014 and bear interest at fixed rate of 4.90 percent per annum, payable quarterly.
- (e) On 22 January 2010, the Company issued 3,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2013 and bear interest at fixed rate of 3.35 percent per annum, payable quarterly.
- (f) On 9 May 2008, Thanachart Bank issued 5,000,000 units of name registered subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2015 and bear interest at fixed rates of 5.10 percent per annum for the first three years and 6.00 percent per annum for the fourth to seventh years, payable quarterly.

- (g) On 3 April 2009, Thanachart Bank issued 2,000,000 units of name registered subordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2019 and bear interest at fixed rates of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years, and 6.50 percent per annum for the eighth to tenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (h) On 2 April 2010, Thanachart Bank issued 6,000,000 units of name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2020 and bear interest at fixed rates of 5.00 percent per annum for the first five years and 5.50 percent per annum for the sixth to tenth years, payable quarterly. Thanachart Bank has call option to early redeem these debentures if the conditions specified are met.
- (i) On 19 June 2009, SCIB issued 10,000,000 units of unsecured subordinated, with a face value of Baht 1,000 each. The debentures will mature in 2019 and bear interest at fixed rates of 5.50 percent per annum for the first three years, 6.00 percent per annum for the fourth to seventh years and 6.50 percent per annum for the eighth to tenth years, payable quarterly. SCIB has call option to early redeem these debentures if the conditions specified are met.

22. Provisions for contingent liabilities

(Unit: Million Baht)

	Consolidated financial statements			
	Obligations	Loss from		
	off-balance	litigation	Others	Total
	sheet			
As at 1 January 2010	-	28	16	44
Increase from purchase of				
subsidiary companies	420	60	290	770
Increase during the year	-	11	175	186
Utilised	-	-	(24)	(24)
Reversal of provisions	(135)	-	(60)	(195)
As at 31 December 2010	285	99	397	781

(Unit: Million Baht)

	Separate financial statements		
	Loss from		
	litigation	Others	Total
As at 1 January 2010	9	8	17
Increase during the year	-	8	8
Utilised	-	(14)	(14)
As at 31 December 2010	9	2	11

23. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Loss reserves and outstanding claims from insurance/life assurance	990	872	-	-
Suspense cash received from account receivable	817	842	24	77
Provision for income tax	568	586	-	-
Withholding tax payable	173	115	-	3
Insurance premium receives	445	234	-	-
Dividend payable	33	95	-	95
Other payable	633	400	57	95
Deposit from derivative contracts	1,762	-	-	-
Others	2,480	1,107	44	55
Total	7,901	4,251	125	325

24. Share capital/treasury stocks/dividends

During the year 2010, there were no preference shareholders converted to the Company's ordinary shares. Therefore, as at 31 December 2010, 15,856 preference shares remained unconverted. Each preference share can convert to 1 ordinary share and the conversion right is unconditional and does not expire.

As at 31 December 2010, the Company has totaling 55,324,300 shares of treasury stocks or an amount of Baht 387.50 million. Such treasury stocks were not disposed of during the year and are to be disposed of within 3 years counting from end of the repurchasing period (within June 2012).

Moreover, during the years ended 31 December 2010 and 2009, 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 2010	The Company's Board of Directors on 27 September 2010	639	0.50	26 October 2010
Dividend on earnings for the second half-year of 2009	The Annual General Meeting of shareholders on 7 April 2010	767	0.60	6 May 2010
Total dividend during the year 2010		<u>1,406</u>	<u>1.10</u>	
Interim dividend on earnings for the first half-year of 2009	The Company's Board of Directors on 29 September 2009	447	0.35	28 October 2009
Dividend on earnings for the second half-year of 2008	The Annual General Meeting of shareholders on 29 April 2009	767	0.60	28 May 2009
Total dividend during the year 2009		<u>1,214</u>	<u>0.95</u>	

25. Revaluation surplus (deficit) on investments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	138	257	-	9
Equity instruments	740	2,227	290	2,118
Held-to-maturity debt securities	18	22	-	-
Surplus recognised for an associated company - under equity method	1	152	-	-
Total	<u>897</u>	<u>2,658</u>	<u>290</u>	<u>2,127</u>
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(59)	(5)	-	(6)
Equity instruments	-	(301)	-	-
Held-to-maturity debt securities	(125)	(193)	-	-
Deficit recognised for an associated company - under equity method	(19)	-	-	-
Total	<u>(203)</u>	<u>(499)</u>	<u>-</u>	<u>(6)</u>
Total revaluation surplus on investments	<u>694</u>	<u>2,159</u>	<u>290</u>	<u>2,121</u>

26. 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 2010, the Company allocated Baht 140,881,210 of net income for the year 2010 to the statutory reserve (2009: Baht 176,359,512).

27. Capital management

The primary objective of the Company and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and preserve the ability to continue their businesses as going concerns. Moreover, the Company and its subsidiaries have legal requirements specific to their areas of business regarding maintenance of capital funds, liquidity and other matters.

In compliance with the Notification of BOT Re: Consolidated Supervision, the Company has to disclose the qualitative and quantitative information about capital maintenance of the Company and subsidiaries in the financial group (Full Consolidation) as at 31 December 2010. However, the BOT granted Thanachart Bank and the Company, a waiver, allowing them to hold more shares of SCIB than permitted by law, for the purposes of the business transfer. In its letter dated 1 April 2010, the BOT approved such waiver with respect to the calculation of capital funds and the ratio of capital to risk assets and contingent liabilities, whereby in determining the capital funds of the Company and Thanachart Bank, the value of investment in SCIB is not deducted, while the computation of the ratio of the capital to risk assets and contingent liabilities includes the assets and contingent liabilities of SCIB until the date of completion of the business combination. The Company will disclose capital maintenance information on its website at www.thanachart.co.th, within April 2011.

28. Bad debt and doubtful accounts

Bad debt and doubtful accounts in the income statements for the years ended 31 December 2010 and 2009 consists of:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts) of loans and interbank and money market items	1,725	2,816	(98)	(189)
Amortisation of revaluation allowance for debt restructuring during the year	(36)	(20)	-	-
Total bad debt and doubtful accounts (reversal)	<u>1,689</u>	<u>2,796</u>	<u>(98)</u>	<u>(189)</u>

29. Loss from debt restructuring

Loss from debt restructuring in the income statements for the years ended 31 December 2010 and 2009 consists of:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Loss from hair-cut	171	22	-	-
Increase (reversal) in revaluation allowance for debt restructuring	(40)	31	-	-
Total loss from debt restructuring	<u>131</u>	<u>53</u>	<u>-</u>	<u>-</u>

30. Gain (loss) on investments

Gain (loss) on investments for the years ended 31 December 2010 and 2009 consists of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Unrealised gain (loss) on valuation adjustment				
of trading securities	(5)	3	-	-
Reversal of allowance for impairment	194	239	-	11
Allowance for impairment of investment in				
receivables	(6)	(27)	(28)	(32)
Gain on debt settlement/disposal of debt/assets				
transferred from investments in receivables				
purchased	85	97	75	30
Realised gain (loss) on sales of investments				
Trading securities	211	16	-	-
Available-for-sale securities	388	(443)	120	27
Subsidiary and associated companies	27	2,834	2,136	3,038
Gain on the capital returned	1	3	8	2
Total	<u>895</u>	<u>2,722</u>	<u>2,311</u>	<u>3,076</u>

On 3 February 2009, the Company sold 416,526,737 ordinary shares of Thanachart Bank to the Bank of Nova Scotia ("BNS") at a price of Baht 18.38 per share or a total of Baht 7,656 million. The Company recognised gain on sale of Baht 3,038 million in the separate income statement, calculated under the cost method, while a gain of Baht 2,805 million was recognised in the consolidated income statement under the equity method.

Moreover, as described in note 2.3 to the financial statements, the Company disposed 104,964,000 ordinary shares of SCIB to Thanachart Bank in June 2010. The Company therefore recognised gain on sale of Baht 2,136 million in the separate income statement while such amount has been eliminated in the consolidated financial statements.

31. Gain on property foreclosed and other assets

Gain on property foreclosed and other assets for the years ended 31 December 2010 and 2009 consists of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Gains on sales	674	225	366	43
Reversal of allowance for impairment (additional set up allowance for impairment)	6	87	47	(12)
Total	680	312	413	31

32. 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 Limited Company Act, including the payment of director's remuneration amounting to approximately Baht 44 million (separate financial statements: Baht 12 million) to the directors of the Company and the subsidiary company which were approved by the Annual General Meeting of Shareholders held on 7 April 2010, exclusive of salaries and related benefits payable to directors who hold executive positions.

33. 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.

34. 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 3 - 10 percent of their basic salaries, and by the Company and its subsidiaries at the stipulated rates, and will be paid to employees upon termination in accordance with the rules of the funds. During the year 2010, Baht 352 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements: Baht 3 million).

35. Reconciliation of diluted earnings per share

Basic earnings per share which is calculated by dividing net income attributable to the Company for the year by the weighted average number of ordinary shares outstanding during the year, netting of treasury stock held by the Company.

Diluted earnings per share is calculated by dividing net income attributable to the Company for the year by the total sum of the weighted average number of ordinary shares outstanding during the year, netting of treasury stocks held by the Company, plus the weighted average number of ordinary shares that would be required to be issued to convert all potential ordinary shares to ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

Consolidated financial statements						
For the years ended 31 December						
Net income		Weighted average number of ordinary shares		Earnings per share		
2010	2009	2010	2009	2010	2009	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Net income attributable to the Company						
5,638,853	5,109,006	1,277,814	1,279,901	4.41	3.99	
Effect of dilutive securities						
Preference shares convertible to ordinary shares						
-	-	16	16			
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities						
<u>5,638,853</u>	<u>5,109,006</u>	<u>1,277,830</u>	<u>1,279,917</u>	<u>4.41</u>	<u>3.99</u>	
Separate financial statements						
For the years ended 31 December						
Net income		Weighted average number of ordinary shares		Earnings per share		
2010	2009	2010	2009	2010	2009	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Net income						
2,817,624	3,527,190	1,277,814	1,279,901	2.21	2.76	
Effect of dilutive securities						
Preference shares convertible to ordinary shares						
-	-	16	16			
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities						
<u>2,817,624</u>	<u>3,527,190</u>	<u>1,277,830</u>	<u>1,279,917</u>	<u>2.21</u>	<u>2.76</u>	

36. 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 2010)
	Consolidated financial statements		Separate financial statements		
	2010	2009	2010	2009	
Subsidiary companies					
Purchase of investments in debt securities	-	-	42,492	22,347	At market price
Investments in ordinary shares of subsidiary company	-	-	18,245	1,019	At par value
Sales of investments in debt securities	-	-	18,474	50	At market price
Sales of investments in a subsidiary company	-	-	3,402	-	At the same price of FIDF
Sales of operating assets (2010: gain by Baht 41 million)	-	-	109	-	At the contracted price
Returned capital from a subsidiary company (2010: gain by Baht 8 million)	-	-	127	-	At the net asset value
Interest income from loans	-	-	43	69	At interest rate of Thanachart Bank's MLR and 2.80 percent per annum
Interest income from cash at banks	-	-	36	66	At interest rate of 0.25 - 1.50 percent per annum
Interest income from investments in debt securities	-	-	227	187	At interest rate of 4.35 - 7.40 percent per annum
Dividend income	-	-	854	684	As declared
Rental and other service income	-	-	203	196	At the contracted price
Interest expenses	-	-	4	25	At interest rate of 2.41- 5.25 percent per annum
Rental and other service expenses	-	-	50	113	At the contracted price
Insurance expenses	-	-	1	2	At insurance policy
Other expenses	-	-	2	1	
Associated companies					
Purchase of investments in subsidiaries	161	-	-	-	At the same price of FIDF
Purchase of investments in debt securities	350	44	-	-	At market price
Sales of investment in debt securities	17,046	3,084	-	-	At market price
Sales of investments in a subsidiary company (2010: gain by Baht 27 million)	213	-	-	-	At the contracted price
Interest and dividend income	199	1	90	80	At interest rate of 3.00 - 5.00 percent per annum and dividend as declared
Other income	16	1	-	1	

(Unit: Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2010)
	Consolidated		Separate		
	financial statements		financial statements		
	2010	2009	2010	2009	
Associated companies (continued)					
Interest expenses	70	30	-	-	At interest rate of 0.25 - 1.90 and 5.25 percent per annum
Dividend payment	40	50	-	-	As declared
Other expenses	59	55	31	31	
Related companies					
Purchase of investments in subsidiaries	6,228	-	-	-	At the same price of FIDF
Purchase of investments in debt securities	3,229	648	-	-	At market price
Sales of investments in debt securities	3,137	1,129	-	-	At market price and par value
Sales of investments in a subsidiary company (2009: gain by Baht 2,805 million in the consolidated financial statements and gain by Baht 3,038 million in the separate financial statements)	-	7,656	-	7,656	
Sales of operating assets (2010: gain by Baht 78 million in the consolidated financial statements and gain by Baht 85 million in the separate financial statements)	266	-	208	-	At the contract price
Sales of property foreclosed (2010: gain by Baht 29 million)	373	-	-	-	At the contract price
Purchase/Sales of forward exchange contracts (2010: loss by Baht 9 million 2009: gain by Baht 2 million)	179,266	158,016	-	-	At market price
Interest and dividend income	272	145	24	22	At interest rate of 0.05 - 8.50 percent per annum and dividend as declared
Other income	51	5	2	2	
Dividend payment	558	476	-	-	As declared
Interest expenses	300	27	8	-	At interest rate of 0.125 - 6.00 and 7.00 - 7.50 percent per annum
Project management expenses	58	65	29	29	At the contract price calculated by reference to estimated usage time
Insurance/Life insurance expenses	125	185	-	-	At insurance policy
Fee and service expenses	91	378	3	-	At the contract price
Other expenses	150	92	10	4	

The significant outstanding balances of the above transactions during the years ended 31 December 2010 and 2009 are below shown at the average month end balance.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	3,064	4,695
Loans	-	-	1,316	2,265
Interbank and money market items (Liabilities)	-	-	2	622
Borrowings	-	-	93	238
<u>Associated companies</u>				
Loans	5,757	383	-	-
Deposits	436	207	-	-
Borrowings	1,930	1,200	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	2,893	3,497	21	20
Loans	9,547	1,008	-	-
Deposits	5,139	1,255	-	-
Interbank and money market items (Liabilities)	6,597	2,379	-	-
Borrowings	3,891	443	188	8

The significant outstanding balances with subsidiaries, associated companies or related parties as at 31 December 2010 and 2009 are separately shown as follows:

(Unit: Million Baht)

Consolidated financial statements									
2010									
Assets					Liabilities				
Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Other liabilities	Commitments	
Associated companies									
Ratchthani Leasing Plc.	-	-	6,503	-	37	-	-	-	-
MBK Plc.	-	-	-	11	144	-	1,800	18	30
Siam Samsung Life Insurance Co., Ltd.	-	-	-	-	98	-	-	-	-
Siam City Insurance Co., Ltd.	-	-	-	-	98	-	-	-	-
Related companies									
The Bank of Nova Scotia	436	-	-	2	-	6,853	3,494	76	1,607
Chaimongkol Refinery Co., Ltd.	-	-	2,840	-	95	-	-	-	3
Advanced Info Service Plc.	-	244	24	6	2,041	-	200	39	19
Government Saving Bank Wangkanai Sugar Co., Ltd.	4,057	-	-	-	-	30	650	225	-
Seacon Development Plc.	-	-	736	1	1	-	-	-	58
Synphaet Co., Ltd.	-	-	654	-	9	-	-	-	28
Dhipaya Insurance Plc.	-	-	-	-	7	-	270	1	-
Krung Thai IBJ Leasing Co., Ltd.	-	-	593	-	-	-	-	-	-
Thai Hua Rubber Plc.	-	-	1,777	-	191	-	150	1	6
Others	410	175	1,723	38	853	99	460	19	227
Total	4,903	419	16,508	58	3,589	6,982	7,024	379	2,026

(Unit: Million Baht)

Consolidated financial statements

	2009								
	Assets				Liabilities				
	Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Other liabilities	Commitments
	Associated company								
MBK Plc.	-	-	-	10	19	-	1,200	12	67
Related companies									
The Bank of Nova Scotia	189	-	-	14	-	5,013	-	2	1,407
Advanced Info Service Plc.	-	319	44	7	2,123	-	300	5	17
Government Saving Bank	14	-	-	-	-	-	-	272	-
Seacon Development Plc.	-	-	201	1	-	-	-	-	58
Dhipaya Insurance Plc.	-	-	-	500	-	-	-	15	-
Krung Thai IBJ Leasing Co., Ltd.	-	-	82	-	-	-	-	-	-
Thai Hua Rubber Plc.	-	-	975	-	151	-	-	-	-
Others	78	-	281	16	448	55	400	34	29
Total	281	319	1,583	548	2,741	5,068	1,900	340	1,578

(Unit: Million Baht)

Separate financial statements

	2010							
	Assets				Liabilities			
	Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Interbank and money market items	Borrowings	Other liabilities	Commitments
	Subsidiary companies							
Thanachart Bank Plc.	56	3,636	-	72	-	-	622	-
Siam City Bank Plc.	1	-	-	-	-	-	-	-
Thanachart Securities Plc.	-	-	-	3	-	-	5	-
National Leasing Co., Ltd.	-	-	-	-	-	-	22	-
NFS Asset Management Co., Ltd.	-	-	1,000	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	1	-	-	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	45	-	-
Associated company								
MBK Plc.	-	-	-	1	-	-	8	-
Related companies								
Others	20	-	-	2	-	201	3	-
Total	77	3,636	1,000	79	-	246	660	-

(Unit: Million Baht)

	Separate financial statements							
	2009							
	Assets				Liabilities			
	Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Interbank and money market items	Borrowings	Other liabilities	Commitments
Subsidiary companies								
Thanachart Bank Plc.	6,689	3,078	-	24	1	-	24	-
Thanachart Securities Plc.	-	-	-	5	-	-	3	-
National Leasing Co., Ltd.	-	-	-	-	-	-	22	-
NFS Asset Management Co., Ltd.	-	-	2,400	-	-	-	1	-
Thanachart Insurance Co., Ltd.	-	-	-	1	-	80	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	137	1	-
Associated company								
MBK Plc.	-	-	-	3	-	-	7	-
Related companies								
Others	21	-	-	-	-	50	6	10
Total	6,710	3,078	2,400	33	1	267	64	10

As at 31 December 2010, the Company and its subsidiaries have investments amounting to approximately Baht 1,052 million (separate financial statements: Baht 451 million) in companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2009: Baht 749 million in the consolidated financial statements and Baht 383 million in the separate financial statements).

The Company and its subsidiaries have related party transactions with executive employees of the Company and companies in Thanachart Group, including the related persons who together with these employees. The outstanding balances as at 31 December 2010 and 2009 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2010	2009	2010	2009
Loans	59	30	-	-
Deposits	487	554	-	-

Remunerations to key management personnel

During the year ended 31 December 2010, the Company and its subsidiaries had salaries, meeting allowance and gratuities of their key management personnel, including directors recognised as expenses totaling Baht 581 million (separate financial statements: Baht 85 million) (2009: Baht 297 million in the consolidated financial statements and Baht 54 million in the separate financial statements).

37. Financial information by segment

37.1 Financial positions and operating results classified by business transaction

Financial positions as at 31 December 2010 and operating results for the year then ended, classified by domestic and foreign operations, are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2010			
	Domestic	Foreign	Eliminations	Total
Total assets	976,309	10,758	(105,152)	881,915
Interbank and money market items (Asset) - net	98,374	196	(13,465)	85,105
Investments - net	243,737	10,505	(109,074)	145,168
Loans and accrued interest receivables - net	584,888	-	(2,245)	582,643
Deposits	532,973	-	(591)	532,382
Interbank and money market items (Liabilities)	43,894	10,291	(13,640)	40,545
Borrowings	189,615	-	(4,898)	184,717
Commitments	201,989	3,015	-	205,004

(Unit: Million Baht)

	Consolidated financial statements			
	For the year ended 31 December 2010			
	Domestic	Foreign	Eliminations	Total
Interest and dividend income	37,629	274	(2,651)	35,252
Interest expenses	(10,519)	(47)	482	(10,084)
Bad debt and doubtful accounts and loss on debt restructuring	(1,848)	-	28	(1,820)
Net interest and dividend income	25,262	227	(2,141)	23,348
Non-interest income	24,382	15	(4,218)	20,179
Non-interest expenses	(30,096)	(3)	1,718	(28,381)
Net income before corporate income tax and minority interest	19,548	239	(4,641)	15,146

The financial position as at 31 December 2009 and the operating results for the year then ended, presented in the consolidated financial statements, are the result of domestic operation only.

The financial position as at 31 December 2010 and 2009 and the operating results for the years then ended, presented in the separate financial statements, are the result of domestic operation only.

37.2 Financial positions and operating results classified by business type

Financial information presented in the consolidated financial statements as at 31 December 2010 and 2009 and for the years then ended, is presented below by segment.

(Unit: Million Baht)

	For the year ended 31 December 2010								
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	798	22,822	330	183	952	96	308	(2,141)	23,348
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	369	369
Non-interest income	3,178	6,608	508	2,060	8,353	3,082	608	(4,587)	19,810
Non-interest expenses	(391)	(16,913)	(112)	(1,506)	(8,083)	(2,676)	(418)	1,718	(28,381)
Corporate income tax	(767)	(3,577)	(157)	(216)	(443)	(208)	(105)	629	(4,844)
Net income before minority interest	2,818	8,940	569	521	779	294	393	(4,012)	10,302

(Unit: Million Baht)

	For the year ended 31 December 2009								
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,260	11,313	340	114	419	76	321	(1,472)	12,371
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	257	257
Non-interest income	3,798	2,814	496	1,479	11,646	2,695	515	(1,390)	22,053
Non-interest expenses	(542)	(9,125)	(133)	(1,074)	(11,935)	(2,453)	(424)	1,169	(24,517)
Corporate income tax	(989)	(1,493)	(193)	(134)	(10)	(90)	(80)	-	(2,989)
Net income before minority interest	3,527	3,509	510	385	120	228	332	(1,436)	7,175

(Unit: Million Baht)

As at 31 December 2010

	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Interbank and money market items - net	89	84,277	256	1,684	1,263	296	221	(2,981)	85,105
Investments - net	38,967	178,409	949	1,530	29,570	4,148	669	(109,074)	145,168
Loans and accrued interest receivables - net	1,049	579,541	1,202	1,345	58	-	1,693	(2,245)	582,643
Land, premises and equipment - net	124	8,731	1	79	128	19	29	-	9,111
Other assets	2,233	31,498	2,999	2,034	703	668	122	19,631	59,888
Total assets	42,462	882,456	5,407	6,672	31,722	5,131	2,734	(94,669)	881,915

(Unit: Million Baht)

As at 31 December 2009

	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Interbank and money market items - net	6,740	64,028	345	768	1,602	410	415	(9,441)	64,867
Investments - net	33,131	64,643	1,256	835	14,827	2,730	856	(21,165)	97,113
Loans and accrued interest receivables - net	3,469	275,108	1,330	937	5	-	3,658	(5,618)	278,889
Land, premises and equipment - net	210	1,950	2	68	150	28	15	-	2,423
Other assets	2,461	8,149	3,327	1,255	956	492	281	(248)	16,673
Total assets	46,011	413,878	6,260	3,863	17,540	3,660	5,225	(36,472)	459,965

38. Commitments and contingent liabilities

As at 31 December 2010 and 2009, the significant commitments and contingent liabilities consisted of the following:

38.1 Commitments

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Avals to bills and guarantees of loans	1,018	58	1,076	304	2	306
Liabilities under unmatured import bills	149	422	571	-	87	87
Letters of credit	79	2,377	2,456	9	1,001	1,010
Other commitments						
Foreign exchange contracts						
Bought contracts	-	24,367	24,367	-	9,086	9,086
Sold contracts	-	33,344	33,344	-	20,524	20,524
Cross currency and interest rate swap contracts						
Bought contracts	-	6,874	6,874	-	4,937	4,937
Sold contracts	-	27,663	27,663	-	7,785	7,785
Interest rate swap contracts						
Bought contracts	18,423	916	19,339	23,870	334	24,204
Sold contracts	18,423	916	19,339	23,870	334	24,204
Committed but not drawn down overdraft	45,740	-	45,740	4,861	-	4,861
Others	19,685	4,550	24,235	4,224	57	4,281
Total	103,517	101,487	205,004	57,138	44,147	101,285

(Unit: Million Baht)

	Separate financial statements					
	2010			2009		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Guarantees of loans	-	-	-	10	-	10
Other commitments						
Interest rate swap contracts						
Bough contracts	-	-	-	4,000	-	4,000
Sold contracts	-	-	-	4,000	-	4,000
Others	1	-	1	1	-	1
Total	1	-	1	8,011	-	8,011

- 38.2** During the years 2001 to 2003, the Company and its subsidiaries entered into agreements to sell loans with transfer prices totaling approximately Baht 3,409 million to the Thai Asset Management Corporation (“TAMC”) (separate financial statements: Baht 584 million). 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 gains or losses cannot be reliably estimated by the Company and its subsidiaries at this stage. However, as at 31 December 2010, 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 383 million (separate financial statements: Baht 183 million). This is presented as a part of the allowance for impairment of investment in promissory notes (2009: Baht 557 million and Baht 183 million, respectively).
- 38.3** 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 2010, the maximum commitment is approximately Baht 5 million in the consolidated financial statements and Baht 2 million in the separate financial statements.

38.4 As at 31 December 2010, the Company and its subsidiaries have obligations to pay service fees related to property foreclosed, information technology and other services including long-term rental and office services agreements, as follows:

(Unit: Million Baht)

Year	Consolidated		
	financial statements	Separate financial statements	
	Other companies	Other companies	Subsidiaries
2011	1,702	7	6
2012	1,061	1	5
2013 onward	1,658	2	13

Moreover, the Company also has commitments under support service agreement with a subsidiary company at actual cost plus margin based on the period in the agreement.

38.5 Under the agreements among the Company, Thanachart Bank and the Bank of Nova Scotia Asia Limited (“BNSAL”) (on 11 January 2008, BNSAL transferred rights and obligations under the agreements to the Bank of Nova Scotia (“BNS”)), the Company and Thanachart Bank have to disclose information relating to business, business performance, operations and legal compliance of Thanachart Bank and Thanachart Bank’s subsidiaries at that period, and certify the correctness of the disclosed information, to assist in deciding whether to purchase shares in Thanachart Bank. In the event that Thanachart 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 Thanachart Bank failed to disclose to BNS before it purchases shares, the Company and Thanachart 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, Thanachart Bank, Thanachart Bank’s 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 Thanachart Bank believe that the Company, Thanachart Bank and Thanachart Bank’s subsidiaries operate their businesses under adequate supervision and therefore no material losses will result which would significantly affect the Company, Thanachart Bank and its subsidiaries financial positions.

38.6 Commitments of SCIB from transfer of business from Bangkok Metropolitan Bank Plc. and transfer of non-performing assets to Sukhumvit Asset Management Co., Ltd.

Effectively from 1 April 2002, SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”) to receive the transfer of assets and liabilities of BMB, and due to the transferred of SCIB’s assets and of BMB’s assets to Petchburi Asset Management Co., Ltd. and then transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”), as a result, as at 31 December 2010, SCIB has the outstanding obligations summarised below.

- a) There was an outstanding difference of Baht 94 million, as a result of the transfer of assets to SAM, comprising receivables awaiting collection. These are presented under the caption of “Differences as a result of assets transferred to SAM” in the balance sheet. Such amounts mainly relate to transfers of guarantee claims, for which there are pending issues with regard to proof the rights of claim or the assets transferred being qualified in accordance with the conditions set out in the transfer agreements. Such differences are now being examined and/or negotiated among SCIB, SAM and FIDF for final resolution.

As at 31 December 2010, such differences consist of (i) Baht 11 million of transactions incurred directly by SCIB, of which SCIB has set aside full allowance for doubtful debts, and (ii) Baht 83 million of transactions incurred by BMB. If losses arise on the latter and collection cannot be made from SAM, FIDF will consider compensating SCIB for all such losses. SCIB’s management believes that no significant future losses will arise since the transfers of those assets corresponded to the principles of the agreements made among SCIB, BMB and SAM and the agreement given by FIDF.

- b) SAM is re-examining certain previously transferred assets (both of SCIB and BMB) in order to determine whether to transfer the assets back to SCIB, or to request price adjustments and to request settlement together with interest from SCIB. The major pending issue relates to the proof of rights of claim over these assets.

As at 31 December 2010, the transferred assets which SAM is re-examining totaling Baht 510 million consist of (i) Baht 97 million of transactions incurred directly by SCIB, of which SCIB has set aside full allowance for doubtful loss under the caption of "Provision for contingent liabilities" in the balance sheet, and (ii) Baht 413 million of transactions incurred by BMB. SCIB's management believes that SCIB will receive compensation for losses from FIDF, and that any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 503 million. In addition, SAM is now negotiating with SCIB to request interest payment on the assets transferred back, or a price adjustment, and SCIB is unable to determine the potential impact of any interest payment to be made to SAM. However, SCIB's management believes that no significant future losses will be incurred by SCIB.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB, amounting to approximately Baht 11,330 million, as presented as part of contingent liabilities in Note 39 to the financial statements.
- d) Commitment in respect of guarantees

FIDF deposited amount which is equal to the loss compensation limit with SCIB in FIDF's account. Such deposit account is to fund the payment of compensation to SCIB in accordance with the agreement to compensate for losses incurred by SCIB as a result of the transfer of business from BMB, if such losses are actually incurred by SCIB due to the outstanding issues described in a), b), c) and d) above. As at 31 December 2010, the deposit account of FIDF to fund the payment of compensation for losses incurred by SCIB has an outstanding balance of approximately Baht 1,027 million. In addition, there is a memorandum of agreement concerning conditions for additional loss compensation if SCIB incurs losses in relation to the two lawsuits discussed in c) with claims totaling Baht 9,965 million.

However, SCIB and SAM had a meeting and mutually agreed a resolution to such pending issues. SCIB believes that no significant future losses, other than losses which SCIB has already set aside full allowance for doubtful debts.

However, because Thanachart Bank purchased SCIB shares from FIDF, the commitments and contingent liabilities of FIDF to SCIB mentioned above, will be transferred to and/or be assumed by Thanachart Bank, effective from the completion date of the entire business transfer from SCIB to Thanachart Bank. The management of the Company and Thanachart Bank believe that no further losses will be incurred.

39. Litigation

As at 31 December 2010, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 24,414 million in respect of litigation (separate financial statements: Baht 615 million). The cases are not yet finalised. However, the Company and its subsidiaries' management have already made provision for contingency losses and for the remaining portion, the management believes that no losses will result and therefore no liabilities are currently recorded.

Part of contingent liabilities in respect of the litigation mentioned above, amounting to Baht 23,233 million, represents claims filed against SCIB as defendant or co-defendant in lawsuits. These comprise both lawsuits directly involving SCIB and obligations arising as a result of the transfer of business from BMB; (i) Baht 11,903 million relates to the SCIB's own lawsuits, with Baht 8,594 million of this amount relating to a tort case in which the actual loss is only Baht 202 million. The Court of First Instance has already ordered the case be dismissed, and it is in the process of being reviewed by the Supreme Court. The total sum of claims in cases relating directly to SCIB's business, after deducting this tort case, is thus Baht 3,309 million; and (ii) the remaining portion of Baht 11,330 million represents cases in which SCIB is involved as a result of the transfer of business from BMB, and for which SCIB is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF (Baht 9,586 million of this amount relates a single case brought by a debtor that BMB had already transferred to SAM before SCIB received the transfer of business from BMB, and SCIB believes that the lawsuit has been brought against the wrong party, and not SCIB's responsibility, SCIB's management believes that SCIB has no liability in respect of such case). As at 31 December 2010, SCIB had already made provisions for contingent liabilities totaling Baht 69 million in the balance sheets for lawsuits under (i) above where the Court of First Instance has already judged in favor of the plaintiff. SCIB's management believes that there will be no significant future losses as a result of the remaining cases.

In addition, SCIB was requested to make restitution as a result of a person forging SCIB's documents and using such counterfeit documents. However, SCIB has already filed a complaint against the person who produced and used counterfeit documents so as to proceed with a legal action. SCIB believes that no liability will arise from such restitution claim.

40. Bank guarantee

As at 31 December 2010, there are outstanding bank guarantees of approximately Baht 6 million (separate financial statements: Baht 4 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

41. 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.

41.1 Credit risk

Credit risk is 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 the amount of the off-balance sheet transactions i.e. avals, 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, analysis of risk factors and 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.

41.2 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 interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different reprising 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 Liabilities Management Committee.

As at 31 December 2010 and 2009, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements								
Outstanding balances of financial instruments								
2010				2009				
Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	
Financial assets								
Cash	-	-	15,298	15,298	-	-	3,720	3,720
Interbank and money								
market items	1,176	77,560	6,496	85,232	239	60,494	4,097	64,830
Investments ⁽¹⁾	7,613	124,310	12,678	144,601	2,062	87,636	5,861	95,559
Loans (include								
intercompany gain on loan transferred) ⁽²⁾	255,679	353,820	345	609,844	45,975	242,159	1,212	289,346
Receivables from								
clearing house	-	-	391	391	-	-	429	429
Receivables from								
purchase and sale securities and derivatives	-	-	2,007	2,007	-	-	1,032	1,032
Financial liabilities								
Deposits	185,103	341,358	5,921	532,382	86,110	179,170	591	265,871
Interbank and money								
market items	7,149	31,424	1,972	40,545	7,188	13,311	440	20,939
Liabilities payable on								
demand	-	-	3,127	3,127	-	-	2,112	2,112
Borrowings	3,996	180,699	22	184,717	-	97,305	-	97,305
Payables to clearing								
house	-	-	98	98	-	-	96	96
Payables from purchase								
and sale securities and derivatives	-	-	4,054	4,054	-	-	1,346	1,346

(1) The outstanding balance of investments which have floating interest rate included investment in receivables purchased on which default on repayment and recognise income on a cash basis.

(2) The outstanding balances of loans which have floating interest rates or fixed interest rate included loans on which interest recognition under accrual basis has been discontinued.

(Unit: Million Baht)

		Separate financial statements							
		Outstanding balances of financial instruments							
		2010				2009			
		Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets									
Interbank and money									
market items		46	-	43	89	109	6,550	68	6,727
Investments ⁽¹⁾		1,002	5,927	32,165	39,094	1,118	14,679	15,623	31,420
Loans ⁽²⁾		1,113	395	37	1,545	128	3,890	39	4,057
Financial liabilities									
Interbank and money									
market items		-	-	-	-	1	-	-	1
Borrowings		-	13,500	-	13,500	-	17,000	-	17,000
Payables from purchase and sale securities and derivatives									
		-	-	604	604	-	-	-	-

(1) The outstanding balance of investments which have floating interest rate included investment in receivables purchased on which default on repayment and recognise income on a cash basis.

(2) The outstanding balances of loans which have floating interest rates or fixed interest rate included loans on which interest recognition under accrual basis has been discontinued.

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							
		2010							
		Repricing or maturity date					Total	Weighted average interest rates Percentage	
Transactions		At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years			
Financial assets									
Interbank and money market									
items		147	76,912	501	-	-	77,560	1.75 - 2.21	
Investments		-	26,774	27,217	47,320	22,999	124,310	1.74 - 4.56	
Loans (include intercompany gain on loan transferred)		7,257	48,148	40,785	198,504	59,126	353,820	5.48 - 7.60	
Financial liabilities									
Deposits									
		53	3	125,714	21,688	-	341,358	1.65 - 1.98	
Interbank and money market									
items		7,232	19,710	3,076	1,406	-	31,424	1.52 - 1.55	
Borrowings		1	109,24	36,234	35,185	33	180,699	2.66 - 4.59	

(Unit: Million Baht)

Consolidated financial statements							
2009							
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		
Financial assets							
Interbank and money market items	457	58,562	1,475	-	-	60,494	1.19 - 1.70
Investments	-	9,702	30,878	37,766	9,290	87,636	1.57 - 2.81
Loans (include intercompany gain on loan transferred)	1,828	6,629	15,420	183,668	34,614	242,159	7.27 - 9.44
Financial liabilities							
Deposits	-	60,744	73,994	44,432	-	179,170	1.76
Interbank and money market items	1,485	10,054	1,467	305	-	13,311	0.86
Borrowings	-	58,109	16,819	22,377	-	97,305	2.36 - 4.53

(Unit: Million Baht)

Separate financial statements							
2010							
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		
Financial assets							
Investments	-	1,973	3,944	10	-	5,927	5.21
Loans	285	15	95	-	-	395	8.18
Financial liabilities							
Borrowings	-	-	1,500	12,000	-	13,500	4.59

(Unit: Million Baht)

Separate financial statements							
2009							
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		
Financial assets							
Interbank and money market items	-	4,050	2,500	-	-	6,550	1.36
Investments	-	994	10,097	3,588	-	14,679	2.53
Loans	2,700	22	657	511	-	3,890	4.51
Financial liabilities							
Borrowings	-	4,000	2,500	10,500	-	17,000	4.52

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 2010 and 2009, and the average rate of interest and dividend, can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
<u>Interest bearings financial assets</u>						
Interbank and money market						
items	81,639	1,057	1.58	59,983	1,064	1.77
Investments	160,417	4,249	3.00	49,229	1,661	3.37
Loans/hire purchase and						
financial lease	565,821	29,946	5.89	267,253	19,387	7.25
<u>Interest bearings financial liabilities</u>						
Deposits	538,339	5,953	1.26	262,506	4,863	1.85
Interbank and money market						
items	48,233	512	1.23	14,644	120	0.82
Borrowings	141,955	3,618	2.71	60,904	1,909	3.13

(Unit: Million Baht)

	Separate financial statements					
	2010			2009		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
<u>Interest bearings financial assets</u>						
Interbank and money market						
items	3,045	36	1.17	5,874	82	1.41
Investments	36,568	1,283	3.51	23,677	1,095	4.62
Loans/hire purchase and finance						
lease	1,770	83	4.68	5,849	332	5.67
<u>Interest bearings financial liabilities</u>						
Interbank and money market						
items	2	-	0.67	623	16	2.48
Borrowings	15,845	701	4.43	10,469	423	4.04

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 companies have transactions in foreign currency, it is exposure to foreign exchange risk. However, the subsidiary companies have a policy to mitigate its foreign currency risk by means of managing net foreign currency under the risk management policy which have been approved by the Board of Directors of the subsidiary companies which strictly comply with the BOT's regulation.

The status of the subsidiaries' foreign currency balances in the consolidated financial statements as at 31 December 2010 and 2009 are as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	2010					2009				
	US dollar	Euro	Yen	Won	Others	US dollar	Euro	Yen	Won	Others
Foreign currency - in balance sheets										
Cash	234	213	119	1	191	109	41	4	-	48
Interbank and money market items	3,312	119	151	33	427	7,772	55	15	-	61
Investments	14,724	571	1,376	4,799	37	5,740	-	170	4,283	-
Loans	11,350	289	30	-	54	2,317	4	-	-	-
Other assets	205	8	9	22	9	53	-	-	13	-
Total assets	29,825	1,200	1,685	4,855	718	15,991	100	189	4,296	109
Deposits	185	72	2	-	143	50	2	-	-	38
Interbank and money market items	8,119	24	-	-	-	6,071	-	-	-	-
Liabilities payable on demand	-	-	1	-	-	-	-	-	-	-
Other liabilities	1,455	-	9	-	-	-	-	-	-	-
Total liabilities	9,759	96	12	-	143	6,121	2	-	-	38
Net foreign currency in balance sheets	20,066	1,104	1,673	4,855	575	9,870	98	189	4,296	71
Foreign currency - off balance sheets										
Aval to bills and guarantee of loans	36	22	-	-	-	-	2	-	-	-
Liabilities under unmatured import bills	305	29	56	-	32	9	-	78	-	-
Letters of credit	2,134	112	103	-	28	807	188	-	-	6
Foreign exchange contracts										
- Bought contracts	23,624	145	194	-	404	8,356	604	-	-	126
- Sold contracts	30,779	754	721	-	1,090	19,185	732	252	-	355
Cross currency and interest rate swap contracts										
- Bought contracts	6,874	-	-	-	-	4,937	-	-	-	-
- Sold contracts	21,091	599	1,187	4,786	-	3,503	-	-	4,282	-
Interest rate swap contracts										
- Bought contracts	916	-	-	-	-	334	-	-	-	-
- Sold contracts	916	-	-	-	-	334	-	-	-	-
Others	4,506	25	-	-	19	57	-	-	-	-

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.

The Company and its subsidiaries have a policy to manage market risk by setting manageable risk limits on transactions, such as position limit and loss limit. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the Board of Directors, related business unit and related management, in order to facilitate responsive risk management. Risk Control Unit is under the supervision of the Investment Committee.

41.3 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. In addition, subsidiary companies engaged in commercial banking business have a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements. Such management are under the supervision of the Asset and Liabilities Management Committee.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 31 December 2010 and 2009 are as follows:

(Unit: Million Baht)

Consolidated financial statements										
Transactions	2010					2009				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Cash	15,298	-	-	-	15,298	3,720	-	-	-	3,720
Interbank and money										
market items	7,429	77,682	121	-	85,232	4,773	60,037	20	-	64,830
Investments ⁽¹⁾	1,773	51,949	83,986	6,893	144,601	2,062	34,885	52,907	5,705	95,559
Loans ⁽²⁾	65,207	183,423	361,214	-	609,844	15,032	90,984	183,330	-	289,346
Receivables from										
clearing house	-	391	-	-	391	-	429	-	-	429
Receivables from										
purchase and sale										
securities and										
derivatives	-	2,007	-	-	2,007	-	1,032	-	-	1,032
Financial liabilities										
Deposits	188,545	318,006	25,831	-	532,382	82,110	138,469	45,292	-	265,871
Interbank and money										
market items	16,162	22,917	1,466	-	40,545	9,113	11,521	305	-	20,939
Liabilities payable										
on demand	3,127	-	-	-	3,127	2,112	-	-	-	2,112
Borrowings	11	136,308	44,904	3,494	184,717	-	74,928	22,377	-	97,305
Payables to clearing										
house	-	98	-	-	98	-	96	-	-	96
Payables from										
purchase and sale										
securities and										
derivatives	-	4,054	-	-	4,054	-	1,346	-	-	1,346
Off-balance sheet items										
Avals to bills and										
guarantee of loans	367	642	67	-	1,076	18	133	155	-	306
Liability under										
unmatured import										
bills	156	415	-	-	571	-	87	-	-	87
Letters of credit	156	2,280	20	-	2,456	54	887	69	-	1,010
Other commitments	56,106	89,086	53,761	1,948	200,901	5,013	62,885	29,898	2,086	99,882

(1) The outstanding balance of investments at call included investments in receivables purchased on which default on repayment.

(2) The outstanding balance of loans included intercompany gain on loan transferred. Call loans included loans on which interest recognition under accrual basis has been discontinued.

Transactions	Separate financial statements									
	2010					2009				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Interbank and money										
market items	69	20	-	-	89	157	6,550	20	-	6,727
Investments ⁽¹⁾	1,002	2,291	-	35,801	39,094	1,118	10,760	3,919	15,623	31,420
Loans ⁽²⁾	1,437	102	6	-	1,545	2,931	996	130	-	4,057
Financial liabilities										
Interbank and money										
market items	-	-	-	-	-	1	-	-	-	1
Borrowings	-	1,500	12,000	-	13,500	-	6,500	10,500	-	17,000
Payables from										
purchase and sale										
securities and										
derivatives	-	604	-	-	604	-	-	-	-	-
Off-balance sheet items										
Avals to bills and										
guarantee of loans	-	-	-	-	-	10	-	-	-	10
Other commitments	1	-	-	-	1	1	8,000	-	-	8,001

(1) The outstanding balance of investments at call included investments in receivables purchased on which default on repayment.

(2) Call loans included loans on which interest recognition under accrual basis has been discontinued.

41.4 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, investments in receivables, receivables from clearing house, loans, receivable from purchase and sale securities and derivatives, 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, liabilities payable on demand, borrowings, payables to clearing house and payables from purchase and sale securities and derivatives, are considered to approximate their respective carrying values for the same reason as described above.

As at 31 December 2010 and 2009, there are no material differences between the book values of financial instruments and their fair values.

41.5 Financial derivatives

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

The Company and its subsidiaries have set a policy and limit to mitigate related risk and require risk reporting 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, and so the Company and its subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2010 and 2009, the Company and its subsidiary companies have financial derivatives classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2010			2009		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought contracts	24,367	-	24,367	9,086	-	9,086
- Sold contracts	33,344	-	33,344	20,524	-	20,524
Cross currency and interest rate swap contracts						
- Bought contracts	6,393	481	6,874	4,937	-	4,937
- Sold contracts	14,574	13,089	27,663	4,449	3,336	7,785
Interest rate swap contracts						
- Fixed interest rate payment	500	15,480	15,980	11,070	12,334	23,404
- Floating interest rate payment	-	3,359	3,359	-	800	800
- Fixed interest rate receipt	-	3,359	3,359	-	800	800
- Floating interest rate receipt	500	15,480	15,980	11,070	12,334	23,404

(Unit: Million Baht)

	Separate financial statements					
	2010			2009		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Interest rate swap contracts						
- Fixed interest rate payment	-	-	-	4,000	-	4,000
- Floating interest rate receipt	-	-	-	4,000	-	4,000

42. Reclassification

Subsidiary companies reclassified certain amounts in the financial statements as at 31 December 2009 to conform to the current period's classification, with no effect on previously reported net income and shareholders' equity. Reclassifications are as follows:

	Consolidated financial statements	
	As reclassified	As previously reported
	Loans and accrued interest receivables - net	278,889
Receivables from purchase and sale securities and derivatives	1,032	-
Other assets	2,471	3,409
Payables from purchase and sale securities and derivatives	1,346	1,036
Other liabilities	4,251	6,101

43. Subsequent events

On 21 February 2011, the Board of Directors of the Company passed a resolution to propose to the Annual General Meeting of Shareholders that a dividend of Baht 0.70 per share be paid to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2010, a total of Baht 894 million.

44. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2011.