

Thanachart Capital Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2009 and 2008

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 2009 and 2008, 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 2009 and 2008, 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: 24 February 2010

Thanachart Capital Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Assets					
Cash		3,665,409,936	4,017,994,398	40,000	40,000
Interbank and money market items	6				
Domestic					
Interest bearing		53,198,935,262	40,977,469,318	6,671,661,369	3,366,782,963
Non-interest bearing		3,765,768,198	3,945,117,314	68,094,045	111,212,539
Foreign					
Interest bearing		7,571,684,915	20,372,080,617	-	-
Non-interest bearing		331,088,960	495,714,325	-	-
Total interbank and money market items - net		64,867,477,335	65,790,381,574	6,739,755,414	3,477,995,502
Investments					
Current investments - net	7	34,927,223,547	11,823,115,615	10,765,759,094	2,999,343,403
Long-term investments - net	7	60,484,334,073	26,157,767,934	8,464,436,663	5,562,867,577
Investments in subsidiaries - net	8	-	-	13,243,048,879	16,903,296,764
Investments in an associated company - net	9	1,701,081,590	1,404,443,616	657,994,072	657,994,072
Total investments - net		97,112,639,210	39,385,327,165	33,131,238,708	26,123,501,816
Receivables from clearing house		429,219,703	50,185,586	-	-
Loans and accrued interest receivables	10				
Loans		287,859,976,017	277,553,638,314	4,057,199,651	8,627,833,429
Securities business receivables		1,944,658,101	1,896,481,321	-	-
Total loans and receivables		289,804,634,118	279,450,119,635	4,057,199,651	8,627,833,429
Accrued interest receivables		310,757,162	323,639,772	57,533	181,348
Total loans and accrued interest receivables		290,115,391,280	279,773,759,407	4,057,257,184	8,628,014,777
Less: Allowance for doubtful accounts	11	(10,435,922,132)	(9,920,939,383)	(588,013,363)	(1,302,142,043)
Less: Revaluation allowance for debt restructuring	12	(98,252,571)	(86,795,159)	(151,174)	(272,113)
Total loans and accrued interest receivables - net		279,581,216,577	269,766,024,865	3,469,092,647	7,325,600,621
Property foreclosed - net	14	6,524,474,610	7,554,495,386	2,161,600,774	2,440,979,948
Property, premises and equipment - net	15	2,423,022,732	2,522,254,110	209,667,425	209,231,156
Intangible assets - software - net	16	475,285,188	419,172,975	1,286,527	2,424,444
Leasehold right - net		476,491,249	552,383,624	212,270,335	247,209,909
Goodwill		44,274,108	44,274,108	-	-
Financial derivative assets		956,688,110	1,369,064,034	-	-
Other assets - net	17	3,409,061,518	2,618,334,704	85,852,202	97,299,088
Total assets		459,965,260,276	394,089,892,529	46,010,804,032	39,924,282,484

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Liabilities and shareholders' equity					
Deposits	18				
Deposits in Baht		265,780,765,438	269,660,018,831	-	-
Deposits in foreign currencies		89,953,995	70,367,617	-	-
Total deposits		265,870,719,433	269,730,386,448	-	-
Interbank and money market items	19				
Domestic					
Interest bearing		15,305,723,563	6,679,211,369	540,375	4,501,864,428
Non-interest bearing		430,964,353	607,157,923	-	-
Foreign					
Interest bearing		5,193,820,752	-	-	-
Non-interest bearing		8,822,437	6,450,786	-	-
Total interbank and money market items - net		20,939,331,105	7,292,820,078	540,375	4,501,864,428
Payable to clearing house		95,690,201	294,804,300	-	-
Securities business payable		1,035,955,112	854,589,048	-	-
Liabilities payable on demand		2,111,811,444	1,316,693,276	-	-
Borrowings	20				
Short-term borrowings		74,928,699,414	46,652,604,936	6,500,000,000	2,944,305,375
Long-term borrowings		22,376,700,000	18,810,500,000	10,500,000,000	8,000,000,000
Total borrowings		97,305,399,414	65,463,104,936	17,000,000,000	10,944,305,375
Accrued interest payable		1,109,756,961	1,774,584,759	117,342,465	70,886,986
Life premium reserve		15,286,244,129	7,821,623,453	-	-
Unearned premium reserve		1,354,934,243	1,465,630,973	-	-
Corporate income tax payable		1,348,105,322	301,189,486	-	70,220,357
Other liabilities	21	6,100,696,956	5,413,297,305	370,570,075	416,663,548
Total liabilities		412,558,644,320	361,728,724,062	17,488,452,915	16,003,940,694

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital	22				
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		<u>13,331,381,470</u>	<u>13,331,381,470</u>	<u>13,331,381,470</u>	<u>13,331,381,470</u>
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Share premium of a subsidiary company		775,814,226	1,141,663,553	-	-
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	23	2,657,959,695	380,736,772	2,126,587,108	99,597,575
Revaluation deficit on investments	23	(499,108,900)	(1,699,455,335)	(5,767,831)	(543,784,863)
Retained earnings					
Appropriated - statutory reserve	24	979,538,466	803,178,954	979,538,466	803,178,954
- treasury stock reserve	22	387,500,975	110,260,325	387,500,975	110,260,325
Unappropriated		<u>13,784,814,953</u>	<u>10,342,356,392</u>	<u>10,024,808,456</u>	<u>8,164,165,206</u>
Total shareholders' equity before treasury stock and minority interest		<u>33,710,164,506</u>	<u>26,702,385,752</u>	<u>28,909,852,092</u>	<u>24,030,602,115</u>
Less: Treasury stock	22	<u>(387,500,975)</u>	<u>(110,260,325)</u>	<u>(387,500,975)</u>	<u>(110,260,325)</u>
Equity attributable to the Company's shareholders		<u>33,322,663,531</u>	<u>26,592,125,427</u>	<u>28,522,351,117</u>	<u>23,920,341,790</u>
Minority interest - equity attributable to minority shareholders of subsidiaries		<u>14,083,952,425</u>	<u>5,769,043,040</u>	<u>-</u>	<u>-</u>
Total shareholders' equity		<u>47,406,615,956</u>	<u>32,361,168,467</u>	<u>28,522,351,117</u>	<u>23,920,341,790</u>
Total liabilities and shareholders' equity		<u>459,965,260,276</u>	<u>394,089,892,529</u>	<u>46,010,804,032</u>	<u>39,924,282,484</u>
		-	-	-	-
Off-balance sheet items - commitments	35.1				
Avals to bills and guarantees of loans		306,250,634	128,025,575	10,000,000	10,000,000
Obligation under unmatured import bills		87,557,302	442,517,702	-	-
Letter of credit		1,009,878,320	664,174,238	-	-
Other commitments		99,881,319,942	94,516,146,613	8,000,560,088	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 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Interest and dividend income					
Loans		4,146,082,509	3,792,822,588	73,923,677	52,150,519
Interbank and money market items		1,063,659,390	1,570,454,164	82,678,891	79,616,398
Hire purchase and financial leases		15,241,401,397	14,735,660,791	257,877,338	951,117,371
Investments		1,661,299,981	1,313,893,064	1,094,735,730	907,201,319
Total interest and dividend income		22,112,443,277	21,412,830,607	1,509,215,636	1,990,085,607
Interest expenses					
Deposits		4,863,002,497	6,999,255,765	-	-
Interbank and money market items		119,972,167	183,897,580	15,455,055	287,320,057
Short-term borrowings		1,106,931,883	1,675,476,084	207,613,598	240,395,896
Long-term borrowings		802,150,241	647,662,475	215,431,509	154,956,164
Total interest expenses		6,892,056,788	9,506,291,904	438,500,162	682,672,117
Net interest and dividend income		15,220,386,489	11,906,538,703	1,070,715,474	1,307,413,490
Reversal of bad debt and doubtful accounts					
(Bad debt and doubtful accounts)	25	(2,795,999,902)	(3,579,667,767)	189,459,384	237,081,083
Loss on debt restructuring	26	(53,273,798)	(13,549,829)	(294,161)	(197,938)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		12,371,112,789	8,313,321,107	1,259,880,697	1,544,296,635
Non-interest income					
Brokerage fees		885,292,839	756,390,129	-	-
Gain (loss) on investments	2.2, 27	2,722,003,966	(302,267,769)	3,076,142,454	77,476,605
Share of income from investments in an associated company accounted for under equity method	9	256,973,374	334,979,289	-	-
Fees and service income					
Acceptances, aval and guarantees		40,710,681	34,500,005	202,800	-
Others		2,148,396,920	2,206,862,321	138,544,894	216,077,162
Gain on exchange and financial derivatives		147,882,056	222,700,412	-	-
Gain (loss) on property foreclosed and other assets	28	311,629,162	248,667,857	31,400,484	(69,549,214)
Gain on debt settlements/disposals		326,198,829	240,888,950	44,803,707	17,344,359
Insurance premium/Life insurance premium income		14,465,286,937	7,340,117,864	-	-
Other income		1,005,883,319	824,362,362	507,258,177	513,839,724
Total non-interest income		22,310,258,083	11,907,201,420	3,798,352,516	755,188,636

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Non-interest expenses					
Personnel expenses		4,434,811,338	3,660,134,901	81,406,700	70,523,076
Premises and equipment expenses		1,778,856,791	1,515,508,880	132,487,812	139,811,156
Taxes and duties		234,197,458	222,246,926	10,334,387	3,878,180
Fees and service expenses		789,607,522	273,413,908	5,110,613	11,810,847
Directors' remuneration	29	42,111,535	41,306,048	19,096,440	20,088,386
Fund contributed to the Financial Institutions					
Development Fund/Deposits Protection Agency		1,072,378,634	822,569,724	-	-
Insurance/Life insurance expenses		12,533,227,743	5,818,093,457	-	-
Other expenses		3,632,397,001	3,525,256,571	293,479,535	434,942,531
Total non-interest expenses		24,517,588,022	15,878,530,415	541,915,487	681,054,176
Income before corporate income tax		10,163,782,850	4,341,992,112	4,516,317,726	1,618,431,095
Corporate income tax	30	(2,988,865,257)	(999,509,115)	(989,127,479)	(252,420,316)
Net income for the year		7,174,917,593	3,342,482,997	3,527,190,247	1,366,010,779
Net income attributable to					
The Company		5,109,005,558	2,768,410,852	3,527,190,247	1,366,010,779
Minority interests of the subsidiaries		2,065,912,035	574,072,145	-	-
		7,174,917,593	3,342,482,997	3,527,190,247	1,366,010,779
Earnings per share	32				
Basic earnings per share					
Net income attributable to the Company		3.99	2.08	2.76	1.03
Diluted earnings per share					
Net income attributable to the Company		3.99	2.08	2.76	1.03

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 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income before corporate income tax	10,163,782,850	4,341,992,112	4,516,317,726	1,618,431,095
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	(256,973,374)	(334,979,289)	-	-
Depreciation and amortisation	711,726,247	591,221,423	80,626,951	55,126,181
Bad debt and doubtful accounts and loss on debt restructuring (reversal)	2,849,273,700	3,593,217,596	(189,165,223)	(236,883,145)
Increase (decrease) in provision for impairment of property foreclosed	(86,594,799)	222,211,352	12,112,623	175,653,364
Increase (decrease) in provision for impairment of equipment/other assets	(40,384,701)	22,325,329	(27,664,582)	(16,116,691)
Increase (decrease) in provision for impairment/ revaluation of investments	(216,743,227)	271,493,156	20,483,068	18,461,193
Amortisation of deferred gain on disposal of property foreclosed	(6,298,049)	(262,113,076)	-	(578,798)
Loss (gain) on foreign exchange and financial derivatives	333,271,072	(63,415,644)	-	-
Increase in unearned premium reserve/life insurance premium reserve	7,580,848,406	2,500,684,257	-	-
Gain on sales of/capital return from investments in subsidiary and associated companies	(2,833,251,176)	-	(3,038,370,168)	(27,362,015)
Gain on transfers of assets for debt repayment	(45,006,801)	(16,123,706)	(2,477,073)	(10,250,543)
Loss (gain) on disposal of equipment	17,059,140	11,339,578	(3,855,055)	(2,053,257)
Amortisation of deferred income	(7,755,656)	(5,143,845)	-	-
Decrease (increase) in accrued other income receivable	268,204,378	104,380,634	(2,243,873)	(5,155,310)
	18,431,158,010	10,977,089,877	1,365,764,394	1,569,272,074
Net interest and dividend income	(15,220,386,489)	(11,906,538,703)	(1,070,715,474)	(1,307,413,490)
Cash received from interest on operating activities	20,570,077,578	20,029,226,286	388,519,427	1,071,658,755
Cash paid for interest on operating activities	(5,484,770,797)	(6,791,372,482)	(15,455,055)	(287,320,057)
Cash paid for income tax	(1,961,823,919)	(1,834,568,370)	(1,062,283,277)	(803,143,488)
Income (loss) from operating activities before changes in operating assets and liabilities	16,334,254,383	10,473,836,608	(394,169,985)	243,053,794
Operating assets (increase) decrease				
Interbank and money market items	691,663,445	(25,244,741,544)	(3,249,431,118)	(2,405,297,116)
Securities purchased under resale agreements	-	2,500,000,000	-	-
Investments in trading securities	(1,072,679,711)	(113,015,594)	-	-
Receivables from clearing house	(379,034,117)	193,384,773	-	-
Loans	(19,225,483,665)	(48,608,207,276)	3,967,167,517	15,840,844,273
Property foreclosed	7,780,844,187	6,567,269,825	362,068,626	348,442,312
Other assets	(488,292,792)	(24,347,286)	16,642,314	48,778,517

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 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Cash flows from operating activities (continued)				
Operating liabilities increase (decrease)				
Deposits	(3,859,667,015)	81,564,045,023	-	-
Interbank and money market items	13,646,511,027	3,583,939,393	(4,501,324,053)	(7,998,200,357)
Payable to clearing house	(199,114,099)	294,804,300	-	-
Securities business payable	181,366,064	(389,330,351)	-	-
Liability payable on demand	795,118,168	(12,334,058)	-	-
Other liabilities	502,984,900	390,850,070	(76,082,830)	(308,646,005)
Net cash flows provided by (used in) operating activities	14,708,470,775	31,176,153,883	(3,875,129,529)	5,768,975,418
Cash flows from investing activities				
Increase in long-term investments	(52,547,805,389)	(12,372,090,746)	(8,113,700,326)	(3,134,960,106)
Cash received from disposal of investments in subsidiary and associated companies	7,740,066,401	-	7,655,761,426	-
Capital returned from subsidiaries	-	-	61,759,617	209,750,790
Cash paid for purchase of investments in subsidiaries	-	(245,267,845)	(1,018,902,990)	(245,267,845)
Cash received from interest and dividend	1,690,651,613	1,477,355,869	1,069,771,163	875,753,740
Cash paid for purchase of premises and equipment/ intangible assets	(716,103,167)	(889,784,152)	(26,419,669)	(13,163,134)
Cash received from disposal of equipment/intangible assets	14,039,523	16,901,413	4,446,484	2,124,605
Net cash flows used in investing activities	(43,819,151,019)	(12,012,885,461)	(367,284,295)	(2,305,761,950)
Cash flows from financing activities				
Cash received from new issuance shares of a subsidiary	981,096,810	-	-	-
Cash received from borrowings	235,310,440,704	162,749,664,069	9,980,797,105	10,692,268,621
Cash paid for borrowings	(203,520,331,863)	(177,321,842,957)	(3,959,336,627)	(12,542,281,165)
Cash paid for interest expenses on borrowings	(2,014,322,673)	(2,372,995,236)	(336,750,002)	(350,340,243)
Dividend payment	(1,165,056,002)	(1,153,451,026)	(1,165,056,002)	(1,153,451,026)
Cash paid for treasury stock	(277,240,650)	(109,409,655)	(277,240,650)	(109,409,655)
Dividend paid to minority interest	(556,490,544)	(211,885,893)	-	-
Net cash flows provided by (used in) financing activities	28,758,095,782	(18,419,920,698)	4,242,413,824	(3,463,213,468)
Net increase (decrease) in cash	(352,584,462)	743,347,724	-	-
Cash at beginning of the year	4,017,994,398	3,274,646,674	40,000	40,000
Cash at end of the year	3,665,409,936	4,017,994,398	40,000	40,000
	-	-	-	-
Supplemental cash flows information				
Non-cash transactions				
Conversion of preference shares to ordinary shares	-	34,800	-	34,800
Property foreclosed transferred from loans, other receivables and investments in receivables purchased	6,615,869,714	6,379,826,380	92,325,003	213,578,318
Leasehold transferred from property foreclosed	-	126,087,811	-	126,087,811
Accounts payable for purchase of fixed assets	71,061,877	153,821,746	256,053	1,967,832
Bad debt written off	1,886,595,986	1,880,676,167	21,120,040	108,515,804

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 2009 and 2008

(Unit: Baht)

Consolidated financial statements

Equity attributable to the Company's shareholders												
Amount by which the												
Issued and paid-up share capital		Share premium	Share of a subsidiary company	value of investment in subsidiary is lower than attributable net book value	Revaluation surplus (deficit) on investments	Retained earnings			Treasury stock	Minority interest - equity attributable to minority shareholders	Total	
Preference shares	Ordinary shares					Appropriated	Statutory reserve	Treasury stock reserve				Unappropriated
Balance as at 1 January 2008	193,360	13,331,346,670	2,065,644,888	1,141,663,553	-	(17,079,904)	734,878,415	-	8,951,655,999	-	6,053,965,927	32,262,268,908
Increase in revaluation deficit on investments	-	-	-	-	-	(1,301,638,659)	-	-	-	-	-	(1,301,638,659)
Amount by which the value of investment in subsidiary is lower than attributable net book value	-	-	-	-	226,460,173	-	-	-	-	-	-	226,460,173
Income (expenses) recognised directly in equity	-	-	-	-	226,460,173	(1,301,638,659)	-	-	-	-	-	(1,075,178,486)
Net income for the year	-	-	-	-	-	-	-	-	2,768,410,852	-	574,072,145	3,342,482,997
Total income (expenses) for the year	-	-	-	-	226,460,173	(1,301,638,659)	-	-	2,768,410,852	-	574,072,145	2,267,304,511
Conversion of preference shares to ordinary shares	(34,800)	34,800	-	-	-	-	-	-	-	-	-	-
Cash payment for treasury stock	-	-	-	-	-	-	-	-	-	(110,260,325)	-	(110,260,325)
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	(1,199,838,602)	-	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	689,007	-	-	689,007
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	-	-	68,300,539	-	(68,300,539)	-	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	110,260,325	(110,260,325)	-	-	-
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(858,995,032)	(858,995,032)
Balance as at 31 December 2008	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
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 subsidiary company from disposal of investment	-	-	-	(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 (Note 22)	-	-	-	-	-	-	-	-	-	(277,240,650)	-	(277,240,650)
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	(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 24)	-	-	-	-	-	-	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

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 2009 and 2008

(Unit: Baht)

	Separate financial statements								
	Issued and paid-up share capital			Revaluation	Retained earnings				
	Preference	Ordinary		surplus (deficit)	Appropriated				
	shares	shares	Share premium	on investments	Statutory	Treasury stock	Unappropriated	Treasury stock	
					reserve	reserve			
								Total	
Balance as at 1 January 2008	193,360	13,331,346,670	2,065,644,888	300,694,165	734,878,415	-	8,175,864,886	-	24,608,622,384
Increase in revaluation deficit on investments	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Expenses recognised directly in equity	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Net income for the year	-	-	-	-	-	-	1,366,010,779	-	1,366,010,779
Total income (expenses) for the year	-	-	-	(744,881,453)	-	-	1,366,010,779	-	621,129,326
Conversion of preference shares to ordinary shares	(34,800)	34,800	-	-	-	-	-	-	-
Cash payment for treasury stock	-	-	-	-	-	-	-	(110,260,325)	(110,260,325)
Dividend paid (Note 22)	-	-	-	-	-	-	(1,199,838,602)	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	689,007	-	689,007
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	68,300,539	-	(68,300,539)	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	110,260,325	(110,260,325)	-	-
Balance as at 31 December 2008	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
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
Revenues 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 (Note 22)	-	-	-	-	-	-	-	(277,240,650)	(277,240,650)
Dividend paid (Note 22)	-	-	-	-	-	-	(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 24)	-	-	-	-	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

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 2009 and 2008

1. General information

1.1 The Company's information

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

All subsidiaries are registered as limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries' business include commercial banking business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business, fund management business, and others.

2. Basis of preparation of financial statements

2.1 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 Bank of Thailand ("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.

2.2 Basis of preparation of the consolidated financial statements

- a) These consolidated financial statements include 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	
	2009	2008	2009	2008
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.92	74.93	-	-
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 through</u>				
<u>Thanachart Bank</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
T Leasing Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training & Development Co., Ltd.	-	-	100.00	100.00

On 3 February 2009, the Company sold an additional 416,526,737 ordinary shares of Thanachart Bank Plc. (a subsidiary company) (“the 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. This accords with the conditions of the Shareholders’ Agreements. As a result of the sale, BNS held 48.998% of the Bank’s total issued shares, and the Company’s shareholding was decreased from 74.93% to 50.92%. The Company recorded a gain on the 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 recorded in the consolidated income statement under the equity method.

In addition, on 29 May 2009, the Bank issued 200 million new ordinary shares, or Baht 2,000 million, for offer to the existing shareholders. The Company exercised its own entitlement and unexercised entitlements of minority shareholders, to purchase Baht 1,018.90 million of such shares at Baht 10 per share (par value). After purchasing such additional shares, the Company's shareholding in the Bank remains at 50.92%.

On 28 November 2008, the Company purchased shares of Max Asset Management Co., Ltd. from another shareholder for Baht 242 million. As a result, the Company's shareholding in that company was increased from 58.45% to 83.44% of its issued shares. The amount by which the purchase price which was lower than the net book value of such subsidiary, amounting to Baht 226 million, was separately presented in shareholders' equity in consolidated balance sheet because the additional shares purchased is not treated as a business combination under accounting standards.

On 30 April 2008, Thanachart Group Leasing Co., Ltd. sold ordinary share of T Leasing Co., Ltd. to Thanachart Bank Plc. for a total of Baht 191 million. The gain on disposal in Thanachart Group Leasing's financial statements amounting to Baht 11 million has been eliminated from the consolidated financial statements.

- b) 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 2009 and 2008 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

	Total assets		Total income	
	2009	2008	2009	2008
Thanachart Bank Plc.	406,426	351,215	22,499	20,635
Thanachart Life Assurance Co., Ltd.	15,936	7,231	12,015	4,998
NFS Asset Management Co., Ltd.	4,167	5,585	552	464
Thanachart Insurance Co., Ltd.	3,095	2,512	2,730	2,580
Thanachart Securities Plc.	3,079	2,869	1,115	923
Max Asset Management Co., Ltd.	1,594	1,778	233	244

- c) All 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.

- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies. In case where there are different in accounting policies, the Company has adjusted the effect of these in the consolidated financial statements.
- e) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and its subsidiaries' books of accounts have been eliminated against the shareholders' equity of the subsidiaries.
- f) Minority interests represent the portion of net income or loss and net assets 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.

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

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards are referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements

TAS 36 Impairment of Assets

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal year beginning on or after 1 January 2009. The management of the Company and its subsidiaries have assessed the effect of these standards and noted that TFRS 5 and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company and its subsidiaries, while the remaining framework, accounting standards and accounting treatment guidance do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company and its subsidiaries have assessed the effect of these standards and believe that TAS 20 is not relevant to the business of the Company and its subsidiaries, while TAS 24 and TAS 40 will not have significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire 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. For the Company and its financial institution subsidiaries, accrued interest formerly recognised for such defaulted loans is reversed from the accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received.

The Company and its subsidiaries recognise interest income on restructured loans on an accrual basis, with reference to interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Company and its subsidiaries recognise as income on a cash basis until the 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 right to receive the dividend is established.

c) Brokerage fees income

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

d) Interest on loans for purchases of securities

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

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

Gain (loss) on investments and financial derivatives are recognised as income/ expenses at the transaction 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, and is calculated based on the average persistency rate.

4.2 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.

4.3 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 Ministry of Commerce regarding the appropriation of unearned premium reserve as follows:

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

Life insurance 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 according to the procedures prescribed by the Regulation on Life Assurance Policy Reserve as promulgated by the Ministry of Commerce on 23 November 2001. The liability is based on assumptions established at inception of the contract.

A subsidiary company base mortality and morbidity tables announced by the Office of Insurance Commission which reflect historical experiences.

- a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.
- b) Reserve for accident 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.

4.4 Investments

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

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

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

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

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

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

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

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

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

4.5 Investments in receivables purchased and allowance for impairment

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

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

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

4.6 Investments in subsidiary and associated companies

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

4.7 Securities purchased under resale agreements

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

4.8 Receivables from/payable to Clearing House

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

4.9 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 net receivable balances of cash accounts and credit balance accounts for which the securities purchased are used as collateral, and other receivables such as overdue cash customers accounts and receivables which are subject to legal proceedings, are undergoing restructuring, or are being settled in installments.

4.10 Allowance for doubtful accounts

- a) The Company and its subsidiaries provide allowance for doubtful accounts in accordance with the Notifications of the BOT and adjust these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in an allowance for doubtful accounts is recognised as expenses during the year.

The Company and its subsidiaries set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) after net of collateral value, as required by the BOT's guidelines. Collateral value included vehicles under hire purchase/financial lease contracts. For non-performing loans, the Company and the subsidiaries provide provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline. However, non-performing hire purchase or financial lease receivables are treated as having no collateral.

- b) A securities subsidiary provides 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. A subsidiary company engaged in commercial bank business writes off hire purchase receivables when full allowance for doubtful accounts has been made for such receivables.
- f) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

4.11 Troubled debt restructuring

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

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income, 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.

4.12 Recognition and amortisation of customers' assets

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

4.13 Property foreclosed

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

4.14 Property, premises and equipment and depreciation

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

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

Depreciation is included in determining income.

4.15 Intangible assets and amortisation

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

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 5 - 10 years.

4.16 Goodwill

Goodwill has been initially measured at cost, which is the excess of the cost of the business combination over the company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets, liabilities and contingent liabilities is higher than the acquisition cost, the difference is recognised directly in the income statement. Goodwill is carried at cost less any accumulated impairment losses, and is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

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

4.17 Long-term leases

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

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

4.18 Premium due and uncollected, and allowance for doubtful accounts

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

4.19 Sales of commercial paper

A subsidiary company records commercial paper with an aval by a subsidiary company, 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".

4.20 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of a subsidiary company in respect of its securities and derivatives business with outside parties.

4.21 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 a subsidiary company's 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) based on historical experience but at no less than 2.5 percent of the total net written premiums in the twelve months prior to the allocation date, in compliance with the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserves and loss reserve by non-life insurance companies. However, from 1 January 2009, a subsidiary company set up provision for IBNR at the higher of the reserve calculated using standard actuarial claims techniques and 2.5 percent of total net written premiums in the previous twelve months.

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.

4.22 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 have significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company and its subsidiaries' operations.

4.23 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.

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

4.24 Employee benefits

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

4.25 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 sheets 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.

4.26 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.

4.27 Income tax

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

4.28 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.

5. Significant accounting judgments and estimates

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

5.1 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.

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

Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased are intended to adjust the value of loans and receivables for probable credit losses. The management uses the BOT's regulation regarding the provision of allowance for doubtful accounts, and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

5.3 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management 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.

5.4 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.

5.5 Allowance for impairment of property foreclosed

The Company and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses the BOT's, and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

5.6 Property, premises and equipment and depreciation

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

5.7 Goodwill and intangible assets

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

5.8 Financial leases/Operating leases

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.

5.9 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 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 to appropriate given the currently available information and current situation.

5.10 Life insurance premium reserve

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

5.11 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. The main assumption 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.

5.12 Litigation

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

6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institution Development Fund	3,442	6,600	10,042	3,422	35,800	39,222
Commercial banks	494	45,300	45,794	689	4,490	5,179
Other banks	50	50	100	118	50	168
Other financial institutions	350	667	1,017	18	320	338
Total	4,336	52,617	56,953	4,247	40,660	44,907
Add: Accrued interest receivables	-	11	11	1	40	41
Less: Allowance for doubtful accounts	-	-	-	-	(26)	(26)
Total domestic items	4,336	52,628	56,964	4,248	40,674	44,922
Foreign						
US Dollar	200	7,546	7,746	286	20,236	20,522
Euro	55	-	55	98	-	98
Others	76	-	76	112	-	112
Total	331	7,546	7,877	496	20,236	20,732
Add: Accrued interest receivables	-	26	26	-	136	136
Total foreign items	331	7,572	7,903	496	20,372	20,868
Total - net	4,667	60,200	64,867	4,744	61,046	65,790

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	152	6,550	6,702	201	3,250	3,451
Other banks	5	-	5	6	-	6
Other financial institutions	-	20	20	-	20	20
Total	157	6,570	6,727	207	3,270	3,477
Add: Accrued interest receivables	-	13	13	-	1	1
Total - net	157	6,583	6,740	207	3,271	3,478

During the year 2009, a financial institution receivable of a subsidiary company entered into debt restructuring agreement which it had outstanding debt of Baht 306 million, whereby terms of payment were amended and some debt was converted to equity. The subsidiary company had loss on debt restructuring amounting to Baht 9 million and reversed existing allowance for doubtful accounts of Baht 25 million. As at 31 December 2009, the outstanding debt is amounting to Baht 57 million. (2008: the outstanding debt by Baht 306 million and related allowance by Baht 25 million).

Moreover, as at 31 December 2009, the Company has deposits of Baht 6,550 million with Thanachart Bank Plc. (a subsidiary company), in the form of bills of exchange that mature during January to May 2010 and bear interest at rates of 1.20 - 1.50 percent per annum (2008: Baht 3,250 million).

7. Investments

7.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2009		2008		2009		2008	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Current investments								
Trading securities								
Government and state enterprise securities	917	917	604	607	-	-	-	-
Private debt securities	754	759	-	-	-	-	-	-
Domestic marketable equity securities	5	6	-	-	-	-	-	-
	1,676	1,682	604	607	-	-	-	-
Add: Allowance for change in value	6		3		-		-	
	1,682		607		-		-	
Available-for-sale securities								
Government and state enterprise securities	24,545	24,553	4,264	4,290	10,077	10,083	-	-
Private debt securities	1,379	1,387	463	469	-	-	-	-
Foreign debt securities	334	336	-	-	-	-	-	-
Domestic marketable equity securities	128	132	49	49	-	-	-	-
	26,386	26,408	4,776	4,808	10,077	10,083	-	-
Add: Allowance for change in value	22		32		6		-	
	26,408		4,808		10,083		-	
Held-to-maturity debt securities								
- due within 1 year								
Government and state enterprise securities	2,252		5,783		648		2,999	
Private debt securities	35		101		35		-	
Foreign debt securities	4,450		524		-		-	
	6,737		6,408		683		2,999	
Other investments								
Investment in property fund	100		-		-		-	
	100		-		-		-	
Total current investments - net	34,927		11,823		10,766		2,999	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2009		2008		2009		2008	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Long-term investments								
Available-for-sale securities								
Government and state enterprise securities	20,844	20,864	618	697	-	-	-	-
Private debt securities	7,060	7,222	4,360	4,540	578	575	-	-
Foreign debt securities	5,406	5,667	-	-	-	-	-	-
Domestic marketable equity securities	3,668	5,775	4,492	2,819	1,476	3,594	1,505	1,050
	36,978	39,528	9,470	8,056	2,054	4,169	1,505	1,050
Add (less): Allowance for change in value	2,556		(1,168)		2,115		(444)	
Less: Allowance for impairment	(6)		(246)		-		(11)	
	39,528		8,056		4,169		1,050	
Held-to-maturity debt securities								
Government and state enterprise securities	17,839		10,688		331		418	
Private debt securities	1,372		792		3,010		3,000	
Foreign debt securities	-		4,323		-		-	
	19,211		15,803		3,341		3,418	
Less: Allowance for impairment	(557)		(557)		(183)		(183)	
	18,654		15,246		3,158		3,235	
Other investments								
Investments in receivables purchased	2,062		2,318		1,118		1,227	
Investments in property fund	367		658		-		-	
Domestic non-marketable equity securities	338		329		230		230	
Foreign non-marketable equity securities	3		-		-		-	
	2,770		3,305		1,348		1,457	
Less: Allowance for impairment	(468)		(449)		(211)		(179)	
	2,302		2,856		1,137		1,278	
Total long-term investments - net	60,484		26,158		8,464		5,563	

7.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements								
	2009				2008			
	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	24,525	20,186	678	45,389	4,264	43	575	4,882
Private debt securities	1,379	6,972	88	8,439	463	4,060	300	4,823
Foreign debt securities	334	5,406	-	5,740	-	-	-	-
Total	26,238	32,564	766	59,568	4,727	4,103	875	9,705
Add : Allowance for change in value	18	432	11	461	32	159	100	291
Total	26,256	32,996	777	60,029	4,759	4,262	975	9,996
Held-to-maturity debt securities								
Government and state enterprise securities	2,252	9,788	8,051	20,091	5,783	10,484	204	16,471
Private debt securities	35	899	473	1,407	101	273	519	893
Foreign debt securities	4,450	-	-	4,450	524	4,323	-	4,847
Total	6,737	10,687	8,524	25,948	6,408	15,080	723	22,211
Less: Allowance for impairment	-	(557)	-	(557)	-	(557)	-	(557)
Total	6,737	10,130	8,524	25,391	6,408	14,523	723	21,654
Total debt securities	32,993	43,126	9,301	85,420	11,167	18,785	1,698	31,650

(Unit: Million Baht)

	Separate financial statements							
	2009				2008			
	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 : 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	648	331	-	979	2,999	418	-	3,417
Private debt securities	35	3,010	-	3,045	-	3,000	-	3,000
Total	683	3,341	-	4,024	2,999	3,418	-	6,417
Less: Allowance for impairment	-	(183)	-	(183)	-	(183)	-	(183)
Total	683	3,158	-	3,841	2,999	3,235	-	6,234
Total debt securities	10,766	3,661	72	14,499	2,999	3,235	-	6,234

7.3 As at 31 December 2009, a revaluation surplus and a revaluation deficit in the consolidated shareholders' equity amounting to Baht 22 million and Baht 193 million, respectively, are as a result of the recategorisation of debt securities (2008: outstanding revaluation surplus amounting to Baht 30 million and outstanding revaluation deficit amounting to Baht 331 million in the consolidated financial statements).

7.4 As at 31 December 2009, long-term investments in held-to-maturity debt securities include Baht 933 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 331 million) (2008: Baht 1,169 million in the consolidated financial statements and Baht 418 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 2009, the Company and its subsidiaries are still unable to assess the exact amount of such losses. However, the Company and its subsidiaries have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 557 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (separate financial statements: Baht 183 million) (2008: Baht 557 million in the consolidated financial statements and Baht 183 million in the separate financial statements).

During the year ended 31 December 2009, the Company and its subsidiaries recognised interest on TAMC's promissory notes amounting to Baht 9 million and received payment under promissory notes and interest amounting to Baht 254 million (separate financial statements: Baht 3 million and Baht 94 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 35.2 to the financial statements.

- 7.5** As at 31 December 2009, the Company has investments of Baht 3,078 million in subordinated debentures issued by Thanachart Bank Plc. (a subsidiary company) (2008: Baht 3,000 million).
- 7.6** As at 31 December 2009, investments in government and state enterprise securities in the consolidated financial statements amounting to Baht 1,738 million, at amortised cost, have been placed as collateral for loans from commercial banks and as security with Government Agencies (2008: Baht 1,257 million).

7.7 As at 31 December 2009 and 2008, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investees are as follow:

Name	Nature of business	Consolidated financial statements				Separate financial statements			
		2009		2008		2009		2008	
		Net book value	Percentage of holding	Net book value	Percentage of holding	Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
<u>Manufacturing and commercial industries</u>									
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	664	19.60	376	19.60	332	9.79	188	9.79
<u>Real estate and construction</u>									
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10	20	10.00	20	10.00
<u>Others</u>									
The Thai Business Fund 3 ⁽¹⁾	Mutual fund invests in property	252	26.67	340	26.67	-	-	-	-
Sub Thawee Property Fund ⁽¹⁾	Mutual fund invests in property	116	56.00	156	56.00	-	-	-	-
The Krung Thai Dividend Fixed-Income Fund	Mutual fund invests in debt securities	49	15.08	-	-	-	-	-	-
Thanasarn Open-Ended Fund ⁽¹⁾	Mutual fund invests in debt securities	-	-	267	28.99	-	-	-	-

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

7.8 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 2009 and 2008 can be summarised as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Investments in receivables	2,062	2,318	1,118	1,227
Less: Allowance for impairment	(349)	(322)	(113)	(81)
Investments in receivables - net	1,713	1,996	1,005	1,146

(Unit: Million Baht)

	2009				2008			
	Number	Balance		Yield	Number	Balance		Yield
	of	per	Purchase		of	per	Purchase	
	debtors	agreement	price		debtors	agreement	price	
		Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent
<u>Consolidated financial statements</u>								
Total accumulated investments in receivables	1,662	33,559	7,793	6.50 - 18.97	1,662	33,559	7,793	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	775	13,997	2,062		933	14,868	2,318	
<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	346	6,290	1,118		495	6,983	1,227	

During the years 2009 and 2008, the Company and its subsidiaries have restructured investments in receivable purchased, by means of various types of restructuring, as summarised below.

2009					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		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		

2008					
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	16	3	3		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	17	3	3		
<u>Separate financial statements</u>					
Modification of terms	5	1	1		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	6	1	1		

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from end of the years 2009 and 2008 are as follow:

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

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

Restructured investments in receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 31 December 2009 and 2008, there were no outstanding restructured receivables in the investments in receivables account.

7.9 As at 31 December 2009 and 2008, investments in securities of the Company and its subsidiaries, include investments in securities of companies with weak financial positions and poor operating results, are summarised as below.

Consolidated financial statements								
Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts		
2009	2008	2009	2008	2009	2008	2009	2008	
		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 the repayment of debts	1	2	-	1	-	1	-	-
2. Companies which auditors' reports cited going concern issues	9	13	21	134	1	36	20	98
3. Financial institutions that are in the process of debt restructuring	-	1	-	8	-	-	-	8
<u>Investments in receivables purchased</u>								
1. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	3	-	-	3	3
2. Companies which have loan settlement problems or have defaulted the repayment of debts	296	351	1,487	1,672	2,013	2,481	231	207
Separate financial statements								
Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts		
2009	2008	2009	2008	2009	2008	2009	2008	
		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 the repayment of debts	-	1	-	1	-	1	-	-
2. Companies which auditors' reports cited going concern issues	1	5	-	113	-	35	-	77
<u>Investments in receivables purchased</u>								
1. Companies which have loan settlement problems or have	111	161	845	907	1,188	1,401	70	36

defaulted the repayment of
debts

8. Investments in subsidiaries

8.1 As at 31 December 2009 and 2008, 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)

		Separate financial statements						Dividend income for the years ended	
Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		31 December	
		2009	2008	2009	2008	2009	2008	2009	2008
Thanachart Bank Plc.	Commercial bank	19,346	17,346	50.92	74.93	10,811	14,409	495	559
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	514	576	189	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	900	900	99.80	99.80	898	898	-	-
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
						13,259	16,919	684	559
Less: Allowance for impairment						(16)	(16)		
Investments in subsidiaries - net						13,243	16,903		

During February 2009, the Company sold 416 million ordinary shares of Thanachart Bank Plc. ("the 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. As a result, the Company's shareholding decreased to be 50.92% of the Bank's shares. And during May 2009, the Bank issued 200 million new ordinary shares for offering to the existing shareholders. The Company exercised its own entitlement and unexercised entitlements of minority shareholders, as a result, the Company still holds 50.92%.

8.2 The consolidated balance sheet as at 31 December 2008 and the consolidated income statement for the year then ended included assets, income and net income of Thanachart Life Assurance Co., Ltd., a subsidiary company of Thanachart Bank, of which the auditor of this subsidiary issued a qualified report on the financial statements for the year ended 31 December 2008 with respect to the effect of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. Such issue has been already corrected and adjusted in the financial statements for the year ended 31 December 2009. However, the results of such adjustments have no material impact to the current year consolidated financial statements.

8.3 The consolidated balance sheet as at 31 December 2009 included Baht 6 million of assets, Baht 0.1 million of liabilities and 0.1 million of net loss of Thiravanit Co., Ltd. which registered its dissolution and is currently in the liquidation process. The financial statements of this subsidiary was prepared by its management and was not audited by its auditor.

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

8.4 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 2009 and 2008 are as follows:

	(Unit: Million Baht)			
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income before corporate income tax	509	366	194	212
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid for) operating activities				
Gain on assets transferred from receivables	(39)	(14)	(50)	(48)
Loss on impairment of investments in receivables (reversal)	-	12	(10)	(1)
Loss on impairment of property foreclosed (reversal)	17	(13)	3	(5)
Bad debts and doubtful accounts (reversal)	(136)	(217)	7	(10)
Others	(9)	(16)	-	-
	342	118	144	148
Interest expenses	80	166	-	18
Interest income	(266)	(122)	(20)	(26)
Dividend income	(2)	-	-	-
Cash received from interest income	259	112	21	25
Cash paid for corporate income tax	(135)	(82)	(73)	(104)
Income from operating activities before changes in operating assets and liabilities	278	192	72	61
Operating assets (increase) decrease				
Current investments	643	(645)	-	-
Investments in receivables	5	(158)	56	55
Loans	679	652	18	18
Property foreclosed	106	204	159	95
Other assets	1	11	(1)	18
Operating liabilities increase (decrease)				
Other liabilities	(178)	53	(26)	(32)
Net cash flows from operating activities	1,534	309	278	215
Cash flows from investing activities				
Proceeds from sales of long-term investments	149	229	-	-
Cash paid for equipment	-	(3)	-	(1)
Cash received from interest of long-term investments	8	16	-	-
Cash received from dividend	2	-	-	-
Net cash flows from (used in) investing activities	159	242	-	(1)
Cash flows from financing activities				
Cash received from borrowings	2,136	-	-	-
Cash paid for borrowings	(3,650)	(429)	-	(269)
Cash paid for interest expenses on borrowings	(80)	(166)	-	(30)
Cash paid for dividend	-	-	(300)	-
Net cash flows used in financing activities	(1,594)	(595)	(300)	(299)
Net increase (decrease) in cash and cash equivalents	99	(44)	(22)	(85)
Cash and cash equivalents at beginning of the year	31	75	237	322
Cash and cash equivalents at end of the year	130	31	215	237

9. Investments in an associated company

9.1 As at 31 December 2009 and 2008, the Company and its subsidiaries have investments in ordinary shares of MBK Public Company Limited which is registered under Thai laws and engages in property rental, hotel and services. Information of the associated company is as follow:

(Unit: Million Baht)												
Consolidated financial statements												
Company's name	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended		Share of income for the years ended	
					Cost method		Equity method		31 December		31 December	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Consolidated financial statements												
MBK Plc.	1,886	1,886	19.90	20.76	948	992	1,701	1,404	163	157	257	335
Separate financial statements												
in which the cost method is applied												
MBK Plc.	1,886	1,886	10.00	10.00	658	658			80	75		

The Company and its subsidiaries classify investments in ordinary shares of MBK Public Company Limited as investments in associated company because the Company and its subsidiaries have significant influence over that associated company.

Moreover, during the year ended 31 December 2009, a subsidiary company sold investments in associated company amounting to Baht 84 million with gain on the sale, calculated under the equity method, of Baht 29 million in the consolidated income statement.

9.2 Summarised financial information of associated company

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the years ended		Net income for the years ended	
	as at 30 September		as at 30 September		as at 30 September		30 September		30 September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
MBK Plc.	1,886	1,886	23,514	19,164	13,021	10,889	6,494	6,410	1,258	1,456

The share of income is determined based on financial statements of that associated company prepared for a different period, as a result of a limitation on the availability of information. The financial information used was that as at 30 September 2009 and 2008 and 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 income for the year ended 30 September 2009 is not materially different from that income for the year ended 31 December 2009.

9.3 As at 31 December 2009, the fair values of the investment in MBK Plc. which is a listed in the Stock Exchange of Thailand, on a portion held by the Company and its subsidiaries is Baht 2,440 million (separate financial statements: Baht 1,226 million).

10. Loans and accrued interest receivables

10.1 Classified by loan types

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
<u>Loans</u>				
Overdrafts	2,812	2,511	-	-
Loans	52,242	43,691	227	235
Notes receivable	18,919	17,636	2,407	394
Hire purchase receivables	211,564	211,828	1,423	7,999
Financial lease receivables	2,323	1,888	-	-
Total loans	287,860	277,554	4,057	8,628
Add: Accrued interest receivables	311	324	-	-
Less: Allowance for doubtful accounts	(10,121)	(9,623)	(588)	(1,302)
Less: Revaluation allowance for debt restructuring	(98)	(87)	-	-
Loans and accrued interest receivables - net	277,952	268,168	3,469	7,326
<u>Securities business receivables</u>				
Customers' accounts	692	884	-	-
Credit balances in receivables	870	598	-	-
Other receivables	382	414	-	-
Total securities business receivables	1,944	1,896	-	-
Less: Allowance for doubtful accounts	(315)	(298)	-	-
Securities business receivables and accrued interest receivables - net	1,629	1,598	-	-
Loans and accrued interest receivables - net	279,581	269,766	3,469	7,326

10.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
At call *	9,410	8,798	2,807	1,139
Not over 1 year	30,135	29,692	710	6,099
Over 1 year	250,770	241,493	540	1,390
Total loans and accrued interest receivables	290,315	279,983	4,057	8,628
Less: Intercompany profits from loans transferred	(200)	(209)	-	-
Total loans and accrued interest receivables	290,115	279,774	4,057	8,628

* Includes expired contracts

10.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	287,671	323	287,994	278,704	256	278,960
US Dollars	1,313	1,004	2,317	955	-	955
Other currencies	4	-	4	68	-	68
Total loans and accrued interest receivables	288,988	1,327	290,315	279,727	256	279,983
Less: Intercompany profits from loans transferred	(200)	-	(200)	(209)	-	(209)
Total loans and accrued interest receivables	288,788	1,327	290,115	279,518	256	279,774

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	4,057	-	4,057	8,628	-	8,628
Total loans and accrued interest receivables	4,057	-	4,057	8,628	-	8,628

10.4 Classified by type of business and loans classification

(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	1,628	-	3	313	-	1,944
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	259,273	18,803	1,801	2,549	7,889	290,315
Less: Intercompany profits from loans transferred						(200)
Total loans and accrued interest receivables						290,115

(Unit: Million Baht)

Consolidated financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,146	-	-	9	32	1,187
Manufacturing and commercial	11,439	653	25	372	915	13,404
Real estate and construction	13,405	429	318	25	1,419	15,596
Public utilities and services	12,020	1,240	312	14	243	13,829
Personal consuming						
Housing loans	6,473	563	92	130	466	7,724
Securities	1,597	-	4	296	-	1,897
Hire purchase	183,872	22,826	1,155	961	3,014	211,828
Others	6,510	718	251	285	792	8,556
Others	4,750	13	1	-	1,198	5,962
Total loans and accrued interest receivables	241,212	26,442	2,158	2,092	8,079	279,983
Less: Intercompany profits from loans transferred						(209)
Total loans and accrued interest receivables						279,774

(Unit: Million Baht)

Separate financial statements						
2009						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
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

(Unit: Million Baht)

Separate financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	386	-	-	-	-	386
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	2	2
Personal consuming						
Housing loans	3	4	-	14	17	38
Hire purchase	6,107	885	98	66	843	7,999
Others	3	8	2	3	185	201
Total loans and accrued interest receivables	6,499	897	100	83	1,049	8,628

10.5 Non-performing loans

As at 31 December 2009 and 2008, 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	
	2009	2008	2009	2008
Non-performing loans (excluding accrued interest receivables)				
The Company	517	1,232	517	1,232
Banking business	8,359	7,167	-	-
Asset management business	2,561	3,176	-	-
Securities business	316	299	-	-

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

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
The Company	424	1,198	424	1,198
Banking business	8,777	7,251	-	-
Securities business	316	299	-	-

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.

10.6 Unearned income

As at 31 December 2009 and 2008, unearned income is summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Unearned interest income	68	75	-	-
Unearned income from hire purchase/ financial lease	30,423	31,446	43	352

10.7 Hire purchase/Financial lease receivables

As at 31 December 2009, the Company and its subsidiaries have net receivables under hire purchase and financial lease agreements amounting to Baht 207,923 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 (separate financial statements: Baht 1,122 million).

(Unit: Million Baht)

	Consolidated financial statements			
	2009			
	Amount due under lease agreement			
	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 financial 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)

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

(Unit: Million Baht)

Separate financial statements				
2009				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	1,341	125	-	1,466
Unearned financial income	(42)	(1)	-	(43)
Present value of minimum lease payments receivable	1,299	124	-	1,423
Allowance for doubtful accounts				301

* Includes non-performing loans

(Unit: Million Baht)

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

* Includes non-performing loans

10.8 Troubled debt restructuring

During the years 2009 and 2008, the Company and its subsidiaries entered into debt restructuring agreements with loans. The details are as followed:

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
Consolidated financial statements					
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		
Separate financial statements					
Modification of terms	48	3	3		
Total	48	3	3		

(1) Outstanding balance includes both principal and interest receivables

2008					
Type of restructuring	Number of receivables	Outstanding loan balance before restructuring ⁽¹⁾	Outstanding loan balance after restructuring ⁽¹⁾	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	1	1	1	Land	4
Modification of terms	347	1,028	1,024		
Transfer of assets and/or equity securities and/or modification of terms	15	23	23	Land and premises thereon	33
Total	363	1,052	1,048		
<u>Separate financial statements</u>					
Modification of terms	53	16	16		
Transfer of assets and/or equity securities and/or modification of terms	3	7	7	Land and premises thereon	13
Total	56	23	23		

(1) Outstanding balance includes both principal and interest receivables

The remaining periods to maturity of the restructured receivables of the Company and its subsidiaries, counting from end of the years 2009 and 2008 are as follow:

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

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

Supplemental information for the years 2009 and 2008 relating to restructured receivables is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Interest income recognised in income statements	527	277	2	7
Gain on debt repayment/disposals recognised in income statements	53	155	1	7
Gain on transfers of assets for debt repayment recognised in income statements	41	16	2	10
Loss on debt restructuring recognised in income statements	44	14	-	-
Cash proceeds from collection of debts	1,304	1,666	13	31
Assets transferred from debtors	350	57	10	17

As at 31 December 2009 and 2008, 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:

	Restructured receivables							
	Total number of		Number of		Outstanding		Outstanding	
	outstanding		receivables		balance		balance, net of	
	receivables						collateral	
	2009	2008	2009	2008	2009	2008	2009	2008
					Million	Million	Million	Million
					Baht	Baht	Baht	Baht
Thanachart Capital Plc.	31,232	94,989	67	63	137	138	32	37
Thanachart Bank Plc.	812,480	707,430	10,600	381	5,280	2,645	1,963	883
Thanachart Securities Plc.	1,906	1,579	6	8	101	134	101	134
Other subsidiary companies	6,528	6,795	335	379	1,617	1,929	483	517

10.9 As at 31 December 2009 and 2008, the Company has the following loans to subsidiary companies:

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
		as at	as at	2009	2008
		31 December 2009	31 December 2009	2009	2008
				Million Baht	Million Baht
NFS Asset Management Co., Ltd.	Promissory note	At call	Fixed at 2.80% per annum	2,400	264
National Leasing Co., Ltd.	Promissory note			-	112
Thanachart Legal and Appraisal Co., Ltd.	Promissory note			-	10
Total				2,400	386

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

As at 31 December 2009 and 2008, 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		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts	
	2009	2008	2009	2008		2009	2008
<u>Loans and accrued interest</u>							
<u>receivables (including interbank</u>							
<u>and money market items) ⁽²⁾</u>							
Normal	307,188	274,523	82,599	64,078	1	909	912
Special mention	17,970	25,107	7,484	9,253	2	190	185
Substandard	1,713	2,024	1,141	1,427	100	1,237	1,466
Doubtful	2,180	1,719	1,345	1,230	100	1,345	1,230
Doubtful of loss	7,737	7,897	5,624	5,074	100	5,709	5,127
Total	336,788	311,270	98,193	81,062		9,390	8,920
Additional allowance for possible uncollectible debts	-	-	-	-		387	270
	336,788	311,270	98,193	81,062		9,777	9,190
Less: Revaluation allowance							
for debt restructuring	(98)	(87)					
Intercompany gain	(200)	(209)					
Total loans and accrued interest receivables	336,490	310,974					

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

(2) Debt balance/book value of normal and special mention loans excluding accrued interest 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		Debt balance after collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2009	2008	2009	2008		2009	2008
<u>Loans and accrued interest receivables</u>							
<u>(including interbank and money market items) ⁽¹⁾</u>							
Normal	3,436	6,519	2,965	1,740	1	29	17
Special mention	124	897	86	346	2	2	7
Substandard	20	100	17	100	100	17	100
Doubtful	22	83	22	73	100	22	73
Doubtful of loss	475	1,049	378	965	100	378	965
Total loans and accrued interest receivables	4,077	8,648	3,468	3,224		448	1,162
Additional allowance for possible uncollectible debts						140	140
						588	1,302

(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.

10.11 Loans to companies which have settlement problems

As at 31 December 2009 and 2008, the Company and its subsidiaries' loans (including loans to financial institutions) in the consolidated and the separate financial statements included the following debtors with weak financial positions and operating results:

	Consolidated financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2009	2008	2009	2008	2009	2008	2009	2008
			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	5	4	343	294	116	124	267	206
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	14	13	835	858	815	809	281	284
4. Companies which have loan settlement problems or have defaulted on the repayment of debts	946	980	2,340	2,696	1,776	2,288	1,112	1,124
5. Companies whose auditors' reports cited going concern issues	2	2	51	51	-	-	51	51

Separate financial statements

	Number		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	of debtors							
	2009	2008	2009	2008	2009	2008	2009	2008
			Million	Million	Million	Million	Million	Million
			Baht	Baht	Baht	Baht	Baht	Baht
1. Companies which have loan settlement problems or have defaulted on the repayment of debts	135	268	115	173	101	75	41	106

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

As at 31 December 2009 and 2008, a subsidiary company operating in the securities business classifies its securities business receivables and accrued interest receivables and provides related allowance for doubtful accounts in accordance with the Notification of the Securities and Exchange Commission ("SEC") as follows:

	Receiveable and accrued interest receivables		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2009	2008	2009	2008	2009	2008
Doubtful	313	296	313	296	313	296
Substandard	3	4	-	-	2	2
Total	316	300	313	296	315	298

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

10.13 Hire purchase receivables/financial lease receivables of subsidiaries separate by aging

As at 31 December 2009 and 2008, hire purchase and financial lease receivables of three subsidiaries engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after eliminating intercompany transactions) as follows:

(Unit: Million Baht)		
	2009	2008
Current or overdue less than 90 days	3,563	5,177
Overdue 91 - 365 days	141	207
Overdue more than 1 year	58	45
Debtors under legal actions	93	136
Total	3,855	5,565
Allowance for doubtful accounts	344	433

11. Allowance for doubtful accounts

(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		
	Normal	mention	standard	Doubtful	of loss	reserve	Total	s	Consolidated
Balance - beginning of the year	912	185	1,466	1,230	5,127	270	9,190	731	9,921
Add: Increase (decrease)									
during the year	(3)	5	(229)	115	2,558	117	2,563	278	2,841
Bad debt recovery	-	-	-	-	80	-	80	12	92
Less: 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)

Consolidated financial statements									
For the year ended 31 December 2008									
The Company and its financial institution subsidiaries (Banking and asset management business)									
	Special	Sub -		Doubtful	General		Other		
	Normal	mention	standard	Doubtful	of loss	reserve	Total	s	Consolidated
Balance - beginning of the year	525	141	1,685	1,085	3,870	523	7,829	543	8,372
Add: Increase (decrease) during the year	387	44	(219)	145	3,066	(253)	3,170	393	3,563
Bad debt recovery	-	-	-	-	54	-	54	1	55
Less: Bad debt written-off	-	-	-	-	(1,634)	-	(1,634)	(206)	(1,840)
Reversal from the disposals	-	-	-	-	(229)	-	(229)	-	(229)
Balance - end of the year	912	185	1,466	1,230	5,127	270	9,190	731	9,921

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2009							
	Special	Sub -		Doubtful	General		
	Normal	mention	standard	Doubtful	of loss	reserve	Total
Balance - beginning of the year	17	7	100	73	965	140	1,302
Add: Increase (decrease) during the year	12	(5)	(83)	(51)	(62)	-	(189)
Bad debt recovery	-	-	-	-	28	-	28
Less: Bad debt written-off	-	-	-	-	(21)	-	(21)
Reversal from the disposals	-	-	-	-	(532)	-	(532)
Balance - end of the year	29	2	17	22	378	140	588

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2008							
	Special	Sub -		Doubtful	General		
	Normal	mention	standard	Doubtful	of loss	reserve	Total
Balance - beginning of the year	44	18	188	180	1,082	140	1,652
Add: Decrease during the year	(27)	(11)	(88)	(107)	(4)	-	(237)
Bad debt recovery	-	-	-	-	11	-	11
Less: Bad debt written-off	-	-	-	-	(109)	-	(109)
Reversal from the disposals	-	-	-	-	(15)	-	(15)

Balance - end of the year	17	7	100	73	965	140	1,302
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12. 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	
	2009	2008	2009	2008
Balance - beginning of the year	87	84	-	-
Add: Increase during the year	31	8	-	-
Less: Amortised during the year	(20)	(5)	-	-
Balance - end of the year	98	87	-	-

13. Classification of assets

As at 31 December 2009 and 2008, 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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Normal	307,188	274,523	-	-	-	-	131	67	307,319	274,590
Special mention	17,970	25,107	-	-	-	-	58	82	18,028	25,189
Substandard	1,713	2,024	-	-	-	-	3	6	1,716	2,030
Doubtful	2,180	1,719	-	-	-	-	3	7	2,183	1,726
Doubtful of loss	7,737	7,897	986	1,547	822	906	196	242	9,741	10,592
Total	336,788	311,270	986	1,547	822	906	391	404	338,987	314,127
Less:										
Revaluation allowance for debt restructuring	(98)	(87)								
Intercompany gain from loans transferred	(200)	(209)								
	336,490	310,974								

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued interest receivables		Investments		Property foreclosed		Other assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Normal	3,436	6,519	-	-	-	-	3	10	3,439	6,529
Special mention	124	897	-	-	-	-	5	14	129	911
Substandard	20	100	-	-	-	-	-	2	20	102
Doubtful	22	83	-	-	-	-	1	1	23	84

Doubtful of loss	<u>475</u>	<u>1,049</u>	<u>416</u>	<u>933</u>	<u>531</u>	<u>519</u>	<u>101</u>	<u>126</u>	<u>1,523</u>	<u>2,627</u>
Total	<u><u>4,077</u></u>	<u><u>8,648</u></u>	<u><u>416</u></u>	<u><u>933</u></u>	<u><u>531</u></u>	<u><u>519</u></u>	<u><u>110</u></u>	<u><u>153</u></u>	<u><u>5,134</u></u>	<u><u>10,253</u></u>

14. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the year ended 31 December 2009				For the year ended 31 December 2009			
	Balance - beginning of the year	Additions	Disposals/ Transfer	Balance - end of the year	Balance - beginning of the year	Additions	Disposals/ Transfer	Balance - end of the year
Assets acquired from settlement of debts								
Immovable assets	5,172	302	(405)	5,069	2,423	32	(246)	2,209
Movable assets	1,341	6,380	(7,287)	434	59	85	(138)	6
Assets acquired from auction bidding on the open market								
Immovable assets	1,958	164	(270)	1,852	478	78	(78)	478
Total property foreclosed	8,471	6,846	(7,962)	7,355	2,960	195	(462)	2,693
Less: Allowance for impairment	(917)	(574)	660	(831)	(519)	(119)	107	(531)
Property foreclosed - net	7,554	6,272	(7,302)	6,524	2,441	76	(355)	2,162

As at 31 December 2009, a subsidiary is committed to sell a portion of its property foreclosed, amounting to Baht 87 million, back to the debtors at prices and within periods specified in agreements.

Moreover, as at 31 December 2009, the Company and its subsidiaries have entered into sales agreements with customers to sell property foreclosed of approximately Baht 362 million (at cost) (separate financial statements: Baht 88 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.

15. Property, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost</u>						
31 December 2008	461	391	3,079	206	95	4,232
Additions	28	85	243	42	119	517
Transfers	-	64	129	-	(196)	(3)
Disposals	-	-	(52)	(32)	-	(84)
31 December 2009	489	540	3,399	216	18	4,662
<u>Accumulated depreciation</u>						
31 December 2008	-	66	1,527	117	-	1,710
Disposals	-	-	(38)	(27)	-	(65)
Depreciation during the year	-	26	536	31	-	593
31 December 2009	-	92	2,025	121	-	2,238
<u>Allowance for impairment</u>						
31 December 2008	-	-	-	-	-	-
Increase during the year	1	-	-	-	-	1
31 December 2009	1	-	-	-	-	1
<u>Net book value</u>						
31 December 2008	461	325	1,552	89	95	2,522
31 December 2009	488	448	1,374	95	18	2,423
Depreciation charge included in the income statements						
for the years ended 31 December						
2008						496
2009						593

(Unit: Million Baht)

Separate financial statements						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost</u>						
31 December 2008	63	147	99	31	-	340
Additions	-	-	5	20	-	25
Disposal	-	-	(1)	(16)	-	(17)
31 December 2009	63	147	103	35	-	348
<u>Accumulated depreciation</u>						
31 December 2008	-	39	68	24	-	131
Disposals	-	-	(1)	(13)	-	(14)
Depreciation during the year	-	7	10	4	-	21
31 December 2009	-	46	77	15	-	138
<u>Net book value</u>						
31 December 2008	63	108	31	7	-	209
31 December 2009	63	101	26	20	-	210
Depreciation charge included in the income statements						
for the years ended 31 December						
2008						19
2009						21

As at 31 December 2009, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 92 million. In addition, the Company and its subsidiaries have office equipment and motor vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 439 million (separate financial statements: Baht 20 million and Baht 59 million, respectively).

16. Intangible assets - software

(Unit: Million Baht)

		Consolidated financial statements			
		For the year ended 31 December 2009			
	Remaining	Balance -			Balance -
	useful life	beginning of			end of
		the year	Additions	Disposals	the year
Computer software	0 - 9 years	547	116	(13)	650
Less: Amortisation		(128)	(47)	-	(175)
Intangible assets - net		<u>419</u>	<u>69</u>	<u>(13)</u>	<u>475</u>
Amortised expenses included in the					
income statement for the year					<u>47</u>

(Unit: Million Baht)

		Separate financial statements			
		For the year ended 31 December 2009			
	Remaining	Balance -			Balance -
	useful life	beginning of			end of
		the year	Additions	Disposals	the year
Computer software	0 - 9 years	8	-	-	8
Less: Amortisation		(6)	(1)	-	(7)
Intangible assets - net		<u>2</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Amortised expenses included in the					
income statement for the year					<u>1</u>

As at 31 December 2009, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 33 million (separate financial statements: Baht 3 million).

17. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Other receivables	855	749	105	121
Premium receivable from direct insurance	757	516	-	-
Accrued interest and dividend receivable	543	250	21	25
Value added tax refundable	401	353	-	-
Other receivable - VAT paid in advance for customers	172	201	8	25
Accrued estimated claims refunded from other parties	166	76	-	-
Deposits	159	152	5	7
Others	589	596	49	49
Total	3,642	2,893	188	227
Less: Allowance for impairment	(233)	(275)	(102)	(130)
Total other assets - net	3,409	2,618	86	97

18. Deposits

18.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
At call	636	563	-	-
Savings	81,338	72,713	-	-
Promissory notes	66	68	-	-
Fixed				
- Less than 6 months	66,649	64,704	-	-
- 6 months and up to 1 year	17,746	82,934	-	-
- Over 1 year	99,436	48,748	-	-
Total deposits	265,871	269,730	-	-

18.2 Classified by the remaining period of contract

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Not over 1 year*	220,579	268,316	-	-
Over 1 year	45,292	1,414	-	-
Total deposits	265,871	269,730	-	-

*Include matured contracts

18.3 Classified by currency and location

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	265,780	1	265,781	269,660	-	269,660
US Dollars	44	6	50	64	1	65
Other currencies	40	-	40	5	-	5
Total deposits	265,864	7	265,871	269,729	1	269,730

19. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	7	1,150	1,157	63	-	63
Other banks	-	534	534	-	-	-
Finance and securities						
companies	4,773	3,545	8,318	3,921	493	4,414
Other financial						
institutions	4,298	1,430	5,728	2,005	804	2,809
Total - Domestic	9,078	6,659	15,737	5,989	1,297	7,286
Foreign						
US Dollar	-	5,037	5,037	-	-	-
Baht	35	130	165	7	-	7
Total - Foreign	35	5,167	5,202	7	-	7
Total	9,113	11,826	20,939	5,996	1,297	7,293

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	1	-	1	4,502	-	4,502
Total	1	-	1	4,502	-	4,502

As at 31 December 2008, Baht 4,500 million of interbank and money market items in the separate financial statements are borrowed from Thanachart Bank Plc. (a subsidiary company). During the year 2009, the Company has repaid all of this borrowing.

20. Borrowings

(Unit: Million Baht)

Type of borrowing	Interest rate per annum	Maturity year	Consolidated		Separate	
	(as at 31 December		financial statements		financial statements	
	2009)		2009	2008	2009	2008
<u>Short-term borrowings</u>						
Unsubordinated and unsecured debentures	2.41 - 4.75 percent	2010	6,328	-	6,500	-
Bills of exchange		At call	-	2	-	-
Bills of exchange	0.91 - 4.80 percent	2010	68,600	46,150	-	2,444
Promissory notes		2009	-	500	-	500
Total short-term borrowings			74,928	46,652	6,500	2,944
<u>Long-term borrowings</u>						
Subordinated debentures (TIER II)	5.10 - 5.25 percent	2015 - 2024	11,922	5,000	-	-
Unsubordinated and unsecured debentures	5.25 percent	2011	1,455	7,741	1,500	8,000
Unsubordinated and unsecured debentures	4.90 percent	2014	9,000	-	9,000	-
Bills of exchange		2010	-	6,070	-	-
Total long-term borrowings			22,377	18,811	10,500	8,000
Total borrowings			97,305	65,463	17,000	10,944

On 31 March 2003, the Company issued 4,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2010 and bear interest at the rate of the average MLR of 4 commercial banks minus a fixed rate per annum, payable semi-annually.

On 18 November 2008, the Company issued 4,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures of 2.5 million units will mature in 2010 and bear interest at fixed rate of 4.75 percent per annum, and the debentures amounting to 1.5 million units will mature in 2011 and bear interest at fixed rate of 5.25 percent per annum, payable semi-annually.

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.

On 9 May 2008, Thanachart Bank issued 5,000,000 units of subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures are counted as Tier II capital of the Bank. The debentures will mature in 2015 and bear interest at a fixed rate of 5.1 percent per annum for the first three years and 6 percent per annum for the fourth to seventh years, payable quarterly.

On 3 April 2009, Thanachart Bank issued 2,000,000 units of name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures are counted as Tier II capital of the Bank. The debentures will mature in 2019 and bear interest at a 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. After 5 years, Thanachart Bank has call option to early redemption these debentures if the conditions as specified are met.

In addition, on 24 July 2009, Thanachart Bank issued 5,000,000 units of name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures are counted as Tier II capital of the Bank. The debentures amounting to 3.5 million units will mature in 2019 and bear interest at a 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 a 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, payable quarterly. After 5 years, Thanachart Bank has call option to early redemption these debentures if the conditions as specified are met.

21. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Other expenses payable	956	516	17	20
Loss reserves and outstanding claims from				
insurance/life assurance	872	786	-	-
Suspense account receivable	842	892	77	125
Provision for corporate income tax	586	421	-	-
Accrued personnel expenses	514	390	12	8
Insurance premium payable	284	440	1	5
Unearned income from hire purchase	199	233	6	21
Payables for property foreclosed	123	156	49	47
Dividend payable	95	46	95	46
Financial derivative liabilities	24	296	-	-
Others	1,606	1,237	114	145
Total	6,101	5,413	371	417

22. Share capital/treasury stocks/dividends

During the year 2009, there were no preference shareholders converted to the Company's ordinary shares. Therefore, as at 31 December 2009, 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.

During the year 2009, the Company purchased 39,034,700 of its own common shares from its shareholders for a total of Baht 277.24 million, at an average price of Baht 7.10 per share. The shares repurchase scheme ended on 14 June 2009. Therefore, as at 31 December 2009, 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. These treasury stock transactions were made in accordance with a resolution of the Board of Directors of the Company, in order to manage the excess liquidity of the Company.

Moreover, during the years ended 31 December 2009 and 2008, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment Million Baht	Dividend per share Baht	Payment date
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 ended 31 December 2009		<u>1,214</u>	<u>0.95</u>	
Interim dividend on earnings for the first half-year of 2008	The Company's Board of Directors on 25 September 2008	400	0.30	24 October 2008
Dividend on earnings for the second half-year of 2007	The Annual General Meeting of shareholders on 28 April 2008	800	0.60	27 May 2008
Total dividend during the year ended 31 December 2008		<u>1,200</u>	<u>0.90</u>	

23. Revaluation surplus (deficit) on investments

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	257	220	9	-
Equity instruments	2,227	131	2,118	100
Held-to-maturity debt securities	22	30	-	-
Surplus recognised for an associated company - under equity method	152	-	-	-
Total	<u>2,658</u>	<u>381</u>	<u>2,127</u>	<u>100</u>
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(5)	(1)	(6)	-
Equity instruments	(301)	(1,329)	-	(544)
Held-to-maturity debt securities	(193)	(331)	-	-
Deficit recognised for an associated company - under equity method	-	(39)	-	-
Total	<u>(499)</u>	<u>(1,700)</u>	<u>(6)</u>	<u>(544)</u>
Revaluation surplus (deficit) on investments	<u>2,159</u>	<u>(1,319)</u>	<u>2,121</u>	<u>(444)</u>

24. 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 2009, the Company allocated Baht 176,359,512 of net income for the year 2009 to the statutory reserve (2008: Baht 68,300,539).

25. Bad debt and doubtful accounts

Bad debt and doubtful accounts in the income statements for the years ended 31 December 2009 and 2008 consists of:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	2,816	3,585	(189)	(237)
Amortisation of revaluation allowance for debt restructuring during the year	(20)	(5)	-	-
Total bad debt and doubtful accounts (reversal)	2,796	3,580	(189)	(237)

26. Loss from debt restructuring

Loss from debt restructuring in the income statements for the years ended 31 December 2009 and 2008 consists of:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Loss from hair-cut	22	6	-	-
Increase in revaluation allowance for debt restructuring	31	8	-	-
Total loss from debt restructuring	53	14	-	-

27. Gain (loss) on investments

Gain (loss) on investments for the years ended 31 December 2009 and 2008 consists of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Unrealised gain on valuation adjustment	3	3	-	-
Reversal of allowance for impairment (allowance for impairment)	239	(253)	11	(11)
Loss on price adjustment for loan transferred to TAMC	-	(5)	-	-
Allowance for impairment of investment in receivables	(27)	(21)	(32)	(7)
Gain on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	97	120	30	52
Realised gain (loss) on sales of investments				
Trading securities	16	(8)	-	-
Available-for-sale securities	(443)	(155)	27	16
Subsidiary and associated companies	2,834	-	3,038	27
Gain on the capital returned	3	17	2	-
Total	<u>2,722</u>	<u>(302)</u>	<u>3,076</u>	<u>77</u>

28. Gain (loss) on property foreclosed and other assets

Gain (loss) on property foreclosed and other assets for the years ended 31 December 2009 and 2008 consists of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Gains on sales	225	471	43	106
Reversal of allowance for impairment (additional set up allowance for impairment)	87	(222)	(12)	(176)
Total	<u>312</u>	<u>249</u>	<u>31</u>	<u>(70)</u>

29. Directors' remuneration

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

30. Corporate income tax

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

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

31. Provident fund

The Company, certain of its subsidiaries and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 5 percent of their basic salaries, and by the Company and its subsidiaries at the same rate, and will be paid to employees upon termination in accordance with the rules of the funds. During the year 2009, Baht 111 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements: Baht 3 million).

32. Reconciliation of diluted earnings per share

Earnings per share as presented in the income statement is 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	
	2009	2008	2009	2008	2009	2008
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income attributable to the Company	5,109,006	2,768,411	1,279,901	1,332,511	3.99	2.08
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	5,109,006	2,768,411	1,279,917	1,332,527	3.99	2.08
Separate financial statements						
For the years ended 31 December						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2009	2008	2009	2008	2009	2008
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income attributable to the Company	3,527,190	1,366,011	1,279,901	1,332,511	2.76	1.03
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	3,527,190	1,366,011	1,279,917	1,332,527	2.76	1.03

33. 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				
	Consolidated		Separate		
	financial statements		financial statements		Pricing policies
	2009	2008	2009	2008	(For the year 2009)
Subsidiary companies					
Purchase of investments in debt securities	-	-	22,347	28,443	At market price
Investments in ordinary shares of a subsidiary company	-	-	1,019	-	At par value
Purchase of assets	-	-	-	1	
Sales of investments in debt securities	-	-	50	-	At market price
Interest income from loans	-	-	69	39	At interest rate of 2.80 - 5.25 percent per annum
Interest income from cash at banks	-	-	66	70	At interest rate of 0.75 - 2.30 percent per annum
Interest income from investments in debt securities	-	-	187	186	At interest rate of 5.25 and 6.18 percent per annum
Dividend income	-	-	684	559	As declared
Rental and other service income	-	-	196	175	At the contracted rate
Fees and other income	-	-	-	6	
Interest expenses	-	-	26	292	At interest rate of 2.41 - 5.25 percent per annum
Rental and other service expenses	-	-	113	180	At the contracted rate
Insurance expenses	-	-	2	2	At insurance policy
Associated company					
Interest income	1	3	-	-	At interest rate of 1.75 - 2.85 percent per annum
Dividend income	-	-	80	75	As declared
Other income	1	3	1	-	
Interest expenses	30	5	-	-	At interest rate of 0.65 - 0.75 and 5.25 percent per annum
Dividend payment	50	-	-	-	As declared
Other expenses	55	53	31	29	

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Pricing policies
	2009	2008	2009	2008	(For the year 2009)
Related companies					
Purchase of investments in debt securities	648	21,047	-	-	At market price
Sales of investments in debt securities (2009: gain by Baht 30 thousand 2008: gain by Baht 13 million)	1,129	1,454	-	-	At market price and par value
Sales of investments in subsidiary company (2009: gain by Baht 2,805 million in the consolidated financial statements and Baht 3,038 million in the separate financial statements)	7,656	-	7,656	-	1.6 times of the net book value per share
Purchase/Sales of forward exchange contracts (2009: gain by Baht 2 million 2008: loss by Baht 36 million)	158,016	132,786	-	-	At market price
Sales of property foreclosed (2008: gain by Baht 33 million)	-	42	-	42	
Interest income	101	303	-	-	At interest rate of 0.05 - 8.50 percent per annum
Dividend income	44	40	22	25	As declared
Other income	5	10	2	2	
Dividend payment	476	186	-	-	As declared
Interest expenses	31	61	-	-	At interest rate of 0.15 - 5.25 percent per annum
Project management expenses	65	59	29	29	At the contract price, calculated by reference to estimated usage time
Insurance/Life insurance expenses	185	8	-	-	At the contracted rate
Fee and service expenses	384	3	-	-	At the contracted rate
Other expenses	92	76	4	4	

The significant outstanding balances of the above transactions during the years ended 31 December 2009 and 2008 are below shown at the average month end balance.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	4,695	2,043
Loans	-	-	2,265	647
Interbank and money market items (Liabilities)	-	-	622	7,389
Borrowings	-	-	238	129
<u>Associated company</u>				
Loans	383	51	-	-
Deposits	207	57	-	-
Borrowings	1,200	25	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	3,497	4,473	20	37
Loans	933	812	-	-
Deposits	1,244	1,039	-	-
Interbank and money market items (Liabilities)	2,379	324	-	-
Borrowings	443	534	-	-

The significant outstanding balances with subsidiaries, associated company or related parties as at 31 December 2009 and 2008 are separately shown as follows:

(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	Accrued interest payable	Other liabilities	Commitments
Associated company										
MBK Plc.	-	-	-	10	19	-	1,200	5	7	67
Related companies										
Advanced Info										
Service Plc.	-	319	44	7	2,123	-	300	2	3	17
The Bank of Nova										
Scotia	189	-	-	14	-	5,013	-	1	1	1,407
The Stock Exchange of Thailand	-	-	-	-	568	-	50	1	1	-
Dhipaya Insurance Plc.	-	-	-	500	-	-	-	-	15	-
Others	211	-	564	17	448	55	400	4	302	87
Total	400	319	608	548	3,158	5,068	1,950	13	329	1,578

(Unit: Million Baht)

Consolidated financial statements										
2008										
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	Accrued interest payable	Other liabilities	Commitments	
Associated company										
MBK Plc.	-	-	-	10	65	-	-	-	6	64
Related companies										
Advanced Info										
Service Plc.	-	714	43	23	32	-	-	-	6	-
The Bank of Nova										
Scotia	7,754	-	-	3	-	8	-	-	4	1,229
Others	20	-	308	16	568	94	212	9	2	68
Total	7,774	714	351	52	665	102	212	9	18	1,361

(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	Deposits	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitment	
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	1	5	10	
Total	6,710	3,078	2,400	33	1	267	2	62	10	

(Unit: Million Baht)

	Separate financial statements								
	2008								
	Assets				Liabilities				
	Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitment
Subsidiary companies									
Thanachart Bank Plc.	3,414	3,000	-	23	4,502	-	-	22	-
Thanachart Securities Plc.	-	-	-	2	-	-	-	9	-
National Leasing Co., Ltd.	-	-	112	-	-	-	-	9	-
NFS Asset Management Co., Ltd.	-	-	264	-	-	-	-	1	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	1	-	123	1	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	137	1	-	-
Associated company									
MBK Plc.	-	-	-	3	-	-	-	5	-
Related companies									
Others	20	-	-	1	-	-	-	1	10
Total	3,434	3,000	386	30	4,502	260	2	47	10

As at 31 December 2009, the Company and its subsidiaries have investments amounting to approximately Baht 728 million (separate financial statements: Baht 363 million) in companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2008: Baht 439 million in the consolidated financial statements and Baht 219 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 from department manager level up, including the related persons who together with these employees. The outstanding balances as at 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Loans	48	69	-	2
Deposits	554	496	-	-

Remunerations to key management personnel

During the year ended 31 December 2009, the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their key management personnel, including directors totaling Baht 297 million (separate financial statements: Baht 54 million) (2008: Baht 273 million in the consolidated financial statements and Baht 51 million in the separate financial statements).

34. Financial information by segment

Financial information presented in the consolidated financial statements as at 31 December 2009 and 2008 and for the years then ended, is presented below by segment.

(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
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)
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	257
Non-interest income	3,798	2,814	496	1,479	11,646	2,695	515	(1,390)
Non-interest expenses	(542)	(9,125)	(133)	(1,074)	(11,935)	(2,453)	(424)	1,169
Corporate income tax	(989)	(1,493)	(193)	(134)	(10)	(90)	(80)	-
Net income	3,527	3,509	510	385	120	228	332	(1,436)

(Unit: Million Baht)

	For the year ended 31 December 2008							
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,544	6,921	215	112	348	96	189	(1,112)
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	335
Non-interest income	755	2,213	484	1,239	4,688	2,544	643	(994)
Non-interest expenses	(681)	(7,715)	(121)	(1,036)	(4,518)	(2,551)	(453)	1,197
Corporate income tax	(252)	(76)	(199)	(95)	(168)	(73)	(137)	-
Net income	1,366	1,343	379	220	350	16	242	(574)

(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	1,629	5	-	3,658	(5,618)	279,581
Land, premises and equipment - net	210	1,950	2	68	150	28	15	-	2,423
Other assets	2,461	8,149	3,327	563	956	492	281	(248)	15,981
Total assets	46,011	413,878	6,260	3,863	17,540	3,660	5,225	(36,472)	459,965

(Unit: Million Baht)

As at 31 December 2008

	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	3,478	63,691	270	626	2,838	477	467	(6,057)	65,790
Investments - net	26,124	26,586	2,147	701	5,787	2,037	841	(24,838)	39,385
Loans and accrued interest receivables - net	7,325	266,843	1,993	1,810	2	-	5,269	(13,476)	269,766
Land, premises and equipment - net	209	2,015	2	107	139	34	16	-	2,522
Other assets	2,788	9,118	3,372	175	285	663	479	(253)	16,627
Total assets	39,924	368,253	7,784	3,419	9,051	3,211	7,072	(44,624)	394,090

35. Commitments and contingent liabilities

As at 31 December 2009 and 2008, the significant commitments and contingent liabilities consisted of the following:

35.1

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Avals to bills and guarantees of loans	304	2	306	128	-	128
Liabilities under unmatured import bills	-	87	87	69	374	443
Letters of credit	9	1,001	1,010	1	663	664
Other commitments						
Interest rate swap contracts						
Bought contracts	23,870	334	24,204	16,270	-	16,270
Sold contracts	23,870	334	24,204	16,270	-	16,270
Forward foreign exchange contracts						
Bought contracts	-	9,086	9,086	-	8,519	8,519
Sold contracts	-	20,524	20,524	-	36,161	36,161
Cross currency and interest rate swap contracts						
Bought contracts	-	4,937	4,937	-	5,169	5,169
Sold contracts	-	7,785	7,785	-	4,846	4,846
Committed but not drawn down overdraft	4,861	-	4,861	4,164	-	4,164
Others	4,224	57	4,281	3,083	34	3,117
Total	57,138	44,147	101,285	39,985	55,766	95,751

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Interest rate swap contracts						
Bough contracts	4,000	-	4,000	4,000	-	4,000
Sold contracts	4,000	-	4,000	4,000	-	4,000
Others	1	-	1	1	-	1
Total	8,011	-	8,011	8,011	-	8,011

35.2 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 gain or loss cannot be reliably estimated by the Company and its subsidiaries at this stage. However, as at 31 December 2009, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 557 million (separate financial statements: Baht 183 million). This is presented as a part of the allowance for impairment of investment in promissory notes (2008: Baht 557 million and Baht 183 million, respectively).

35.3 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 2009, the maximum commitment is approximately Baht 4 million in the consolidated financial statements and Baht 2 million in the separate financial statements.

35.4 As at 31 December 2009, the Company and its subsidiaries have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements, as follows:

(Unit: Million Baht)

Year	Consolidated financial statements	Separate financial statements	
	Other companies	Other companies	Subsidiaries
2010	557	12	6
2011	279	5	5
2012 onward	416	26	16

The Company also has commitments under support service agreement with a subsidiary company which the contract had expired on 31 December 2009. However, subsequent to the present, the Company still to be received such services and in the process of drawing up a new service agreement. Moreover, the Company has an obligation to pay an administrative service fee to another subsidiary company at actual cost plus margin based on the period in the agreement.

35.5 As at 31 December 2009, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on quarterly basis at the rate specified in the agreement. The agreement will expire in September 2010.

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

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

36. Litigation

As at 31 December 2009, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 1,395 million as a result of litigation (separate financial statements: Baht 848 million). The cases are not yet finalised. However, the Company and its subsidiaries' management believe that no losses will result and therefore no liabilities are currently recorded.

37. Bank guarantee

As at 31 December 2009, there are outstanding bank guarantees of approximately Baht 6 million (separate financial statements: Baht 6 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

38. 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.

38.1 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, with analysis of risk factors and of the customers' ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

38.2 Market risk

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

a) Interest rate risk

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

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

As at 31 December 2009 and 2008, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Outstanding balances of financial instruments							
	2009				2008			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets								
Cash	-	-	3,665	3,665	-	-	4,018	4,018
Interbank and money								
market items	590	60,143	4,097	64,830	322	60,876	4,441	65,639
Investments	2,062	87,636	5,861	95,559	2,318	33,214	6,238	41,770
Receivables from								
clearing house	-	-	429	429	-	-	50	50
Loans (include								
intercompany gain on								
loan transferred) ⁽¹⁾	45,975	242,140	1,923	290,038	41,831	235,826	2,038	279,695
Financial liabilities								
Deposits	86,110	179,170	591	265,871	76,102	193,065	563	269,730
Interbank and money								
market items	8,673	11,826	440	20,939	5,332	1,347	614	7,293
Payables from clearing								
house	-	-	96	96	-	-	295	295
Securities business								
payable	-	-	1,036	1,036	-	-	855	855
Liabilities payable on								
demand	-	-	2,112	2,112	-	-	1,317	1,317
Borrowings	-	97,305	-	97,305	-	65,463	-	65,463

(1) 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							
	2009				2008			
	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	109	6,550	68	6,727	116	3,250	111	3,477
Investments	1,118	14,679	15,623	31,420	1,227	6,417	19,312	26,956
Loans ⁽¹⁾	128	3,871	58	4,057	136	8,413	79	8,628
Financial liabilities								
Interbank and money								
market items	1	-	-	1	2	4,500	-	4,502
Borrowings	-	17,000	-	17,000	-	10,944	-	10,944

(1) 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							
2009							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percentage							
<u>Financial assets</u>							
Interbank and money market items	107	58,561	1,475	-	-	60,143	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)	1,809	6,629	15,420	183,668	34,614	242,140	7.27 - 9.44
<u>Financial liabilities</u>							
Deposits	-	60,744	73,994	44,432	-	179,170	1.76
Interbank and money market items	-	10,054	1,467	305	-	11,826	0.86
Borrowings	-	58,109	16,819	22,377	-	97,305	2.46 - 4.53

(Unit: Million Baht)

Consolidated financial statements							
2008							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percentage							
<u>Financial assets</u>							
Interbank and money market items	129	60,547	200	-	-	60,876	2.59 - 3.89
Investments	-	8,797	8,932	13,887	1,598	33,214	2.23 - 4.59
Loans (include intercompany gain on loan transferred)	1,677	6,667	14,663	170,655	42,164	235,826	6.61 - 9.99
<u>Financial liabilities</u>							
		107,59					
Deposits	4	9	85,420	42	-	193,065	3.49
Interbank and money market items	50	1,060	237	-	-	1,347	3.56
Borrowings	2	37,456	9,194	18,811	-	65,463	3.71 - 4.03

(Unit: Million Baht)

Separate financial statements							
2009							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percentage
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market							
items	-	4,050	2,500	-	-	6,550	1.36
Investments	-	994	10,097	3,588	-	14,679	2.53
Loans	2,681	22	657	511	-	3,871	4.50
<u>Financial liabilities</u>							
Borrowings	-	4,000	2,500	10,500	-	17,000	4.52

(Unit: Million Baht)

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

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 2009 and 2008, and the average rate of interest income and expense, can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements						
	2009			2008		
	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	59,983	1,064	1.77	40,815	1,539	3.77
Securities purchased under						
resale agreements	-	-	-	962	31	3.24
Investments	49,229	1,661	3.37	30,283	1,314	4.34
Loans/hire purchase and finance						
lease	267,253	19,387	7.25	268,670	18,529	6.90
<u>Interest bearings financial liabilities</u>						
Deposits	262,506	4,863	1.85	228,417	6,999	3.06
Interbank and money market						
items	14,644	120	0.82	6,882	184	2.67
Borrowings	60,904	1,909	3.13	62,037	2,323	3.74

(Unit: Million Baht)

Separate financial statements						
	2009			2008		
	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	5,874	82	1.41	2,233	80	3.57
Investments	23,677	1,095	4.62	24,263	907	3.74
Loans/hire purchase and finance						
lease	5,849	332	5.67	14,261	1,003	7.04
<u>Interest bearings financial liabilities</u>						
Interbank and money market						
items	623	16	2.48	7,390	287	3.89
Borrowings	10,469	423	4.04	11,169	396	3.54

b) Foreign exchange risk

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

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

The status of the subsidiaries' foreign currency balances in the consolidated financial statements as at 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Outstanding balances of financial instruments							
	2009				2008			
	US dollar	Euro	Yen	Others	US dollar	Euro	Yen	Others
<u>Foreign currency - in balance sheets</u>								
Cash	109	41	4	48	50	98	88	36
Interbank and money market items	7,772	55	15	61	20,658	98	65	47
Investments	5,740	-	170	4,283	699	-	-	4,148
Loans	2,317	4	-	-	955	68	-	-
Other assets	53	-	-	13	8	-	-	12
Total assets	15,991	100	189	4,405	22,370	264	153	4,243
Deposits	50	2	-	38	65	-	-	5
Interbank and money market items	6,071	-	-	-	-	-	-	-
Total liabilities	6,121	2	-	38	65	-	-	5
Net foreign currency in balance sheets	9,870	98	189	4,367	22,305	264	153	4,238
<u>Foreign currency - off balance sheets</u>								
Liabilities under unmatured import bills	9	-	78	-	291	-	83	-
Letters of credit	807	188	-	6	472	165	-	26
Interest rate swap contracts								
- Bought contracts	334	-	-	-	-	-	-	-
- Sold contracts	334	-	-	-	-	-	-	-
Foreign exchange contracts								
- Bought contracts	8,356	604	-	126	8,393	10	27	89
- Sold contracts	19,185	732	252	355	35,239	398	281	243
Cross currency interest rate swap contracts								
- Bought contracts	4,937	-	-	-	5,169	-	-	-
- Sold contracts	3,503	-	-	4,282	699	-	-	4,147
Others	57	2	-	-	34	-	-	-

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.

38.3 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, a subsidiary company engaged in commercial banking business has a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements									
	2009					2008				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>										
Cash	3,665	-	-	-	3,665	4,018	-	-	-	4,018
Interbank and money market items ⁽¹⁾	4,773	60,037	20	-	64,830	5,172	60,447	20	-	65,639
Investments	2,062	34,885	52,907	5,705	95,559	2,318	11,778	21,476	6,198	41,770
Receivables to clearing house	-	429	-	-	429	-	50	-	-	50
Loans ⁽²⁾	15,032	91,676	183,330	-	290,038	15,951	83,090	180,654	-	279,695
<u>Financial liabilities</u>										
Deposits	82,110	138,469	45,292	-	265,871	73,475	194,841	1,414	-	269,730
Interbank and money market items	9,113	11,521	305	-	20,939	5,996	1,297	-	-	7,293
Payables to clearing house	-	96	-	-	96	-	295	-	-	295
Securities business payable	-	1,036	-	-	1,036	-	855	-	-	855
Liabilities payable on demand	2,112	-	-	-	2,112	1,317	-	-	-	1,317
Borrowings	-	74,928	22,377	-	97,305	2	46,650	18,811	-	65,463
<u>Off-balance sheet items</u>										
Avals to bills and guarantee of loans	18	133	155	-	306	10	106	12	-	128
Liability under unmatured import bills	-	87	-	-	87	-	360	83	-	443
Letters of credit	54	887	69	-	1,010	48	616	-	-	664
Other commitments	5,013	62,885	29,898	2,086	99,882	4,311	51,611	37,533	1,061	94,516

(1) The outstanding balance of interbank and money market items at call included the item 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.

	Separate financial statements									
	2009					2008				
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>										
Interbank and money										
market items	157	6,550	20	-	6,727	207	3,250	20	-	3,477
Investments	1,118	10,760	3,919	15,623	31,420	1,227	2,999	3,418	19,312	26,956
Loans ⁽¹⁾	2,931	996	130	-	4,057	1,693	5,573	1,362	-	8,628
<u>Financial liabilities</u>										
Interbank and money										
market items	1	-	-	-	1	4,502	-	-	-	4,502
Borrowings	-	6,500	10,500	-	17,000	-	2,944	8,000	-	10,944
<u>Off-balance sheet items</u>										
Avals to bills and										
guarantee of loans	10	-	-	-	10	10	-	-	-	10
Other commitments	1	8,000	-	-	8,001	1	-	8,000	-	8,001

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

38.4 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, receivables from clearing house, loans and investments in receivables are considered to approximate their respective carrying values since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments, have their fair values determined based on the quoted market price.

b) Financial liabilities

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

As at 31 December 2009 and 2008, there are no material differences between the book values of financial instruments and their fair values.

38.5 Financial derivatives

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

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

As at 31 December 2009 and 2008, financial derivatives to which the Company and its subsidiaries are a party can be classified by periods to maturity as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought contracts	9,086	-	9,086	8,519	-	8,519
- Sold contracts	20,524	-	20,524	36,161	-	36,161
Cross currency interest rate swap contracts						
- Bought contracts	4,937	-	4,937	-	5,169	5,169
- Sold contracts	4,449	3,336	7,785	524	4,322	4,846
Interest rate swap contracts						
- Fixed interest rate payment	11,070	12,334	23,404	950	13,070	14,020
- Floating interest rate payment	-	800	800	1,450	800	2,250
- Fixed interest rate receipt	-	800	800	1,450	800	2,250
- Floating interest rate receipt	11,070	12,334	23,404	950	13,070	14,020

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Less than	Over 1	Total	Less than	Over 1	Total
	1 year	year		1 year	year	
Interest rate swap contracts						
- Fixed interest rate payment	4,000	-	4,000	-	4,000	4,000
- Floating interest rate receipt	4,000	-	4,000	-	4,000	4,000

39. 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 subsidiaries have legal requirements specific to their areas of business regarding maintenance of capital funds, liquidity and other matters.

40. Subsequent events

On 24 February 2010, the Board of Directors of the Company passed a resolution to propose the payment of a dividend of Baht 0.60 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2009, a total of Baht 767 million, to the Annual General Meeting of Shareholders.

Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

41. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2010.