

Thanachart Bank 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 Bank Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Bank 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 Bank Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Bank and its subsidiaries 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 Bank Public Company Limited and its subsidiaries and of Thanachart Bank Public Company Limited as at 31 December 2009 and 2008, and 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 Bank 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		3,665,369,936	4,017,954,398	3,664,865,336	4,017,430,303
Interbank and money market items	6				
Domestic					
Interest bearing		53,134,784,209	40,959,771,517	52,548,012,959	39,046,395,525
Non-interest bearing		3,707,561,088	3,875,410,865	3,577,499,306	3,776,554,928
Foreign					
Interest bearing		7,571,684,915	20,372,080,617	7,571,684,915	20,372,080,617
Non-interest bearing		331,088,960	495,714,325	331,088,960	495,714,325
Total interbank and money market items - net		64,745,119,172	65,702,977,324	64,028,286,140	63,690,745,395
Investments					
Current investments - net	7	23,021,885,958	6,927,882,970	18,988,981,897	4,276,135,274
Long-term investments - net	7	54,319,529,700	22,700,626,160	41,172,231,247	17,828,463,614
Investments in subsidiary companies	8	-	-	4,481,643,114	4,481,643,114
Investments in an associated company	9	1,260,634,745	1,083,135,083	-	-
Net investments		78,602,050,403	30,711,644,213	64,642,856,258	26,586,242,002
Receivables from clearing house		429,219,703	50,185,586	-	-
Loans and accrued interest receivables	10				
Loans		283,570,514,879	274,034,052,128	282,576,806,903	272,925,468,442
Securities business receivables		1,944,658,101	2,107,940,234	-	-
Total loans and receivables		285,515,172,980	276,141,992,362	282,576,806,903	272,925,468,442
Accrued interest receivables		277,032,572	287,850,610	282,231,389	302,482,037
Total loans and accrued interest receivables		285,792,205,552	276,429,842,972	282,859,038,292	273,227,950,479
Less: Allowance for doubtful accounts	11	(8,363,387,501)	(7,066,943,508)	(7,717,512,778)	(6,365,168,503)
Revaluation allowance for debt restructuring	12	(33,149,854)	(19,963,190)	(33,149,854)	(19,963,190)
Net loans and accrued interest receivables		277,395,668,197	269,342,936,274	275,108,375,660	266,842,818,786
Property foreclosed - net	14	912,078,382	1,600,485,678	895,221,052	1,541,311,290
Land, premises and equipment - net	15	2,211,400,055	2,310,543,615	1,950,185,750	2,014,653,535
Intangible assets - software - net	16	473,998,661	416,748,531	431,337,359	377,231,891
Financial derivatives assets		956,688,110	1,369,064,034	956,688,110	1,369,064,034
Other assets - net	17	3,578,137,541	2,778,933,245	2,200,372,905	1,775,114,647
Total assets		432,969,730,160	378,301,472,898	413,878,188,570	368,214,611,883

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

Thanachart Bank Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2009	2008	2009	2008
Liabilities and shareholders' equity					
Deposits	18				
Deposits in Baht		266,206,035,990	270,092,868,130	266,637,368,740	270,761,410,331
Deposits in foreign currencies		89,953,995	70,367,617	89,953,995	70,367,617
Total deposits		266,295,989,985	270,163,235,747	266,727,322,735	270,831,777,948
Interbank and money market items	19				
Domestic					
Interest bearing		15,305,183,188	6,677,346,941	16,484,109,167	7,030,389,032
Non-interest bearing		430,964,353	607,106,923	478,023,697	631,885,020
Foreign					
Interest bearing		5,193,820,752	-	5,193,820,752	-
Non-interest bearing		8,822,437	6,450,786	8,822,437	6,450,786
Total interbank and money market items		20,938,790,730	7,290,904,650	22,164,776,053	7,668,724,838
Payable to clearing house		95,690,201	294,804,300	-	-
Securities business payable		1,035,955,112	854,589,048	-	-
Liability payable on demand		2,111,811,444	1,316,693,276	2,111,811,444	1,316,693,276
Borrowings	20				
Short-term borrowings		75,200,199,414	47,079,799,561	75,936,199,414	47,928,299,561
Long-term borrowings		15,000,000,000	14,070,000,000	15,000,000,000	14,360,000,000
Total borrowings		90,200,199,414	61,149,799,561	90,936,199,414	62,288,299,561
Accrued interest payable		1,019,602,377	1,720,880,715	1,029,409,498	1,735,303,962
Unearned premium reserve		1,354,934,243	1,465,630,973	-	-
Life premium reserve		15,286,244,129	7,821,623,453	-	-
Corporate income tax payable		1,257,219,624	125,290,774	1,138,356,145	-
Accrued expenses		1,651,005,632	1,057,044,647	799,519,349	594,392,205
Financial derivatives liabilities		24,227,749	296,261,316	24,227,749	296,261,316
Other liabilities	21	3,825,976,723	3,403,617,685	2,591,327,676	2,212,788,960
Total liabilities		405,097,647,363	356,960,376,145	387,522,950,063	346,944,242,066

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

Thanachart Bank Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital	22				
Registered					
5,934,619,272 ordinary shares of Baht 10 each					
(2008 : 2,134,619,292 ordinary shares					
of Baht 10 each)		59,346,192,720	21,346,192,920	59,346,192,720	21,346,192,920
Issued and paid-up share capital					
1,934,619,272 ordinary shares of Baht 10 each					
(2008 : 1,734,619,292 ordinary shares					
of Baht 10 each)		19,346,192,720	17,346,192,920	19,346,192,720	17,346,192,920
Share premium		2,100,694,232	2,100,694,232	2,100,694,232	2,100,694,232
Revaluation surplus on investments	23	764,523,022	321,677,996	405,976,013	242,692,625
Revaluation deficit on investments	23	(381,254,880)	(1,387,121,442)	(192,282,442)	(537,861,364)
Surplus from business combination under					
common control		(123,378,934)	(123,378,934)	-	-
Retained earnings					
Appropriated - statutory reserve	24	370,018,647	192,648,978	370,018,647	192,648,978
Unappropriated		5,734,597,426	2,827,480,089	4,324,639,337	1,926,002,426
Equity attributable to the Bank's shareholders		27,811,392,233	21,278,193,839	26,355,238,507	21,270,369,817
Minority interest - equity attributable to minority					
shareholders of subsidiaries		60,690,564	62,902,914	-	-
Total shareholders' equity		27,872,082,797	21,341,096,753	26,355,238,507	21,270,369,817
Total liabilities and shareholders' equity		432,969,730,160	378,301,472,898	413,878,188,570	368,214,611,883
		-	-	-	-
Off-balance sheet items - commitments	36.1				
Aval to bills		296,250,634	118,025,575	296,250,634	118,025,575
Liability under unmatured import bills		87,557,302	442,517,702	87,557,302	442,517,702
Letter of credits		1,009,878,320	664,174,238	1,009,878,320	664,174,238
Other commitments		91,880,759,854	86,515,586,525	91,215,659,854	85,870,136,525

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

Thanachart Bank 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		3,894,437,990	4,098,944,380	3,950,430,013	4,228,235,051
Interbank and money market items		1,046,377,411	1,560,373,020	1,022,271,782	1,511,618,302
Hire purchase and financial lease		14,984,438,959	13,785,249,666	14,354,491,178	13,063,100,782
Investments		1,545,169,356	1,242,938,651	1,606,666,660	1,093,672,064
Total interest and dividend income		21,470,423,716	20,687,505,717	20,933,859,633	19,896,626,199
Interest expenses					
Deposits		4,872,643,138	7,031,405,854	4,880,086,193	7,046,294,803
Interbank and money market items		119,955,195	184,099,419	140,682,929	191,132,692
Short-term borrowings		964,449,992	1,501,767,160	982,774,585	1,496,998,818
Long-term borrowings		779,106,375	680,371,227	787,377,649	694,033,556
Total interest expenses		6,736,154,700	9,397,643,660	6,790,921,356	9,428,459,869
Net interest and dividend income		14,734,269,016	11,289,862,057	14,142,938,277	10,468,166,330
Bad debts and doubtful accounts	27	(3,054,400,164)	(3,954,737,499)	(2,785,940,992)	(3,538,740,996)
Loss on debt restructuring		(52,979,637)	(13,351,891)	(44,197,921)	(8,887,990)
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring					
		11,626,889,215	7,321,772,667	11,312,799,364	6,920,537,344
Non-interest income					
Brokerage fees		885,292,839	756,390,129	-	-
Loss on investments	28	(222,068,721)	(419,893,430)	(56,677,509)	(205,721,519)
Share of income from investment in an associated company		129,486,348	153,064,461	-	-
Fees and service income					
Acceptances, aval and guarantees		40,507,881	34,500,005	40,507,881	34,500,005
Others		2,066,334,937	2,056,308,540	1,777,721,827	1,629,226,182
Gain on exchanges and financial derivatives contracts		147,882,056	222,700,412	147,882,056	222,732,024
Gain (loss) on disposal of property foreclosed and other assets	29	130,968,930	(85,154,344)	127,278,138	(83,656,567)
Insurance premium/Life insurance premium income		14,466,531,929	7,342,635,671	-	-
Income on supporting service		76,881,055	143,101,123	232,469,716	291,491,983
Other income		680,743,069	411,577,164	545,470,849	313,633,302
Total non-interest income		18,402,560,323	10,615,229,731	2,814,652,958	2,202,205,410

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

Thanachart Bank Public Company Limited and its subsidiaries

Income statements (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2009	2008	2009	2008
Non-interest expenses					
Personnel expenses		4,339,984,300	3,576,094,519	3,328,333,401	2,645,032,328
Premises and equipment expenses		1,810,850,140	1,565,770,680	1,514,456,361	1,255,641,509
Taxes and duties		197,512,647	200,288,283	182,747,200	189,075,951
Fees and charges		784,423,126	259,541,542	50,327,266	55,029,352
Directors' remuneration	30	23,015,094	21,217,662	14,602,094	14,642,663
Contribution fee to the Financial Institutions					
Development Fund/Deposit Protection Agency		1,072,378,634	822,569,724	1,072,378,634	822,569,724
Insurance/Life insurance expenses		12,533,227,744	5,815,964,410	-	-
Other expenses		3,415,794,841	3,188,814,001	2,962,094,800	2,722,510,549
Total non-interest expenses		24,177,186,526	15,450,260,821	9,124,939,756	7,704,502,076
Income before corporate income tax		5,852,263,012	2,486,741,577	5,002,512,566	1,418,240,678
Corporate income tax	31	(1,768,591,642)	(688,290,185)	(1,455,119,182)	(215,810,210)
Corporate income tax refundable	31	-	101,889,524	-	101,889,524
Net income for the year		4,083,671,370	1,900,340,916	3,547,393,384	1,304,319,992
Net income attributable to					
The Bank		4,055,873,810	1,869,500,168	3,547,393,384	1,304,319,992
Minority interests of the subsidiaries		27,797,560	30,840,748	-	-
		4,083,671,370	1,900,340,916	3,547,393,384	1,304,319,992
Earnings per share					
Basic earnings per share	32	2.19	1.08	1.91	0.75
Weighted average number of ordinary shares					
(shares)		1,853,523,390	1,734,619,292	1,853,523,390	1,734,619,292

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of cash flows

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	5,852,263,012	2,486,741,577	5,002,512,566	1,418,240,678
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid from) operating activities				
Share of income from investment in an associated company	(129,486,348)	(153,064,461)	-	-
Depreciation and amortisation	653,786,803	537,616,314	548,574,414	436,415,336
Bad debt and doubtful accounts and loss from debt restructuring	3,107,379,801	3,968,089,390	2,830,138,913	3,547,628,986
Amortisation of premiums on investment in debt securities	14,549,519	22,733,675	12,620,274	31,921,594
Increase (decrease) in allowance for impairment/ change in value of investments	(223,661,179)	242,355,999	(102,529,380)	97,928,341
Increase (decrease) in allowance for impairment of property foreclosed	(116,774,655)	68,770,822	(112,336,667)	64,229,815
Increase in allowance for impairment of land, premises and equipment	1,189,945	-	1,189,945	-
Interest income and other income from the assets transferred for debt repayment	(7,016,161)	(901,161)	(7,016,160)	(901,161)
Loss from disposal of equipment	20,938,211	13,745,764	17,237,124	15,501,581
Unrealised loss (gain) on exchange	333,271,072	(643,505,800)	333,271,072	(643,505,800)
Gain from sales of investment in an associated company	(2,707,057)	-	-	-
Increase in unearned premium reserve/ life insurance premium reserve	7,353,923,946	2,486,435,257	-	-
Increase (decrease) in allowance for impairment of other assets	(4,765,620)	49,346,414	(9,023,005)	54,566,116
Decrease (increase) in other income receivable	270,448,251	106,942,222	(6,985,712)	882,904
Decrease in fees and rental received in advance	(38,525,672)	(33,582,819)	(38,525,672)	(33,582,819)
Decrease in amortisation of deferred income	(7,755,656)	(5,143,846)	(7,755,656)	(5,143,846)
Increase in accrued expenses	593,960,985	16,522,812	205,127,143	42,755,467
Amortisation of discounts on borrowings	17,951,490	8,970,781	17,951,490	8,970,781
	17,688,970,687	9,172,072,940	8,684,450,689	5,035,907,973

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Net interest income	(14,766,770,025)	(11,321,566,513)	(14,173,510,041)	(10,509,058,705)
Cash received from interest income	20,049,896,538	19,391,027,793	19,458,845,721	18,728,689,725
Cash paid for interest expenses	(5,496,149,867)	(6,833,501,916)	(5,524,726,981)	(6,854,165,892)
Income from operating activities before				
changes in operating assets				
and liabilities	17,475,947,333	10,408,032,304	8,445,059,388	6,401,373,101
Decrease (increase) in operating assets				
Interbank and money market items	741,246,507	(25,562,406,808)	(577,222,786)	(24,908,365,594)
Securities purchased under resale				
agreements	-	2,500,000,000	-	2,500,000,000
Investments in trading securities	(1,026,138,305)	-	(754,000,000)	-
Receivables from clearing house	(379,034,117)	193,384,774	-	-
Loans and receivables	(17,533,673,677)	(55,422,256,866)	(17,109,234,579)	(55,467,585,938)
Property foreclosed	7,204,060,108	5,922,657,239	6,794,205,425	5,604,349,821
Other assets	(829,542,383)	261,816,033	(226,944,465)	182,573,703
Increase (decrease) in operating liabilities				
Deposits	(3,867,245,762)	81,503,061,760	(4,104,455,214)	81,745,502,029
Interbank and money market items	13,647,886,080	3,582,088,750	14,496,051,216	3,863,283,572
Payable to clearing house	(199,114,099)	294,804,300	-	-
Securities business payable	181,366,064	(389,330,350)	-	-
Liability payable on demand	795,118,168	(12,334,058)	795,118,168	(12,334,058)
Other liabilities	160,863,761	424,344,503	84,542,349	173,466,456
Cash flows from operating activities	16,371,739,678	23,703,861,581	7,843,119,502	20,082,263,092
Cash paid for corporate income tax	(691,991,905)	(845,423,002)	(316,445,244)	(263,007,207)
Cash received from corporate income tax				
refundable	-	101,889,524	-	101,889,524
Net cash flows from operating activities	15,679,747,773	22,960,328,103	7,526,674,258	19,921,145,409
Cash flows from investing activities				
Increase in investments in securities held				
for investments	(45,258,494,757)	(8,877,808,522)	(36,721,147,741)	(6,919,843,145)
Payment to acquire investments in subsidiaries	-	-	-	(431,140,884)
Cash received from sales of investments in				
an associated company	84,304,975	-	-	-
Capital returned from subsidiaries	-	-	-	244,355,148
Cash received from interest on investments	1,269,867,800	989,976,838	988,573,467	755,736,635
Cash received from dividend	105,575,377	237,371,734	514,314,466	342,173,727
Cash received from dividend from				
an associated company	82,633,650	81,202,800	-	-
Cash paid for purchase of equipment	(420,595,469)	(572,898,274)	(359,921,050)	(489,576,461)
Cash received from disposal of equipment	6,737,628	9,656,408	4,598,829	1,846,835
Net cash flows used in investing activities	(44,129,970,796)	(8,132,499,016)	(35,573,582,029)	(6,496,448,145)

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of cash flows (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 financing activities				
Cash received from issued additional share capital	1,999,999,800	-	1,999,999,800	-
Cash received from borrowings	225,125,643,598	150,844,877,018	225,329,643,598	152,054,877,018
Cash paid for borrowings	(196,093,195,235)	(161,907,015,392)	(196,699,695,235)	(161,733,515,392)
Cash paid for interest from borrowings	(1,933,412,888)	(2,251,463,862)	(1,964,218,555)	(2,257,086,374)
Dividend paid	(971,386,804)	(745,886,296)	(971,386,804)	(745,886,296)
Dividend paid from a subsidiary company to minority interest	(30,009,910)	(24,992,831)	-	-
Net cash flows from (used in) financing activities	28,097,638,561	(14,084,481,363)	27,694,342,804	(12,681,611,044)
Net increase (decrease) in cash	(352,584,462)	743,347,724	(352,564,967)	743,086,220
Cash at beginning of the year	4,017,954,398	3,274,606,674	4,017,430,303	3,274,344,083
Cash at end of the year	3,665,369,936	4,017,954,398	3,664,865,336	4,017,430,303
	-	-	-	-
Supplemental cash flows information				
Non-cash transactions				
Transfer of properties foreclosed from receivables for debt settlement	6,383,809,740	6,154,566,145	6,020,710,103	5,790,320,145
Accounts payable for purchase of fixed assets	70,769,444	151,706,930	66,759,930	143,841,708
Bad debt written-off	1,866,310,926	1,772,468,873	1,503,618,608	1,525,490,095

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

Thanachart Bank 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								
	Issued and paid-up share capital	Share premium	Revaluation surplus on investments	Revaluation deficit on investments	Surplus from business combination under common control	Retained earnings		Minority interest
						Appropriated - statutory reserve	Unappropriated	Total
Balance - as at 1 January 2008	17,346,192,920	2,100,694,232	100,168,306	(397,022,334)	(123,378,934)	127,432,979	1,769,082,216	20,980,224,382
Increase in revaluation surplus on investments	-	-	221,509,690	-	-	-	-	221,509,690
Increase in revaluation deficit on investments	-	-	-	(990,099,108)	-	-	-	(990,099,108)
Income (expenses) recognised directly in equity	-	-	221,509,690	(990,099,108)	-	-	-	(768,589,418)
Net income for the year	-	-	-	-	-	-	1,869,500,168	1,900,340,916
Total income (expenses) for the year	-	-	221,509,690	(990,099,108)	-	-	1,869,500,168	1,131,751,498
Dividend paid (Note 26)	-	-	-	-	-	-	(745,886,296)	(745,886,296)
Transfer to statutory reserve (Note 24)	-	-	-	-	-	65,215,999	(65,215,999)	-
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(24,992,831)
Balance - as at 31 December 2008	<u>17,346,192,920</u>	<u>2,100,694,232</u>	<u>321,677,996</u>	<u>(1,387,121,442)</u>	<u>(123,378,934)</u>	<u>192,648,978</u>	<u>2,827,480,089</u>	<u>21,341,096,753</u>
Balance - as at 1 January 2009	17,346,192,920	2,100,694,232	321,677,996	(1,387,121,442)	(123,378,934)	192,648,978	2,827,480,089	21,341,096,753
Increase from share capital issuance (Note 22)	1,999,999,800	-	-	-	-	-	-	1,999,999,800
Increase in revaluation surplus on investments	-	-	442,845,026	-	-	-	-	442,845,026
Decrease in revaluation deficit on investments	-	-	-	1,005,866,562	-	-	-	1,005,866,562
Income recognised directly in equity	-	-	442,845,026	1,005,866,562	-	-	-	1,448,711,588
Net income for the year	-	-	-	-	-	-	4,055,873,810	4,083,671,370
Total income for the year	-	-	442,845,026	1,005,866,562	-	-	4,055,873,810	5,532,382,958
Dividend paid (Note 26)	-	-	-	-	-	-	(971,386,804)	(971,386,804)
Transfer to statutory reserve (Note 24)	-	-	-	-	-	177,369,669	(177,369,669)	-
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(30,009,910)
Balance - as at 31 December 2009	<u>19,346,192,720</u>	<u>2,100,694,232</u>	<u>764,523,022</u>	<u>(381,254,880)</u>	<u>(123,378,934)</u>	<u>370,018,647</u>	<u>5,734,597,426</u>	<u>27,872,082,797</u>

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Separate financial statements						
	Issued and paid-up share capital	Share premium	Revaluation surplus on investments	Revaluation deficit on investments	Retained earnings		
					Appropriated - statutory reserve	Unappropriated	Total
Balance - as at 1 January 2008	17,346,192,920	2,100,694,232	70,775,754	(382,732,553)	127,432,979	1,432,784,729	20,695,148,061
Increase in revaluation surplus on investments	-	-	171,916,871	-	-	-	171,916,871
Increase in revaluation deficit on investments	-	-	-	(155,128,811)	-	-	(155,128,811)
Income (expenses) recognised directly in equity	-	-	171,916,871	(155,128,811)	-	-	16,788,060
Net income for the year	-	-	-	-	-	1,304,319,992	1,304,319,992
Total income (expenses) for the year	-	-	171,916,871	(155,128,811)	-	1,304,319,992	1,321,108,052
Dividend paid (Note 26)	-	-	-	-	-	(745,886,296)	(745,886,296)
Transfer to statutory reserve (Note 24)	-	-	-	-	65,215,999	(65,215,999)	-
Balance - as at 31 December 2008	17,346,192,920	2,100,694,232	242,692,625	(537,861,364)	192,648,978	1,926,002,426	21,270,369,817
Balance - as at 1 January 2009	17,346,192,920	2,100,694,232	242,692,625	(537,861,364)	192,648,978	1,926,002,426	21,270,369,817
Increase from share capital issuance (Note 22)	1,999,999,800	-	-	-	-	-	1,999,999,800
Increase in revaluation surplus on investments	-	-	163,283,388	-	-	-	163,283,388
Decrease in revaluation deficit on investments	-	-	-	345,578,922	-	-	345,578,922
Income recognised directly in equity	-	-	163,283,388	345,578,922	-	-	508,862,310
Net income for the year	-	-	-	-	-	3,547,393,384	3,547,393,384
Total income for the year	-	-	163,283,388	345,578,922	-	3,547,393,384	4,056,255,694
Dividend paid (Note 26)	-	-	-	-	-	(971,386,804)	(971,386,804)
Transfer to statutory reserve (Note 24)	-	-	-	-	177,369,669	(177,369,669)	-
Balance - as at 31 December 2009	19,346,192,720	2,100,694,232	405,976,013	(192,282,442)	370,018,647	4,324,639,337	26,355,238,507

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

Thanachart Bank Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2009 and 2008

1. General information

Thanachart Bank Public Company Limited (“the Bank”) was incorporated as a public limited company under Thai laws and its parent company is Thanachart Capital Public Company Limited (herein after referred to as “the Parent company”), a public limited company also existing under Thai laws. As at 31 December 2009, the Parent Company holds 50.92 percent of the Bank issued shares (as at 31 December 2008, the Parent company held 74.93 percent of the Bank issued shares, and on 3 February 2009, the Parent company sold additional ordinary shares of the Bank to the Bank of Nova Scotia (“BNS”). As a result, BNS holds 48.998 percent and the Parent company holds 50.92 percent of the Bank issued shares). The Bank’s registered address is 900, Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok and the Bank has 256 operational branches.

All subsidiaries are registered limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries businesses include securities 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, with reference to the principles stipulated by the Bank of Thailand (“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 parent company of financial business groups, dated 3 August 2008.

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

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

2.2 Basis of preparation of the consolidated financial statements

- a) The consolidated financial statements include the financial statements of the Bank and the following subsidiary companies (“the subsidiaries”):

	Percentage of shareholding	
	2009	2008
<u>Subsidiaries directly held by the 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 and Services Co., Ltd.	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	100.00	100.00
Thanachart Training and Development Co., Ltd.	100.00	100.00
T Leasing Co., Ltd.	100.00	100.00
<u>Subsidiaries indirectly held by the Bank</u>		
National Leasing Co., Ltd.	100.00	100.00

Total assets and total income of the subsidiaries that have 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 inter company transactions, are as follows:

	(Unit: Million Baht)			
	Total assets		Total income for the years	
	2009	2008	2009	2008
Thanachart Life Assurance Co., Ltd.	16,195	7,488	12,021	4,999
Thanachart Group Leasing Co., Ltd.	2,713	4,187	452	547
Thanachart Securities Plc.	3,082	3,087	1,131	939
Thanachart Insurance Co., Ltd.	3,217	2,676	2,740	2,590

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Bank obtains control.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent significant accounting policies. In case where there are different accounting policies the Bank has adjusted the effect of these in the consolidated financial statements.

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

2.3 The separate financial statements, which present investments in subsidiaries 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 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 as 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 Bank and its subsidiaries have assessed the effect of these standards and noted that Accounting Treatment Guidance for Business Combination under Common Control and TFRS 5 are not relevant to the business of the Bank and its subsidiaries, while the remaining accounting standards 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 Bank and its subsidiaries has assessed the effect of these standards and believe that TAS 20 is not relevant to the business of the Bank and its subsidiaries, while TAS 24 and TAS 40 will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

a) Interest and discounts on loans

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase and financial lease is recognised on the effective interest rate.

For loans on which principal or interest payments have been defaulted for more than three months past the due date, the Bank and its subsidiaries cease accrual of interest income, and accrued interest already recorded is reversed from the Bank and its subsidiaries' accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received from the debtors.

Interest income on restructured loans is recognised as income on an accrual basis, with reference to the 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 Bank and its subsidiaries recognise as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

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 discounted on interest given to debtors by dealers, is recognised based on the effective interest method, in the same manner as interest income recognition on hire purchase receivables.

b) Interest and dividends on investments

Interest on investments is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividend is established.

c) Brokerage fee income

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

d) Interest on loans for purchase 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 the conditions set by the Securities and Exchange Commission ("SEC").

e) Gains (losses) on investments and derivatives

Gains (losses) on investments and derivatives are recognised as income/expenses on the transaction dates.

f) Fees and service income

Fees and service 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 is recognised after deducting unearned premium reserve.

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

Life insurance business

Premium income is recognised as income 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 Expenses 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 cost on 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 insurance policies of over 1 year is determined using the fractional reserve method.
- b) 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 trading securities are determined at fair value. The Bank and its subsidiaries recognise changes in the value of the securities as income (loss) in the income statements.

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

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

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

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

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

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

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

In the event of the Bank and its subsidiaries' transfer investments to another category, the investments are valued at their fair value prevailing on the transfer date. Differences between the carrying amount of the investments and their fair value 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 investment which is reclassified.

4.5 Investments in subsidiary and associated companies

Investments in subsidiaries 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 statements.

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

4.6 Securities purchased under resale agreements

The Bank 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.

4.7 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.

4.8 Loans

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

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

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

4.9 Allowances for doubtful accounts

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

The Bank sets 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) net of collateral value, as required by the BOT's guidelines. Collateral value included values of vehicles under hire purchase and finance lease contracts. For non-performing loans, provision is set 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 receivables and financial lease receivables are treated as having no collateral.

- b) A securities subsidiary has provided an allowance for doubtful accounts based on a review of debtors' repayment capability, taking into consideration the risk of recovery and the value of collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications 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 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 based on the loans balance 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 debt that may not be collectible, determined from a review of the current status of the receivables as at the balance sheet date.
- e) The Bank writes off hire purchase receivables when full allowance for doubtful accounts has been made for such receivables. For other loans, the Bank and its subsidiaries will be written off when the relevant criteria under tax law are met.
- f) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

4.10 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms, the fair value of the receivables after restructuring is based on the net present value of expected future cash flows, discounted by the market's minimum interest rate for credit to large customers as at the date of the debt restructuring. The differences between the fair values of receivables as of the restructuring date and their previous book values is recorded in "Revaluation allowance for debt restructuring", and recognised as an expense in the income statements in the restructuring period. The Bank and its subsidiaries review such revaluation allowance 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 cases where the troubled debt restructuring involves the transfer of assets or equity, the Bank 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 debtor (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 interest income in the income statements.

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

4.11 Recognition and amortisation of customers' assets

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

4.12 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, adjusts 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 statements on disposal date, unless the purchase is made with a loan from the Bank. 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.

4.13 Land, premises and equipment and depreciation

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

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

Depreciation is included in determining income.

4.14 Intangible assets and amortisation

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

The Bank and its subsidiaries amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible 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 loss on impairment are recognized as expenses in the income statement.

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

4.15 Goodwill

Goodwill has been initially measured at cost, which is the excess of the cost of the business combination over the Bank's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. 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 is expected to benefit from the synergies of the combination. The Bank 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 statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

4.16 Long-term leases

Leases that transfer substantially all the risks and rewards of ownership to the Bank and its subsidiaries are classified as financial leases. 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.

Lease not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. The Bank 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.

4.17 Premium due and uncollected and allowance for doubtful accounts

Premium due and uncollected is carried at its net realisable value. Subsidiary companies 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.

4.18 Sales of commercial paper

The Bank recorded commercial paper with an aval by the Bank, 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”.

4.19 Securities and derivatives business payables

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

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

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.

4.21 Related party transactions

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

They also include associated company and individuals which directly or indirectly own a voting interest in the Bank and its subsidiaries that give them significant influence over the Bank and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Bank's and its subsidiaries' operations.

4.22 Impairment of assets

The Bank and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank and its subsidiaries realise loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell reflects the amount that the Bank and its subsidiaries could obtain at the balance sheet date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In assessing 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 Bank and its subsidiaries recognise impairment losses in the income statement.

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

4.23 Employee benefits

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

4.24 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and off-balance sheet transactions, which were outstanding on the balance sheet date, have been translated into Baht at the rates ruling at the balance sheet date.

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

4.25 Provisions

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

4.26 Income tax

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

4.27 Financial derivatives

The Bank and its subsidiaries have entered into off-balance sheet transactions involving derivative financial instruments in order to manage risk of the Bank and its subsidiaries 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 were 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 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 accounting 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

Allowance for doubtful accounts for loans is intended to adjust the value of loans 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 for loan losses 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 exercised 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 Bank and its subsidiaries review an impairment of investments when there has been a significant or prolonged decline in the fair value. The determination of what is “significant” or “prolonged” requires the management's judgment.

5.5 Allowance for impairment of property foreclosed

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

5.6 Property, premise and equipment/Depreciation

In determining depreciation of premise and equipment, the management is required to make estimates of the useful lives and salvage values of the premise 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 Finance lease/Operating lease

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

5.9 Loss sharing from transfer of non-performing loans to TAMC

In estimating losses arising from the transfer of non-performing loans to the Thai Asset Management Corporation ("TAMC"), the Bank uses the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from collateral value. The management uses judgment in determining the assumptions as to the percentage on the amount expected to be recovered from the debt restructuring agreement, or as to collateral value. The management considers these assumptions to be 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 reserve 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 Bank and its subsidiaries have contingent liabilities as a result of litigation. The management has used judgment to assess of the results of the litigation case, 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 Institutions Development Fund	3,442	6,600	10,042	3,422	35,800	39,222
Commercial banks	396	45,300	45,696	628	4,490	5,118
Other banks	46	50	96	112	50	162
Other financial institutions	350	647	997	18	300	318
Total	4,234	52,597	56,831	4,180	40,640	44,820
Add: Accrued interest receivables	-	11	11	1	40	41
Less: Allowance for doubtful accounts	-	-	-	-	(26)	(26)
Total domestic items	4,234	52,608	56,842	4,181	40,654	44,835
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	4,565	60,180	64,745	4,677	61,026	65,703

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	3,442	6,600	10,042	3,422	35,800	39,222
Commercial banks	101	45,000	45,101	251	3,200	3,451
Other banks	35	-	35	103	-	103
Other financial institutions	350	590	940	18	-	18
Total	3,928	52,190	56,118	3,794	39,000	42,794
Add: Accrued interest receivables	-	7	7	-	29	29
Total domestic items	3,928	52,197	56,125	3,794	39,029	42,823
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	4,259	59,769	64,028	4,290	59,401	63,691

During the year 2009, a financial institution receivable of a subsidiary company which has outstanding debt of Baht 306 million entered into debt restructuring agreement, 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 the existing allowance for doubtful accounts, amounting to Baht 25 million. As at 31 December 2009, the outstanding debt had amounted to Baht 57 million (2008: the outstanding debt was Baht 300 million and related allowance was Baht 25 million).

As at 31 December 2009, deposits of the Bank included deposits with BNS (the other major shareholder) of Baht 189 million (2008: Baht 7,754 million).

7. Investments

7.1 Classified by type of investment

	Consolidated financial statements				Separate financial statements			
	2009		2008		2009		2008	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investment								
Trading securities								
Government and state enterprises securities	263	263	-	-	-	-	-	-
Private debt securities	754	759	-	-	754	759	-	-
Total	1,017	1,022	-	-	754	759	-	-
Add: Allowance for change in value	5		-		5		-	
Net	1,022		-		759		-	
Available-for-sale securities								
Government and state enterprises securities	14,468	14,471	4,264	4,290	11,569	11,572	1,956	1,977
Private debt securities	1,551	1,559	463	469	994	1,000	420	427
Foreign debt securities	334	336	-	-	334	336	-	-
Domestic marketable equity securities	128	132	49	49	-	-	-	-
Total	16,481	16,498	4,776	4,808	12,897	12,908	2,376	2,404
Add: Allowance for change in value	17		32		11		28	
Net	16,498		4,808		12,908		2,404	
Held-to-maturity debt securities								
- due within one year								
Government and state enterprises securities	953		1,495		773		1,348	
Private debt securities	-		101		-		-	
Foreign debt securities	4,449		524		4,449		524	
Total	5,402		2,120		5,222		1,872	
Other investment								
Investment in property fund	100		-		100		-	
Total	100		-		100		-	
Total current investment - net	23,022		6,928		18,989		4,276	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2009		2008		2009		2008	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<u>Long-term investment</u>								
Available-for-sale securities								
Government and state enterprises securities	20,844	20,864	618	697	19,493	19,513	614	693
Private debt securities	6,606	6,766	4,618	4,800	4,646	4,758	2,714	2,838
Foreign debt securities	5,406	5,667	-	-	5,406	5,667	-	-
Domestic marketable equity securities								
Listed securities	1,637	1,598	2,380	1,194	415	402	575	253
Unit trusts	554	581	605	574	-	-	416	376
Total	35,047	35,476	8,221	7,265	29,960	30,340	4,319	4,160
Add (less): Allowance for change in value	435		(722)		380		(61)	
Less: Allowance for impairment	(6)		(234)		-		(98)	
Net	35,476		7,265		30,340		4,160	
Held-to-maturity debt securities								
Government and state enterprises securities	17,087		9,656		10,455		8,684	
Private debt securities	1,362		791		-		-	
Foreign debt securities	-		4,323		-		4,323	
Total	18,449		14,770		10,455		13,007	
Less: Allowance for impairment	(89)		(89)		(89)		(89)	
Net	18,360		14,681		10,366		12,918	
Other investment								
Investment in property fund	368		658		368		655	
Domestic non-marketable equity securities								
Investment in equity securities	117		109		99		99	
Unit trusts	18		18		18		18	
Foreign non-marketable equity securities								
Investment in equity securities	3		-		3		-	
Total	506		785		488		772	
Less: Allowance for impairment	(22)		(30)		(22)		(22)	
Net	484		755		466		750	
Total long-term investment - net	54,320		22,701		41,172		17,828	

7.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements								
2009				2008				
Due within				Due within				
Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total	
Available-for-sale securities								
Government and state enterprises securities								
	14,448	20,186	678	35,312	4,264	42	576	4,882
Private debt securities	1,551	6,518	88	8,157	463	4,318	300	5,081
Foreign debt securities	334	5,406	-	5,740	-	-	-	-
Total	16,333	32,110	766	49,209	4,727	4,360	876	9,963
Add: Allowance for change in value	13	430	11	454	32	162	99	293
Net	16,346	32,540	777	49,663	4,759	4,522	975	10,256
Held-to-maturity debt securities								
Government and state enterprises securities								
	953	9,036	8,051	18,040	1,495	9,452	204	11,151
Private debt securities	-	889	473	1,362	101	272	519	892
Foreign debt securities	4,449	-	-	4,449	524	4,323	-	4,847
Total	5,402	9,925	8,524	23,851	2,120	14,047	723	16,890
Less: Allowance for impairment	-	(89)	-	(89)	-	(89)	-	(89)
Net	5,402	9,836	8,524	23,762	2,120	13,958	723	16,801
Total debt securities	21,748	42,376	9,301	73,425	6,879	18,480	1,698	27,057

(Unit: Million Baht)

Separate financial statements								
2009				2008				
Due within				Due within				
Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total	
Available-for-sale securities								
Government and state enterprises securities								
	11,569	19,081	412	31,062	1,956	39	575	2,570
Private debt securities	994	4,558	88	5,640	420	2,714	-	3,134
Foreign debt securities	334	5,406	-	5,740	-	-	-	-
Total	12,897	29,045	500	42,442	2,376	2,753	575	5,704
Add: Allowance for change in value	11	383	10	404	28	126	77	231
Net	12,908	29,428	510	42,846	2,404	2,879	652	5,935
Held-to-maturity debt securities								
Government and state enterprises securities								
	773	7,972	2,483	11,228	1,348	8,684	-	10,032
Foreign debt securities	4,449	-	-	4,449	524	4,323	-	4,847
Total	5,222	7,972	2,483	15,677	1,872	13,007	-	14,879
Less: Allowance for impairment	-	(89)	-	(89)	-	(89)	-	(89)
Net	5,222	7,883	2,483	15,588	1,872	12,918	-	14,790
Total debt securities	18,130	37,311	2,993	58,434	4,276	15,797	652	20,725

- 7.3** As at 31 December 2009, the Bank and its subsidiaries have a revaluation deficit arising from transfers of investments in debt securities, of which the current balances of Baht 164 million in the consolidated financial statements and Baht 177 million in the separate financial statements. These are presented in shareholders' equity caption. (2008: Revaluation surplus of Baht 1 million and revaluation deficit of Baht 259 million in the consolidated financial statements, and revaluation surplus of Baht 1 million and revaluation deficit of Baht 263 million in the separate financial statements).
- 7.4** As at 31 December 2009, long-term investments in held-to-maturity debt securities include non-transferable promissory notes, with terms of 10 years counting from 16 September 2002 and 14 March 2003, amounting to Baht 292 million and Baht 4 million, respectively, which were received as a result of the transfer of non-performing loans of totaled Baht 296 million to Thai Asset Management Corporation ("TAMC") (2008: Baht 296 million). However, the agreed transfer price received in the form of promissory notes could still be revised up or down after TAMC reviews the price or has the collateral assessed or the price adjusted.

As at 31 December 2009, the Bank is still unable to estimate the exact amount of such losses. However, the Bank has estimated the contingent of losses arising from the management of non-performing assets at approximately Baht 89 million (2008: Baht 89 million). Such amount has been presented as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified based on the type of promissory note.

In addition, the Bank also shares joint responsibility with TAMC for future profits or losses arising from TAMC's management of the non-performing assets as mentioned in Note 36.2 to the financial statements.

- 7.5** As at 31 December 2009, investments of the Bank and its subsidiary in government and state enterprise securities amounting to Baht 1,738 million, at amortised cost, have been placed as collateral for loans from commercial banks and as security with a Government agencies (separate financial statements: Baht 20 million) (2008: Baht 1,257 million in the consolidated financial statements).

7.6 As at 31 December 2009 and 2008, investments in which the Bank and its subsidiaries hold not less than 10 percent of the equity of the investee are as follows:

Securities	Nature of business	Consolidated financial statements				Separate financial statements			
		2009		2008		2009		2008	
		Percentage of holding		Percentage of holding		Percentage of holding		Percentage of holding	
		Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent
		Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Public utilities and services									
Puen Pob Paet Co., Ltd.	Medical Clinic	-	10.00	-	10.00	-	10.00	-	10.00
Others									
The Thai Business Fund 3 ⁽¹⁾	Mutual Fund - property	252	26.67	340	26.67	252	26.67	340	26.67
Sub Thawee Property Fund ⁽¹⁾	Mutual Fund - property	116	56.00	156	56.00	116	56.00	156	56.00
Thanasarn Open-End Fund ⁽¹⁾	Mutual Fund - debt securities	-	-	267	28.99	-	-	267	28.99
The Krung Thai Dividend Fixed-Income Fund	Mutual Fund - debt securities	50	15.08	-	-	-	-	-	-

(1) The Bank and its subsidiaries do not treat these investments as associated or subsidiary companies because the Bank and its subsidiaries do not have control or influence over the financial and operating policy 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 regulations of the Securities and Exchange Commission. Therefore, the Bank and its subsidiaries account for its long-term investments in these funds as available-for-sale securities or other investments depending on the objective of investment.

7.7 As at 31 December 2009 and 2008, investments in securities of the Bank and its subsidiaries included investments in the companies with weak financial position and poor operating results, are summarised below.

	Consolidated financial statements							
	Number of investment		Cost		Fair value		Allowance for change in value/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
Equity securities - common shares								
1. Companies whose auditors' reports cited going concern issues	2	2	21	21	1	1	20	20
2. Financial institutions that are in the process of debt restructuring	-	1	-	8	-	-	-	8
	Separate financial statements							
	Number of investment		Cost		Fair value		Allowance for change in value/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
Equity securities - common shares								
1. Companies whose auditors' reports cited going concern issues	2	2	21	21	1	1	20	20

8. Investments in subsidiary companies

8.1 As at 31 December 2009 and 2008, investments in subsidiary companies in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following subsidiary companies:

(Unit: Million Baht)

		Separate financial statements						Dividend income for the	
Company's name	Nature of business	Paid-up share capital		Percentage of holding		Value of investment under the cost method		years ended 31 December	
		2009	2008	2009	2008	2009	2008	2009	2008
Thanachart Securities Plc.	Securities business	1,500	1,500	100	100	1,858	1,858	83	240
Thanachart Insurance Co., Ltd.	Non-life insurance	740	740	100	100	867	867	-	-
Thanachart Life Assurance Co., Ltd.	Life - insurance	500	500	100	100	936	936	70	50
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75	75	97	97	90	75
Thanachart Broker Co., Ltd.	Non-life insurance broker	100	100	100	100	104	104	93	69
Thanachart Group Leasing Co., Ltd.	Hire purchase	360	360	100	100	400	400	101	15
Thanachart Management and Services Co., Ltd.	Services	6	6	100	100	11	11	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100	100	13	13	-	-
Thanachart Training and Development Co., Ltd.	Training services	5	5	100	100	5	5	30	14
T Leasing Co., Ltd.	Hire purchase	180	180	100	100	191	191	-	-
Total investments in subsidiary companies						4,482	4,482	467	463

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. of which the auditor of the subsidiary issued a qualified audit 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 effect on the current year consolidated financial statements.

8.3 During the year 2008, the Bank purchased ordinary shares of T Leasing Co., Ltd. from Thanachart Group Leasing Co., Ltd., and included this company as a subsidiary company in the solo consolidation group. The gain on disposal of investment in such subsidiary in Thanachart Group Leasing's financial statements, amounting Baht 11 million has been eliminated from the consolidated financial statement.

9. Investments in an associated company

- 9.1** As at 31 December 2009 and 2008, investments in an associated company in the consolidated financial statements included investment in MBK Plc., which was incorporated under Thai laws and engaged in property rental, hotel and services businesses can be summarised as follows:

											(Unit: Million Baht)	
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	9.90	10.76	984	1,066	1,261	1,083	83	81	129	153

The Bank and its subsidiaries classified such investments as investments in an associated company, like its Parent company, since the Parent company had significant influence in that company.

During the year 2009, a subsidiary company sold investments in this associated company of Baht 81 million with gain on disposal of Baht 3 million, and presented in the consolidated financial statements.

- 9.2** Summarised financial information of an associated company as at 30 September 2009 and 2008 and for the years then ended as follows:

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income for the years ended		Net income for the years ended	
							for the		for the	
	30 September		30 September		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 of that associated company recognised in the current year is determined based on financial statements of that associated company prepared for a different period, as a result of limitations on the availability of information. The financial information used was based on the balance sheets as of 30 September 2009 and 2008 and the income statement for the years then ended, prepared by the Bank's management, with reference to the financial statements as reviewed by its auditor and adjusted to reflect differences in accounting policies. The Bank's management believes that the net income for the year ended 30 September 2009 is not material different from that income for the year ended 31 December 2009.

- 9.3** As at 31 December 2009, the fair value of investment in an associated company which is listed in the Stock Exchange of Thailand was Baht 1,214 million (2008: Baht 1,005 million).

10. Loans and accrued interest receivables

10.1 Classified by loan type

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2009	2008
	2009	2008
<u>Loans</u>		
Overdrafts	2,812	2,511
Loans	48,335	39,992
Notes receivable	19,938	25,805
Hire purchases receivables	210,141	203,829
Financial leases receivables	2,345	1,897
Total loans	283,571	274,034
Add: Accrued interest receivables	277	288
Less: Allowance for doubtful		
accounts	(8,048)	(6,769)
Revaluation allowance for		
debt restructuring	(33)	(20)
Loans and accrued interest		
receivables - net	275,767	267,533
<u>Securities business receivables</u>		
Customers' accounts	692	1,095
Credit balances receivables	870	598
Other receivables	382	415
Total securities business		
receivables	1,944	2,108
Less: Allowance for doubtful		
accounts	(315)	(298)
Securities business receivables		
and accrued interest receivables		
- net	1,629	1,810
Loans and accrued interest		
receivables - net	277,396	269,343

10.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
At call*	7,118	13,867	8,723	17,302
Not over 1 year	29,268	23,640	26,942	22,116
Over 1 year	249,406	238,923	247,194	233,810
Total loans and accrued interest receivables	285,792	276,430	282,859	273,228

* Included expired contracts

10.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	283,148	323	283,471	275,151	256	275,407
US Dollar	1,313	1,004	2,317	955	-	955
Other currencies	4	-	4	68	-	68
Total	284,465	1,327	285,792	276,174	256	276,430

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	280,215	323	280,538	271,949	256	272,205
US Dollar	1,313	1,004	2,317	955	-	955
Other currencies	4	-	4	68	-	68
Total	281,532	1,327	282,859	272,972	256	273,228

10.4 Classified by type of business and loan classification

(Unit: Million Baht)

Consolidated financial statements						
2009						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent and related companies	473	-	-	-	-	473
Agricultural and mining	2,597	2	-	7	-	2,606
Manufacturing and commerce	15,170	71	158	157	598	16,154
Real estate and construction	14,122	473	67	457	491	15,610
Public utilities and services	15,120	456	34	7	64	15,681
Personal consuming						
Housing loans	6,033	399	103	260	153	6,948
Securities	1,628	-	3	313	-	1,944
Hire purchase	188,466	16,756	893	807	3,219	210,141
Others	6,302	506	166	366	671	8,011
Others	8,223	-	-	-	1	8,224
Total loans and accrued interest receivables	<u>258,134</u>	<u>18,663</u>	<u>1,424</u>	<u>2,374</u>	<u>5,197</u>	<u>285,792</u>

(Unit: Million Baht)

Consolidated financial statements						
2008						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent and related companies	8,563	-	-	-	-	8,563
Agricultural and mining	1,143	-	-	10	-	1,153
Manufacturing and commerce	11,273	647	14	372	523	12,829
Real estate and construction	13,369	430	219	25	612	14,655
Public utilities and services	11,663	1,240	71	14	56	13,044
Personal consuming						
Housing loans	6,430	545	67	110	241	7,393
Securities	1,595	-	4	295	-	1,894
Hire purchase	177,765	21,941	1,057	894	2,172	203,829
Others	6,508	709	249	282	605	8,353
Others	4,707	9	-	-	1	4,717
Total loans and accrued interest receivables	<u>243,016</u>	<u>25,521</u>	<u>1,681</u>	<u>2,002</u>	<u>4,210</u>	<u>276,430</u>

(Unit: Million Baht)

Separate financial statements						
2009						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent, subsidiaries and related companies	3,337	-	-	-	-	3,337
Agricultural and mining	2,597	2	-	7	-	2,606
Manufacturing and commerce	15,169	71	158	157	598	16,153
Real estate and construction	14,102	473	67	457	491	15,590
Public utilities and services	15,116	456	34	7	64	15,677
Personal consuming						
Housing loans	6,033	399	103	260	153	6,948
Hire purchase	185,753	15,940	808	751	3,068	206,320
Others	6,297	506	166	366	671	8,006
Others	8,221	-	-	-	1	8,222
Total loans and accrued interest receivables	256,625	17,847	1,336	2,005	5,046	282,859

(Unit: Million Baht)

Separate financial statements						
2008						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent, subsidiaries and related companies	12,815	-	-	-	-	12,815
Agricultural and mining	1,143	-	-	9	-	1,152
Manufacturing and commerce	11,263	647	14	372	523	12,819
Real estate and construction	13,339	430	219	25	612	14,625
Public utilities and services	11,633	1,241	71	14	56	13,015
Personal consuming						
Housing loans	6,430	545	67	110	241	7,393
Hire purchase	173,967	20,642	927	817	1,991	198,344
Others	6,505	709	249	282	605	8,350
Others	4,706	8	-	-	1	4,715
Total loans and accrued interest receivables	241,801	24,222	1,547	1,629	4,029	273,228

10.5 Non-performing loans

As at 31 December 2009 and 2008, the Bank and the securities company, a subsidiary, had non-performing loans (debtors classified as substandard, doubtful and doubtful of loss) classified in accordance with the Notification of the BOT and SEC as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Non-performing loans (excluding accrued interest receivables)				
The Bank	8,359	7,167	8,359	7,167
Securities business	316	299	-	-

The above definition of non-performing loans does not include overdue loans which have been restructured and meet the conditions for classification as Normal or Special mention debt.

Additionally, the Bank and the subsidiary company, securities company, had loans for which income recognition under an accrual basis has been discontinued, as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
The Bank	8,777	7,251	8,777	7,251
Securities business	316	299	-	-

10.6 Unearned income/interest income received in advance

As at 31 December 2009 and 2008, the Bank and its subsidiaries had unearned interest income and interest income received in advance as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Unearned interest income	175	175	175	175
Unearned income from hire purchase/financial lease	30,385	31,095	29,572	29,872
Interest income received in advance	7	5	7	5

10.7 Hire purchases/Financial leases receivables

As at 31 December 2009, the Bank and its subsidiaries had net hire purchase/financial lease receivables amounting to Baht 206,824 million in the consolidated financial statements and Baht 203,290 million in the separate financial statements. These mostly comprise hire purchase agreements or financial lease agreements for cars and motorcycles. The terms of the agreements are generally between 3 and 6 years and most carry interest at fixed rates.

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2009				
Amounts due under lease agreements				
Less than				
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	82,809	155,752	4,310	242,871
Unearned finance income	(13,488)	(16,760)	(137)	(30,385)
Present value of minimum lease payments receivable	69,321	138,992	4,173	212,486
Allowance for doubtful accounts				5,662
* Included non-performing receivables				

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2008				
Amounts due under lease agreements				
Less than				
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	76,238	155,435	5,148	236,821
Unearned finance income	(13,436)	(17,480)	(179)	(31,095)
Present value of minimum lease payments receivable	62,802	137,955	4,969	205,726
Allowance for doubtful accounts				4,761
* Included non-performing receivables				

(Unit: Million Baht)

Separate financial statement as at 31 December 2009

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	80,534	153,494	4,152	238,180
Unearned finance income	(13,026)	(16,416)	(130)	(29,572)
Present value of minimum lease payments receivable	67,508	137,078	4,022	208,608
Allowance for doubtful accounts				5,318

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2008

	Amounts due under lease agreements			
	Less than 1 year*	1 – 5 years	Over 5 years	Total
Gross investment in the lease	73,318	151,912	4,793	230,023
Unearned finance income	(12,794)	(16,922)	(156)	(29,872)
Present value of minimum lease payments receivable	60,524	134,990	4,637	200,151
Allowance for doubtful accounts				4,328

* Included non-performing receivables

10.8 Troubled debt restructuring

During the years 2009 and 2008, the Bank and its subsidiaries have entered into debt restructuring agreements as follows:

	2009				
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring ⁽¹⁾	Outstanding loans balance after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated and separate financial statements</u>					
Modification of repayment conditions	10,796	3,408	3,407		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	14	270	270	Land	89
Total	10,810	3,678	3,677		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest).

	2008				
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring ⁽¹⁾	Outstanding loans balance after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statement</u>					
Modification of repayment conditions	221	814	810		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	3	6	6	Land	7
Total	224	820	816		
<u>Separate financial statement</u>					
Modification of repayment conditions	211	615	615		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	3	6	6	Land	7
Total	214	621	621		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest).

Counting from the balance sheet date, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2009 and 2008, are summarised below.

Periods	2009		2008			
	Consolidated and separate financial statements		Consolidated financial statements		Separate financial statements	
	Outstanding balances		Outstanding balances		Outstanding balances	
	Number of debtors	after restructuring	Number of debtors	after restructuring	Number of debtors	after restructuring
	Million Baht		Million Baht		Million Baht	
Past due after restructuring	4,760	1,541	102	493	102	493
Due within the year	782	253	68	102	65	55
Less than 5 years	2,166	702	34	155	27	7
5 - 10 years	3,078	1,115	6	25	6	25
10 - 15 years	11	31	3	3	3	3
Over 15 years	13	35	11	38	11	38
Total	10,810	3,677	224	816	214	621

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

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Interest income recognised in income statement	254	144	249	142
Cash repayment from receivables	678	751	640	688
Properties foreclosed received for debts settlement	138	7	138	7
Loss on debt restructuring	32	13	32	9

As at 31 December 2009 and 2008, the Bank and its subsidiaries have the following restructured receivables balance (principal and accrued interest receivable) as follows:

	Restructured receivables							
	Total number of outstanding receivables				Outstanding balances, net of collateral			
	Number of receivables		Outstanding balances		Number of receivables		Outstanding balances	
	2009	2008	2009	2008	2009	2008	2009	2008
			Million Baht		Million Baht		Million Baht	
Thanachart Bank Plc.	812,480	707,434	10,600	381	5,280	2,645	1,964	883
Thanachart Securities Plc.	1,906	1,580	6	8	101	134	101	134

10.9 As at 31 December 2009 and 2008, the Bank had loans to parent company, subsidiary and related companies within Thanachart Group as follows:

Company's name	Type of credit	Contract period as at	Interest rate as at	Outstanding balances	
		31 December 2009	31 December 2009	2009	2008
				Million Baht	Million Baht
<u>Parent company</u>					
Thanachart Capital Plc.	Promissory note			-	4,500
<u>Subsidiary companies</u>					
Thanachart Group Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	2,168	3,645
T Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	634	824
National Leasing Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	77	-
Thanachart Legal and Appraisal Co., Ltd.	Promissory note	At call	The Bank's cost of fund plus a fixed interest rate per annum	10	-
<u>Related company</u>					
NFS Asset Management Co., Ltd.	Promissory note			-	3,650
Total				<u>2,889</u>	<u>12,619</u>

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

As at 31 December 2009 and 2008, the Bank classified and made allowances against its loans (including loans to financial institutions which presented as part of interbank and money market items) in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Separate financial statements						
	Debt balance/ book value ⁽¹⁾		Debt balance net of collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2009	2008	2009	2008	(Percent)	2009	2008
<u>Loans and accrued interest</u>							
<u>receivables (including interbank and money market items)</u>							
Normal	308,928	280,590	84,895	75,170	1	909	752
Special mention	17,830	24,186	7,396	8,905	2	188	178
Substandard	1,336	1,547	968	1,163	100	968	1,163
Doubtful	2,005	1,629	1,181	1,156	100	1,181	1,156
Doubtful of loss	5,046	4,029	4,258	3,019	100	4,258	3,019
Total	<u>335,145</u>	<u>311,981</u>	<u>98,698</u>	<u>89,413</u>		<u>7,504</u>	<u>6,268</u>
Additional allowance for possible uncollectability debts						214	97
Total						<u>7,718</u>	<u>6,365</u>

(1) Debt balance/book value for normal and special mention loans are excluded accrued interest receivables.

(2) Debt balance net of collateral for substandard, doubtful and doubtful of loss loans are debt balance remaining after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

10.11 Loan in companies which have settlement problems

As at 31 December 2009 and 2008, part of the Bank and its subsidiaries' loans in the consolidated financial statements and the separate financial statements included debts due from companies with weak financial position and poor 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. Listed companies vulnerable to delisting from the SET	3	2	311	263	44	57	267	206
2. 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
3. Companies which have loan settlement problems or have defaulted on the repayment	651	541	1,129	1,051	896	865	399	404

Separate 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. Listed companies vulnerable to delisting from the SET	3	2	311	263	44	57	267	206
2. 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
3. Companies which have loan settlement problems or have defaulted on the repayment	522	415	1,105	959	896	746	375	387

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 classified its securities business receivables and accrued interest receivables and provided related allowance for doubtful accounts in accordance with the Notification of the Securities and Exchange Commission (SEC) as follows:

(Unit: Million Baht)

	Receivable and accrued interest receivables		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	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 were the outstanding debt balance which equal to the pledged securities.

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

As at 31 December 2009 and 2008, loans in consolidated financial statements which included hire purchase and financial lease receivables of three subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

(Unit: Million Baht)

	2009	2008
Current or overdue less than 90 days	3,586	5,187
Overdue 91 - 365 days	141	207
Overdue more than 1 year	58	45
Debtors under legal actions	93	136
Total	3,878	5,575
Allowance for doubtful accounts provided in the accounts	344	433

11. Allowance for doubtful accounts

(Unit: Million Baht)

For the year ended 31 December 2009										
	Separate financial statements							Subsidiary companies	Eliminations	Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total			
Balance - beginning of the year	752	178	1,163	1,156	3,019	97	6,365	731	(29)	7,067
Increase (decrease) during the year	157	10	(195)	25	2,690	117	2,804	279	15	3,098
Bad debts recovery	-	-	-	-	52	-	52	12	-	64
Bad debts written-off	-	-	-	-	(1,503)	-	(1,503)	(363)	-	(1,866)
Balance - end of the year	<u>909</u>	<u>188</u>	<u>968</u>	<u>1,181</u>	<u>4,258</u>	<u>214</u>	<u>7,718</u>	<u>659</u>	<u>(14)</u>	<u>8,363</u>

(Unit: Million Baht)

For the year ended 31 December 2008										
	Separate financial statements							Subsidiary companies	Eliminations	Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total			
Balance - beginning of the year	626	123	964	901	1,558	350	4,522	543	(28)	5,037
Increase (decrease) during the year	126	55	199	255	3,158	(253)	3,540	393	(1)	3,932
Bad debts recovery	-	-	-	-	43	-	43	1	-	44
Bad debts written-off	-	-	-	-	(1,526)	-	(1,526)	(206)	-	(1,732)
Reversal from disposal of loans	-	-	-	-	(214)	-	(214)	-	-	(214)
Balance - end of the year	<u>752</u>	<u>178</u>	<u>1,163</u>	<u>1,156</u>	<u>3,019</u>	<u>97</u>	<u>6,365</u>	<u>731</u>	<u>(29)</u>	<u>7,067</u>

12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Balance - beginning of the year	20	10	20	10
Increase during the year	31	8	31	8
Add (less): Amortised during the year	(18)	2	(18)	2
Balance - end of the year	<u>33</u>	<u>20</u>	<u>33</u>	<u>20</u>

13. Classification of assets

As at 31 December 2009 and 2008, the quality of assets classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued		Property						Total	
	interest receivables		Investments		foreclosed		Other assets			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Normal	308,928	280,590	-	-	-	-	129	57	309,057	280,647
Special mention	17,830	24,186	-	-	-	-	52	68	17,882	24,254
Substandard	1,336	1,547	-	-	-	-	3	4	1,339	1,551
Doubtful	2,005	1,629	-	-	-	-	2	6	2,007	1,635
Doubtful of loss	5,046	4,029	126	484	43	155	69	84	5,284	4,752
Total	335,145	311,981	126	484	43	155	255	219	335,569	312,839

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			Balance - end of	Balance - beginning of			Balance - end of
	the year	Additions	Disposals	the year	the year	Additions	Disposals	the year
Assets transferred in settlement of debts								
Immovable assets	420	92	(49)	463	420	92	(49)	463
Movable assets	1,282	6,295	(7,149)	428	1,217	5,932	(6,739)	410
Assets foreclosed from purchase by bid on the open market								
Immovable assets	59	14	(8)	65	59	14	(8)	65
Total property foreclosed	1,761	6,401	(7,206)	956	1,696	6,038	(6,796)	938
Less: Allowance for impairment	(161)	(420)	537	(44)	(155)	(400)	512	(43)
Property foreclosed - net	1,600	5,981	(6,669)	912	1,541	5,638	(6,284)	895

15. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
	Land	Buildings and improvement	Furniture, fixtures and equipments	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2008	398	241	2,740	162	95	3,636
Additions	28	85	238	22	119	492
Transfers/Disposals	-	64	79	(16)	(196)	(69)
31 December 2009	426	390	3,057	168	18	4,059
<u>Accumulated depreciation</u>						
31 December 2008	-	23	1,222	80	-	1,325
Transfer/Disposals	-	-	(37)	(13)	-	(50)
Depreciation for the year	-	19	525	28	-	572
31 December 2009	-	42	1,710	95	-	1,847
<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	398	218	1,518	82	95	2,311
31 December 2009	425	348	1,347	73	18	2,211
Depreciation charge included in the income statements for the years ended 31 December						
2008						476
2009						572

(Unit: Million Baht)

	Separate financial statements					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipments	Vehicles	Assets under installation	
<u>Cost</u>						
31 December 2008	398	181	2,173	99	92	2,943
Additions	28	86	212	14	86	426
Transfers/Disposals	-	64	71	(12)	(161)	(38)
31 December 2009	426	331	2,456	101	17	3,331
<u>Accumulated depreciation</u>						
31 December 2008	-	16	867	45	-	928
Transfers/Disposals	-	-	(17)	(9)	-	(26)
Depreciation for the year	-	15	445	18	-	478
31 December 2009	-	31	1,295	54	-	1,380
<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	398	165	1,306	54	92	2,015
31 December 2009	425	300	1,161	47	17	1,950
Depreciation charge included in the income statements for the years ended 31 December						
2008						387
2009						478

As at 31 December 2009, the Bank and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 71 million. In addition, the Bank and its subsidiaries have office equipment and vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 376 million (separate financial statements: Baht 45 million and Baht 164 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 - 10 years	505	116	(13)	608
Less: Amortisation		(88)	(46)	-	(134)
Intangible assets - net		<u>417</u>	<u>70</u>	<u>(13)</u>	<u>474</u>
Amortisation included in the income statement for the year					<u>46</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	413	102	(12)	503
Less: Amortisation		(36)	(36)	-	(72)
Intangible assets - net		<u>377</u>	<u>66</u>	<u>(12)</u>	<u>431</u>
Amortisation included in the income statement for the year					<u>36</u>

As at 31 December 2009, the Bank 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 31 million (separate financial statement: Baht 7 million).

17. Other assets

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Accrued premium insurance income	757	518	-	-
Other receivables	721	578	718	447
Accrued interest and dividend income receivables	533	232	394	176
VAT refundable	401	353	390	330
Prepaid leasehold rights	264	305	258	299
Other receivables - VAT paid in advance for customers	164	176	164	176
Withholding tax refundable	77	106	-	80
Others	765	619	352	364
Total	3,682	2,887	2,276	1,872
Less: Allowance for impairment	(104)	(108)	(76)	(97)
Total other assets - Net	3,578	2,779	2,200	1,775

18. Deposits

18.1 Classified by type of deposits

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Current	657	616	672	657
Saving	81,614	72,870	81,990	73,153
Promissory notes	66	68	66	68
Fixed deposits				
- Less than 6 months	66,764	64,914	66,794	65,209
- 6 months and up to 1 year	17,759	82,947	17,759	82,967
- Over 1 year	99,436	48,748	99,446	48,778
Total deposits	266,296	270,163	266,727	270,832

18.2 Classified by the remaining period of contracts

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Not over 1 year *	221,005	268,749	221,436	269,418
Over 1 year	45,291	1,414	45,291	1,414
Total deposits	266,296	270,163	266,727	270,832

* Included expired contracts

18.3 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	266,206	-	266,206	270,093	-	270,093
US Dollar	44	6	50	64	1	65
Other currencies	39	1	40	5	-	5
Total	266,289	7	266,296	270,162	1	270,163

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	266,637	-	266,637	270,762	-	270,762
US Dollar	44	6	50	64	1	65
Other currencies	39	1	40	5	-	5
Total	266,720	7	266,727	270,831	1	270,832

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	6	1,150	1,156	61	-	61
Other banks	-	534	534	-	-	-
Finance companies 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 items	<u>9,077</u>	<u>6,659</u>	<u>15,736</u>	<u>5,987</u>	<u>1,297</u>	<u>7,284</u>
Foreign						
US Dollar	-	5,038	5,038	-	-	-
Baht currency	35	130	165	7	-	7
Total foreign items	<u>35</u>	<u>5,168</u>	<u>5,203</u>	<u>7</u>	<u>-</u>	<u>7</u>
Total	<u>9,112</u>	<u>11,827</u>	<u>20,939</u>	<u>5,994</u>	<u>1,297</u>	<u>7,291</u>

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	6	1,150	1,156	11	-	11
Other banks	-	534	534	-	-	-
Finance companies and securities companies	5,046	3,745	8,791	3,946	493	4,439
Other financial institutions	4,800	1,681	6,481	2,106	1,106	3,212
Total domestic items	<u>9,852</u>	<u>7,110</u>	<u>16,962</u>	<u>6,063</u>	<u>1,599</u>	<u>7,662</u>
Foreign						
US Dollar	-	5,038	5,038	-	-	-
Baht currency	35	130	165	7	-	7
Total foreign items	<u>35</u>	<u>5,168</u>	<u>5,203</u>	<u>7</u>	<u>-</u>	<u>7</u>
Total	<u>9,887</u>	<u>12,278</u>	<u>22,165</u>	<u>6,070</u>	<u>1,599</u>	<u>7,669</u>

As at 31 December 2009, interbank and money market items (liabilities) included deposits and borrowing from BNS (the other major shareholder) of Baht 5,014 million. (2008: Deposits of Baht 8 million).

20. Borrowings

As at 31 December 2009 and 2008, domestic borrowings are as follows:

(Unit: Million Baht)

Type of borrowings	Interest rate	Maturity date	Consolidated financial		Separate financial	
	per annum		statements		statements	
	(as at 31 December		2009	2008	2009	2008
	2009)					
<u>Short-term borrowings</u>						
Promissory notes		Call	-	122	-	-
Bills of exchange		Call	-	2	-	2
Bills of exchange	Fixed rate of	2009 -2010	75,200	46,956	75,936	47,926
	0.91 - 4.80 percent					
			75,200	47,080	75,936	47,928
<u>Long-term borrowings</u>						
Subordinated debentures	6.18 percent	2013	3,000	3,000	3,000	3,000
issued under Tier II						
Subordinated debentures	5.10 percent	2015	5,000	5,000	5,000	5,000
issued under Tier II						
Subordinated debentures	5.25 percent	2019 and	7,000	-	7,000	-
issued under Tier II		2024				
Bills of exchange		2010	-	6,070	-	6,360
			15,000	14,070	15,000	14,360
Total borrowings			90,200	61,150	90,936	62,288

On 8 December 2006, the Bank issued 3,000,000 units of subordinated, unsecured and unconvertible debentures, with a face value of Baht 1,000 each. The debenture mature in 2013 and bear interest at a fixed interest rate of 6.18 percent per annum, payable semi-annually.

On 9 May 2008, the 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 debenture mature in 2015 and bear interest at a fixed interest 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, the Bank issued 2,000,000 units of subordinated, in name certificate, unsecured, unconvertible debenture with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2019 and bear interest at a fixed interest rate of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years and 6.5 percent per annum for the eighth to tenth years, payable quarterly. After 5 years, the Bank has call option to early redemption these debentures if the conditions as specified are met.

On 24 July 2009, the Bank issued 5,000,000 units of name registered subordinated, unsecured, unconvertible debenture with debenture holders' representative, with a face value of Baht 1,000 each. Of these, 3.5 million units mature in 2019 and bear interest at a fixed interest rate of 5.25 percent per annum for the first five years and 5.5 percent per annum for the sixth to tenth years, while 1.5 million units mature in 2024 and bear interest at a fixed interest rate of 5.25 percent per annum for the first five years, 6.0 percent per annum for the sixth to tenth years and 6.5 percent per annum for the eleventh to fifteenth years, payable quarterly. After 5 years, the Bank has call option to early redemption these debentures if the conditions as specified are met.

As at 31 December 2009, borrowings amounting to Baht 9,628 million are borrowed from Thanachart Capital Plc., the parent company (2008: Baht 6,372 million).

21. Other liabilities

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Other payables	383	284	282	216
Loss reserves and outstanding claims				
from insurance/life assurance	872	786	-	-
Suspense cash received from				
account receivables	736	750	736	750
Insurance premium payable	86	264	147	172
Unearned income from hire purchase	193	212	193	212
Provision for corporate income tax	586	421	586	421
Others	970	687	647	442
Total other liabilities	<u>3,826</u>	<u>3,404</u>	<u>2,591</u>	<u>2,213</u>

22. Share capital

On 8 January 2009, the Extraordinary Meeting of Shareholders of the Bank approved a decrease and an increase in the Bank's registered share capital as follows:

- Approved a decrease in the share capital from Baht 21,346,192,920 (2,134,619,292 shares with a par value of Baht 10) to Baht 17,346,192,920 (1,734,619,292 shares with a par value of Baht 10) by reduction 400,000,000 unissued ordinary shares with a par value of Baht 10. The Bank registered such decrease with the Ministry of Commerce on 15 January 2009.
- Approved an increase in the share capital from Baht 17,346,192,920 (1,734,619,292 shares with a par value of Baht 10) to Baht 19,346,192,920 (1,934,619,292 shares with a par value of Baht 10) by issuance of additional 200,000,000 shares with a par value of Baht 10. The Bank registered such increase with the Ministry of Commerce on 20 January 2009. The Bank called up and registered paid-up share capital of Baht 1,999,999,800 on 29 May 2009.

On 6 October 2009, the Extraordinary Meeting of Shareholders of the Bank approved a decrease and an increase in the Bank's registered share capital as follows:

- Approved a decrease in the share capital from Baht 19,346,192,920 (1,934,619,292 shares with a par value of Baht 10) to Baht 19,346,192,720 (1,934,619,272 shares with a par value of Baht 10) by reduction 20 unissued ordinary shares with a par value of Baht 10. The Bank registered such decrease with the Ministry of Commerce on 16 October 2009.
- Approved an increase in the share capital from Baht 19,346,192,720 (1,934,619,272 shares with a par value of Baht 10) to Baht 59,346,192,720 (5,934,619,272 shares with a par value of Baht 10) by issuance of additional 4,000,000,000 shares with a par value of Baht 10. The Bank registered such increase with the Ministry of Commerce on 20 October 2009.

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	450	284	405	231
Equity instruments	196	37	1	11
Held-to-maturity investments (transfer from available-for-sale investments)	-	1	-	1
Surplus recognised for an associated company - under equity method - net	119	-	-	-
Total	765	322	406	243
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(5)	1	(1)	-
Equity instruments	(213)	(1,036)	(14)	(275)
Held-to-maturity investments (transfer from available-for-sale investments)	(164)	(259)	(177)	(263)
Deficit recognised for an associated company - under equity method - net	-	(93)	-	-
Total	(382)	(1,387)	(192)	(538)
Revaluation surplus (deficit) on investments	383	(1,065)	214	(295)

24. Statutory reserve

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

As at 31 December 2009, the Bank allocated Baht 177,369,669 of net income for the year 2009 to the statutory reserve.

25. Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking business B.E. 2551.

	(Unit: Million Baht)	
	2009	2008
<u>Tier I</u>		
Issued and fully paid up share capital	19,346	17,346
Share premium	2,101	2,101
Statutory reserve	245	127
Retained earnings - unappropriated	1,953	687
Total	23,645	20,261
<u>Tier II</u>		
Subordinated debentures	13,800	7,400
Reserve for loans classified as normal	1,125	850
Total	14,925	8,250
Total Tier I and Tier II	38,570	28,511
Less: Net revaluation deficit on equity instruments	(13)	(264)
Total capital funds	38,557	28,247

As at 31 December 2009 and 2008, the Bank's capital ratios, calculated based on the BOT's regulation relating to the calculation of capital funds announced by the BOT, are as follows:

	2009		2008	
	Capital ratio of the Bank	Minimum requirement by BOT	Capital ratio of the Bank	Minimum requirement by BOT
Total capital to risk assets (percent)	14.10	8.50	11.18	8.50
Total Tier I to risk assets (percent)	8.65	4.25	8.02	4.25

The Bank will disclose capital maintenance information as at 31 December 2009 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its web site at www.thanachartbank.co.th, within April 2010. In addition, the Bank had disclosed the latest capital maintenance information as at 30 June 2009 on its web site since 28 September 2009.

26. Dividends

Dividends	Approved by	Total dividends	Dividend per share
		Million Baht	Baht
Dividends on earning for the year 2008	Annual General Meeting of the Shareholders on 28 April 2009	<u>971</u>	<u>0.56</u>
Dividends on earning for the year 2007	Annual General Meeting of the Shareholders on 23 April 2008	<u>746</u>	<u>0.43</u>

27. Bad debts and doubtful accounts

Bad debts and doubtful accounts in the statements of income for the years ended 31 December 2009 and 2008 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Bad debts and doubtful accounts of loans	3,098	3,932	2,804	3,540
Increase (reversal) bad debts and doubtful accounts of interbank and money market items	(26)	21	-	(3)
Amortisation of revaluation allowance for debts restructured during the year (additional setup)	(18)	2	(18)	2
Total bad debts and doubtful accounts	<u>3,054</u>	<u>3,955</u>	<u>2,786</u>	<u>3,539</u>

28. Loss on investments

Loss on investments for the years ended 31 December 2009 and 2008 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Reversal (increase) of impairment of investments	228	(242)	98	(98)
Realised gain (loss) on disposals				
Trading securities	14	(9)	4	-
Available-for-sale securities	(473)	(169)	(164)	(108)
Investments in an associated company	3	-	-	-
Gain on return of ordinary share capital	1	-	-	-
Unrealised gain on change in value	5	-	5	-
Total loss on investments	(222)	(420)	(57)	(206)

29. 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 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Realised gain (loss) on disposal of property foreclosed and other assets	14	(16)	15	(20)
Reversal of allowance for impairment (increase in allowance for impairment)	117	(69)	112	(64)
Total gain (loss) on property foreclosed and other assets	131	(85)	127	(84)

30. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Bank and a public subsidiary company in accordance with Section 90 of the Public Limited Companies Act, including the payment of remuneration amounting to approximately Baht 8 million to the Bank's directors, which was approved by the Annual General Meeting of Shareholders held on 28 April 2009, exclusive of salaries and related benefits payable to directors who hold executive positions.

31. Corporate income tax

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

From 1 January 2007, the Bank changed the method of recording property foreclosed – movable assets from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at the fair value (with reference to appraisal value less estimated selling expenses), providing this does not exceed the legal claim over such receivables. In this regard, the Bank restated the 2006 financial statements to reflect the change, of which the effect was to decrease corporate income tax of the year 2006 by Baht 102 million. In May 2008, the Bank received such tax refund from the Revenue Department and presented such amount under “Corporate income tax refundable” in the income statement.

32. Earnings per share

Basic earnings per share is calculated by dividing net income of the Bank’s portion for the year by the weighted average number of ordinary shares in issue during the year.

33. Provident fund

The Bank, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Bank and the subsidiaries contributed to the fund monthly at the rate of 5 percent of their basic salary. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the year 2009, approximately Baht 108 million has been contributed to the fund by the Bank and its subsidiaries (separate financial statement: Baht 82 million).

34. Related party transactions

During the years, the Bank and its subsidiaries had significant business transactions with its related parties. These transactions have been concluded on commercial terms and based agreed upon in the ordinary course of businesses between the Bank and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2009	2008	2009	2008	(For the year 2009)
Transactions occurred during the years					
Parent company					
Purchase of debt securities	50	-	50	-	At market price
Sales of debt securities	22,266	28,443	10,789	-	At market price
(Related gain)	2	-	1	-	
Sales of subordinated debentures	81	-	81	-	At par value
Interest income	28	294	15	287	At interest rate of 2.74 – 5.25 percent per annum
Income on supporting service	70	134	70	134	At the rate agreed under the contract, determined with reference to cost
Other income	47	46	5	-	
Interest expenses	254	275	253	256	At interest rate 0.75 – 6.18 percent per annum
Rental expenses	163	151	141	128	At the rate agreed under the rental contracts
Other expenses	24	20	24	20	
Dividend payment	495	559	495	559	As declared
Subsidiary companies					
Purchase of debt securities	-	-	4,433	2,878	At market price
Sales of debt securities	-	-	8,791	512	At market price
(Related gain)	-	-	17	5	
Sales of subordinated debentures	-	-	4	-	At par value
Purchase of investment in subsidiary company	-	-	-	431	
Interest and dividend income	-	-	569	408	At interest rate of 2.16 – 3.55 percent per annum and dividend as declared
Income on supporting services	-	-	156	146	At the rate agreed under the contract, determined with reference to cost
Other income	-	-	389	285	
Interest expenses	-	-	57	53	At interest rate of 0.5 – 4.70 percent per annum
Rental expenses	-	-	6	2	At the rate agreed under the rental contracts
Other expenses	-	-	192	221	
Purchase of fixed assets	-	-	-	4	
Associated company					
Sales of subordinated debentures	1,200	-	1,200	-	At par value
Interest income	1	3	1	3	At interest rate of 1.75 – 6.88 percent per annum
Other income	1	3	-	-	
Interest expenses	30	2	30	2	At interest rate of 0.65 – 5.25 percent per annum
Rental expenses	22	21	22	21	At the rate agreed under the rental contracts
Other expenses	2	1	-	-	

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2009	2008	2009	2008	(For the year 2009)
<u>Transactions occurred during the years (continued)</u>					
<u>Related companies</u>					
Purchase of debt securities	648	21,047	598	1,226	At market price
Sales of debt securities	7,579	21,580	2,588	607	At market price
(Related gain)	-	13	-	12	
Sales of subordinated debentures	300	-	300	-	At par value
Purchase/sales of forward exchange contracts	158,016	131,553	158,016	131,553	At market price
(Related gain (loss))	2	(36)	2	(36)	
Sale of loans	-	8	-	8	
(Related gain)	-	2	-	2	
Purchase of fixed assets	68	-	68	-	At the rate agreed under the contract, determined with reference to appraisal value and market price
Interest and dividend income	136	361	102	333	At interest rate of 0.05 - 8.50 percent per annum and dividend as declared
Income on supporting services	7	9	7	9	At the rate agreed under the contract, determined with reference to cost
Other income	27	37	-	-	
Interest expenses	34	71	34	69	At interest rate of 0.15 - 5.25 percent per annum
Rental expenses	52	38	27	15	At the rate agreed under the rental contracts
Insurance/Life insurance expenses	185	7	-	-	At the rate agreed under the contracts
Fees and services expenses	385	3	-	-	At the rate agreed under the contracts
Other expenses	36	37	30	30	
Dividend payment	476	186	476	186	As declared

The outstanding balances of the above transactions during the years ended 31 December 2009 and 2008 have been shown at the average balance at the end of each month as follows:

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
<u>Parent company</u>				
Loans	708	7,589	4,000	7,385
Deposits	462	700	462	700
Borrowings	7,387	4,651	7,360	4,277
<u>Subsidiary companies</u>				
Loans	-	-	3,877	4,525
Deposits	-	-	620	565
Interbank and money market items (liabilities)	-	-	784	185
Borrowings	-	-	906	714
<u>Associated company</u>				
Loans	383	87	277	48
Deposits	207	56	207	56
Borrowings	1,200	-	1,200	-
<u>Related companies</u>				
Interbank and money market items (assets)	3,477	4,398	3,452	4,287
Loans	1,435	4,962	1,385	4,695
Deposits	1,567	1,403	1,567	1,403
Interbank and money market items (liabilities)	2,379	447	2,379	402
Borrowings	447	410	447	400

The significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements										
31 December 2009										
	Assets				Liabilities				Commitments	
	Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Interest payable	Other liabilities	
Parent company										
Thanachart Capital Plc.	-	217	22	29	129	-	9,628	26	17	-
Associated company										
MBK Plc.	-	-	-	8	19	-	1,200	5	-	67
Related companies										
Advanced Info Service Plc.	-	319	44	7	2,123	-	300	2	2	17
The Stock Exchange of Thailand	-	-	-	-	568	-	-	1	1	-
Dhipaya Insurance Plc.	-	-	-	500	-	-	-	-	15	-
The Bank of Nova Scotia	189	-	-	15	-	5,013	-	1	1	1,407
Other related companies	190	-	407	17	748	55	450	4	296	77
	<u>379</u>	<u>536</u>	<u>473</u>	<u>576</u>	<u>3,587</u>	<u>5,068</u>	<u>11,578</u>	<u>39</u>	<u>332</u>	<u>1,568</u>

(Unit: Million Baht)

Consolidated financial statements										
31 December 2008										
	Assets				Liabilities				Commitments	
	Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Interest payable	Other liabilities	
Parent company										
Thanachart Capital Plc.	-	257	4,512	31	166	-	6,372	13	14	30
Associated company										
MBK Plc.	-	-	-	7	65	-	-	-	-	64
Related companies										
NFS Asset Management Co., Ltd.	-	-	3,859	2	23	-	-	-	-	-
Advanced Info Service Plc.	-	714	43	22	32	-	-	-	6	-
The Bank of Nova Scotia	7,754	-	-	3	-	8	-	-	4	1,228
Other related companies	-	-	149	19	814	94	212	11	1	58
	<u>7,754</u>	<u>971</u>	<u>8,563</u>	<u>84</u>	<u>1,100</u>	<u>102</u>	<u>6,584</u>	<u>24</u>	<u>25</u>	<u>1,380</u>

(Unit: Million Baht)

	Separate financial statements									
	31 December 2009									
	Assets				Liabilities					Commitments
	Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Interest payable	Other liabilities	
Parent company										
Thanachart Capital Plc.	-	-	-	24	129	-	9,628	26	11	-
Subsidiary companies										
Thanachart Group										
Leasing Co., Ltd.	-	-	2,173	-	27	-	-	-	-	-
T Leasing Co., Ltd.	-	-	634	-	16	-	-	-	-	-
Thanachart Securities										
Plc.	-	-	-	1	-	458	-	1	1	30
Thanachart Insurance										
Co., Ltd.	-	-	-	25	144	-	246	1	70	10
Thanachart Life										
Assurance Co., Ltd.	-	-	-	15	-	769	490	8	40	-
National Leasing										
Co., Ltd.	-	-	77	-	2	-	-	-	59	-
Thanachart Broker										
Co., Ltd.	-	-	-	-	228	-	-	-	-	-
Thanachart Legal and										
Appraisal Co., Ltd.	-	-	10	-	17	-	-	-	-	-
Thanachart Training and										
Development Co., Ltd.	-	-	-	-	23	-	-	-	-	-
Thanachart										
Management										
and Service Co., Ltd.	-	-	-	-	16	-	-	-	-	-
Thanachart Fund										
Management Co., Ltd.	-	-	-	2	-	15	-	-	-	-
Associated company										
MBK Plc.	-	-	-	7	19	-	1,200	5	-	67
Related companies										
Advanced Info Service										
Plc.	-	99	43	2	2,123	-	300	2	2	17
The Stock Exchange of										
Thailand	-	-	-	-	568	-	-	1	-	-
The Bank of Nova Scotia	189	-	-	15	-	5,013	-	1	1	1,407
Other related companies	133	-	400	8	748	55	450	4	1	77
	322	99	3,337	99	4,060	6,310	12,314	49	185	1,608

(Unit: Million Baht)

	Separate financial statements									
	31 December 2008									
	Assets				Liabilities					Commitments
	Interbank and money market items	Investments - debt securities	Loans and interest receivables	Other assets	Interbank and money market Deposits	Interbank and money items	Borrowings	Interest payable	Other liabilities	
Parent company										
Thanachart Capital Plc.	-	-	4,500	22	166	-	6,250	13	11	30
Subsidiary companies										
Thanachart Group										
Leasing Co., Ltd.	-	-	3,657	1	19	-	-	-	-	-
T Leasing Co., Ltd.	-	-	827	1	24	-	-	-	-	-
Thanachart Securities										
Plc.	-	-	-	2	-	19	-	-	-	30
Thanachart Insurance										
Co., Ltd.	-	-	-	12	285	-	170	3	2	10
Thanachart Life										
Assurance Co., Ltd.	-	-	-	11	-	403	1,090	11	31	-
National Leasing Co.,										
Ltd.	-	-	-	-	5	-	-	-	61	-
Thanachart Broker Co.,										
Ltd.	-	-	-	-	327	-	-	-	-	-
Thanachart Legal and										
Appraisal Co., Ltd.	-	-	-	-	10	-	-	-	-	-
Thanachart Training and										
Development Co., Ltd.	-	-	-	-	41	-	-	-	1	-
Thanachart										
Management										
and Services Co., Ltd.	-	-	-	-	10	-	-	-	-	-
Thanachart Fund										
Management Co., Ltd.	-	-	-	2	-	8	-	-	-	-
Associated company										
MBK Plc.	-	-	-	7	65	-	-	-	-	64
Related companies										
NFS Asset Management										
Co., Ltd.	-	-	3,650	-	23	-	-	-	-	-
Advanced Info Service										
Plc.	-	451	40	8	32	-	-	-	4	-
The Bank of Nova Scotia	7,754	-	-	3	-	8	-	-	4	1,228
Other related companies	-	-	141	11	814	93	212	11	-	58
	7,754	451	12,815	80	1,821	531	7,722	38	114	1,420

As at 31 December 2009 and 2008, the Bank has loans to parent, subsidiary and related companies within Thanachart Group as mentioned in Note 10.9 to the financial statements.

As at 31 December 2009, the Bank and its subsidiaries have investments amounting to approximately Baht 365 million (Baht 62 million in the separate financial statement) in related companies to which they are related by means of members of their management being shareholders and/or directors of those companies (2008: Baht 220 million in the consolidated financial statement and Baht 62 million in the separate financial statement).

As at 31 December 2009 and 2008, the Bank and its subsidiaries have the following related parties transactions with executive employees of the Bank and companies within Thanachart Group from department manager level up, including related persons who together with these employees:

	(Unit: Million Baht)	
	Consolidated and separate	
	financial statements	
	2009	2008
Loans	48	67
Deposits	554	496

Directors and management's remuneration

During the year 2009, the Bank and its subsidiaries paid Baht 242 million for salary, bonus, meeting allowance and gratuities to their key management personnel, including directors, totalled 78 persons (separate financial statement: 24 persons totaling Baht 70 million).

35. Financial information by segment

The Bank and its subsidiaries' business operations involve 4 principal segments: (1) Banking business; (2) Securities business; (3) Life insurance business; and (4) Non-life insurance business. These operations are carried on in Thailand. Below is the consolidated financial information of the Bank and its subsidiaries by segment.

(Unit: Million Baht)

For the year ended 31 December 2009							
	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	11,313	114	419	76	286	(581)	11,627
Share of income from investments accounted for under equity method	-	-	-	-	-	129	129
Non-interest income	2,814	1,479	11,646	2,695	494	(855)	18,273
Non-interest expenses	(9,125)	(1,074)	(11,935)	(2,453)	(415)	825	(24,177)
Corporate income tax	(1,455)	(134)	(10)	(90)	(79)	-	(1,768)
Net income	<u>3,547</u>	<u>385</u>	<u>120</u>	<u>228</u>	<u>286</u>	<u>(482)</u>	<u>4,084</u>

(Unit: Million Baht)

For the year ended 31 December 2008							
	Banking business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Total
Net interest and dividend income after bad debts and doubtful accounts and loss on debt restructuring	6,920	112	348	96	170	(324)	7,322
Share of income from investments accounted for under equity method	-	-	-	-	-	153	153
Non-interest income	2,202	1,239	4,684	2,544	592	(799)	10,462
Non-interest expenses	(7,704)	(1,036)	(4,514)	(2,551)	(440)	794	(15,451)
Corporate income tax	(216)	(95)	(168)	(72)	(137)	-	(688)
Corporate income tax refundable	102	-	-	-	-	-	102
Net income	<u>1,304</u>	<u>220</u>	<u>350</u>	<u>17</u>	<u>185</u>	<u>(176)</u>	<u>1,900</u>

(Unit: Million Baht)

At as 31 December 2009

	Banking	Securities	Life	Non-life	Other	Eliminations	Total
	business	business	insurance	insurance	business		
	business	business	business	business	business		
Interbank and money							
market items	64,028	768	1,602	410	340	(2,403)	64,745
Investments - Net	64,643	835	14,827	2,730	64	(4,497)	78,602
Loans and accrued interest							
receivable - Net	275,108	1,629	5	-	3,624	(2,970)	277,396
Land, premises and							
equipment - Net	1,950	68	150	28	15	-	2,211
Other assets	8,149	563	957	492	76	(221)	10,016
Total assets	413,878	3,863	17,541	3,660	4,119	(10,091)	432,970

(Unit: Million Baht)

At as 31 December 2008

	Banking	Securities	Life	Non-life	Other	Eliminations	Total
	business	business	insurance	insurance	business		
	business	business	business	business	business		
Interbank and money							
market items	63,691	626	2,838	477	442	(2,371)	65,703
Investments - Net	26,586	701	5,788	2,037	65	(4,465)	30,712
Loans and accrued interest							
receivable - Net	266,843	1,810	2	-	5,233	(4,545)	269,343
Land, premises and							
equipment - Net	2,014	107	139	34	16	-	2,310
Other assets	9,080	175	284	663	254	(223)	10,233
Total assets	368,214	3,419	9,051	3,211	6,010	(11,604)	378,301

36. Commitments and contingent liabilities

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

36.1

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Aval to bills	294	2	296	118	-	118
Liability under unmatured import bills	-	87	87	69	374	443
Letter of credits	9	1,001	1,010	1	663	664
Other obligations						
Foreign exchange contracts						
- Bought	-	9,086	9,086	-	8,519	8,519
- Sold	-	20,524	20,524	-	36,161	36,161
Cross currency and interest rate swap contracts						
- Bought	-	4,937	4,937	-	5,169	5,169
- Sold	-	7,785	7,785	-	4,846	4,846
Interest rate swap contracts						
- Bought	19,870	334	20,204	12,270	-	12,270
- Sold	19,870	334	20,204	12,270	-	12,270
Committed (but not draw) overdraft	4,861	-	4,861	4,164	-	4,164
Others	4,223	57	4,280	3,083	34	3,117
Total	49,127	44,147	93,274	31,975	55,766	87,741

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Aval to bills	294	2	296	118	-	118
Liability under unmatured import bills	-	87	87	69	374	443
Letter of credits	9	1,001	1,010	1	663	664
Other obligations						
Foreign exchange contracts						
- Bought	-	9,086	9,086	-	8,519	8,519
- Sold	-	20,524	20,524	-	36,161	36,161
Cross currency and interest rate swap contracts						
- Bought	-	4,937	4,937	-	5,169	5,169
- Sold	-	7,785	7,785	-	4,846	4,846
Interest rate swap contracts						
- Bought	19,570	334	19,904	11,970	-	11,970
- Sold	19,570	334	19,904	11,970	-	11,970
Committed (but not draw) overdraft	4,861	-	4,861	4,164	-	4,164
Others	4,158	57	4,215	3,037	34	3,071
Total	48,462	44,147	92,609	31,329	55,766	87,095

36.2 During the years 2001 and 2002, the Bank entered into agreements to transfer non-performing loans and receivables of approximately Baht 296 million to TAMC. The Bank is still jointly liable for a share of the gains and losses arising from TAMC's management of these non-performing assets to be calculated at the end of the fifth year and tenth year, counting from 1 July 2001. If there are losses, the Bank is liable for all initial losses up to 20 percent of the transfer price, while further losses of up to another 20 percent of the transfer price are to be shared equally between the Bank and TAMC, and TAMC is liable for all remaining losses. Such gains and losses will be determined based on the accumulated value of collections made on the assets at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the loans and receivables. The gain or loss cannot be estimated at this stage, but as at 31 December 2009, the Bank has estimated its share of losses which may arise from the management of the non-performing assets at approximately Baht 89 million. This amount has been presented as a part of allowance for impairment of long-term investments in debt securities (2008: estimated share of losses at Baht 89 million).

36.3 The Bank has entered into agreements to sell housing loans/transfer rights to the Secondary Mortgage Corporation, under which it is committed to compensate the Corporation for losses from uncollected housing loans up to a maximum of 20 percent of the valuation of the said receivables. As at 31 December 2009, its maximum obligation is Baht 2 million.

36.4 As at 31 December 2009, the Bank and its subsidiaries have commitments to pay the service fees in relation to property foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term rental contracts, as follow:

(Unit: Million Baht)

Year	Consolidated financial statements		Separate financial statements		
	Other parties	Parent company	Other parties	Parent company	Subsidiary companies
2010	535	147	480	127	12
2011	266	106	235	88	-
2012 onward	380	46	321	35	-

In addition, the Bank has obligations to pay an administrative fee to a subsidiary company, determined at actual cost plus a margin, for the period stipulated in the agreement.

- 36.5** As at 31 December 2009, a subsidiary company has commitment under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on a quarterly basis at the rate specified in the agreement. The agreement will expire on 30 September 2010.
- 36.6** Under the agreements among the Parent company, the Bank and the Bank of Nova Scotia Asia Limited (“BNSAL”) (BNSAL had transferred all rights and obligations under these agreements to the Bank of Nova Scotia (“BNS”) on 11 January 2008), the Parent company and the Bank have to disclose information relating to the 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 BNS 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 that the Parent company and the Bank did not disclose to BNS before BNS purchased the shares of the Bank, the Parent company and the Bank will jointly compensate BNS for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescription period stipulated by Thai laws for each claim for damage.

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

37. Litigation

As at 31 December 2009, the Bank and its subsidiaries have contingent liabilities amounting to approximately Baht 546 million (separate financial statements: Baht 492 million) as a result of litigation. However, the Bank and its subsidiaries’ management expect that no losses will result and therefore no liabilities are currently recorded.

38. Financial instruments

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

38.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill the obligation, causing the Bank and its subsidiaries to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the balance sheet and the off-balance sheet transactions of avals, guarantees of loans, other guarantees and derivative contracts.

In addition, the Bank and its subsidiaries manage credit risk by the following means, in through careful consideration of credit approval process, analysis of risk factors, the ability to service debt of customers and credit review process, which examines and reviews the quality of the loan portfolio 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 Bank 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 Bank 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)

Transactions	Consolidated financial statements							
	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	526	60,143	4,039	64,708	305	60,876	4,371	65,552
Investments	-	74,526	3,736	78,262	-	27,547	4,208	31,755
Receivable from clearing house	-	-	429	429	-	-	50	50
Loans ⁽¹⁾	43,278	240,401	1,836	285,515	38,353	235,650	2,139	276,142
Financial liabilities								
Deposits	86,386	179,298	612	266,296	76,259	193,288	616	270,163
Interbank and money market items	8,672	11,827	440	20,939	5,330	1,347	614	7,291
Payment 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	-	90,200	-	90,200	-	61,150	-	61,150

(1) The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements							
	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	-	-	4,017	4,017
Interbank and money market items	350	59,736	3,909	63,995	18	59,236	4,272	63,526
Investments	-	59,323	5,035	64,358	-	21,216	5,612	26,828
Loans ⁽¹⁾	42,025	239,500	1,052	282,577	37,340	234,675	910	272,925
Financial liabilities								
Deposits	86,761	179,339	627	266,727	76,543	193,632	657	270,832
Interbank and money market items	9,400	12,278	487	22,165	5,432	1,599	638	7,669
Liabilities payable on demand	-	-	2,112	2,112	-	-	1,317	1,317
Borrowings	-	90,936	-	90,936	-	62,288	-	62,288

(1) The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition is 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 statement as at 31 December 2009							
Transactions	Repricing or maturity date					Total	Weighted
	At call	0 - 3	3 - 12	1 - 5	Over 5		average
		months	months	years	years		interest rates
							Percent
<u>Financial assets</u>							
Interbank and money market items	107	58,561	1,475	-	-	60,143	1.19 - 1.70
Investments	-	7,504	20,555	37,177	9,290	74,526	2.81 - 4.08
Loans	1,521	6,608	14,764	182,996	34,512	240,401	7.98 - 9.44
<u>Financial liabilities</u>							
Deposits	-	60,860	74,006	44,432	-	179,298	1.76
Interbank and money market items	-	10,654	867	306	-	11,827	0.92
Borrowings	-	58,327	16,873	15,000	-	90,200	2.35

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2008							
Transactions	Repricing or maturity date					Total	Weighted
	At call	0 - 3	3 - 12	1 - 5	Over 5		average
		Months	months	years	Years		interest rates
							Percent
<u>Financial assets</u>							
Interbank and money market items	129	60,547	200	-	-	60,876	2.59 - 3.89
Investments	-	3,525	8,438	13,986	1,598	27,547	4.18 - 4.59
Loans	9,012	6,330	12,239	166,172	41,897	235,650	7.97 - 9.99
<u>Financial liabilities</u>							
Deposits	4	107,810	85,432	42	-	193,288	3.49
Interbank and money market items	50	1,060	237	-	-	1,347	3.56
Borrowings	124	38,280	8,676	14,070	-	61,150	3.71

(Unit: Million Baht)

Separate financial statement as at 31 December 2009							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 Years		
<u>Financial assets</u>							
Interbank and money market items	107	58,361	1,268	-	-	59,736	1.19
Investments	-	4,755	19,517	32,068	2,983	59,323	2.81
Loans	4,390	6,569	14,352	180,604	33,585	239,500	7.98
<u>Financial liabilities</u>							
Deposits	-	60,860	74,047	44,432	-	179,339	1.76
Interbank and money market items	-	10,255	1,717	306	-	12,278	0.92
Borrowings	-	58,673	17,263	15,000	-	90,936	2.35

(Unit: Million Baht)

Separate financial statement as at 31 December 2008							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	129	59,107	-	-	-	59,236	2.59
Investments	-	1,877	7,448	11,316	575	21,216	4.59
Loans	13,463	6,276	11,880	162,548	40,508	234,675	7.97
<u>Financial liabilities</u>							
Deposits	4	108,104	85,482	42	-	193,632	3.49
Interbank and money market items	-	1,211	388	-	-	1,599	3.56
Borrowings	2	38,750	9,176	14,360	-	62,288	3.71

In addition, the average balances of the financial assets and liabilities of the Bank and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the year, and the average interest and dividend rate for the year ended 31 December 2009 and 2008 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	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	58,662	1,046	1.78	40,042	1,529	3.82
Securities purchased under resale agreements	-	-	-	962	31	3.24
Investments	40,432	1,545	3.82	23,659	1,243	5.25
Loans/hire purchase and finance leases	264,639	18,879	7.13	266,284	17,884	6.72
<u>Interest bearings financial liabilities</u>						
Deposits	263,191	4,873	1.85	229,311	7,031	3.07
Interbank and money market items	14,601	120	0.82	6,843	184	2.69
Borrowings	58,042	1,743	3.00	55,855	2,182	3.91

(Unit: Million Baht)

	Separate financial statements					
	For the years ended 31 December					
	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	56,683	1,022	1.80	39,608	1,480	3.74
Securities purchased under resale agreements	-	-	-	962	31	3.24
Investments	33,417	1,607	4.81	23,845	1,094	4.59
Loans/hire purchase and finance leases	263,003	18,305	6.96	264,135	17,291	6.55
<u>Interest bearings financial liabilities</u>						
Deposits	263,769	4,880	1.85	229,837	7,046	3.07
Interbank and money market items	15,112	141	0.93	6,835	191	2.79
Borrowings	58,868	1,770	3.01	56,194	2,191	3.90

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the Bank has foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Bank has a policy to hedge this foreign exchange exposure through management of its net exchange position and operating in accordance with a risk management policy which has been approved by its Board of Directors and is in strict accordance with BOT guidelines.

The status of the Bank foreign currency balances as at 31 December 2009 and 2008 can be summarised as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements							
	2009				2008			
	Outstanding balance of financial instruments				Outstanding balance of financial instruments			
	US Dollar	Euro	Yen	Others	US Dollar	Euro	Yen	Others
<u>In balance foreign currency</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	4,282	699	-	-	4,148
Loans	2,317	4	-	-	955	68	-	-
Other assets	53	-	-	14	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	9,870	98	189	4,367	22,305	264	153	4,238
<u>Off balance foreign currency</u>								
Aval to bills	-	2	-	-	-	-	-	-
Liability under unmatured import bills	9	-	78	-	291	-	83	-
Letter of credits	807	188	-	6	472	165	-	26
Foreign exchange contracts								
- Bought	8,356	604	-	126	8,393	10	27	89
- Sold	19,185	732	252	355	35,239	398	281	243
Cross currency and interest rate swap contracts								
- Bought	4,937	-	-	-	5,169	-	-	-
- Sold	3,503	-	-	4,282	699	-	-	4,147
Interest rate swap contracts								
- Bought	334	-	-	-	-	-	-	-
- Sold	334	-	-	-	-	-	-	-
Others	57	-	-	-	34	-	-	-

c) Equity position risk

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

38.3 Liquidity risk

Liquidity risk is the risk that the Bank 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 Bank and its subsidiaries incurring a financial loss.

The Bank and its subsidiaries manage liquidity risk by means of appropriate structuring of short-term and long-term sources of capital. In addition, the Bank 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⁾	4,672	60,036	-	-	64,708	5,105	60,447	-	-	65,552
Investments	-	22,990	51,691	3,581	78,262	-	6,886	20,701	4,168	31,755
Receivable from clearing house	-	429	-	-	429	-	50	-	-	50
Loans ⁽²⁾	11,748	90,677	183,090	-	285,515	19,640	77,571	178,931	-	276,142
<u>Financial liabilities</u>										
Deposits	82,407	138,598	45,291	-	266,296	73,686	195,063	1,414	-	270,163
Interbank and money market items	9,112	11,521	306	-	20,939	5,994	1,297	-	-	7,291
Payable to clearing house	-	96	-	-	96	-	295	-	-	295
Securities business payable	-	1,036	-	-	1,036	-	855	-	-	855
Liability payable on demand	2,112	-	-	-	2,112	1,317	-	-	-	1,317
Borrowings	-	75,200	15,000	-	90,200	124	46,956	14,070	-	61,150
<u>Off-balance sheet items</u>										
Aval to bill	8	133	155	-	296	-	106	12	-	118
Liability under unmatured import bills	-	87	-	-	87	-	360	83	-	443
Letter of credits	54	887	69	-	1,010	48	616	-	-	664
Other commitments	5,013	54,884	29,898	2,086	91,881	4,310	51,611	29,534	1,061	86,516

⁽¹⁾ The outstanding balances of interbank and money market items at call included the item for which revenue recognition has been discontinued.

⁽²⁾ The outstanding balances of loans at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

	Separate financial statements									
	2009					2008				
	Less than	Over				Less than	Over			
Transactions	At call	1 year	1 year	Unspecified	Total	At call	1 year	1 year	Unspecified	Total
<u>Financial assets</u>										
Cash	3,665	-	-	-	3,665	4,017	-	-	-	4,017
Interbank and money										
market items	4,366	59,629	-	-	63,995	4,419	59,107	-	-	63,526
Investments	-	18,973	40,386	4,999	64,358	-	4,248	17,008	5,572	26,828
Loans ⁽¹⁾	13,056	88,474	181,047	-	282,577	22,573	74,668	175,684	-	272,925
<u>Financial liabilities</u>										
Deposits	82,798	138,638	45,291	-	266,727	74,010	195,408	1,414	-	270,832
Interbank and money										
market items	9,887	11,972	306	-	22,165	6,070	1,599	-	-	7,669
Liability payable on										
demand	2,112	-	-	-	2,112	1,317	-	-	-	1,317
Borrowings	-	75,936	15,000	-	90,936	2	47,926	14,360	-	62,288
<u>Off-balance sheet items</u>										
Aval to bill	8	133	155	-	296	-	106	12	-	118
Liability under unmatured										
import bills	-	87	-	-	87	-	360	83	-	443
Letter of credits	54	887	69	-	1,010	48	616	-	-	664
Other commitments	5,013	54,884	29,233	2,086	91,216	4,310	51,611	28,888	1,061	85,870

⁽¹⁾ The outstanding balances of loans at call included loans for which revenue recognition 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, willing parties in an arm's length transaction. The Bank 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 are presented at the amount stated in the balance sheet, including cash, interbank and money market items, receivables from clearing house and loans. These financial assets have their fair value approximate to their respective carrying value since the values of these financial instruments are predominantly subject to market interest rates. Financial instruments with standard terms and conditions which are traded on an active and liquid market, such as investments, have their fair values determined by 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, liabilities payable on demand, and borrowings, are considered to approximate their respective carrying values for the same reasons as described above.

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

38.5 Financial derivatives

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

The Bank and its subsidiaries have a policy to hedge the risk limits by which it requires risk reporting for the various types of risk, as a control over financial derivative activities. The Bank 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 Bank and its subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2009 and 2008, the Bank and its subsidiaries have financial derivatives as classified by their maturities 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	9,086	-	9,086	8,519	-	8,519
- Sold	20,524	-	20,524	36,161	-	36,161
Cross currency and interest rate swap contracts						
- Bought	4,937	-	4,937	-	5,169	5,169
- Sold	4,449	3,336	7,785	524	4,322	4,846
Interest rate swap contracts						
- Paid fixed interest rate	7,070	12,334	19,404	950	9,070	10,020
- Paid floating interest rate	-	800	800	1,450	800	2,250
- Received fixed interest rate	-	800	800	1,450	800	2,250
- Received floating interest rate	7,070	12,334	19,404	950	9,070	10,020

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
- Bought	9,086	-	9,086	8,519	-	8,519
- Sold	20,524	-	20,524	36,161	-	36,161
Cross currency and interest rate swap contracts						
- Bought	4,937	-	4,937	-	5,169	5,169
- Sold	4,449	3,336	7,785	524	4,322	4,846
Interest rate swap contracts						
- Paid fixed interest rate	7,070	12,334	19,404	950	9,070	10,020
- Paid floating interest rate	-	500	500	1,450	500	1,950
- Received fixed interest rate	-	500	500	1,450	500	1,950
- Received floating interest rate	7,070	12,334	19,404	950	9,070	10,020

39. Reclassification

The Bank has reclassified certain amounts in the financial statements for the year ended 31 December 2008 to conform to the current year's classifications in order to comply with the same classification of the group, with no effect on previously reported net income and shareholders' equity. Reclassifications are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statement		financial statement	
	As	As previously	As	As previously
	reclassified	reported	reclassified	reported
Other assets	2,779	2,426	1,775	1,445
Other liabilities	3,404	3,450	2,213	2,271
Non-interest expenses				
- Premises and equipment expenses	1,566	1,362	1,256	1,052
- Fees and charges	260	258	55	53
- Other expenses	3,189	3,395	2,722	2,928

40. Subsequent events

On 24 February 2010, the Board of Directors of the Bank passed a resolution to propose the payment of a dividend of Baht 0.56 per share to the ordinary shareholders in respect of the operating results for the year 2009, a total of Baht 1,083 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 Bank's shareholders.

41. Approval of financial statements

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