

# Annual Review 2006

**TISCO** Bank

Shareholders



Clients



Staff



Society



# Contents

## TISCO Group

Report from the Board of Directors	2
Board of Directors	4
Management Committee	5
Corporate Profile	6
Corporate Governance	12
Report of the Audit Committee	14

## Stakeholders

Shareholders	17
Clients : TISCO Business	21
Retail and SME Banking	
Private Clients and Asset Management	
Corporate and Investment Banking	
Corporate Investment	
Corporate Center	
Staff : Our People	29
Society : Corporate Social Responsibility	33

## Financial Statements

Responsibility of the Board of Directors for Financial Statements	37
Report of Independent Auditor	38
Balance Sheets	39
Income Statements	41
Statements of Changes in Shareholders' Equity	42
Cash Flow Statements	44

## Further Information

TISCO's Officers	46
Branches	48

## Financial Highlights

### Summary Result

(million baht)

	2004	2005	2006
Total interest and dividend income	3,913	4,567	5,705
Net interest and dividend income	2,830	3,103	2,806
Non-interest income	2,730	2,057	2,222
Non-interest expense	(2,646)	(2,893)	(3,048)
Pre-provision operating profit	2,914	2,267	1,980
Reversal of bad debt and doubtful account	(175)	186	222
Pre-tax and minority interest profit	2,739	2,453	2,202
Net profit	2,224	1,791	1,546
ROAA (%)	3.5	2.5	1.9
ROAE (%)	19.1	14.0	12.0
Interest spread (%)	4.7	4.1	3.0
Cost-to-income (%)	38.4	44.3	47.8

### Balance Sheet Information

(million baht)

	2004	2005	2006
Total loans and receivable	56,985	65,224	75,308
Total assets	66,296	75,283	84,781
Total deposits	39,288	34,451	40,568
Total borrowings	6,986	17,491	26,082
Total liabilities	53,715	62,201	72,098
Total shareholder's Equity	12,581	13,082	12,683
BIS Ratio (%)	15.7	15.9	13.4
Tier 1 Capital (%)	13.6	14.3	12.7
Net Capital Rule (TISCO Securities) (%)	56.5	103.0	181.2

As of or for the year ended December 31		2004		2005		2006	
<b>TISCO Share Information</b>		<b>TISCO-P</b>	<b>TISCO</b>	<b>TISCO-P</b>	<b>TISCO</b>	<b>TISCO-P</b>	<b>TISCO</b>
Share price (Baht)	high	36.75	37.25	29.50	29.50	31.00	31.75
	low	21.00	20.70	23.20	22.40	20.00	18.00
	close	24.50	24.30	28.00	27.75	22.80	22.00
Shares outstanding	end of year (share)	184,123,480	533,907,520	180,947,630	541,020,120	185,127,630	541,277,120
Earnings per share (Baht)	Basic		2.85		2.23		1.88
	Diluted		2.79		2.21		1.87
Book value per share (Baht)			17.52		18.12		17.46
Branches			14		14		16*
Employees (permanent and contract staff)			1,776		1,971		1,999
<b>Credit Rating</b>							
<b>TRIS Rating Co., Ltd.</b>							
Company Rating			A		A		A
Issue Ratings (Senior debentures)							
TSCO077A: Bt 2,000 million senior debentures due 2007			A		A		A
TSCO077B: Bt 1,000 million senior debentures due 2007			A		A		A
TSCO070A: Bt 1,800 million senior debentures due 2007			A		A		A
Rating outlook			Positive		Stable		Stable
<b>Fitch Ratings (Thailand) Ltd. (unsolicited rating)</b>							
Long - Term National Rating			A - (tha)		A (tha)		A (tha)
Short - Term National Rating			F2 (tha)		F1 (tha)		F1 (tha)
Rating Outlook			Stable		Stable		Stable

\* as of February 28, 2007

# Report from the Board of Directors

In the year 2006, Thailand experienced dramatic changes in political and economic. The political uncertainty, looming since the early of the year, ended up with coup de grace on September 19, 2006. The new government was established to oversee administration of the country. Adding to the political uncertainty, the economy faced recorded high oil price which led high inflation and high interest rate. However, the favorable external demand and higher commodity price in the world market led the Thai exports (in \$US) expanded by 17.4% and supported economic growth at the rate of 5.0%. At the end of year, a surprise 30% reserve requirement on capital inflows brought panic sale in the SET. As a result the SET Index finished at 679.84 points by end of year, well below market consensus, with declining in the average daily turnover.

With these unfavorable factors, together with intensifying competition following the announcement of the Financial Sector Master Plan permitting commercial banks to operate hire purchase, leasing, and factoring businesses, TISCO has been confronted with key challenges through the year. However, with TISCO effective risk management system and its ability to assess the situation and effectively adapt business strategies with changing clients, TISCO business continued to expand with the growth in hire purchase loans of as high as 20%, resulted in a strong increase of 25% in interest income. However, the intense competition for deposits among commercial banks through offering attractive products and high interest rates, the net interest income declined from high funding costs. Meanwhile, fee base income continued to grow with the expansion of hire purchase, brokerage, and asset management businesses resulting in net revenue maintained at the same level of last year. With operating expenses and increasing corporate income tax rate to the normal level, TISCO Group recorded a net profit of 1,546 million baht, down 13.7% from 2005.

Under a customer-centric business strategy which targets to offer full ranges of financial services to satisfy customers, TISCO continued to develop and introduce new financial products including SME loans, cash management service, and bancassurance. Moreover, in November 2006, TISCO has successfully joined the ATM pool network, which will serve as an important business platform for deposit taking from retail customers into the future. In addition, TISCO also emphasized as cross-selling activities among different business lines to increase the use of TISCO services by existing customers which also produced a satisfactory result.

Despite the volatile stock market, TISCO Securities Company Limited (TISCO Securities) recorded higher average daily trading volumes and saw its market share rise to 3.22% from 2.97% in 2005. TISCO Securities was also voted as the "Best Local Brokerage 2006" for the third consecutive year by the Asiamoney Brokers' Poll for Thailand. Meanwhile, TISCO Asset Management Company Limited (TISCO Asset) also retained its position in the second-rank of the market in private and provident fund business.

TISCO Group is well aware of the significance of good corporate governance, TISCO Bank Public Company Limited (TISCO Bank) was honored with the award for "Distinction in Maintaining Excellent Corporate Governance Reports" at the SET Awards 2006, organized by the SET and Money and Banking magazine. Recently, the Thai Institute of Directors Association announced the Corporate Governance Report 2006 results of Thai listed companies, of which TISCO is scored "Very Good". TISCO Bank was also awarded best "Corporate Bond House (Thai Baht) 2006" from The Asset Asian Currency Bond Benchmark Survey 2006. The Asset Magazine conducted the survey of more than 300 institutional investors who directly used bond services in the Asian region to evaluate the quality of services, supply of bonds and bank relationship. In addition, TISCO Bank received "Best Dealer Compliance" award from the ThaiBMA Best Bond Awards 2006.



Going forward, TISCO will meet competitive challenges in various aspects. The Board and the management are well aware that, to overcome such challenges, TISCO must employ the right business model, the right structure, and the right people. Hire purchase, brokerage business, and asset management business will continue to be the core business under TISCO diversified business portfolio, leveraging on TISCO core competency in the niche market, while the organization structure will effectively be simplified with clear accountabilities to ensure responsiveness to business opportunities, and quality and timeliness of services to customers. On human resource management, the focus will be on putting the right man on the right job, including the recruitment of mid career professionals to fulfill the business needs, and staff empowerment through implementation of Balanced Scorecard and KPIs.

TISCO Group has also placed significant emphasis on Corporate Social Responsibility (CSR). With the aim of making this concept a part of the Bank's culture, it has developed and promoted CSR activities and encouraged employees to participate in worthy causes such as supporting education for young students and promoting social, environmental and cultural development. The Group mainly participates in CSR activities through TISCO Foundation, which emphasizes long-term projects to develop the potential of under-privileged members of society so that they might become better able to support themselves and their families on a sustainable basis. Each year, the TISCO Foundation hands out over 4,000 scholarships, of which more than 60% are in the form of long-term programs providing education to needy students. Through 25 years of its establishment, it has already handed out total scholarships worth 108 million baht. In addition, 6 million baht has been donated to support business start-ups and as medical assistance funds.

Currently, TISCO Group is in the process of establishing TISCO Financial Group under the Consolidated Supervision regulation announced by the Bank of Thailand with TISCO Bank as the parent company. This is due to the Bank of Thailand's decision to cease considering the application for holding company restructuring plan submitted since November 2005, which resulted from the Ministry of Finance declining to approve TISCO Corporation Public Company Limited's plan to hold shares in TISCO Bank. Instead, TISCO Financial Group will be created to enhance risk diversification and capital efficiency.

For 2007, TISCO Group will focus its efforts on business growth coupled with the development of high quality financial services, with emphasis on fund raising from retail customers through branch network expansion and ATM services. TISCO Group will also continue promoting its cross-selling strategy and developing new products and services to meet customer needs. Good corporate governance and transparency will be continually committed. Meanwhile, TISCO is well prepared for the adoption of new International Accounting Standard (IAS39) and Basel II regulations.

Finally, the board wishes to convey its gratitude to all of TISCO's clients and shareholders for their commitment and support, and would like to extend special thanks to management and staff for their dedication, diligence and contributions throughout the year.

Board of Directors

# Board of Directors



**Dr. Phisit Pakkasem**  
Chairman of the Board,  
and Independent Director



**Mr. Pliu Mangkomkanok**  
Director, Chairman of the  
Executive Board, and  
Chief Executive Officer



**Mrs. Krisna Theravuthi**  
Chairperson of the Nomination  
and Compensation Committee,  
Member of the Audit Committee  
and Independent Director



**Assoc. Prof. Dr. Angkarat Priebjivat**  
Chairperson of the Audit Committee  
and Independent Director



**Prof. Dr. Praipol Koomsup**  
Member of the Audit Committee  
and Independent Director



**Mr. Sangiam Santad**  
Independent Director



**Dr. Kanit Sangsubhan**  
Independent Director



**Mr. Mitsunobu Hasegawa**  
Director, Member of the  
Executive Board, and Member  
of the Nomination and Compensation  
Committee



**Mr. Samuel Shih**  
Director, Member of the  
Executive Board, and Member  
of the Nomination and Compensation  
Committee



**Mr. Kah-Hua Yeo**  
Director



**Mr. Pichai Chanvirachart**  
Director, Member of the  
Executive Board, and President  
and Chief Operating Officer



**Mrs. Oranuch Apisaksirikul**  
Director, and Chief Financial Officer

# Management Committee



**Mr. Pliu  
Mangkomkanok**  
Chief Executive Officer



**Mr. Pichai  
Chanvirachart**  
President and  
Chief Operating Officer



**Mrs. Oranuch  
Apisaksirikul**  
Senior Executive Vice  
President -  
Chief Financial Officer



**Mr. Panya  
Wotticharoenvong**  
Executive Vice President -  
SME Banking



**Ms. Nattamon  
Issaradharm**  
Executive Vice President -  
Chief Governance Officer



**Mr. Sakchai Peechapat**  
Executive Vice President -  
Retail Banking and Human  
Resources and Organization  
Development (Acting)



**Mr. Metha  
Pingsuthiwong**  
Executive Vice President -  
Treasury and Private  
Banking



**Mr. Suthas  
Ruangmanamongkol**  
Managing Director  
TISCO Asset Management  
Co., Ltd.



**Ms. Araya Thirakomen**  
Deputy Managing Director  
TISCO Asset Management  
Co., Ltd.



**Mr. Paiboon  
Nalinthrangkum**  
Managing Director  
TISCO Securities Co., Ltd.

# Corporate Profile

TISCO was co-founded in 1969 by a joint venture comprised of Bankers Trust New York (60%), Kasikornbank (20%), and Bancom Development Corporation (20%). In 1972, Dai Ichi Kangyo Bank Ltd, later renamed Mizuho Corporate Bank Ltd, took over Bancom Development Corporation shares holding in TISCO. Later in 1983, TISCO was listed on the Stock Exchange of Thailand and became a public company in 1993.

In 1973, TISCO was the first company in Thailand obtaining a license to operate a finance and securities business from the Ministry of Finance. The company was the first to introduce investment banking, provident fund management, and played the major role in capital market services to the Thai market. It also pioneered hire purchase business and contributed as a founding member to the establishment of the Stock Exchange of Thailand.

After weathering the 1997 economic crisis, in 1999 TISCO raised capital through the Tier-I capital support schemes of the Ministry of Finance (MoF). The company was the recipient of a 6,000 million baht capital increase from private investors and the MoF in equal proportion. Meanwhile, the MoF issued 3-year warrants to investors, with an option to purchase TISCO preferred shares. These warrants were fully exercised in 2002 resulting to widely diversified shareholding structure and improving TISCO share liquidity in the market. Following the recapitalization, CDIB & Partners Investment Holding (Cayman) Ltd., has been the major shareholders, currently holding 11.03% stake, while the remaining has been diversified among local and foreign investors. During the years of the crisis, even though recapitalization and risk concerns were the company's primary focus, TISCO conducted business without interruption and continued to explore business opportunities for future growth. TISCO was able to make a remarkable turnaround from net loss to net profit in 2000.

In October 2004, the Financial Sector Master Plan undertaken by the Bank of Thailand was implemented with the aim of reforming the finance and banking industry. TISCO Finance Public Company Limited received approval from the Ministry of Finance to upgrade to a full-service commercial bank. **TISCO Bank Public Company Limited** (TISCO Bank) commenced banking operations on July 1, 2005, and upgraded 14 provincial loan offices to become bank branches, with plans to expand this branch network in strategic locations in order to serve more clients. Under the new business model, TISCO group has redefined its core strategy to create a fully customer-centric organization, with the aim of fulfilling its goal of being "The Customer's First Choice." We are now in position to cope with the demands of a new future and new challenges.

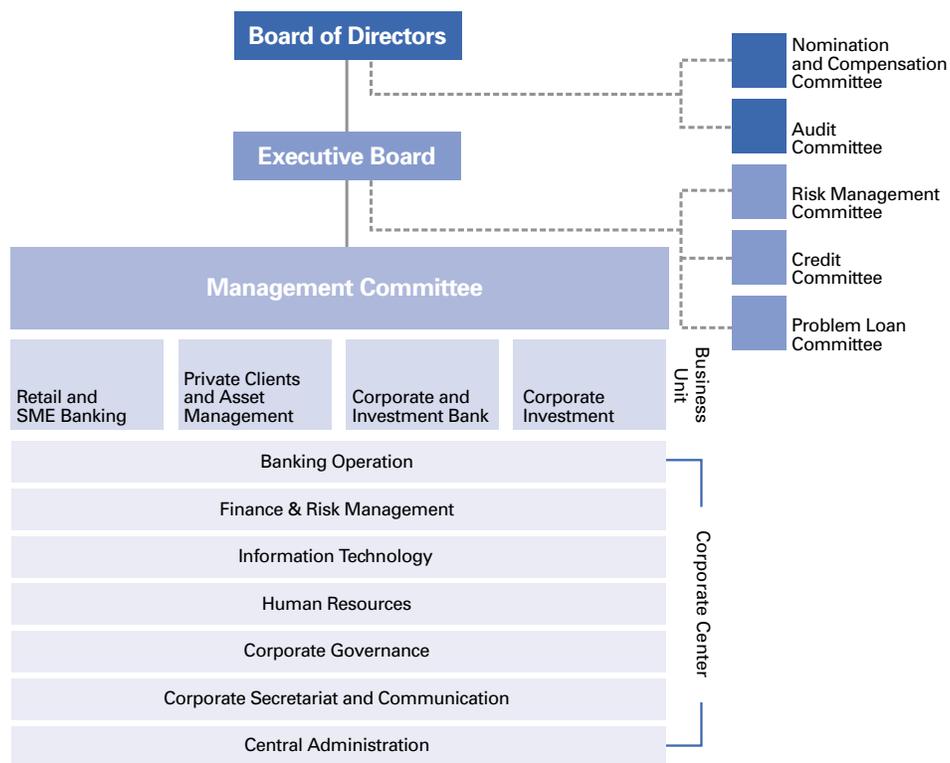
TISCO has strong niche positions in consumer finance, asset management, brokerage business, and investment banking. Our group businesses under client-centric business strategy are categorized in accordance with our clients base with the aim to provide products and services to customer more effectively. There are 4 main business areas including 1) Retail and SME Banking, 2) Private Clients and Asset Management, 3) Corporate and Investment Banking, and 4) Corporate Investment.

TISCO group businesses are operated by TISCO Bank Public Company Limited and its subsidiaries namely Hi-Way Company Limited, TISCO Leasing Company Limited, TISCO Asset Management Company Limited, and TISCO Securities Company Limited.



## Management Structure

The Board Structure is comprised of 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination and Compensation Committee. In addition, the Management Committee oversees and monitors the Bank and subsidiaries to ensure that all operations are in line with policy and planning as approved by the Board of Directors. TISCO's management structure are as follows;



**The Board of Directors** is made up of twelve directors. The main responsibility of the board is to define the overall direction and strategy of the Bank and ensure that it is implemented efficiently and effectively to protect the interests of the Bank and its shareholders.

**The Executive Board** members are appointed by the Board of Directors. The Executive Board monitors operations in accordance with the Bank's policies and related laws, determines business strategies, merger and acquisition activities, new business ventures, new products, and annual budgeting.

To ensure that the performance of the Bank complies with the Commercial Banking Act, the Securities and Exchange Act and related regulations, and other laws relating to commercial banking, **the Audit Committee** is appointed to account for the accuracy and adequacy of the Bank's financial reports. This includes the review and evaluation of the internal audit and internal control system.



**The Nomination and Compensation Committee** are appointed by the Board of Directors. The main responsibilities of this committee are the formulation of policies governing selection, nomination, remuneration and benefits, proposing the names of qualified candidates for appointment as Bank directors, members of committees, and senior executive positions, and issuing recommendations for the size and composition of the Board, including remuneration amounts for the Board and senior executives using clear and transparent criteria.

The Bank's operations are monitored by **the Management Committee**. The committee also formulates corporate planning and strategies, as well as overseeing resource management. The senior management of each business unit is also involved in establishing in-depth policies.

## Group Business

As a customer-centric organization, TISCO Group's businesses are divided into four main businesses namely (1) Retail and SME Banking, (2) Private Clients and Asset Management, (3) Corporate and Investment Banking, and (4) Corporate Investment. These four frontline business areas are supported by Banking Operations, Finance and Risk Management, Information Technology, Human Resources, Corporate Governance, Corporate Secretariat and Communication, and Central Administration.

**Retail and SME Banking** includes services such as retail loan, retail deposits and bancassurance.

The business unit provides financing including hire purchase, mortgage loans, and consumer loans to retail customers, both individuals and small- and medium-sized enterprises (SMEs). Hire purchase, as one of the Group's core businesses, provides loans of all types for both new and used automobiles, which includes passenger cars, multipurpose vehicles, motorcycles, and commercial vehicles. In addition, hire purchase financing is also offered on loans for buying machinery and equipment for commercial purposes, such as printing machines, computers and film-developing equipment.

Since TISCO Bank was granted an Insurance Broker License in October, 2005, it has operated as an assurance broker, providing various areas of insurance including life insurance, health insurance, loan protection, motor insurance, fire insurance, and miscellaneous insurance such as personal accident insurance, travel abroad insurance, and specific-illness insurance. To increase its competitive advantage, the Bank signed an agreement with Ayudhya Allianz C.P. Life Public Company Limited and American International Assurance Company Limited (Thailand), well-known insurance companies, in order to offer an exclusive insurance package for TISCO customers.



**Private Clients and Asset Management** comprises of three areas of services including Private Banking, Private Sales Brokerage, and Asset Management for clients with minimum investment of 20 million baht.

Private Banking provides high net-worth clients with a wide array of financial services, from traditional banking products such as current accounts, deposits and loans, through cash management services and professional financial advisory.

Private Sales Brokerage serves local and foreign high net-worth clients. The professional team offers a range of premium services such as investment advisory on demand, as well as catering to the particular wealth management and investment research needs of high net-worth clients.

TISCO also provides Asset Management Services with expertise in mutual funds, private funds and provident fund management.

**Corporate and Investment Banking** provides three types of services including Commercial Lending, Investment Banking Service, and Institutional Brokerage Service. TISCO not only provides clients with strategic advice, but also accesses to the unique capabilities of its staff which are tailored to meet the specific requirements of each customer.

Commercial lending provides loans and related services such as guarantees, aval, loan arrangement and loan restructuring. Investment banking service offers professional financial consultancy for public offerings, mergers and acquisitions, financial restructuring, feasibility studies and corporate valuation. In 2006, several high-profile mergers and acquisitions of prominent companies were successfully undertaken by our investment banking team.

Institutional Brokerage service serves institutional clients, both local and foreign segments. Well-known for the quality of securities research and broadly accepted by investors, TISCO's research team has received the Best Local Brokerage Award from the Asia Money Brokers Poll 2006 for the third consecutive year.

In 2006, TISCO Bank was awarded "Best Corporate Bond House (Thai Baht) 2006" from The Asset Asian Currency Bond Benchmark Survey 2006. The survey, conducted by The Asset Magazine, reflected the opinions of 300 institutional investors across nine Asian countries, who directly use bond services in the Asian region. The rating was based upon quality of sales services, supply of bonds, and client relationships. Also, TISCO was voted as the "Best Dealer Compliance" at the ThaiBMA Best Bond Awards 2006.

**Corporate Investment** is handled by the Treasury Department. It is responsible for asset and liability management activities, including the procuring of funding sources from local and foreign financial institutions, as well as equity and fixed income investment in order to maximize returns under specified corporate guidelines and risk policies, and in compliance with all related rules and regulations.

## **2006 Achievements**

Following the launch of banking services in 2005, TISCO continued to invest in **product development and technology** for the purpose of business expansion. In 2006, new products and services were introduced to the market, including special current accounts aimed at attracting depositors. The new offerings met targets and contributed to significant growth in our deposits base.



The remarkable performance in 2006 came mainly from two areas. Firstly, there was **strong loan growth**, in the double digits (16.7%), combined with the outstanding performance of our core business, Hire Purchase, which achieved a 9.1% penetration rate, well above our average rate of 7.0%. Secondly, **banking fee income** increased significantly (11.4%) from business expansion in Bancassurance, and Cash Management. Growth was well above acceptable levels, even against the backdrop of the volatile economic climate of last year. Moving into 2007, we believe that this growth will maintain its momentum and will continuously invest in banking infrastructure and productivity improvements.

TISCO considers the expansion of services and distribution channels such as direct debit and buying-and-selling services for asset management as a top priority. For this reason, the company has joined the National ITMX network in order to make ATM Pool service available for our customers. Other examples of service improvements were the establishment of an Automated Customer Service Center and Internet Banking. A transaction-via-internet service was made available to facilitate buying and selling services for asset management, as were electronic statements for deposit accounts, and details of hire purchase agreements. Branch channels and other electronic services are to be launched in 2007.

The Bank is also looking for **business partnership** opportunities to enlarge its service and revenue base. The long relationship with "Mizuho Corporate Bank", a leading corporate bank in Japan, was strengthened with a co-operation agreement signed in June, 2006. This agreement will elevate our banking platform for business expansion, and enable TISCO to access a new target set – Japanese customers. With regard to Securities, a co-operation agreement with "Deutsche Securities Asia Limited" was signed to enhance the capability of TISCO Securities Company Limited for serving the requirements of clients of both organizations.

TISCO joined forces with Ayudhya Allianz C.P. Life Public Company Limited in November 2006, and later American International Assurance Company Limited (Thailand) in December 2006 in order to offer life-insurance policies to customers. In addition to improving fee-based income, these agreements allow the company to fully serve the financial needs of customers.

To highlight our 'Customer-centric' business structure, a **Cross-Selling Program** has been adopted among all business groups reflecting the integration of products and services as financial solutions tailored to meet client needs. This is to leverage on our client relationships to promote more business across all product lines.



To support prudent **risk management** and efficient capital management, TISCO has invested in advanced technologies and improved risk management systems which have been implemented across all major business segments. In preparation for Basel II-IRB Regulation, credit risk has been implemented through the use of effective credit rating and credit scoring systems. From the continuous development of risk practices, TISCO has become a leader in risk management and is gearing toward the Advanced Internal Rating Base (AIRB) approach under Basel II. With sound risk management structure, TISCO is able to apply loan loss provision using expected loss estimation and align with new provisioning standard of NPL under new accounting standard (IAS39). Thus, there is minimal impact on loan loss reserve requirements.

## 2007 Strategic Plan

External business environments such as the economy, domestic and international politics play an important part in developing our 3-year business plan. Not only are external factors incorporated into strategic plan revision, but internal factors are also included, such as our strengths, weaknesses, opportunities, threats, critical success factors and priority issues. The management will take all of these issues into consideration to determine a Corporate Theme. The Corporate Strategy Map, in accordance with the Corporate Theme, will then be crafted along with Vision and Mission.

To implement strategic planning successfully, the Bank has adopted Balanced Scorecard with the aim of achieving balance in strategic planning from four perspectives: financial, customer, internal process and learning. Key Performance Indicators will be determined for all business areas, and linked to performance management to gauge employee performance so that staff may be awarded fair compensation based on merit.

To achieve the organization's goals, within the Vision and Mission framework, the Bank has determined strategic actions as follows:

1. **Customer-Centric Organization:** The Bank will provide the best total solutions for clients in order to satisfy their needs by transforming the organization to become customer-centric, with cross-selling implemented to offer the best services and products.
2. **Expanding Distribution:** The Bank will enhance distribution channels and the marketing team as well as continually identify new business opportunities in niche markets in order to reach our clients more fully.
3. **Developing banking products and infrastructure:** The Bank will emphasize product development by analyzing client demand to offer a variety of services and products as well as developing bank infrastructure, which will increase efficiency in operating bank businesses.
4. **Investing in IT and people:** The Bank will focus on improving information technology, information infrastructure and personnel development in order to improve operations processes and fully utilize the banking platform.

# Corporate Governance

For more than 38 years, we have dedicated ourselves to operating our company within the highest ethical standards. We believe that integrity is critical for business continuity and are committed to conducting our business in full compliance with all applicable laws and regulations according to the relevant regulatory bodies, i.e. Bank of Thailand, the Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as the laws of the countries in which we operate.

We are focused on sound corporate governance reinforced at all levels within the organization in order to assure that all our stakeholders are well protected.

Our strong commitment to corporate governance is illustrated in 5 main areas, i.e. Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency and Responsibilities of the Board.

**Rights of Shareholders:** Our principles recognize that shareholders are the owners of the Bank. Therefore, safeguarding shareholders' rights is of paramount concern, and the exercise of shareholders rights is strongly encouraged. All shareholders have the right to attend and vote in the meetings particularly with regard to significant changes in policy, and have the right to propose, elect and dismiss board members. As well, shareholders have the right to express their opinions or concerns, receive adequate explanations, and ask additional questions associated with the nature of the business.

**Equitable Treatment of Shareholders:** The equitable treatment of all shareholders, including minority and foreign shareholders, is guaranteed by the Board and management of the Bank. Our shareholders shall possess equal basic rights to adequate, complete, fair and sufficient information disclosure. We have also set in place procedures to prevent our staffs from using company inside information for engaging in insider trading or related party transactions.

In order to promote more equitable treatment of shareholders, minority shareholders are allowed to nominate candidates for director positions, and cumulative voting has been applied.

**Role of Stakeholders:** We always ensure that the rights and interests of all stakeholders are treated with care and well protected according to their legal rights. The principal stakeholder groups of the Bank include: shareholders and investors, depositors and creditors, management and employees, customers and suppliers, external auditors and concerned state agencies, the communities in which the Banks' activities are located, and the environment. Co-operation between the Bank and various groups of stakeholders is promoted in order to secure profits and business sustainability.



**Disclosure and Transparency:** We continuously provide full and accurate information in all material aspects to the public, both financial and non-financial, on a timely basis and transparently through easy-to-access channels, including our website, press releases and analyst meetings. Our reports, submitted to relevant regulatory bodies and the public, are also deemed fair and understandable. The Board is responsible for the Bank's financial statements, and all financial information presented in the annual report. Financial statements are prepared in accordance with generally accepted accounting principles in Thailand and are reviewed by the Audit Committee. All material information is sufficiently disclosed in the notes to financial statements.

**Responsibilities of the Board:** Our Board possesses strong leadership, vision, and independence in making decisions for the utmost benefits of the Bank and all shareholders. The Board also clearly separates its roles and responsibilities from those of management and monitors the Bank's operations to ensure all activities are conducted in accordance with relevant laws and ethical standards.

Our Board members are selected on the basis of, among other things, knowledge, experience, skill, expertise, integrity, diversity, ability to make independent analytical inquiries, and understanding of the Bank's business environment, with half of them independent. Moreover, to achieve high standards of performance, the Board delegates other committees to take on tasks that require in-depth consideration, i.e. the Executive Committee, the Audit Committee, the Nomination and Compensation Committee, the Risk Management Committee and others. Last but not least, the Board members commit themselves to performing their duties in good faith, with diligence and care, in the best interests of the Bank and all stakeholders.

All of these commitments have been acknowledged by regulators and well-known institutions and have been recognized through the following highlighted awards:

- Distinction in Maintaining Excellent Corporate Governance Reports (SET Awards 2006)
- Best Corporate Governance Report (SET Awards 2005)
- Board of the Year 2004/05
- Best Practices on Corporate Governance (2004)
- Best Audit Committee (2004)
- Board of the Year 2002

Our complete Corporate Governance Policy and Guideline, as well as the Bank's information and minutes of shareholder meetings, are available on the TISCO website: [www.tisco.co.th](http://www.tisco.co.th).

## Report of the Audit Committee

The Audit Committee of TISCO Bank Public Company Limited comprised three independent directors:

- |                                       |             |
|---------------------------------------|-------------|
| 1. Mrs. Krisna Theravuthi             | Chairperson |
| 2. Assoc.Prof.Dr. Angkarat Priebjivat | Director    |
| 3. Prof.Dr. Praipol Koomsup           | Director    |

The Audit Committee have performed duties and responsibilities according to the charter of Audit Committee and as delegated by the Board of Directors. The Audit Committee have carried out duties independently and without restrictions as to access to information. The Audit Committee support the Bank's good corporate governance in accountability, transparency, fairness, integrity, and check & balance, which will serve the best interests of not only shareholders but also employees and other stakeholders.

The Audit Committee held 11 meetings in Year 2006. Major issues considered by the Committee were as follows:

1. Reviewing quarterly, semi-annual and annual financial statements audited by the certified public accountant before recommending to the Board of Directors with emphasis on accuracy and completeness of information in the financial statements and the notes to financial statements by considering changes during the year based on Thai accounting standards and the Bank of Thailand's regulations and the adequacy of information disclosed in the financial statements and in the notes to financial statements.
2. Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions, sharing views with internal auditors and the certified public accountant concerning obstacles and cooperation received from the Bank, and assessing the extent of independence of internal auditors and the certified public accountant.
3. Meeting with head of compliance in acknowledging an annual compliance report and non-compliance issues arising during the year and sharing views on preventive measures and compliance activities to assure that the Bank and its subsidiaries are on compliance with laws and regulations.
4. Selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Bank and its subsidiaries for Year 2006 by taking into account the credibility, independence, proven track record as well as experience of the auditor and personnel assigned to audit the Bank's accounts.
5. Reviewing the disclosure of information of the Bank and its subsidiaries in the case of connected transaction or transaction that may lead to conflict of interest, and reviewing the Bank's related party guideline covering three groups of related parties, namely connected persons, employees and subsidiaries & affiliates.

- 
6. Meeting with management in updating and monitoring on the following compliance and risk management issues:
    - Bank preparation for Basel II,
    - Know Your Customer/ Customer Due Diligence procedures,
    - Consolidated supervision of banking group,
    - Anti-Money Laundering & Combating the Financing of Terrorism Policy, and
    - Bank preparation for changes in accounting standards, particularly loan loss provisioning and non-performing loan reporting.
  7. Considering for acknowledgement the results of external assessment and proposing implementation for improvement on issues as raised by the Bank of Thailand, the Securities and Exchange Commission, Thailand, and Thai Rating and Information Services Co., Ltd.
  8. Reviewing and endorsing annual audit plan, strategy, key performance indicators of the internal audit department and result of self-assessment of internal audit quality assurance review program, acknowledging the results of audit and following-up on observations and recommendations made by the Audit Committee.
  9. Developing an annual Audit Committee plan and conducting an annual review of the charter of Audit Committee and Audit Committee's self assessment for the Board of Directors' acknowledgement.

The Audit Committee have recognized the significance of good corporate governance and business ethics and believed that good corporate governance practices would facilitate the ability of shareholders to better govern the Bank and enhance both corporate accountability and the creation of wealth.

In Year 2006, the Audit Committee assessed their own effectiveness and the adequacy of their terms of reference, work plan, and forum of discussion and communication by comparing the Committee's activities to the charter of Audit Committee and leading practices.

The Audit Committee agreed with the certified public accountant that the Bank's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles. The Audit Committee opined that the Bank had an appropriate and efficient internal control system, and had properly followed all necessary rules and regulations imposed by the related regulators.

Krisna Theravuthi  
Chairperson of the Audit Committee  
16 February 2007



**Maintain High Dividend Payout**

# Shareholders

<b>Shareholders Information</b>		<b>2004</b>	<b>2005</b>	<b>2006</b>
Number of Shareholders <sup>/1</sup>		7,849	5,157	4,640
Regional Breakdown in % of share capital <sup>/1</sup>	Thai	32	27	26
	Thai NVDR & SET	5	27	25
	British	15	14	18
	Taiwanese	11	11	11
	American	10	10	9
	Singaporean	15	6	6
	Others	12	5	5
<b>Share Information</b>				
Earnings per share (Baht)	Basic Earnings	2.85	2.23	1.88
	Diluted Earnings	2.79	2.21	1.87
Dividend per share (Baht)	TISCO	1.30	2.00	2.00 <sup>/2</sup>
	TISCO-P	2.30	3.00	3.00 <sup>/2</sup>
Dividend Payout Ratio (%)		50	91	106

<sup>/1</sup> As of closing shareholder book date: 7 Apr 2004, 23 Nov 2005, and 10 Apr 2006

<sup>/2</sup> Dividend payment for the year 2006 of 2 Baht and 3 Baht proposed at the AGM 2007

**Shareholders:** The number of registered shareholders fell to 4,640 people as of April 10, 2006, compared to 5,157 as of November 23, 2005. Out of 726,404,750 issued shares, 49% were held by foreign investors, 26% by local investors, and 25% by Thai NVDR Co., Ltd and the Stock Exchange of Thailand (SET). The proportion of our shares in foreign ownership hit the limit at 49%.

**Significant dividend increase in 2006:** On the back of our record operating results in 2006, we will propose at the Annual General Meeting on April 20, 2007, a dividend of 2 Baht per share for common shareholders and 3 Baht per share for preferred shareholders, similar to the previous year. This would represent the highest dividend payout in our history. The dividend also underlines our commitment to see our shareholders benefit directly from our capital efficiency, and our confidence in our ability to maintain high dividend payout in the future. TISCO Bank Public Company Limited (TISCO Bank) has thus become a highly attractive long-term investment for its shareholders.

**Annual General Meeting 2006 record of attendance:** Our Annual General Meeting was held on April 28, 2006, at TISCO Tower. Some 566 shareholders holding 443,624,206 shares, or 61.15% of the total paid-up shares, were present, either personally or by proxy, thereby constituting a quorum as specified in the Bank's Articles of Association.

**Numerous investor contacts:** The Investor Relations (IR) function continued to provide a timely and consistent flow of information to investors and financial analysts during 2006. The Chief Executive Officer and the Chief Financial Officer significantly increased their capital market activity, participating during the year in five international broker conferences in Asia, Europe and the United States. We held approximately 62 one-on-one meetings and 11 conference calls with investors discussing TISCO Bank's progress and responding to specific questions. In quarterly analyst meetings and conference calls, we provided regular updates on business performance and strategic initiatives. IR can be contacted via email: [ir@tisco.co.th](mailto:ir@tisco.co.th), through the call center at tel. +66-2-633-6868, or by fax. +66-2-633-6818.

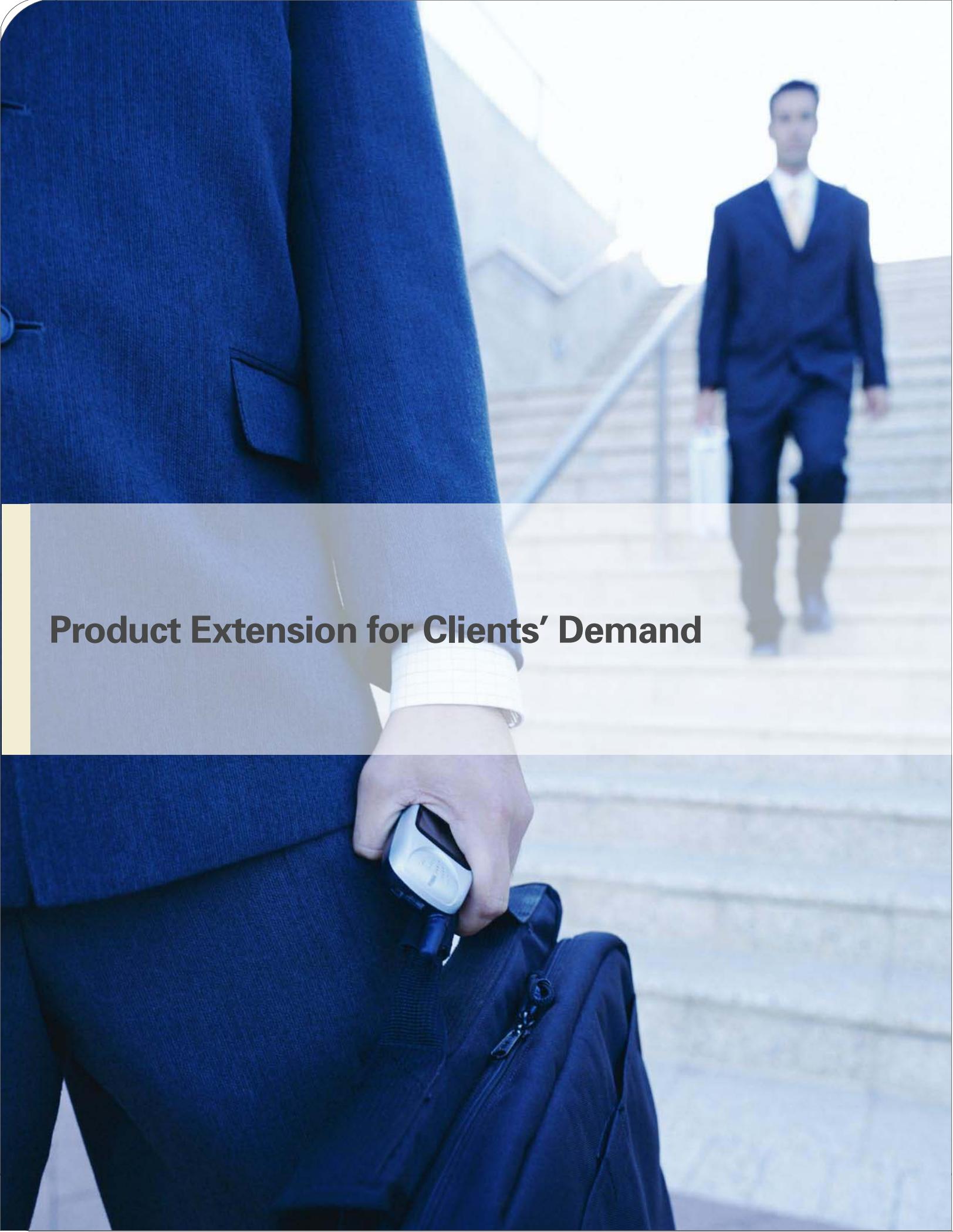


## TISCO Share Information

2006		TISCO	TISCO- P
Average daily trading volume ('000 shares)		1,467.22	28.05
Share price (Baht)	high	31.75	31.00
	low	18.00	20.00
	close	22.00	22.80
<b>As of December 31, 2006</b>			
Outstanding Shares (Shares)		541,277,120	185,127,630
Share Capital (Baht)		5,412,771,200	1,851,276,300
Market capitalization (Baht)		11,908,096,640	4,220,909,964
Average Share Price (Baht)		25.22	26.43
Weighting in SET (%)		0.23	0.005

### TISCO V.S. SET INDEX



The image features a man in a dark blue suit walking down a set of stone stairs. In the foreground, a close-up shows his hand holding a small, white, rectangular device, possibly a remote or a small electronic component, which is partially inside a dark blue bag. The background shows the man walking away from the camera, carrying a white briefcase. The overall scene is set outdoors with a bright, slightly overcast sky.

## **Product Extension for Clients' Demand**

# Clients and TISCO Business

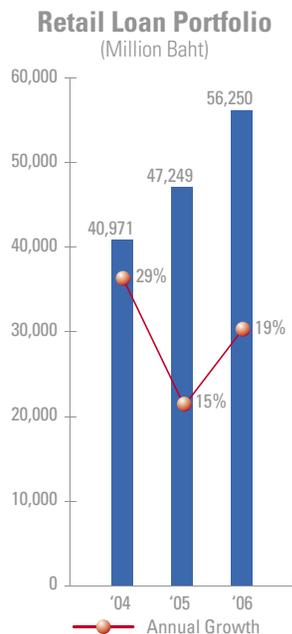
## TISCO Group Business

- Retail and SME Banking
- Private Clients and Asset Management
- Corporate and Investment Banking
- Corporate Investment
- Corporate Center

TISCO Group has embraced the policy of continuous development with the aim of becoming a fully-customer centric organization. To maximizing client value, three business areas serving the all key clients have been identified, comprising Retail and SME Banking, Private Clients and Asset Management, and Corporate and Investment Banking. Meanwhile, proprietary investment and trading activities are proactive pursued to capture opportunities in the financial markets. Corporate Center provides strong supports to activities of all business groups.

## Retail and SME Banking

Retail Banking presently represents the majority of TISCO core banking business. In 2006, 75% of total loan portfolios was contributed from this area. After gaining full-license commercial banking status in 2005, TISCO started extending service lines into retail savings and deposits, as well as setting up new SME Banking business for providing services to small-to-medium-sized corporate customers.

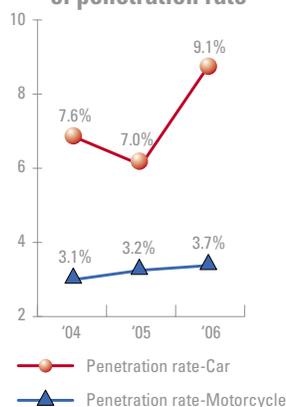


Hire purchase loans constitute the largest portion of TISCO retail loan portfolio. The group provides hire purchase service for new and used cars, and commercial products through TISCO Bank Public Company Limited (TISCO Bank) and hire purchase service for motorcycles through Hi-Way Company Limited, a wholly own subsidiary company. TISCO was the pioneer in hire purchase business more than 30 years ago and has been a constant player in the market throughout the past 3 decades. Despite many downturns from economic situation and industry cycles when there were newcomers and quitters in the market, TISCO has managed to maintain our strong position all along. With our continual market presence, the group has been well-regarded as industry standard setting in the business.

In addition to hire purchase loans, TISCO is active in providing a variety of unique consumer loans and related financial services to retail customers in response to market needs. The group also operates life and non-life insurance brokerage business of various schemes in collaboration with several major insurance companies. In 2006, the group has signed partnership agreements with Ayudhya Allianz C.P. Life Public Company Limited and American International Assurance Company Limited (Thailand) which greatly strengthened competitive advantage in this area of high opportunities.

On deposit and saving services, TISCO Bank offers a full range of products to satisfy customers' needs, including current deposits, savings deposits, fixed deposits, recurring deposits. Despite being a new comer in commercial banking industry, TISCO pioneered several banking products such as special current accounts which also pay interests. With relatively smaller branch network, TISCO is positioned to expand retail deposit base through electronic channels and partnership network, in which customers can be serviced through large network of innovative outlets nationwide.

**Strong position in terms of penetration rate**

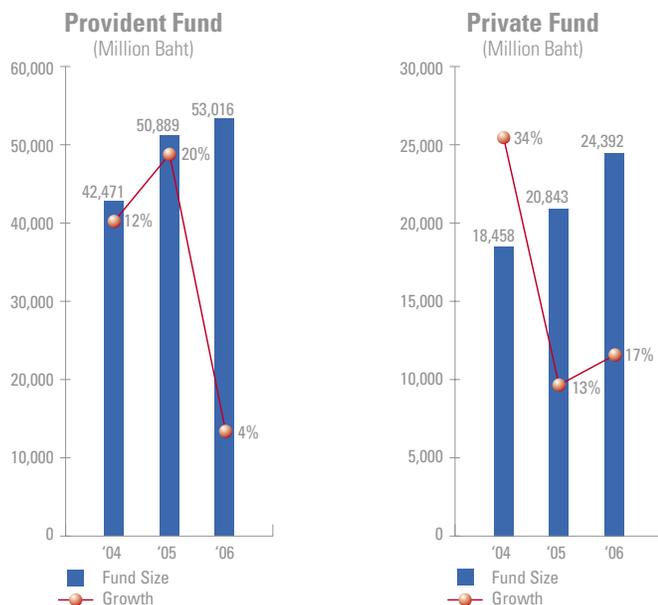


**Performance 2006**

Hire purchase, as one of TISCO's core businesses, made exceptional headway in 2006 with 20.3% growth in the loan portfolio. Despite tough competition and bank-based new entrants in the core hire purchase business, TISCO managed to maintain a strong market position by increasing market penetration rate from 7% in 2005 to 9.1% in 2006 and from 3.2% to 3.7% for car and motorcycle loans respectively. While achieving high growth rate, the portfolio quality was well controlled with NPL at 1.79%, even further declined from the previous year.

**Outlook 2007**

Although intense competition in the car hire purchase business will continue in 2007, TISCO's position remains strong in terms of operating efficiency, risk management infrastructure and close relationships with business partners. TISCO will pursue a strategy of aggressive expansion in the hire purchase business by offering a variety of high quality services, improving branch channels and enhancing its brand image. Retail client base for deposits and saving products will also be progressively acquired through expansion of branch network and innovative channels.



## Private Clients and Asset Management

TISCO Group provides comprehensive and exclusive financial advisory services and a broad range of financial products tailored to the needs of high net-worth individuals. The services range from tailor made banking products, professional financial and investment advisory to asset management through private funds and mutual funds.

TISCO was also among the selected financial institutions to first receive the asset management license in mutual fund business since 1992 through a joint venture company, Thai Capital Management (TCM). At present the company is also one of the top market leaders in private fund and provident fund management, with total assets under management of 84,737 million baht, the 7<sup>th</sup> ranked in the industry. TISCO Asset Management Company Limited (TISCO Asset) is currently the asset management arm of TISCO group.

In addition to high regards for our business ethics and integrity, TISCO fund performance management is also well recognized in the market. In 2005 the company was awarded Best Asset Management Company in Open-End General Fixed Income Funds Management by the SET Awards for the best risk-adjusted performance for fixed income fund management.

In provident fund management, again being the pioneer of the business, TISCO presently expand services to provide comprehensive solutions in setting up provident funds to customers, including registrar, advisory for provident fund committees, and related financial products to its members. In private fund management, in addition to being the new comer in the market, in just 4 years the private fund business of TISCO managed to climb to the top 2<sup>nd</sup> rank in the industry in 2004, due to our client intimacy approach, trustworthy services, and a wide range of innovative investment alternatives.

## Performance 2006

TISCO managed to maintain the top market positions at the 2<sup>nd</sup> ranked for private fund and provident fund businesses. Total assets under management increased by 3.17% from last year to 84,737 million baht, with strong increase of 17% in private fund area. Growth in provident fund was moderated at 4% due to the fully mature nature of the market. In mutual fund area, despite a decline in asset under management due to redemption of a large close end fund, TISCO managed to establish a significant business channels through the internet - TISCOASSET E-Trade, which was successfully launched in August 2006. The service should serve to well expand customer base and enhance customer satisfaction for service quality into the future.

## TISCO Asset Management

### Fund size under management

Million Baht	2004	2005	2006
Provident Funds	42,471	50,889	53,016
Mutual Funds	6,775	10,398	7,328
Private Funds	18,458	20,843	24,393
<b>Total</b>	<b>67,704</b>	<b>82,130</b>	<b>84,737</b>

### Market share and ranking

Million Baht	2004	2005	2006
<b>Market Share (%)</b>			
Provident Funds	13.9	14.7	13.7
Mutual Funds	1.4	1.4	0.7
Private Funds	13.8	14.6	16.6
<b>Total</b>	<b>7.3</b>	<b>6.5</b>	<b>5.4</b>
<b>Ranking</b>			
Provident Funds	2/18	2/19	2/18
Mutual Funds	13/17	13/18	17/18
Private Funds	2/20	2/24	2/23
<b>Total</b>	<b>4/31</b>	<b>5/31</b>	<b>7/28</b>



## Outlook 2007

To improve operating efficiency, expand client base and promote more business volume of private clients and asset management services, the operating platform has been re-organized to enhance services tailored to meet the needs of targeted clients. With proactive product bundling and cross-selling programs widely promoted, TISCO is expected to grow significant businesses with the high potential customer base in 2007. More business channels, such as selling agents, branch network etc., will also be utilized to service wider customers and offer new innovative products, aligning our vision to become a leading full-service private banker in the industry.

## Corporate and Investment Banking

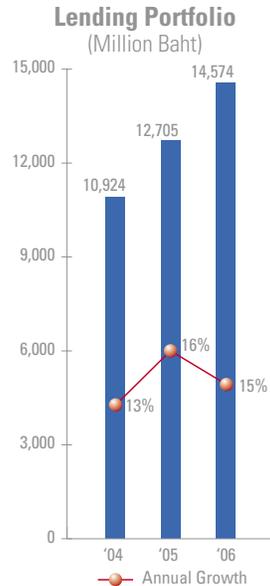
Corporate and Investment Banking group provide wholesale finance and corporate banking services both in the area of corporate finance and capital market. This covers a wide variety of financial services including securities underwriting and brokerage, loan facilities, financial advisory services etc., to fully meet TISCO client's satisfaction.

TISCO has played a major role in the development of Thai capital market. It pioneered several key money market instruments and was first to provide investment banking business and capital market services. Over the past years, TISCO has played a leading role in investment banking with several major IPOs, mergers and acquisitions, and privatizations.

In secondary market, TISCO Securities Company Limited (TISCO Securities), a wholly own subsidiary company, is one of the leading securities brokerage house in Thailand, not only in terms of business turnover but also with regard to high service quality, leading edge research, and high ethical standard of business practice. In recognition of the company's quality of service, TISCO Securities received the Best Local Brokerage Award from The Asia Money Brokers Poll for the third consecutive year. The award represented a ratings survey of more than 1,600 institutional investors based on the quality of service and securities research.

Not only highly regarded in the equity market, in fixed income market TISCO Bank was voted "Best Corporate Bond House (Thai Baht)" in The Asset Asian Currency Bond Benchmark Survey 2006 for its "Best Corporate Bond House (Thai Baht) 2006". The result of this survey, which was conducted by The Asset Magazine, reflects the opinion of institutional investors across 9 markets in Asia. In addition, TISCO Bank also received "Best Dealer Compliance" award from the ThaiBMA Best Bond Awards 2006.

In Corporate Banking, TISCO has longed been active in providing innovative lending facilities and loan syndications to various large-scale projects and major corporations. With TISCO transformation into full-license commercial bank in 2005, the group is now in the position to provide universal banking services to all corporate clients.



### Performance 2006

Loan portfolio continually grew despite high competition in the commercial bank industry. As of December 31, 2006, TISCO Group had a commercial lending portfolio of 14,574 million baht, accounted for 19.5% of total loans, and a 14.7% increase from year ending 2005 of 12,705 million baht. On capital market, in 2006, TISCO has developed a strong business relationship with major strategic alliance, Deutsche Bank which helps in increasing deal flow from foreign investors and client base. The institutional client market share rose from 1.67% in 2005, to 2.08% in 2006. Gross income from Corporate and Investment Banking group improved 40.1% year-on-year, mostly due to a 10.8% increase in institutional brokerage fee income resulting from the strategic alliance with Deutsche Bank.

### Outlook 2007

TISCO has restructured the services for capital market origination and brokerage activities to become more centralized in terms of client relationship management while at the same time leveraging on strategic partners to promote more business volume. With the aim to boost greater returns from investment banking in 2007, TISCO places more emphasis on M&A, private placements, and fixed income areas where our human resources possess extensive knowledge and experiences.

Strong growth in lending business is also anticipated with our expansion strategy through customer intimacy, targeting selective healthy segments, and broadening the scope of services for smaller-sized clients.

### Corporate Investment

TISCO's dedicated treasury and investment unit is responsible for asset and liability management activities, including the procuring of funding sources from local and foreign financial institutions, and investing and trading bonds in order to maximize returns under the corporate guidelines and risk policy and in compliance with all related rules and regulations. Corporate investment has consistently contributed positive performance to the group over the past years, reflecting our investment and trading capability and strong risk management system.



## Corporate Center

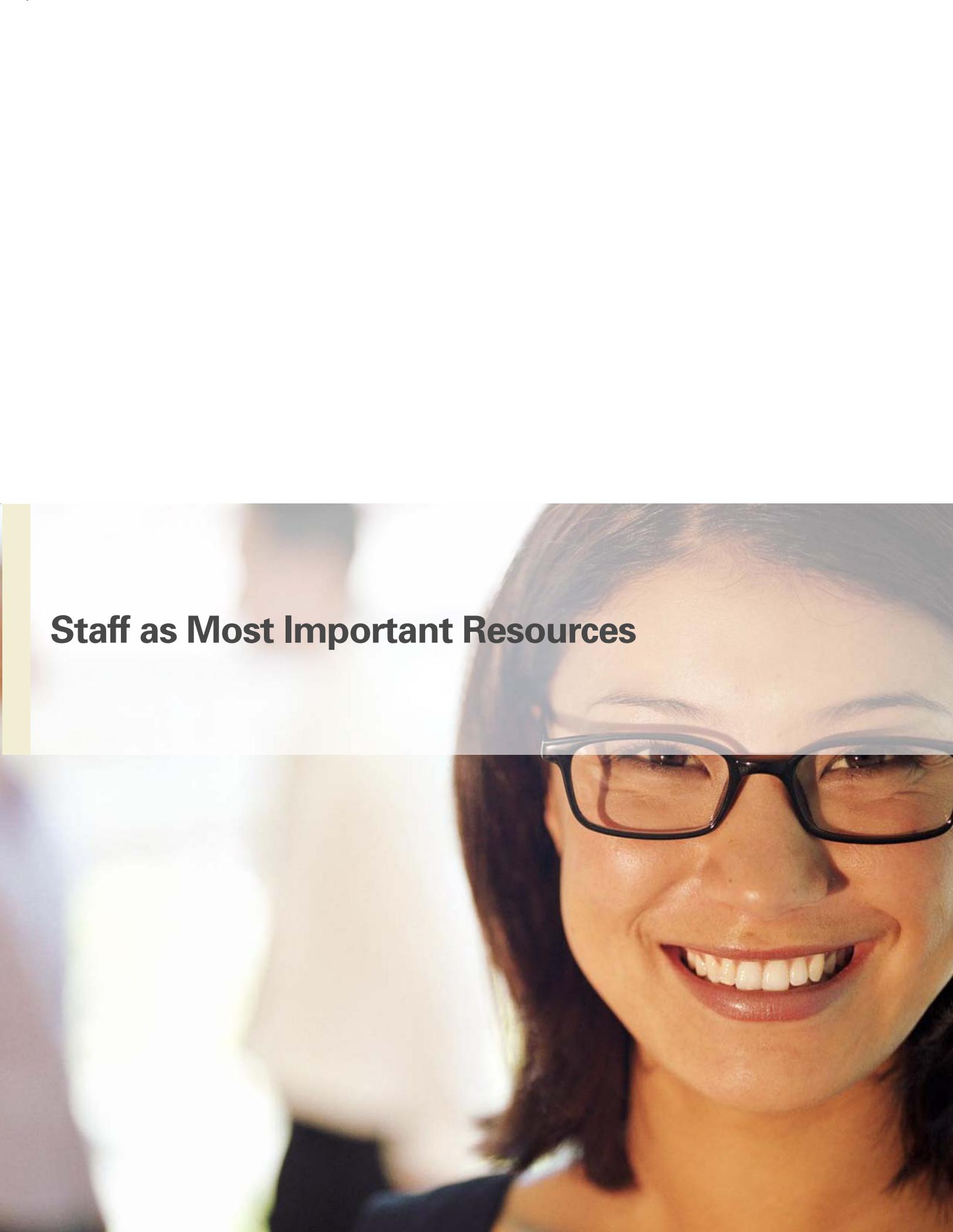
To increase the efficiency of TISCO Group operations, a supporting area has been established to handle centralized operations for the whole TISCO Group, including Banking Operations, Finance and Risk Management, Information Technology, Human Resources, Corporate Governance, Corporate Secretariat and Communication, and Central Administration. Closely aligned to the core businesses, Corporate Center was integrated into our banking infrastructure to enhance the effectiveness of Group-wide control.

Finance and Risk Management supports the role of management with an important focus on the Group strategic issues and risk functions. This function is also responsible for financial reports and controls as well as monitoring and managing risk. These processes are all integrated within the corporate divisions and closely aligned to the Group businesses. The Corporate Governance division comprises Compliance, Legal, and Audit areas, which handle all aspects related to law and regulations.

The Bank's risk management team has developed several key risk management systems to support the new capital requirements. Overall credit rating and credit scoring systems, including both application scoring and behavioral scoring, have been enhanced to comply with the Basel II regulation. The Bank has been investing in information technology and plans to implement its Advanced Internal Rating Base (AIRB) approach for credit risk management in 2008.

Additionally, to support the new provisioning rules for non-performing loans in preparation for IAS39, the bank has estimated expected losses in the hire purchase portfolio based on historical experience under a collective approach. This estimation shall be in line with the Loss Given Default (LGD), parameters required under Basel II-IRB.

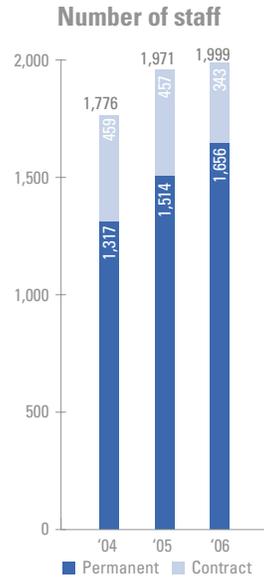
Communications within the organization with respect to employees and the public, as well as capital market participants, including our own shareholders and the media, are handled by the Corporate Secretariat and Communication. The Human Resources department is responsible for recruiting staff and providing effective training and development programs. Information Technology has played a major role in supporting not only management, but also all business units aiming to improve the Group's operational efficiency and capture new business requirements.

A close-up photograph of a woman with dark hair and glasses, smiling warmly. The background is blurred, showing other people in a professional setting. A semi-transparent white banner is overlaid on the left side of the image, containing the text.

## **Staff as Most Important Resources**

# Our People

<b>Staff Information</b>		<b>2004</b>	<b>2005</b>	<b>2006</b>
Number of staff (permanent and contract)		1,776	1,971	1,999
Division	- Lending	273	285	215
	- Hire Purchase	836	959	1,040
	- Securities	244	249	234
	- Fund Management	131	149	144
	- Others	75	97	119
	- Back Office and Administration	217	232	247
<b>Special Projects</b>				
Executive Trainee Development Program	To encourage staff to show initiative, develop analytical skills, and gain wide knowledge in TISCO's products, as well as other necessary skills. Candidates are groomed to become "TISCO Officer" and prepared for future executive positions.			
Organizational Development	"Effective People" program, based on "The 7 Habits of Highly Effective People"; "Knowledge Sharing" session to exchange knowledge and experiences. Also incorporates "7 Habits Briefing Program"; which consists of intensive, one-day briefing sessions to introduce and instill in staff leadership characteristics which can be applied to personal, professional, and business success.			



**Well-defined and stable staff structure.** The number of employees of the Bank and its subsidiaries at the end of 2006 increased by just 28 headcounts (1.4%), mainly due to an increase in Hire Purchase staff. This was the result of the conclusion of the asset portfolio management project, Sukhumvit Asset Management, in the end of March 2006, which saw the employment of 128 contractual staff automatically terminated. If this effect was excluded, our staff structure remained largely unchanged over the year. TISCO recruits high caliber staff nationwide, with 81 % possessing qualifications at the university degree level or higher.

**People-oriented practices.** The Company has adopted a flexible human resources policy which enables staff to work efficiently, consistently and increase competitive advantage in the industry. As a professional and trusted financial service institution, TISCO Group has established a set of unique and appropriate corporate values which are shared by all TISCO officers. The Bank's values, which describe human behaviors that accommodate the journey of the organization to success, are Customer Priority, Integrity, Reliability, and Mastery.

**Carefully planned personnel evaluation.** TISCO has adopted Performance Management with the aim of building a workforce committed to the delivery of quality service while maintaining trusting relationships between line managers and job performers. Regular counseling and guidance are the best tools for improving performance and helping staff develop their skills. Therefore, the program emphasizes the achievement of agreed objectives as each employee's prime responsibility. To motivate employee career aspirations, **"Promotion from within"**, both vertically and horizontally, is the prime consideration for all available job positions. This is done through open communication with regard to career development between line managers and employees to ensure transparency and clear expectations.



**Staff training and development.** To sustain organizational growth, TISCO has prioritized human resources development as a primary policy. Skill and knowledge development programs that satisfy both organizational requirements and individual development have been set up by the human resources department to ensure that TISCO Officers possess the capabilities necessary to succeed. In addition, a Learning Culture is encouraged within the working environment, which leads to sustainable growth and ultimately, a High Performance Organization. Self-Development is encouraged through the company's Sharpen the Saws Corner and Organizational Development Homepage, which have been developed as channels for staff to easily access important knowledge and information.

From 2005 to 2006, a series of ongoing training schemes were established to help TISCO staff become more effective people. The Knowledge Sharing and 7 Habits Briefing programs were brought to more than 1,200 staff in Bangkok and branches up-country. In addition to in-house programs, Human Resources development is also outsourced to leading HR consulting firms.

**Further strengthening client focus.** In conjunction with the Business Restructuring program, products training was arranged for all staff in frontline areas. This program described ways to put into practice the Bank's "Cross-Selling" strategy. The outcome of the program was very successful, with a 98.6% participation rate achievement.

**Talent management and succession planning.** We actively encourage our best employees with the aim of cultivating emerging leaders. All department heads are required to closely motivate their talent staffs with regard to the changing of the existing generation both work and interest. To support these efforts, the Human Resources Development function provides Talent Management training so that department heads will be able to identify genuine talent and arrange specific development plans for to fit each personality. Moreover, TISCO grooms staff to become "TISCO Officers," who will be ready to serve in future executive roles, through the "Executive Trainee Development Program". This program, implemented on an annual basis, has been widely recognized by the industry for its effectiveness.



**Committed to Sustainability Development**

## Corporate Social Responsibility

<b>Social Support Activities</b>		<b>2004</b>	<b>2005</b>	<b>2006</b>
Educational and Social Support	TISCO Foundation			
	- Scholarships (Baht)	8,173,868	9,405,014	12,987,000
	- Medical and Start-Up Fund	138,853	150,240	80,490
	Donations to other social projects	1,284,050	5,050,000	4,600,000
	Donations to disaster reliefs	5,376,411	-	200,000
Environmental Conservation	Annual reforestation project	292,280	219,495	242,989
Arts & Culture Support	To promote and preserve Thai art & culture	280,000	3,790,000	1,280,000
	Total	15,545,462	18,614,749	19,390,479
	<b>Special Initiative Projects in 2006</b>			
Giving the Gift of Life	TISCO has organized quarterly blood doner campaigns at its headquarters for 8 consecutive years. In 2006, a total of 560,950 cc of blood was donated by nearly 300 regular donors, most of them TISCO employees.			
Tools for Schools	104 used computers were donated and delivered to needy schools in Bangkok and the provinces.			
The Second-Edition Majesty Photographic Portfolio	To commemorate the auspicious occasion of the sixtieth anniversary celebrations of His of His Majesty the King's accession to the throne, and make our beloved Monarch's invaluable works accessible to all, TISCO reproduced the book "His Majesty's Photographic Portfolio on 20,000 CD-ROMs for free distribution to the public and educational institutions in Bangkok and the provinces.			

At TISCO, our commitment to social responsibility is important to us. For over two decades, TISCO has been involved in projects aimed at the sustainable development of our nation's people, culture and environment. All of them are realistic in their approach, require continuous efforts and personal involvement by our management and staff, and for the most part, are undertaken as long-term commitments.



First and foremost, in doing our part for the greater good of all, we recognize that the root of sustained development for human beings is proper education, which allows people in need of assistance to break the cycle of poverty, and through self-reliance, provide a better future for themselves and their families. Therefore, our most important contribution is made in the form of **scholarships** for needy students at every level throughout the nation. Other projects that we have also supported because they provide the basis for improved quality of life for all, are those aimed at **public health and welfare**, as well as **art, culture and the environment**.

### **Creating Opportunities**

In 1982, the TISCO Foundation for Charity was established as our long-term commitment to social responsibility. Through the Foundation, we have handed out scholarships for needy students, paid for urgent medical treatment needed by destitute patients, helped underprivileged people get back on their feet with business start-up funds, and supported a wide array of important social and community activities.

Although it exists as a separate entity, the Foundation's work is carried out by our staff, using their energy and resources. Our CEO and three senior executives, along with the help of a panel of six experts, who together make up the TISCO Foundation's board, devote considerable time and effort to directing and monitoring the Foundation's performance.

### **Public Health and Welfare**

We recognize that public health and welfare is an important issue for the development of our country, and which requires continuous support in many areas to uplift the standard of living for underprivileged people. The projects we participate in include: The Prince Doctor Fund under the Patronage of Her Royal Highness Princess Galayani Vadhana Krom Luang Nara-dhiwas Rajanagarindra, The Royal-Initiated 'Pak Panang River Basin Development Project', the Thai Red Cross Society for Flood Victims Relief, and Tools for Schools.



## Environmental Conservation

TISCO has joined more than one hundred financial institutions around the world as a signatory to the United Nations Environment Programme's (UNEP) statement of commitment to sustainable development and environmental management, which provides a foundation for the integration of environmental considerations into business operations. Internally, TISCO's environmental conservation support activities include promoting energy efficiency, recycling, and **reforestation**.

We also consider environmental concerns when approving project loans, and seek to form business relations with partners, suppliers, and subcontractors who follow similarly high environmental standards. We update our practices periodically to incorporate relevant developments in environmental management, and share information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental risk and promote sustainable development as well.



## Support for the Arts and Culture

A vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, TISCO's initiatives include:

**The Second-Edition of "His Majesty's Photographic Portfolio."** To commemorate the sixtieth anniversary celebrations of His Majesty the King's accession to the throne, and make our beloved Monarch's invaluable works more accessible to all, TISCO put the book, "His Majesty's Photographic Portfolio," onto a CD-ROM

**Art in the Reign of King Rama IX: Six Decades of Thai Art.** TISCO has been a continuous supporter of Thai contemporary art for over 30 years. In recent years, the group assisted the Rama IX Art Museum Foundation in promoting Thai art in cyberspace through online exhibitions. This year, to celebrate the 60<sup>th</sup> anniversary of His Majesty the King's accession to the throne, TISCO supported the Foundation's production of an electronic book featuring exhibits encompassing six decades of Thai art.



**Kathin.** Holding kathin ceremonies, in support of religious traditions in rural areas, has long been an important annual activity for TISCO. In October, 2006, the group hosted kathin ceremonies at Wat Weruwan in Chiang Rai and Wat Thamanao in Nakhon Ratchasima.

Each year, we take pride in all the accomplishments of the CSR projects and activities that we have undertaken in parallel with our business operations. We are committed to doing our part for the development of strong and vibrant communities in the years ahead.



## Responsibility of the Board of Directors for Financial Statements

The Board of Directors of TISCO Bank Public Company Limited is responsible for the Bank's financial statements, the consolidated financial statements of the Bank and its subsidiaries, and all financial information presented in the annual report. The financial statements have been prepared in accordance with generally accepted accounting standards in Thailand, which are based on appropriate accounting policies consistently applied and practiced. The financial statements have also been prepared with prudent judgment and the best forecasting method. All material information has been sufficiently disclosed in the notes to financial statements, with due consideration given to the directives of the Bank of Thailand, the regulations of the Securities Exchange Commission and the Stock Exchange of Thailand. Independent auditor has audited and expressed an unqualified audit opinion on those financial statements, therefore, they are presented fairly in the financial position, results of the operations and cash flow which will be useful for all shareholders.

The Board of Directors has established and maintained an effective risk management and internal control system which provide reasonable assurance that accounting records are accurate, complete and adequate to protect the Bank's assets. These controls also identify weaknesses requiring preventive measures against operational risk or other irregularities in the operation.

In this regard, the Board of Directors has appointed the Audit Committee, comprising independent directors, to be responsible for qualitative aspects of financial reporting and internal control system. The opinion of the Audit Committee with regard to these matters appears in the Report of the Audit Committee in this annual report.

The Board of Directors viewed that the Bank's internal control system is satisfactory and provides reasonable assurance as to the reliability of both the Bank's financial statements and the consolidated financial statements of the Bank and its subsidiaries as of December 31, 2006.

Board of Directors  
27 February 2007

## **Report of Independent Auditor**

### **To The Board of Directors and Shareholders of TISCO Bank Public Company Limited**

I have audited the accompanying consolidated balance sheet of TISCO Bank Public Company Limited and its subsidiaries as at 31 December 2006, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the separate financial statements of TISCO Bank Public Company Limited for the same period. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries and the separate financial statements of TISCO Bank Public Company Limited as at 31 December 2005 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 9 February 2006, expressed an unqualified audit opinion on those financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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 statements presentation. I believe that my audit provides 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 TISCO Bank Public Company Limited and its subsidiaries and of TISCO Bank Public Company Limited as at 31 December 2006, and the results of their operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.



**Narong Puntawong**

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok : 16 February 2007

# Balance Sheets

As at 31 December 2006 and 2005

(Unit : Baht)

	Consolidated		The Bank Only	
	2006	2005	2006	2005
<b>Assets</b>				
Cash	210,224,762	203,952,651	209,087,846	202,324,961
Interbank and Money Market Items				
Domestic				
Interest bearing	201,922,475	338,991,696	-	125,449
Non-interest bearing	502,547,476	618,458,009	480,066,266	490,008,800
Foreign				
Interest bearing	187,328,700	547,963,075	-	-
Non-interest bearing	132,436,705	-	102,154,800	-
Total interbank and money market items - net	1,024,235,356	1,505,412,780	582,221,066	490,134,249
Securities Purchased under Resale Agreements	1,718,000,000	2,000,000,000	1,718,000,000	2,000,000,000
Investments				
Current investment - net	774,660,668	826,593,131	723,292,076	715,779,356
Long-term investment - net	3,618,540,549	4,378,779,842	3,007,622,036	4,145,861,821
Investment in subsidiaries - net	-	-	3,986,406,393	3,566,055,931
Net investments	4,393,201,217	5,205,372,973	7,717,320,505	8,427,697,108
Receivable from Clearing House	256,710,155	61,191,433	-	-
Loans, Receivable and Accrued Interest Receivable				
Loans and receivable	74,641,231,101	63,948,411,845	68,880,667,472	57,799,317,430
Securities and derivative business receivables	667,250,225	1,275,269,335	-	-
Total loans and receivable	75,308,481,326	65,223,681,180	68,880,667,472	57,799,317,430
Accrued interest receivable	143,399,168	113,987,295	98,862,425	77,532,932
Total loans, receivable and accrued interest receivable	75,451,880,494	65,337,668,475	68,979,529,897	57,876,850,362
Less : Allowance for doubtful accounts	(2,771,223,476)	(3,181,001,341)	(2,463,410,866)	(2,865,571,288)
Less : Allowance for loss on debt restructuring	(22,403,970)	(303,731,217)	(22,403,970)	(303,731,217)
Net loans, receivable and accrued interest receivable	72,658,253,048	61,852,935,917	66,493,715,061	54,707,547,857
Property Foreclosed - Net	1,042,803,295	1,206,694,763	1,044,940,739	1,211,258,840
Land, Premises and Equipment - Net	1,602,800,147	1,559,496,070	1,080,850,642	1,004,248,203
Deferred Tax Assets	655,771,653	682,854,387	451,322,921	499,674,406
Dividend Receivable from Subsidiaries	-	-	591,022,425	846,022,234
Other Assets	1,219,421,878	1,004,850,554	1,035,386,753	833,879,355
<b>Total Assets</b>	<b>84,781,421,511</b>	<b>75,282,761,528</b>	<b>80,923,867,958</b>	<b>70,222,787,213</b>

# Balance Sheets (Continued)

As at 31 December 2006 and 2005

(Unit : Baht)

	Consolidated		The Bank Only	
	2006	2005	2006	2005
<b>Liabilities and Shareholders' Equity</b>				
Deposits in Baht	40,567,860,158	34,450,801,235	40,668,116,274	34,611,262,962
Interbank and Money Market Items				
Domestic - Interest bearing	2,156,981,126	6,415,252,821	2,566,078,459	6,231,223,970
Liability Payable on Demand	477,515,807	247,287,192	477,515,807	247,287,192
Borrowings				
Short-term borrowings	25,720,283,810	12,322,795,836	23,155,078,314	9,998,000,000
Long-term borrowings	361,700,000	5,167,743,812	361,700,000	5,144,200,000
Total borrowings	26,081,983,810	17,490,539,648	23,516,778,314	15,142,200,000
Payable to Clearing House	365,137,963	566,490,815	-	-
Securities and Derivative Business Payables	710,639,235	1,347,282,618	-	-
Accrued Interest Payable	462,185,329	247,144,460	452,359,341	238,101,787
Other Liabilities	1,276,255,960	1,436,296,502	986,998,806	1,102,013,091
Total Liabilities	72,098,559,388	62,201,095,291	68,667,847,001	57,572,089,002
Shareholders' Equity				
Share capital				
Registered	11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and fully paid-up				
185,127,630 preference shares of Baht 10 each (2005: 180,947,630 preference shares of Baht 10 each)	1,851,276,300	1,809,476,300	1,851,276,300	1,809,476,300
541,277,120 ordinary shares of Baht 10 each (2005: 541,020,120 ordinary shares of Baht 10 each)	5,412,771,200	5,410,201,200	5,412,771,200	5,410,201,200
	7,264,047,500	7,219,677,500	7,264,047,500	7,219,677,500
Share premium				
Share premium of preference shares	73,190,950	43,128,630	73,190,950	43,128,630
Share premium of ordinary shares	36,500,000	36,500,000	36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	662,956,136	1,011,780,646	662,956,136	1,011,780,646
Translation adjustment	82,146,613	112,560,156	82,146,613	112,560,156
Retained earnings				
Appropriated - statutory reserve	422,100,000	344,800,000	422,100,000	344,800,000
Unappropriated	3,715,079,758	3,882,251,279	3,715,079,758	3,882,251,279
Equity attributable to the Bank's shareholders	12,256,020,957	12,650,698,211	12,256,020,957	12,650,698,211
Minority interest - equity attributable to minority shareholders of subsidiaries	426,841,166	430,968,026	-	-
Total Shareholders' Equity	12,682,862,123	13,081,666,237	12,256,020,957	12,650,698,211
Total Liabilities and Shareholders' Equity	84,781,421,511	75,282,761,528	80,923,867,958	70,222,787,213
Off - Balance Sheet Items - Contingencies				
Aval to bills and guarantees of loans	526,625,000	561,000,000	526,625,000	561,000,000
Other commitments	5,667,692,739	5,085,318,059	5,667,692,739	5,085,318,059



**Mr. Pichai Chanvirachart**  
(President)



**Mrs. Oranuch Apisaksirikul**  
(Director and Senior Executive Vice President)

# Income Statements

For the years ended 31 December 2006 and 2005

(Unit : Baht)

	Consolidated		The Bank Only	
	2006	2005	2006	2005
Interest and Dividend Income				
Loans	943,334,215	589,703,186	940,730,182	583,655,232
Interbank and money market items	438,037,356	144,857,642	344,948,957	100,928,711
Hire purchase and financial lease income	4,068,351,456	3,544,059,627	2,948,289,622	2,535,591,199
Investments	255,587,949	288,778,023	250,302,312	284,507,514
Total interest and dividend income	5,705,310,976	4,567,398,478	4,484,271,073	3,504,682,656
Interest Expenses				
Deposit	2,344,239,878	1,049,806,386	2,342,037,750	1,049,927,580
Interbank and money market items	127,926,648	130,461,116	73,022,977	72,927,476
Short-term borrowings	295,086,990	70,391,099	172,905,654	8,689,919
Long-term borrowings	131,989,790	213,500,000	131,579,558	213,500,000
Total interest expenses	2,899,243,306	1,464,158,601	2,719,545,939	1,345,044,975
Net interest and dividend income	2,806,067,670	3,103,239,877	1,764,725,134	2,159,637,681
Reversal of Bad Debt and Doubtful Accounts	221,845,281	186,221,513	280,460,484	230,527,483
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	3,027,912,951	3,289,461,390	2,045,185,618	2,390,165,164
Non-interest Income				
Brokerage fees	648,525,326	621,950,517	-	-
Gain on investments	455,375,963	334,062,523	448,614,439	101,293,640
Share of profit of subsidiary companies	-	-	565,628,948	673,014,334
Fees and service income				
Acceptances, aval and guarantees	6,620,546	2,250,197	6,620,546	2,250,197
Insurance services	390,139,315	267,870,127	388,429,507	248,556,641
Fund management	264,442,568	242,847,889	-	-
Others	225,849,637	363,887,437	158,553,520	271,500,912
Gain (loss) on exchange	4,722,384	2,284,331	(3,861,229)	-
Other income	226,522,564	221,902,068	234,415,126	169,856,202
Total non-interest income	2,222,198,303	2,057,055,089	1,798,400,857	1,466,471,926
Total net income	5,250,111,254	5,346,516,479	3,843,586,475	3,856,637,090
Non-interest Expenses				
Personnel expenses	1,216,248,371	1,205,427,967	671,678,838	646,896,834
Premises and equipment expenses	451,629,893	415,841,048	376,272,768	308,686,710
Taxes and duties	101,466,463	73,128,868	92,621,763	63,695,372
Fees and service expenses	728,456,160	588,622,501	477,292,290	368,472,295
Directors' remuneration	7,695,000	7,185,000	7,455,000	6,915,000
Other expenses	542,088,951	602,635,872	286,436,335	274,128,742
Total non-interest expenses	3,047,584,838	2,892,841,256	1,911,756,994	1,668,794,953
Income Before Income Tax and Minority Interest	2,202,526,416	2,453,675,223	1,931,829,481	2,187,842,137
Corporate Income Tax	(633,420,167)	(635,010,183)	(386,296,372)	(396,992,893)
Income Before Minority Interest	1,569,106,249	1,818,665,040	1,545,533,109	1,790,849,244
Net Income Attributable to Minority Interest	(23,573,140)	(27,815,796)	-	-
Net Income for the year	1,545,533,109	1,790,849,244	1,545,533,109	1,790,849,244
Earnings Per Share				
Basic earnings per share	1.88	2.23	1.88	2.23
Diluted earnings per share	1.87	2.21	1.87	2.21

# Statements of Changes in Shareholders' Equity

For the years ended 31 December 2006 and 2005

## Consolidated

	Issued and fully paid-up share capital		Share premium	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
Balance as at 31 December 2004	1,841,234,800	5,339,075,200	23,206,450	36,500,000
Decrease in fair value of investments	-	-	-	-
Increase in translation adjustment	-	-	-	-
Net income for the year	-	-	-	-
Dividend paid	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	39,367,500	-	19,922,180	-
Preference shares converted to ordinary shares	(71,126,000)	71,126,000	-	-
Increase in minority interest in subsidiary company	-	-	-	-
Balance as at 31 December 2005	1,809,476,300	5,410,201,200	43,128,630	36,500,000
Decrease in fair value of investments	-	-	-	-
Decrease in translation adjustment	-	-	-	-
Net income for the year	-	-	-	-
Dividend paid	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	44,370,000	-	30,062,320	-
Preference shares converted to ordinary shares	(2,570,000)	2,570,000	-	-
Decrease in minority interest in subsidiary company	-	-	-	-
Balance as at 31 December 2006	1,851,276,300	5,412,771,200	73,190,950	36,500,000

## The Bank Only

	Issued and fully paid-up share capital		Share premium	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
Balance as at 31 December 2004	1,841,234,800	5,339,075,200	23,206,450	36,500,000
Decrease in fair value of investments	-	-	-	-
Increase in translation adjustment	-	-	-	-
Net income for the year	-	-	-	-
Dividend paid	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	39,367,500	-	19,922,180	-
Preference shares converted to ordinary shares	(71,126,000)	71,126,000	-	-
Balance as at 31 December 2005	1,809,476,300	5,410,201,200	43,128,630	36,500,000
Decrease in fair value of investments	-	-	-	-
Decrease in translation adjustment	-	-	-	-
Net income for the year	-	-	-	-
Dividend paid	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	44,370,000	-	30,062,320	-
Preference shares converted to ordinary shares	(2,570,000)	2,570,000	-	-
Balance as at 31 December 2006	1,851,276,300	5,412,771,200	73,190,950	36,500,000

(Unit : Baht)

Surplus from changes in the value of investment	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Minority interest-equity attributable to minority shareholders of subsidiaries	Total
1,255,383,557	98,315,392	254,600,000	3,301,679,365	430,901,335	12,580,896,099
(243,602,911)	-	-	-	-	(243,602,911)
-	14,244,764	-	-	-	14,244,764
-	-	-	1,790,849,244	-	1,790,849,244
-	-	-	(1,120,077,330)	-	(1,120,077,330)
-	-	90,200,000	(90,200,000)	-	-
-	-	-	-	-	59,289,680
-	-	-	-	-	-
-	-	-	-	66,691	66,691
1,011,780,646	112,560,156	344,800,000	3,882,251,279	430,968,026	13,081,666,237
(348,824,510)	-	-	-	-	(348,824,510)
-	(30,413,543)	-	-	-	(30,413,543)
-	-	-	1,545,533,109	-	1,545,533,109
-	-	-	(1,635,404,630)	-	(1,635,404,630)
-	-	77,300,000	(77,300,000)	-	-
-	-	-	-	-	74,432,320
-	-	-	-	-	-
-	-	-	-	(4,126,860)	(4,126,860)
662,956,136	82,146,613	422,100,000	3,715,079,758	426,841,166	12,682,862,123

Surplus from changes in the value of investment	Translation adjustment	Statutory reserve	Unappropriated retained earnings		Total
1,255,383,557	98,315,392	254,600,000	3,301,679,365		12,149,994,764
(243,602,911)	-	-	-		(243,602,911)
-	14,244,764	-	-		14,244,764
-	-	-	1,790,849,244		1,790,849,244
-	-	-	(1,120,077,330)		(1,120,077,330)
-	-	90,200,000	(90,200,000)		-
-	-	-	-		59,289,680
-	-	-	-		-
1,011,780,646	112,560,156	344,800,000	3,882,251,279		12,650,698,211
(348,824,510)	-	-	-		(348,824,510)
-	(30,413,543)	-	-		(30,413,543)
-	-	-	1,545,533,109		1,545,533,109
-	-	-	(1,635,404,630)		(1,635,404,630)
-	-	77,300,000	(77,300,000)		-
-	-	-	-		74,432,320
-	-	-	-		-
662,956,136	82,146,613	422,100,000	3,715,079,758		12,256,020,957

# Cash Flow Statements

For the years ended 31 December 2006 and 2005

(Unit : Baht)

	Consolidated		The Bank Only	
	2006	2005	2006	2005
<b>Cash flows from operating activities</b>				
Net income	1,545,533,109	1,790,849,244	1,545,533,109	1,790,849,244
Adjustments to reconcile net income to net cash provided by (paid from) operating activities				
Minority interest in income of subsidiary company	23,573,140	27,815,796	-	-
Share of profit from operating results of subsidiaries	-	-	(565,628,948)	(673,014,334)
Depreciation and amortisation	210,802,077	170,020,564	150,095,963	109,443,852
Reversal of bad debt and doubtful accounts	(75,717,421)	(94,434,943)	(150,029,027)	(146,332,053)
Unrealised loss on revaluation of investment (reversal)	(5,797,556)	13,876,397	(5,797,556)	13,964,083
Allowance for impairment of property foreclosed (reversal)	(33,490,244)	(34,168,243)	(34,228,347)	(34,168,243)
Gain on disposal of investments	(449,578,736)	(347,938,920)	(442,816,883)	(115,257,723)
Gain on sales of equipment	(8,225,985)	(8,792,526)	(6,245,320)	(8,677,155)
Loss from written-off equipment	116,573	-	38,105	-
Loss (gain) on sales of property foreclosed	100,516,073	187,406,361	(66,448,665)	23,421,852
Decrease in deferred tax assets	182,799,738	176,754,079	205,839,899	210,032,600
Decrease (increase) in accrued interest and dividend receivable	(29,956,606)	8,489,950	(24,958,809)	8,841,995
Decrease (increase) in other accrued income	5,099,493	(3,484,609)	30,067,039	(20,114,610)
Increase (decrease) in accrued interest payable	215,040,869	57,170,996	214,257,554	57,793,939
Increase (decrease) in accrued expenses	8,761,107	24,822,687	4,794,397	42,361,682
Unrealised loss on exchange rate	3,819,200	-	3,819,200	-
Income from operating activities before changes in operating assets and liabilities	1,693,294,831	1,968,386,833	858,291,711	1,259,145,129
Decrease (increase) in operating assets				
Interbank and money market items	477,358,224	13,896,978	(95,906,017)	(96,723,358)
Securities purchased under resale agreements	282,000,000	105,000,000	282,000,000	105,000,000
Receivable from clearing house	(195,518,722)	97,834,412	-	-
Loans and receivable	(12,414,384,742)	(9,796,797,459)	(12,107,313,943)	(8,660,137,387)
Securities and derivative business receivables	608,019,110	(51,472,569)	-	-
Property foreclosed	1,182,745,079	832,148,188	739,202,017	533,541,200
Other assets	(244,356,916)	(111,558,588)	(247,069,424)	1,375,570,112
Increase (decrease) in operating liabilities				
Deposits	6,117,058,923	(4,837,001,084)	6,056,853,312	(4,694,287,092)
Interbank and money market items	(4,258,271,695)	2,107,985,901	(3,665,145,511)	2,079,231,162
Liability payable on demand	230,228,615	247,287,192	230,228,615	247,287,192
Borrowing	8,591,444,162	10,504,256,177	8,374,578,314	9,998,000,000
Payable to clearing house	(201,352,852)	435,495,884	-	-
Securities and derivative business payables	(636,643,383)	(34,965,896)	-	-
Other liabilities	(182,695,978)	(26,727,205)	(119,808,682)	41,283,511
Net cash flows from operating activities	1,048,924,656	1,453,768,764	305,910,392	2,187,910,469

# Cash Flow Statements (Continued)

For the years ended 31 December 2006 and 2005

(Unit : Baht)

	Consolidated		The Bank Only	
	2006	2005	2006	2005
<b>Cash flows from investing activities</b>				
Cash paid for purchase of investment in securities held for investment	(1,434,251,692)	(9,970,851,702)	(1,044,200,466)	(11,071,723,470)
Proceed from sales of investment in securities held for investment	2,209,231,397	10,011,616,371	2,098,733,338	9,619,900,218
Cash received from dividend of subsidiaries	-	-	388,513,209	717,598,386
Cash paid for purchase of property, plant and equipment	(208,584,734)	(237,502,454)	(187,710,952)	(206,903,348)
Proceed from sales of equipment	10,038,337	17,448,612	6,489,674	14,488,878
Net cash flows from (used in) investing activities	576,433,308	(179,289,173)	1,261,824,803	(926,639,336)
<b>Cash flows from financing activities</b>				
Dividend paid	(1,663,104,630)	(1,147,827,330)	(1,635,404,630)	(1,120,077,330)
Cash received from exchange of warrants to purchase preference shares	74,432,320	59,289,680	74,432,320	59,289,680
Net cash flows used in financing activities	(1,588,672,310)	(1,088,537,650)	(1,560,972,310)	(1,060,787,650)
<b>Translation adjustment</b>	(30,413,543)	14,244,764	-	-
Net increase in cash and cash equivalents	6,272,111	200,186,705	6,762,885	200,483,483
Cash and cash equivalents at beginning of year	203,952,651	3,765,946	202,324,961	1,841,478
Cash and cash equivalents at end of year	210,224,762	203,952,651	209,087,846	202,324,961
<b>Supplemental cash flows information</b>				
Cash paid during the year for				
Interest	2,682,318,474	1,407,426,568	2,505,288,385	1,287,251,036
Corporate income tax	489,090,018	419,924,898	217,642,862	116,496,702
Non-cash transactions				
Conversion of preference shares to ordinary shares	2,570,000	71,126,000	2,570,000	71,126,000
Transfer of property foreclosed to land, premises and equipment	20,018,354	39,172,584	20,018,354	-

## TISCO's Officers

### Banking Business

Retail Banking	Mr. Sakchai Peechapat
Retail Sales & Marketing	Mr. Chalit Silpsrikul
Bangkok Channel	Mr. Rungroj Jarasvijitkul
Hire Purchase (New Car)	Mr. Suthep Trivannakij
Hire Purchase (Used Car)	Mr. Somsak Wongwachirawanich
Hire Purchase (Commercial Product)	Mr. Rungroj Jarasvijitkul
All Finance & Direct	Ms. Wipa Mettaviharee
Branch Channel	Mr. Chalit Silpsrikul
Mortgage Loan	Mr. Chalit Silpsrikul
Bancassurance (Life)	Mr. Sathian Leowarin
Bancassurance (Non-life)	Ms. Charupree Chinapongpaisal
Retail Credit & Collection	Mr. Dejphinun Suthadsanasoung
Retail Credit	Ms. Penthip Laoboontharoen
Retail Collection	Mr. Worapoth Tirakaron
Retail Follow-up & Legal	Mr. Songsak Niltiean
Retail Service & Support	Mr. Sukit Sakulwongyai
Commercial Banking	Mrs. Kusumar Prathomsrimek
Commercial Lending	Ms. Nipa Mekara
Commercial Credit	Ms. Nipa Mekara
Loan Administration & Documentation	Ms. Voranuch Supaibulpipat
Custodian & Trustee Services	Mrs. Prapatsorn Arthachinda
Japanese Relationship	Ms. Sunee Tongsombutpanich
Treasury & Private Banking	Ms. Rapeeporn Ounchalanon
Treasury	Mrs. Ladda Kulchatchai
Private Banking	Mrs. Chutima Pochayavanich
SME Banking	Mr. Eiji Sasaki
SME Banking	Mr. Metha Pingsuthiwong
	Ms. Karantar Vongsa
	Ms. Rachada Pruksanubal
	Mr. Thanom Chairarondeekul
	Mr. Panya Wotticharoenvong
	Mr. Sommai Saeung
<b>Corporate Center</b>	
Corporate Governance	Ms. Nattamon Issaradharm
Compliance	Ms. Sumaree Piyatamvutikul
Internal Control	Mrs. Dulyarat Taveebhol
Credit Office	Mrs. Suthinee Muangman
Office of the Credit Committee	Mrs. Suthinee Muangman
Appraisal & Valuation	Ms. Chantana Srisuwanvilai
Legal Office	Ms. Nattamon Issaradharm

Support & Operation	Mrs. Oranuch Apisaksirikul
Risk & Financial Control	Mr. Chatri Chandrangam
Risk Management	Mr. Kontee Sunthornpradit
Planning & Budgeting	Mr. Nipon Wongchotiawat
Corporate Accounting	Ms. Chutintorn Vigasi
Management Information	Mr. Chatri Chandrangam
Financial & Accounting System	Ms. Siriporn Pornviriyakul
Banking Operation	Ms. Preeyarat Poomdontri
	Mrs. Saranya Ket-udom
Branch System & Control	Mr. Kittichai Tonnajarn
Branch Operations	Mr. Jirachote Kunanuntawanit
Cashiering & Bulk Processing	Mr. Kittipong Tiyaboonchai
Settlement	Mr. Kittipong Tiyaboonchai
Processing	Mr. Worawit Rungsiriopas
Branch Development	Mr. Somchat Lapapong
Product & Service Development	Mr. Watsakorn Thepthim
Product Development & Market Research	Mr. Watsakorn Thepthim
Cash Management – Business Development	Mr. Noppawat Tangburanakij
Corporate Secretariat & Investor Relations	Ms. Pakaporn Punyashthiti
Internal Audit	Mr. Pairat Srivilairit
	Ms. Jiraporn Sawsukpaiboon
Human Resources & Organization Development	Mr. Sakchai Peechapat
Corporate Marketing & Communication	Ms. Nartrudee Siwabut
Corporate Services	Mrs. Sasinee Phattiyakul
	Ms. Rachaneegorn Peepakdee
E-Channel	Mr. Nattanan Ananpreeyavit
<b>Securities Business</b>	
Investment Banking	Mr. Paiboon Nalinthrangkurn
Research	Mr. Poramet Tongbua
Technical Analysis	Mr. Viwat Techapoonpol
Institutional Client Group 1	Mr. Pithak Limratabadamrong
Institutional Client Group 2	Mr. Paiboon Nalinthrangkurn
Private Client Group	Mr. Viwat Techapoonpol
Back Office	Ms. Aunchana Grisa-ard
Treasury & Investment	Mrs. Maliwan Sinpermkoon
Business Development	Mr. Paiboon Nalinthrangkurn
Payroll Processing Services	Mrs. Suwadee Khaolaorr
Compliance & Internal Control	Ms. Pornpip Thavillarp
<b>Asset Management Business</b>	
Mutual Fund & Private Fund Business	Mr. Theeranat Rujimethapass
Marketing	Ms. Teerin Suvarnatemiya
Investment Management	Mr. Picha Ratanatam
Provident Fund Business	Ms. Araya Thirakomen
Marketing	Mrs. Kaekwan Rojwattanakul
Investment Management	Ms. Pavinee Ongvasith
Chief Investment Officer	Mr. Ekachai Chongvisal
Investment Operations & Fund Operations	Mrs. Duangrat Kittivittayakul
Compliance & Internal Control	Mrs. Supaporn Aramtiantamrong
Risk Analysis & Control	Mr. Suthas Ruangmanamongkol
Electronic Resources	Mr. Siri Prasansantikul

## Branches

<b>Banking Business</b>			
<b>TISCO Bank Public Company Limited</b>		<b>Tel.</b>	<b>Fax</b>
Head Office	48/2, TISCO Tower, 1 <sup>st</sup> Floor, North Sathorn Road, Bangrak, Bangkok 10500 Website: www.tisco.co.th Email: ir@tisco.co.th Registration No. 0107539000171	0-2633-6000	0-2633-6800
<b>Bank Branches</b>			
New Phetchaburi Sub-Branch	1 <sup>st</sup> Floor, 2046/1-3 New Phetchaburi Road, Bang Kapi, Huay Kwang, Bangkok 10310 Manager : Ms. Wiparat Pavajansatit Email: wiparat@tisco.co.th	0-2318 3717	0-2318- 3715
Rattanaibet	1 <sup>st</sup> Floor, Thai Life Insurance Bldg., 99/999 Rattanaibet Road, Bang Krasor, Muang District, Nonthaburi 11000 Manager : Mr. Noppadol Chumwong Email: noppadolc@tisco.co.th	0-2965 5844	0-2965 5821-2
Chanthaburi	84/124 Tha Chalap Road, Muang District 22000 Manager : Mr Thawatchai Chanusorn Email: TISCO_Chanthaburi@tisco.co.th	0-3934-6688	0-3934-6689-90
Chiang Mai	153,155,157 Huaykaew Road, Muang District 50200 Manager : Mr.Kittipong Leuangingkasoot Email: TISCO_ChiangMai@tisco.co.th	0-5321-1112	0-5321-0025-6
Chon Buri	126/327-328 Moo 3 Phrayasudja Road, Muang District 20000 Manager : Mr. Somboon Siriruck Email: TISCO_Chonburi@tisco.co.th	0-3878-4522	0-3878-4511-2
Khon Kaen	272/7-8 Moo 12, Mitraphap Road, Muang District 40000 Manager : Mr. Kumpol Suriyakrai Email: TISCO_KhonKaen@tisco.co.th	0-4332-4966	0-4332-4977
Nakhon Ratchasima	510 Mitraphap Road, Muang District 30000 Manager : Mr. Saknarong Wongtripipat Email: TISCO_NakhonRatchasima@tisco.co.th	0-4427-1711	0-4429-3655-6
Nakhon Sawan	320/6 Sawan Withee Road, Muang District 60000 Manager : Mr. Vasin Sivasirikaroon Email: TISCO_Nakhonsawan@tisco.co.th	0-5633-1511	0-5622-8011, 44
Phitsanulok	696/9 Pichai Songkram Road, Muang District 65000 Manager : Mr. Suraphong Kovithayanon Email: TISCO_Phitsanulok@tisco.co.th	0-5521-1388	0-5521-1389



		<b>Tel.</b>	<b>Fax</b>
<b>Phuket</b>	24/37,38,41 Moo 5 Chalermpraiat Road, Muang District 83000 Manager : Mr. Thawan Wichitwatee Email: TISCO_Phuket@tisco.co.th	0-7626-1929	0-7626-1921-2
<b>Ratchaburi</b>	77,79 Srisuriyawong Road, Muang District 70000 Manager : Mr. Pichai Phichaiyutt Email: TISCO_Ratchaburi@tisco.co.th	0-3232-7010	0-3232-7016-7
<b>Saraburi</b>	211/45-46 Sudbanthad Road, Muang District 18000 Manager : Mr. Chanwut Vongbut Email: TISCO_Saraburi@tisco.co.th	0-3622-2449	0-3622-0671-2
<b>Song khla</b>	26/25 Rajyindee Road, Hat Yai District 90110 Manager : Ms. Wandee Panrong Email: TISCO_Songkhla@tisco.co.th	0-7434-3111	0-7434-3121
<b>SuratThani</b>	76/16-17 Moo 2 Sriwichai Road Muang District 84000 Manager : Mr. Jaruek Pradub Email: TISCO_SuratThani@tisco.co.th	0-7727-5633	0-7720-5505-6
<b>Ubon Ratchathani</b>	464/53-54 Moo 18 Chayangkun Road, Muang District 34000 Manager : Mr. Yutthana Tungkasereeruk Email: TISCO_UbonRatchathani@tisco.co.th	0-4528-4633	0-4528-4630-1
<b>UdonThani</b>	227/21 Udondussadee Road, Muang District 41000 Manager : Mr. Chalit Silpsrikul Email: TISCO_UdonThani@tisco.co.th	0-4232-6333	0-4232-6881-2
<b>Subsidiaries</b>			
<b>TISCO Leasing Company Limited</b>	6 <sup>th</sup> Floor, TISCO Tower Zone A, 48/12 North Sathorn Road, Bangkok 10500 Website: www.tiscomart.com Email: tiscomart@tisco.co.th Registration No. 0105522005296	0-2633-7799	0-2633-7989
<b>Hi-Way Company Limited</b>	2046/16 New Petchaburi Road, Bangkok 10310 Email: yuttpong@tisco.co.th Registration No. 0105521002391	0-2319-1717	0-2314-5095
<b>TISCO Information Technology Company Limited</b>	TISCO Tower, 48/12 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Registration No. 0105337142731	0-2633-7766	0-2633-7600

<b>Securities Business</b>			
<b>TISCO Securities Company Limited</b>		<b>Tel.</b>	<b>Fax</b>
Head Office	4 <sup>th</sup> Floor, TISCO Tower, 48/8 North Sathorn Road, Bangrak, Bangkok 10500 Website: www.tiscosec.com Email: Webmaster_TSEC@tisco.co.th Registration No. 0105541054710	0-2633-6655	0-2633-6660
<b>Securities Branches</b>			
Emporium	25/8 <sup>th</sup> Floor, Emporium Tower 622 Sukhumvit Rd., Klongton, Klongtoey Bangkok 10110 Manager : Mr. Thana Sangduang Email: TSEC_Emporium@tisco.co.th	0-2664-9900	0-2664-9909
Chiang Mai	4 <sup>th</sup> Floor, Hillside Plaza & Condotel 4, 50/118-129, Huaykaew Road, Muang District, Chiang Mai 50200 Manager : Mr. Surapol Sriweraskul Email: TSEC_ChiangMai@tisco.co.th	0-5322 4722	0-5322 4711
Nakhon Pathom	386, 388 Petchkasem Road, Prapatone, Muang District, Nakhon Pathom 73000 Manager : Mr. Thosaphorn Sakhornthanagorn Email: TSEC_NakhonPathom@tisco.co.th	0-3421 1812	0-3425 1676
Nakhon Ratchasima	40/8-11 Kudun Road, Muang District, Nakhon Ratchasima 30000 Manager : Mrs. Fhamui Watcharanont Email: TSEC_NakhonRatchasima@tisco.co.th	0-4425 7752	0-4425 3752
Udon Thani	2 <sup>nd</sup> Floor, 227/21 Udondussadee Road, Muang District, Udon Thani 41000 Manager : Mr. Wanchai Anutchatchaval Email: TSEC_UdonThani@tisco.co.th	0-4224 6888	0-4224 5793
Regional Brokerage Office TISCO Securities Hong Kong Limited	Unit 1107, 11/F Lippo Center Tower one, 89 Queensway, Hong Kong Website: www.tiscohk.com Email: service@tiscohk.com.hk	(852)-2868-9094	(852)-2868-9102
<b>Asset Management Business</b>			
<b>TISCO Asset Management Company Limited</b>			
	9 <sup>th</sup> Floor, TISCO Tower 48/16-17 48/16-17 North Sathorn Road, Bangkok, 10500 Website: www.tiscoasset.com Email: tiscoasset@tisco.co.th Registration No. 0105535048240	0-2633-7777	0-2633-7300



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