



TISCO Financial Group Public Company Limited
Annual Registration Statements 2012 (Form 56-1)

Table of Contents

		Page
Part 1	The Company	
	Executive Summary	A-1
	1. General Information	1-1
	2. Risk Factors	2-1
	3. Overview of TISCO Business	3-1
	4. Business Operations by Area	4-1
	5. Operating Assets	5-1
	6. Legal Disputes	6-1
	7. Capital Structure	7-1
	8. Management	8-1
	9. Internal Control	9-1
	10. Related Party Transactions	10-1
	11. Financial Status and Performance	11-1
	12. Other Related Information	12-1
Part 2	Certification of the accuracy of information	B-1
Attachment 1	Details of Directors, Management and Controlling Persons	A 1-1
Attachment 2	Changes in TISCO Shareholdings by Directors and Management	A 2-1
Attachment 3	Details of Directors in Subsidiaries	A 3-1
Attachment 4	Report of the Audit Committee	A 4-1
Attachment 5	Report of the Nomination and Compensation Committee	A 5-1
Attachment 6	Evaluation of the Sufficiency of Internal Control System	A 6-1
Attachment 7	Statement of the Board of Directors' Responsibility for Financial Statements and Auditor's Report and Financial Statements	A 7-1

Executive Summary

In year 2012, Thai economy recovered from the aftermath of flood crisis to solid economic expansion driven by domestic consumption, following the accommodative fiscal and monetary policy, with high level of resiliency to external uncertainty. Strong economy coupled with the government stimulus programs helped to spur nationwide spending as evidenced by strong growth in private consumption and investment. Meanwhile, the Bank of Thailand eased monetary stance by lowering the policy rates to cushion against potential deterioration in export-related sectors amidst the fragile global economy. Capital market has been particularly benefited from these fundamentals as seen in the benchmark SET index rose by 36%, the best performing in Asia, whereas Bank's credit growth has enjoyed another strong year with a growth rate of as high as 14%.

In this exciting year, TISCO has captured the opportunity to ride economic cycle for exceptional business expansion. The group has recorded a loan growth of 34%, among the highest in the banking industry, with total asset exceeding Bt 290,000 million at the year-end. Our 5-year plan to double asset size has been achieved in merely 3 years, thanks to the success of our selective focus strategy within robust marketplace. In particular, the market for auto loan financing experienced phenomenal growth, with industry car sales sharply rose by 81% to 1.44 million units, following government tax incentive program for first car buyers. Among Key Performance Indicators, TISCO profit grew 13% to reach a record Bt 3,705 million, with a sustaining high rate of return on equity to shareholders for another consecutive year. Meanwhile, TISCO strong governance and prudent risk management continued to be assured as evidenced in a very low NPL of only 1.2%. Going forward, the board is confident that TISCO's focused strategy, dynamic adaptability, and highly capable management & staffs, will continue to propel the company forward for quality growth and prosperity into the future.

The Group's 4 business pillars namely **Retail Banking, Corporate Banking, Wealth & Asset Management, and Corporate Affairs & CSR**, carried on creating synergies of resources within the Group. The **Retail Banking** group successfully sustained strong growth while continuing to expand strong foothold in consumer finance market throughout the country. Dominant market position in auto hire purchase business was still maintained, particularly the strong ties with major car manufacturers under captive finance arrangement. The **Corporate Banking** group continued to help our clients accomplished their business expansion opportunities. The team's cooperative orientation towards client's solution resulted in a stream of business transactions with wide-range of loan facilities and financial services. A few notable capital market transactions have been successfully launched during the year with great success for both our clients and investors. And for the sixth consecutive times, TISCO ranked first in the Asset Asian Currency Bond Benchmark Survey as "Top Bank in the Secondary Market for Corporate Bonds 2012, Thailand". In **Wealth & Asset Management**, TISCO Securities received "Outstanding Securities Company Awards - Retail Investors" category from SET Awards 2012. In order to enhance business excellences, TISCO Securities has marked another key milestone by setting up a newly joint venture firm, Deutsche TISCO Investment Advisory, with Deutsche Bank group, to establish international-standard institutional business platform for equities brokerage, through synergy from Deutsche Securities' global expertise and TISCO's deep market connections and experience in Thai markets.

The **Corporate Affairs & CSR** group ensured TISCO's consistent adherence to the highest standard of corporate governance at all levels within the organization. This commitment yielded TISCO recognition and honors from many institutions. In 2012, TISCO was awarded "Top Corporate Governance Report Awards" from SET Awards 2012. The award was presented to listed company with outstanding corporate governance reports. For over 4 decades, TISCO has been operating with a guiding principle on social contribution by the active participation of all stakeholders. All of which are undertaken as long-term projects and closely monitored on a yearly basis. In addition to existing charitable programs such as scholarship, medical support, blood donation, and start-up fund, TISCO constantly carried out concurrent CSR activities with this year particularly focusing on increasing social awareness on saving and financial planning, the development of teaching personal, and selling & marketing program for community products. Through TISCO's long standing "Volunteer spirit", most of the projects will be delivered by TISCO volunteer team.

Although, TISCO has progressively expanded in terms of business and operation, our core belief remained unchanged. To have a long lasting success in business, we recognized that importance of human resource as the most valuable asset to the firm. Since our inception, TISCO has always been exhibiting strong culture and we intend to pass it forward to newer generations. Currently, TISCO is a big family with over 3,700 members who come from a diverse background. Therefore, proactive Employee Relations program have been initiated to address employees' voices at all levels, with an utmost intention to promote employer-employee, supervisor-subordinate, and employee-employee relationships within the firm. The program would help instill corporate cultural into new employees. In addition, to ensure the visibility of business continuity and competent workforce, various employee development programs have been initiated for key middle management guaranteeing the congruence and readiness of the team to encounter an increasingly dynamic business environment.

The year forward, Thai economy is expected to sustain its growth prospect buoyed by government's long-term plan on infrastructure investment, as well as continued expansion of domestic consumption. Meanwhile, the increasing integration among fast-growing emerging countries where more collaborative measures starting to begin following the AEC initiation and rapid expansion in peripheral countries such as Laos, Vietnam, Myanmar, and Cambodia, would further support export recovery and economic activities. Despite the positive outlook in immediate term, the board remains cautious on some macro developments that may give rise to longer term instability. This includes the high level of international fund flow into Thai capital market that is opportunistic in nature, as well as the government's continuing policies to stimulate domestic consumptions that may lead to concerns over financial discipline in the economic system. Amidst, the backdrop of external uncertainties and domestic volatility, TISCO will continue to follow our focused strategies, good corporate governance, prudent business practice as well as strong risk management disciplines, in order to ensure business continuity & resiliency in the long run.

The board would like to express a sincere gratitude to all clients, business partners, and shareholders for their long-term support that helped TISCO ventured through the challenging time. Combined with complete dedication and hard work of management team and staff, the board is confident that the enduring success of TISCO shall lie ahead for us and all our stakeholders.

Part 1**The Company****1. General Information**

Company Name	:	TISCO Financial Group Public Company Limited (hereafter "Company" or "the Company")
Type of Business	:	Holding Company
Address	:	21 st Fl., TISCO Tower 48/49, North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	:	0107551000223
Total registered capital	:	11,002,000,000 Baht
Paid-up Capital	:	7,279,120,860 Baht comprised of 727,878,228 common shares and 33,858 preferred shares, both with par value of 10 Baht per share.
Home Page	:	www.tisco.co.th
Telephone	:	(66) 2633 6888
Fax	:	(66) 2633 6880
Reference:		
Share Registrar	:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0 2229 2800 Fax 0 2359 1259
Auditor	:	Ms. Ratana Jala Certified Public Accountant (Thailand) Registration No.3734 Ernst & Young Office Limited 33 rd Fl., Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

Details of the juristic person that TISCO Financial Group Plc. held directly 10% onwards of their issued shares :

Company/Head office's Address	Type of Business	Type of shares	Issued and paid-up shares	Shareholding by the Company	
				Amount of shares held ¹	Percentage of ownership (%)
TISCO Bank Public Company Limited ² 48/2, TISCO Tower, 1 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 Fax. 0 2633 6800	Commercial Bank	Common	728,152,146	728,032,730	99.98
		Preferred	104	-	
		Total	728,152,250	728,032,730	
Hi-Way Company Limited 2046/16 New Petchaburi Road, Bangkok, Huankwang, Bangkok 10310 Tel. 0 2308 7555 Fax. 0 2308 7402	Hire Purchase and Leasing	Common	994,500	994,496	100.0
		Preferred	5,500	5,500	
		Total	1,000,000	999,996	
TISCO Securities Company Limited 48/8, TISCO Tower, 4 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6999 Fax. 0 2633 6660	Securities	Common	100,000,000	99,999,993	100.0
TISCO Asset Management Company Limited 48/16-17, TISCO Tower, 9 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 press 4 Fax. 0 2633 7300	Asset Management	Common	1,000,000	999,994	100.0
TISCO Information Technology Company Limited 48/12, TISCO Tower, 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 4299 Fax. 0 2633 7600	Service Support	Common	200,000	199,994	100.0
TISCO Tokyo Leasing Company Limited 48/44, TISCO Tower 19 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2638 0900 Fax. 0 2638 0913	Hire Purchase and Leasing	Common	60,000	29,400	49.0
Primus Leasing Company Limited 48/49, TISCO Tower, 21 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Hire Purchase and Leasing (Ceased business operation and currently in process of liquidation)	Common	30,000	29,998	100.0
TISCO Leasing Company Limited 48/12, TISCO Tower 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 press 1 Fax. 0 2633 6220	Hire Purchase and Leasing	Common	1,000,000	999,965	100.0
TISCO Learning Center Company Limited 48/20, TISCO Tower, 12 th Fl. Zone A, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7154 Fax. 0 2633 7155	Service Support	Common	50,000	49,997	100.0

¹ As of December 31, 2012² Core company of TISCO Group

In addition, TISCO Bank Plc., a core company of TISCO Group, held 10% of issued shares in other companies, all of them are non-listed companies. The investment in such companies is classified as general investment. Details of shareholding in such companies are shown in notes to financial statement item 3.4.5

2. Risk Factors

Overview of Risk Management

TISCO Group places great importance on effective risk management and controls. By establishing an overall risk management framework, including policy objectives for all risk-related transactions, the TISCO Group is able to increase awareness, accountability and efficiency in enterprise-wide risk management as well as maintain best practice standards and high-quality corporate governance. In addition, the TISCO Group aims to maximize sustainable risk-adjusted returns for shareholders over the long run.

Risk Management Policy

Overall risk management policy, as a standardized operation for TISCO Group's risk management, encompasses the following structures:

1. Consolidated and centralized risk management

Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries under the Company through careful risk assessment and the establishment of appropriate risk guidelines and procedures.

2. Business line accountability, independent risk oversight

Each business line is accountable for managing its own risks in the best interests of TISCO Group while complying with risk management policies, guidelines, and procedures. Independent risk oversight and check-and-balance system have been established to ensure that risks are adequately monitored and controlled.

3. Comprehensive risk assessment

Risk assessment is performed comprehensively in all key activities. Risk assessment methodologies may range from basic approaches such as expert judgments to more advanced approaches such as quantitative and statistical analysis, depending on the size and complexity of the risks involved. These assessments are in turn supplemented by fundamental risk analysis and stress testing of extreme risk events.

4. Capital management based on standardized risk tools

Capital represents the ultimate interests of the shareholders. All risk exposures are quantified into a standardized risk measure called Risk Capital based on Value-at-Risk (VaR) concept which can relate risks to the amount of capital required to protect against them according to predefined risk limits. The process of risk assessment under Risk Capital is considered as part of Internal Capital Adequacy Assessment Process (ICAAP) of TISCO. Risk capital enables management and business line managers to understand the level of risks being taken in a meaningful manner. Risks from different levels are integrated to produce an overall risk picture of the Group, which is used for capital adequacy planning and strategic capital allocation both at the corporate and business unit level.

5. Risk Tolerance Level and Capital Allocation

The total risk capital shall not be in excess of available capital fund of the Group where qualitative risk tolerance level shall be applied for non-capital based assessment. Risk Capital shall determine the economic capital adequacy of TISCO, which the available capital is also allocated to the business and operating units such that the capital adequacies to undertaken risk are ensured both at the corporate- and business-unit-level.

6. Adequate return for risk and risk-adjusted performance management

To promote shareholder value creation, risk components are incorporated into business performance measurements with the objective of maximizing risk-adjusted returns for shareholders. Product pricing takes into account varying risks to ensure overall profitability. Business expansion is advocated in the areas where marginal risk-adjusted returns are in excess of the marginal risks.

7. Portfolio management, diversification and hedging

Risk diversification is a key risk management principle in all business activities. Diversification is considered and adopted by management and business line managers both at the portfolio and transaction levels as an effective approach to reducing the aggregate level of risks in accordance with certain guidelines and limits.

8. Strong Risk Awareness Culture

Awareness and understanding of risks and risk management are important for the accountability of risk management. Business heads are expected to have a high degree of awareness and understanding of the risks in their accountable areas and how they contribute to the overall risk of the corporate as a whole.

9. Effective Risk Modeling and Validation

Risks shall be modeled as forward-looking measures that reflect potential likelihood and impact on the intrinsic value of TISCO assets, liabilities, or businesses. Mark-to-market practice shall be adopted in all portfolios as appropriate, where independent validation from risk management shall be adopted in the case of high complexity in valuation. Key risk models with sufficient information shall be validated through a systematic back-testing process or other prudent statistical tools.

10. Regulatory best practice

TISCO Group has adopted risk management policies and guidelines that comply with all regulations and best practice standards of the Bank of Thailand (BoT), the Securities and Exchange Commission (SEC) and other regulatory authorities.

11. New Business or Product

All new businesses or products shall be approved by the portfolio risk authority and relevant specific-area risk authority according to the procedure outlined in the risk management guideline. New business or product will be evaluated in terms of its risk-reward characteristics, the contributions to the overall corporate risk profile, and the consistency with corporate capital capacity.

12. Related Party Transaction

All business transactions among TISCO Group and related party shall be on a similar basis with same treatment of regular customers. Additionally, the related transaction shall be transparent and auditable. Meanwhile, the proportion of business transaction among TISCO Group shall be controlled under regulatory guideline.

13. Stress Testing

Stress Testing is a procedure to assess the impact on the company's financial status under extreme risk events. Stress Testing process is designed to be as a supplementary tool for the analysis of credit risk, market risk and funding risk. Risk Management Committee is responsible to oversee the framework for stress tests. The Committee will establish guidelines and key required assumptions to perform stress tests based on the appropriate framework. Meanwhile, Risk Management Function is responsible to facilitate all related business units in order to perform periodically stress tests, and report the stress testing results as well as the recommendations on any important aspects to the Risk Management Committee. Stress testing assessment and results shall be integrated to setting and evaluating the internal management strategy which may involve reviewing the need for limit changes or developing contingency plans.

Risk Management Framework

In accordance with enterprise-wide risk management policies and objectives, risk management and internal control have been monitored and controlled by the Board of Directors of the Company with the delegation to the Executive Board of Directors of the Company. An effective management process has been established for assessing and managing all firm-wide risk exposures at both the portfolio and transactional levels to ensure the financial soundness and safety of TISCO Group. Senior Management and relevant business advisory committees oversee the entire risk management framework and strategy for all business areas supported by planning and budgeting function. Risk Management Committee, supported by enterprise risk management, risk research, and operational risk management functions, are set up to oversee that enterprise-wide risk management of the group is undertaken according to the same standard. Specific-area risk authorities are then established to manage in-depth, transaction-level risks in each particular area, such as the Credit Committee, Problem Loan Committee, and Compliance & Operation Control Committee. These mechanisms are in turn supported by the Office of the Credit Committee and other supporting functions, governing compliance, and legal office. Business lines are fully accountable for managing their own risks within the policy guidelines established by the Risk Management Committee and specific-area risk authorities. All the business operations are under the risk limit approved by the Risk Management Committee including new business analysis in each business line. Additionally, risk limits triggered as well as new businesses shall be reported monthly to the Risk Management Committee for acknowledgement. However, to enhance the overall risk management system, the risk management system shall be audited and reported to the Audit Committee which directly reports to the Board of Directors.

The roles and responsibilities of the relevant committees and risk management authorities are described as follows:

- Board of Directors

The Board of Directors of the Company shall ensure the institution of effective risk management system of the Bank and ensure that the Company has adopted and adhere to TISCO Group Risk Management Policy. The Board has assigned Executive Board the task of overseeing and monitoring risk management activities. This is achieved by setting risk limits and risk appetites, and ensuring the establishment of effective risk management systems and procedures in accordance with the standard practices of risk identification, assessment, monitoring and control, all of which are in line with the Audit Committee standards.

- Board of Directors of Subsidiaries

Under consolidated supervision framework, the Board shall ensure that each subsidiary adopt and adhere to TISCO Group Risk Management Policy approved by the Board of Directors of the parent company. The Board will appoint other committees according to the needs and suitability to carry out specific tasks to ensure that the operations are in compliance with established Corporate Governance Policy and report risk management activities and financial performance to the parent company's Executive Board on a regular basis, in compliance with the Consolidated Supervision Principle of the Bank of Thailand.

- Risk Management Committee

The Risk Management Committee of the Company, comprising the senior managements from the TISCO Group, has been delegated from the Executive Board of Directors of the Company in charge of the formulation and implementation of enterprise-wide risk strategies and action plans in connection with risk management policies and guidelines. The Risk Management Committee meeting is regularly held once a month. Enterprise risk management, risk research, and operational risk management functions support the Risk Management Committee in setting up and monitoring risk management policies and guidelines and performing enterprise-wide risk management activities through research, assessment, and reporting process. Moreover, Risk Management Committee of TISCO Bank has also been established in effective management and control of risks in various business units of the bank by adopting the risk management policy from the parent company. Under consolidated supervision principle of the Bank of Thailand, Risk Management Committee of TISCO Bank directly reports to the Risk Management Committee of the Company.

- Specific-Area Risk Authorities

Specific-area risk authorities are set up to address in-depth risk management and controls at the transaction level. Key specific-area risk authorities include the Credit Committee and Problem Loan Committees, which are in turn supported by the Office of the Credit Committee in overseeing credit approval and risk management. In addition, Executive board of Directors of the bank and Board of Directors of other credit-granting subsidiaries shall control and follow up all specific risk areas which are directly reported to the Board of Directors of the bank as well as the Board of Directors of the Company on a regular basis.

Risk Types

Risk management of TISCO Group considers five risk factors which are 1) Credit Risk 2) Liquidity Risk 3) Market Risk 4) Operational Risk and 5) Strategic Risk. (Details are shown in item 2.1-2.5)

The overall risk of TISCO Group is at a manageable level, with amount of capital fund remaining strong for further business expansion which has already been assessed by the Bank of Thailand. Moreover, TISCO Group has guidelines for risk management according to each type of risks.

Additional details are shown in Part 1 Section 11: Financial Status and Performance

2.1 Credit Risk

Credit Risk is defined as the possibility of obligor's failure to meet the contract agreement with TISCO Group. If the failure occurs, it requires the Bank to maintain higher provisions for loan losses. As a result, it adversely impact on net income and capital of TISCO Group.

2.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2012, NPL ratio of TISCO Group decreased from 1.4% at the end of 2011 to 1.2% mainly due to prudently managed non-performing loans (NPLs) including advanced risk management tools and stringent practice of loan collection, debt restructuring and write-off process, and partly from recovery of customers who was affected from flooding in the end of 2011. Additionally, NPL ratio of retail loan decreased from 1.5% at the end of 2011 to 1.4% at the end of 2012, where NPL ratio of corporate loan fell to 0.9% in the end of 2012, compared to 1.2% at the end of 2011. Total NPLs was 3,098.76 million baht which increased by 18.7% or 487.03 million baht followed loan growth during the period. NPLs of the Bank were 2,774.06 million baht and there was NPLs of 324.70 million baht from other subsidiaries.

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel II framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based on historical loss data incorporating with adjustment for the recent market situation. In 2012, TISCO Group has utilized portion of general reserve to compensate the potential losses in the future. Meanwhile, as of December 31, 2012, loan loss reserve of TISCO Group was 5,121.52 million baht or 165.3% of NPLs. Furthermore, total loan loss reserve of the Bank was 4,687.64 million baht, with specific reserve for classified loan of 2,676.22 million baht. In addition, as of December 31, 2012, TISCO

Bank has total provision according to BoT's requirement after including minimum provision of 2,648.08 million baht, with provision in excess of 2,016.43 million baht in compliance with provision policy for managing future risk.

2.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2012, hire purchase and commercial loans represented 65.9% and 17.3% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 163,697.12 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 145.47 million baht or 0.1% of the total hire purchase portfolio, or equal to 0.06% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into four different sectors: manufacturing and commerce, 17,226.31 million baht; real estate and construction, 10,203.97 million baht; public utilities and services, 14,888.26 million baht; and agricultural and mining, 675.20 million baht. Lending to the above industrial sectors represented 40.0%, 23.7%, 34.6%, and 1.6% of the total commercial loan portfolio, and 6.9%, 4.1%, 6.0%, and 0.3% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 24,244.91 million baht or accounted for 9.8% of the total credit portfolio. There is slight concentration in manufacturing and commerce as well as real estate sector which has been managed under risk management procedure. Moreover, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Furthermore, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

2.1.3 Collateral Risk

Collateral risk occurs from borrower defaults and the value after selling collaterals in the debt collection process cannot cover the original debt amount. As of December 31, 2012, lending portfolio of TISCO Group came mostly from TISCO Bank whereby 80.2% of the portfolio was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO Group. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Group can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

A major risk factor in the hire purchase business depends on the market value of used cars. A substantial decrease in the market value of a used vehicle results in credit loss, which directly affects the net income and capital of TISCO Group. Market prices for used cars depend on such diverse factors as market demand, type, brand and tax regulations.

According to the past records, the recovery rate for asset liquidation in the secondary market was somewhat high at 70%-90% of the remaining net financing amount, which helped in absorbing losses from defaulted loans. TISCO Group has attempted to minimize credit risk by regularly updating its information regarding trends in the used car market, requiring high-value collateral, sufficient average down payment, and favoring well-known brands in the secondary market.

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to BoT regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 61.7% of the NPLs of commercial loan and mortgage loan.

Generally, the risk of real estate value changes depends on economic conditions. A recession in the Thai economy might result in lower values, which would require TISCO Group to reserve higher loan loss provisions. Moreover, the legal process of collateral acquisition through related laws and enforcement is both costly and time consuming. However, all pending cases are closely monitored on a regular basis.

2.1.4 Property Risk from Foreclosed Assets

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realizable value. Outstanding assets in the process of liquidation held by TISCO Group as of December 31, 2012 were worth 272.53 million baht, or 0.1% of total assets. Allowances for impairment stood at 6.3% of total foreclosed assets, which decreased from 16.20 million baht as of December 31, 2011.

▪ Credit Risk Management Framework

The Risk Management Committee is delegated to oversee credit risk management of the corporate portfolio. The committee is responsible for formulating credit risk strategies and establishing guidelines and limits, as well as advising other credit risk authorities and retaining accountability on related issues. It also monitors and reviews credit risks at the portfolio level and reports essential credit risk information to the Board.

Credit risk is mainly incurred from subsidiary companies, in which conducting loan as main business. Specific-Area credit risk authorities include the Credit Committee, and Problem Loan Committee, which are established to oversee credit risk management and control at in-depth transaction level of subsidiary companies. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers. The Credit Committee may delegate its authority to designated persons for authorizing lower-risk transactions. The Problem Loan Committee was set up to monitor and follow up overdue payment of problem loan accounts and foreclosed assets on a regular basis.

Sound credit risk assessments are key risk practices at TISCO Group such as credit analysis, credit rating, delinquency analysis, concentration level and risk capital. All loan origination must operate under a sound credit granting process in which an effective credit rating system is employed in key business area. In retail lending area, quantitative-oriented approaches to credit grading are implemented, considering its homogenous high-volume characteristics, with emphasis on the use of extensive data mining and analysis. In corporate lending area, qualitative-oriented credit grading approaches shall be employed, taking into account its highly varying risk profiles, with well-defined standard.

Concentration risks are also essential in credit portfolio risk management. Appropriate guidelines on concentration risks are set up considering appropriate business practice and company risk capital capacity.

TISCO Group uses credit risk management guidelines and limits that are comprehensively applied to all credit-related functions both at the portfolio and transactional levels, as well as monitoring and managing problem loan and foreclosed assets.

2.2 Liquidity Risk

Liquidity risk is the possibility that TISCO Group might not be able to meet its obligations to repay debts when they come due, whether as a result of a failure in cash management or an inability to raise funds to meet demand in time. Liquidity risk comes from internal and external factors. Internal factors are maturity mismatches in the assets and liabilities profile which affect the level of liquid assets, while market liquidity and depositor confidence represent external factors affecting liquidity risk.

As of December 31, 2012, the value of liquid assets is 36,630.18 million baht; comprised of cash at 1,046.33 million baht compared to 903.45 million baht in December 31, 2011, net transactions with interbank and money market at 31,196.28 million baht compared to 30,722.35 million baht as of December 31, 2011 and net current investment at 4,387.57 million baht compared to 1,503.24 million baht as of December 31, 2011.

Currently, liquidity risk from the maturity mismatch is moderate, once adjustments for the historical behavior of creditors and debtors such as loan defaults or rollovers are taken into account. According to maturity mismatch profile within 1 year, the cumulative gap has shown the matured assets over the matured liabilities accounted for 22,741.00 million baht. In addition, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur.

As of December 31, 2012, the Bank reported deposit 219,823.34 million baht, the outstanding long-term debentures (both subordinated and unsubordinated) of 8,243.00 million baht and short-term debentures of 5,828.20 million baht, and bill of exchange amounted to 13,806.05 million baht.

▪ Liquidity Risk Management Framework

Funding risk management is overseen by the Risk Management Committee who delegates day-to-day management of liquidity position to the accountable business line, subject to independent oversight and compliance to the approved risk policies and regulatory requirements.

Key funding risk policies involve the management of cash flow maturity profiles, concentrations, liquidity reserves, and emergency contingency plan. Funding risk strategies shall take into account the liquidity status in the market and how unexpected changes would affect the company's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities shall then be consistently maintained and regularly monitored, together with the level of liquidity reserve. Funding sources shall be well-planned to optimize risk/return while controlling excess concentrations in certain funding sources is crucially required. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation.

2.3 Market Risk

Market risk stems from adverse changes in securities prices and interest rates, which affect the volatilities of net income, capital, asset value, and liabilities of TISCO Group.

2.3.1 Equity Price Volatility

As of December 31, 2012, the equity portfolio stood at 3,001.04 million baht, of which 1,664.51 million baht was listed equity in current market value and 446.31 million baht was non-listed equity in book value.

TISCO Group gained profit from security investment amounted to 120.53 million baht. Moreover, gains arising from the difference between fair value of securities as of December 31, 2012 and unrealized gains of securities according to the accounting standard of security foreclosure were 275.02 million baht.

(1) Listed Equity Risk

Listed equity investment portfolio in available-for-sale book stood at 1,232.84 million baht in which a change in its value would impact the equity through unrealized gains or losses. As of December 31, 2012, unrealized gain from available-for-sale investments equaled 275.02 million baht, comparing to unrealized loss of 135.35 million baht as of December 31, 2011.

TISCO Group calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Daily VaR at a 99.0% confidence level, as of December 31, 2012, was 39.68 million baht, increased from 33.69 million baht as of December 31, 2011 as a main result of increasing in market value and fluctuation from domestic and international events during the year. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 439.13 million baht, slightly decreased from 490.88 million baht from the end of 2011. Presently, our investment strategy is not to increase the size of the non-listed equity portfolio. TISCO Group is instead seeking opportunities to liquidate them, while at the same time closely monitoring portfolio quality on a regular basis.

2.3.2 Interest Rate Risk

Interest rate risk can be classified into two types; namely risk from interest-bearing assets and liabilities profile, and fixed-income risk.

(1) Risk from Interest-Bearing Assets and Liabilities Profile

Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. A movement in the level of interest rates may lead to higher borrowing costs when compared to earnings, resulting in lower interest rate income, which in turn influences TISCO Group's income and capital.

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Group's interest-bearing assets and liabilities structure, as of December 31, 2012, is provided in the following table.

(Unit: Million baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	66,578.07	82,175.79	49,666.91	78,476.19	276,896.96
Liabilities	(96,820.58)	(149,935.89)	(1,320.16)	(8,268.96)	(256,345.58)
Net Gap	(30,242.51)	(67,760.09)	48,346.75	70,207.23	20,551.37

Under the change of interest rate within 1 year, TISCO Group had liabilities over assets within 1 month cause the net gap to stand at 30,242.51 million baht and gap for liabilities over assets within 2-12 month stand at 67,760.09 million baht. The negative gap shown was mainly from the portion of short-term deposit which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Bank was exposed to an interest rate rise under acceptable risk.

(2) Fixed-Income Risk

Fixed-income risk is the result of a decrease in the value of fixed-income instruments when interest rates increase. As yields in the market go up, the value of fixed-income instruments decreases to maintain yields at the same level.

TISCO Group's fixed-income portfolio as of December 31, 2012 stood at 4,310.65 million baht, a increase of 2,614.96 million baht compared to the end of 2011. Average duration of the bond portfolio in TISCO Bank were 0.27 year, decreasing from 0.83 year from the end of 2011 mainly due to the shorter maturity investment portfolio in the year. Meanwhile, average duration of the debenture portfolio was 0.61 years, decreasing from 1.08 years from the end of 2011. However, Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

▪ **Market Risk Management Framework**

Risk Management Committee is responsible to oversee the portfolio risk management and control of market risks. The business lines are accountable to manage market risks in their portfolios within the guidelines and limits set by the Risk Management Committee. Specific-Purpose Risk Authorities have been established in high-risk areas to oversee all aspects of transaction-level risks, such as setting investment guidelines, authorizing investment transactions and trade counterparties etc.

Market exposures shall be grouped appropriately according to the nature and characteristics of risks involved. Suitable risk treatment framework shall be implemented to effectively manage each class of market exposures. Portfolio market risks of all assets and liabilities shall be assessed and quantified using the Value-at-Risk (VaR) concept employing methodologies and techniques appropriate to the nature of risks involved. Back-testing has been prudently performed to validate internal value-at-risk model. In addition, stress testing in place as a supplement to VaR is performed under various extreme scenarios. The risk assessment and corresponding risk treatment has taken into account the transaction intent as well as the market liquidity of the securities.

Interest rate risk from banking book is analyzed on the basis of mismatch between the timing of interest rate re-pricing of assets and liabilities and its potential impacts on future net interest income of TISCO Group under simulated scenarios.

Sophisticated market risk positions, such as derivatives securities, shall be handled with special attention. Derivative risks must be decomposed into basic risks and analyzed such that the inherent risk profile is clearly understood. In addition, derivative risk management policy has been set up in order to effectively control and manage risks from derivative transactions with appropriation to complexity of the derivative.

2.4 Operational Risk

Operational Risk is defined as the vulnerability of earnings, capital, or business continuity due to an inadequate or failed internal processes, people, technology or external factors. The impact can be classified into financial loss and non-financial loss as reputation and business opportunities. TISCO Group expanded its businesses into various aspects in both extending the existing businesses as well as setting up new businesses; therefore, operational risk increased accordingly following the business expansion. Nevertheless, the new businesses will be analyzed for inherent risk in compliance with TISCO new business guideline to ensure risk-return approach. In addition, operational risk management, internal control, compliance, as well as productivity improvement will ensure that prudent control processes are in place and appropriate for the risk incurred.

2.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO Group operational risk mostly incurs in low to moderate impact area (financial loss is less than 0.05% of annual net profit, and does not impact the business in the long term). These operational risks generally impact reputation than financial status; however, impact can be contained. Regarding to the operations in 2012, error rate for the operations was less than 0.1% of total number of transaction. Most loss events are erroneous data entry, late transaction execution and system unavailability. Also, TISCO Group has some fairly high to high operational risks including fraud, critical business disruption and high value customer dissatisfaction, which are exclusively controlled in order to terminate or transfer out.

From business line aspect, Retail Banking Business has the highest likelihood level, in line with high number of transaction. The risks in Retail Banking Business are generally classified as high likelihood, low to moderate impact, e.g. error in transactional data entry and late transaction execution to customers. These operational risks typically do not impact financial loss because the erroneous transaction can be reversed, excluding some loan transactions that the recipients have taken cash out of the system. From cause perspective, human error is a key risk factor in the business. Therefore, TISCO Group focuses on staff training and communication program. In addition, TISCO Group continuously simplifies process which leads to lower error rate. However, there are some operational risks in low likelihood, fairly high to high impact area including risks in cash handling, fraudulent risks, and critical reputational risks. These groups of operational risks, once occurring, can impact to financial loss or business sustainability. Additional prudent controls are combined in the processes to prevent and able to responsively detect any loss. This risk profile is similar to mutual fund business in Asset Management business line. However, with lower number of transaction in mutual fund business, operational risk is classified as low error level.

Operational risks in Securities Business are similar to ones in Retail Banking Business in that most operational risks are classified as high likelihood, low to moderate impact, which normally incur in transactional data entry. The key difference is that because the business nature aims for processing quickness than impeccable accuracy in order to overtake the rapid change in securities price, some errors can be accepted to some extents; therefore error limit was developed. In addition, if customers are impacted from the errors, proper financial reparation shall be offered.

Operational risks in Payment & Settlement is mainly fairly low likelihood with low to moderate impact area, mostly incurred in cheque issuance, cheque clearing, and transactional money transfer, which are normally reversible. For the area of low likelihood, fairly high to high impact, operational risks incur in high value customer transactions. Any error, although reversible,

could impact TISCO Group image and following business opportunities. Operational risks in high value customers also incur in business targeting high potential customer, for instance Corporate Banking, Private Banking, Custodian, Cash Management, Treasury and Investment, as well as Private Fund and Provident Fund in Asset Management business. The operations are, therefore, embedded with extensive controlling process and set to perform by experienced staffs.

▪ **Operational Risk Management Framework**

Since TISCO Group undertakes a wide variety of business and financial activities, operational risks are different for each area. Consequently, operational risks are managed and controlled through prudent control processes and a well-structured organization with an integrated check-and-balance system. Additionally, TISCO Group is committed to creating accountability and awareness to all staffs on operational risk management.

The operational risk management policy is set by the parent company and coherent adoption across all subsidiary companies in TISCO Group. Operational risk management is overseen by the Risk Management Committee of the Company, supported by operational risk management function who ensures appropriate application of the policy in all functions, analyzes risk and provides proper recommendation, as well as provides sufficient tools and information. The business units as risk owners are responsible to run the business and manage the operations in compliance with the policy and guidelines under risk-return perspectives. In addition, entire internal control system and risk management shall be investigated by the Audit Committee which directly reports to the Board of Directors following Basel II and requirements of the Bank of Thailand.

In order to understand the operations and develop proper measures to manage operational risk, periodic and applicable operational risk identification and assessment are required. Operational Risk Management function is accountable to cooperate with other functions for assessing the operational risk. From assessment result, each functions shall develop their own plan and define risk indicator in order to manage and keep the risk be within the proper level.

At transactional level, abnormal events (incidents) shall be reported into incident management system which is used as an input for the operational risk assessment afterward. The incident management system also help TISCO ensure that all incidents shall be corrected and managed properly regarding staff authority on timely basis and loss shall be contained.

Moreover, TISCO Group had implemented business continuity management (BCM) in purpose of reducing the risk from business disruption and get ready for severe loss occurrence. This BCM plan works together with IT Disaster Recovery Plan to ensure that critical operation can provide their service.

2.5 Strategic Risk

Strategic Risk is a form of uncertainty stemming from the possibility that TISCO Group might make an adverse business decision, improper strategy implementation or misalignment between strategy, target, organization structure, competition and resources that affect TISCO Group's earnings and capital.

2.5.1 Risk from Economic Conditions and Business Competition

Although TISCO Group diversifies its businesses in areas of high potential, most of them are influenced by changes in economic conditions. For hire purchase businesses, growth and credit quality are directly affected by the state of the economy, levels of competition and growth in public consumption. Strong economic growth results in faster growth in asset size and revenues of TISCO Group, and vice-versa. Strong market share and competitive advantage, however, make TISCO Group less vulnerable to negative economic factors.

For the equity investment of TISCO Group portfolio, the economic outlook, capital market performance and investor sentiment is still crucial to TISCO Group's financial performance. In a bullish economy, equity prices tend to increase significantly, resulting in improved the Bank profit and capital. Conversely, unexpected events, such as terrorist attacks and natural disasters may cause a substantial drop in equity values, adversely affecting TISCO Group's financial performance. While the brokerage and underwriting business also depends on the condition of the stock market, most income is derived from trading volumes, with the result that the impact of price levels may not be substantial. In effect, TISCO Group has adopted a variable cost structure in the brokerage business, which minimizes the impact of unfavorable market conditions.

The asset management business is dependent only to a minor degree on economic conditions as fee income is based on the net asset value of funds under management. Profit and loss from investments does not directly affect TISCO Group's financial results. However, higher competition on pricing structure is a major risk factor in this business.

2.5.2 Risk from Capital Adequacy

As of December 31, 2012, as TISCO Bank's capital requirement based on Basel II Internal Rating Based Approach (IRB), the regulatory capital adequacy ratio (BIS ratio) stood at 12.79% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II adequacy ratio stood at 8.51% and 4.28%, respectively, in which Tier-I adequacy ratio also

remained higher than the minimum requirement at 4.25%. If including net profit for the year 2012, the regulatory capital adequacy ratio (BIS Ratio) stood at 13.30% while Tier-I and Tier-II adequacy ratio stood at 9.03% and 4.28%, respectively.

As an internal risk measurement of capital adequacy (ICAAP), the risk-based capital requirement of TISCO Group stood at 13,154.57 million baht, accounting for 78.3% of the total capital base of 16,796.49 million baht excluding net profit which will be included in the capital annually. In addition, capital surplus for future risks and business expansion stood at 3,641.92 million baht.

2.5.3 Risk from Subsidiaries' Financial Performance

TISCO Financial Group Plc. was established with the purpose of investing in other companies only. Therefore, the performance of the company depends on the performance of invested companies. Subsidiaries' risks involve the risk of TISCO Bank's business operation which is a core business of the Company and other subsidiaries' business operations. The Company holds shares of all 8 subsidiaries including TISCO Bank. However, while most of the net income comes from dividends received from its subsidiaries, volatile performance of subsidiaries may affect the overall the Company's performance. In effect, the dividend payment to shareholders may also be volatile.

Profit recognition of TISCO Group came from all subsidiaries including TISCO Bank. As of December 2012, net profit of TISCO Bank and other subsidiaries was 3,409.66 million baht, where 652.63 million baht was from subsidiaries excluding TISCO Bank. Although the subsidiaries experienced outstanding business performance and generated profits to the Company, investment strategy is important in the future. Therefore, the Board of Directors meeting has defined the investment policy for TISCO Group where the Company will invest in those businesses having ability to support the competitive efficiency of the group. Besides, the market and industry trends, competitive environment and long-term profit making capability together with prudent risk management shall be considered.

Net income from subsidiaries, excluding TISCO Bank, accounted for 23.2% of total net income, which significantly affects the overall TISCO Group's income. Additionally, the net income from brokerage and investment banking are from TISCO Securities while net income from asset management is from TISCO Asset Management.

While subsidiary businesses are influenced by market activity and overall economic conditions, the impact of risk from securities and asset management businesses will have a significant effect only on Bank profitability, without having a severe impact on capital as the major focus is on services rather than lending or investment.

Internal control and risk management of subsidiaries is centralized at the Company which applying a universal set of standards and guidelines for all. The Company sends its representatives to serve as directors at subsidiaries for at least half of the total directors and to participate in establishing important business policies, in which the annual business plans of subsidiaries require approval by the Company.

▪ Strategic Risk Management Framework

The Executive Board and Senior Management directly oversee strategic risks of TISCO Group, with the policy to employ effective sound practices in strategic management that enable it to respond effectively to changes in the business environment and unexpected external events. Vision and mission statements reflect the company's core direction and how our business is conducted, around which all strategies and policies are formulated. Sufficient processes have been set up to carry out effective corporate strategy formulation, business planning, resource management, performance management, and other essential decision support systems. Strategic audit process is then performed at the board level of the Company by non-management directors as the ultimate line of protection.

In organization and business practice, the principles and practices of good corporate governance have been adopted to protect the rights and interests of all stakeholders. The corporate governance framework has included corporate governance policy and strong systems of internal controls, which are subject to regular independent assessment and review.

TISCO Group manages strategic risk by setting up 3-year strategic plans to provide a clear business direction together with operating budgets. The plans are reviewed on an annual rolling basis and used to compare actual performance on a monthly basis.

3. Overview of TISCO Business

3.1 History and major developments

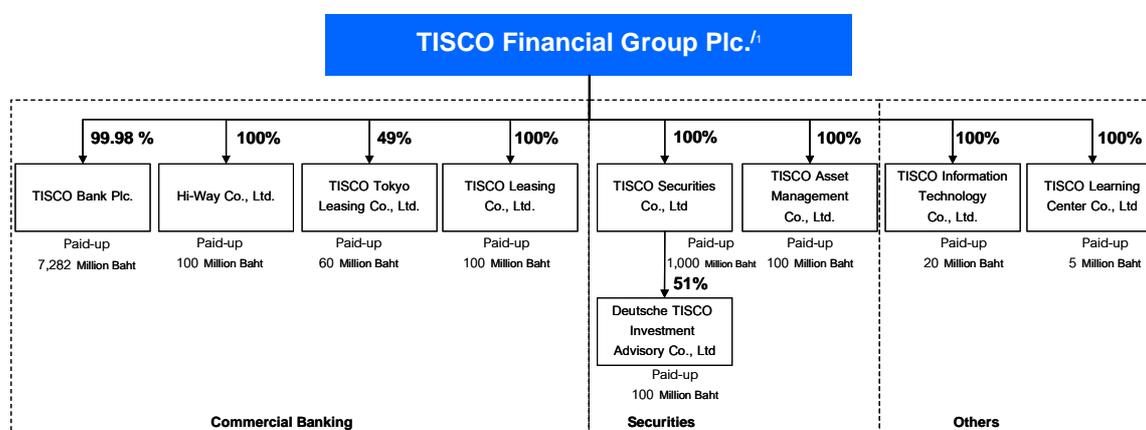
In 2008, TISCO Group implemented the Holding Company Restructuring Plan with the holding company as the parent company of the Group. After the enactment of Financial Institutions Business Act, B.E. 2551 on August 3, 2008, TISCO Bank Public Company Limited ("the Bank" or "TISCO Bank") submitted application to establish the Financial Group to the Bank of Thailand by set up a new company, TISCO Financial Group Public Company Limited, a non-bank public company limited to be a holding company and parent company of the Group in place of TISCO Bank. TISCO Financial Group Public Company Limited ("the Company") made a tender offer of all securities of TISCO Bank in exchange for newly issued securities of its securities at swap ratio of 1:1. As the result, the Company acquired 99.51% of TISCO Bank's total issued securities. After successful tender offer, the Company acquired all stakeholding in TISCO Bank and subsidiaries¹ identical to shareholding structure of TISCO Bank before restructuring and acquired all shares of Tokyo Leasing (Thailand) Company Limited. Moreover, TISCO Financial Group Public Company Limited has already operated since January 1, 2009 and listed on the Stock Exchange of Thailand in place of TISCO Bank which was simultaneously delisted from the Stock Exchange of Thailand on January 15, 2009.

In November 2009, the Company was granted approval from the Securities and Exchange Commission to offer the newly issued common shares of the Company to TISCO Bank's shareholders. The offering of newly issued common shares of the Company has been carried out in order to achieve the objective of the Holding Company Restructuring plan of TISCO Group in which the Company acquires 100% of shares in TISCO Bank as well as protecting the benefit of the shareholders who did not swap securities into the Company's securities. At present, the Company held 99.98% of TISCO Bank's total issued securities. In 2010, TISCO Leasing Co., Ltd. became one of the companies under TISCO financial group with an aim to expand retail loan business in provincial areas. TISCO Leasing Co., Ltd. provides loan against auto license, hire purchase loan, leasing for car, motorcycle as well as machinery and equipment. In 2011, TISCO Learning Center Co., Ltd. became one of the companies under TISCO financial group with an aim to provide to develop, facilitate training and HR development roadmap for all subsidiaries under TISCO Group. In late 2012, Deutsche TISCO Investment Advisory Co., Ltd. in which TISCO Securities Co., Ltd. held 51% of total stake, became a subsidiary under TISCO financial Group with aiming to provide equity research and strategic investment advisory service for domestic and foreign institutional investors.

¹ Except the company which will be ceased and the company in liquidation process.

3.2 Businesses of the Company and subsidiaries

As TISCO Financial Group Public Company Limited operates as shareholders in other companies and no other major business, the competitive position can be categorized by business operations of its subsidiary companies which divided into 2 main businesses: commercial banking business and securities business which offer various kinds of financial services in order to satisfy customers' need. After completion of restructuring plan, the TISCO Group's structure as of December 31, 2012 is shown below:



^{/1} Listed on the Stock Exchange of Thailand

3.3 Revenue structure

The revenue structure of the TISCO Group is as follows.

(unit: million Baht)

	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
Interest Income						
- TISCO Bank Plc.	8,711	82.0	11,552	104.3	14,209	107.8
- Hi-Way Co., Ltd.	542	5.1	567	5.1	602	4.6
- Other Subsidiaries	179	1.7	249	2.2	400	3.0
Total Interest Income	9,433	88.8	12,368	117.7	15,211	115.4
Total Interest Expenses	(2,571)	(24.2)	(5,528)	(49.9)	(8,166)	(61.9)
Net Interest Income	6,862	64.6	6,907	62.4	7,044	53.5
Fee and Service Income						
- TISCO Bank Plc.	1,256	11.8	1,613	14.6	2,488	18.9
- TISCO Securities Co., Ltd.	920	8.7	753	6.8	983	7.5
- TISCO Asset Management Co., Ltd.	699	6.6	660	6.0	852	6.5
- Other Subsidiaries	49	0.5	41	0.4	85	0.6
Fees and Service Income	2,924	27.5	3,067	27.7	4,408	33.4
Fees and Service Expenses	(221)	(2.1)	(211)	(1.9)	(279)	(2.1)
Net Fees and Service Income	2,702	25.5	2,854	25.8	4,128	31.3
Other Operating Income	1,053	9.9	1,311	11.8	2,009	15.2
Total Operating Income	10,617	100.0	11,072	100.0	13,182	100.0

3.4 TISCO Group Business Strategy

TISCO Group's general business strategy and planning guidelines for the next three years in covering overall business operations are already in place. These strategies and plans will be revised to incorporate changes in the business environment on a yearly basis.

Vision, Mission, and Values for business operations

To align the goals and direction of business units to match those of TISCO Group, the Company has put in writing clearly defined statements outlining its Vision, Mission and Values. Vision encompasses the ultimate goal of TISCO Group whereas Values are intrinsic attributes that management and staff apply in achieving goals and objectives.

Our Vision is "TISCO always provides a wealth of possibilities to its clients for the realization of their goals.", through TISCO's financial knowledge, as a House of Financial Expertise, we create and provide wealth of possibilities to our customers and all stakeholders by helping them define, create and achieve their own wealth. TISCO believes that their lives will be better when they could engage a wealth of possibilities.

Our Mission is "TISCO Group will be a financial institution with exemplary governance. We are dedicated to creating sustainable values for our customers, shareholders, people and society".

Our Values are the essence of the service we offer to our customers and qualities we cultivate and seek in our people. Through induction, training, and comprehensive corporate guidelines, these values are transferred into TISCO Group culture and shape our professional attitude. TISCO Group values consist of:

1. **Customer Priority** : Customers are our primary focus. Their needs are our priority. TISCO Group derives a professional and practical solution that fulfills our customers' requirements.
2. **Integrity** : Customers are assured of our unyielding commitment to ethical conduct, which is projected in all aspects of our undertakings. Dependable and constant in our actions, we endorse our values through our actions.
3. **Reliability** : We raise the quality of client relationship by infusing excellence and integrity into all our dealings. Clients are offered the knowledge base and experience of our integrated resources. The measure of client progress and satisfaction is our base for evaluation.
4. **Mastery** : Serving our customers by constantly and progressively improving our abilities through a sustained passion for knowledge. Our people are trained to demonstrate exceptional skills and show the ability to lead others.
5. **Creativity** : Our expertise not only comes from our in-depth knowledge, experience and know-how, but also comes from our creativity. To manage their financial lives, we believe that our customers needs accurate, various and creative advisory, which helps customers to determine and achieve their financial goals through meaningful solutions.
6. **Guidance** : Our people are financial expert. They are eager to play a role in guiding and advising customers, in a friendly and open manner, to help them manage finances. As a customer's best friend, they know their customers and truly understand their needs. With a wealth of guidance, customers eventually reach their financial success.

Strategic Plan and Strategy Map

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 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.

To implement strategic planning successfully, TISCO Group has adopted Balanced Scorecard technique 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. Additionally, the business performance is constantly monitored via Performance Dashboard session.

Strategic action for the organization

To achieve the organization's goals, within the Vision framework, TISCO Group has determined strategic actions as follows:

1. Deliver the best solutions for clients in order to satisfy their needs by transforming the organization to become Customer Centric, which were previously structured as Product Centric.

2. Enhance distribution channels and the marketing team as well as continually identify new business opportunities in niche markets in order to maximize customer reach. In addition, TISCO Group offers services and products totally based on clients' needs, with an aim to maximize customers' satisfaction.
3. Emphasize on quality product development to deliver the best solutions for clients, including enhance banking infrastructure and automate working process to support growth in business volume and service channels.
4. Build corporate branding and preserve corporate image in order to widely promote TISCO Group's product and services as well as business synergy among companies in TISCO Group. Customer Relationship Management is also employed for business opportunity expansion as well as maintaining good relationship with clients.
5. Focus on improving information technology, business decision support system and personnel development in order to shift efficiency in business operations and fully utilize the banking platform.

4. Business Operations by Area

TISCO Financial Group Public Company Limited (“the Company”), the parent company of TISCO Group (“the Group”), and its subsidiaries operate two main businesses: commercial banking and securities.

Commercial banking business: TISCO Group offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank’s (“The Bank”) headquarters, its subsidiaries, as of December 31, 2012, the Bank has 49 branches in every regions of Thailand. The locations of bank branch by region are shown as follows;

Region	Branch
Bangkok	: Sathorn, Rattathibet, Srinakarin, Rangsit, New Phetchaburi Road, Central World, Fashion Island, The Old Siam, Pakin Building, Central Chaeng Watthana, Seacon Square, Yaowarat, Siam Paragon, Central Rama III, The Mall Bangkhae, Worachak, Central Pinklao, The Mall Tapra, Central Bangna, The Mall Bang Kapi, Future Park Rangsit, Central Ramindra, Central Lardprao, Gateway Ekkamai, Ratchawong and Seacon Bangkhae
Vicinity	: Nakorn Pathom and Samutsakhon
Central	: Ayutthaya, Saraburi, Chonburi, Rayong, Ratchaburi, Chantaburi and Si Racha
Northeast	: Nakorn Ratchasima, TESCO Korat, Khon Kaen, Udon Thani, Ubon Ratchathani and Surin
North	: Chiang Mai, Phitsanuloke, and Nakhon Sawan
South	: Phuket, Songkhla, Surathani, Trang and Krabi

Securities business: TISCO Group provides securities services under its Securities and Asset Management licenses. These businesses are serviced through the headquarters and branches of subsidiaries across the country. In Bangkok, a branch namely Esplanade Center, and four branches in upcountry, namely Chiang Mai, Nakorn Pathom, Nakorn Ratchasima, and Udon Thani.

4.1 Area of Services

As the Company operates as shareholder in other companies (Holding Company) and no other major business, the area of services can be categorized by business operations of its subsidiary companies which can be divided into 2 main businesses: commercial banking business and securities business. In accordance with client centric approach, the service operations of TISCO Group are divided into 4 business lines namely 1) Retail Banking 2) Corporate Banking 3) Wealth & Asset Management 4) Corporate Affairs & CSR. Detail for each service operation is as follows:

1. Retail Banking

Retail Banking group provides 2 service types as follows:

1.1 Retail Loans

Retail loans are conducted by offering loan services to retail customers, which have specific loan purposes for individual consumption. This segment can be classified by loan purpose as follows:

- **Hire-Purchase Financing**

Hire-purchase financing is operated by TISCO Bank Plc, TISCO Leasing Co., Ltd., TISCO Tokyo Leasing Co., Ltd. and Hi-Way Co., Ltd., allow borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then transferred to the buyer after all installments are paid. Contract periods run from 1-6 years. A fixed interest rate is charged in line with the market rate on the contract date.

TISCO Group provides hire-purchase loans for all types and models of new and used automobiles. This includes passenger cars, multipurpose vehicles, motorcycles, and commercial vehicles such as sedans, trucks, and trailers. In addition, hire-purchase

financing also offers on loans for buying machinery and equipment for commercial purposes such as printing machines, computers and film-developing equipments.

Hire-purchase, one of the TISCO Group's major businesses, has experienced continuous growth for years. As of December 31, 2012, the hire-purchase loans were 163,697.12 million baht, up from 124,915.88 million baht at the end of 2012 31.0% (YoY).

Table shows details of car and motorcycle hire purchase loans

Hire Purchase	December 31, 2010 (Million baht)	December 31, 2011 (Million baht)	December 31, 2012 (Million baht)	Growth rate (%)
Car	104,080.49	122,958.72	161,376.69	31.2
Motorcycle	1,966.75	1,957.16	2,320.43	18.6
Total	106,047.24	124,915.88	163,697.12	31.0

In 2012, TISCO Group (specified for TISCO Bank and credit granting companies) provided car hire purchase loan, ranked by car brands which are Toyota 14.5%, Isuzu 11.0%, Mazda 22.5%, Ford 20.3% and other brands 31.7% of total car hire purchase loan. The proportion of hire purchase loan between new car and used car were at 80% and 20% in 2012. In addition, the Group's strategy is to continue on expanding hire-purchase financing to benefit from strong market demand by offering a variety of high quality services, rather than low pricing. However, the interest rates charged are competitive and the maximum payment period is in compliance with the BoT rules.

• Consumer Loans

Consumer loans are operated by TISCO Bank; provide consumer loans according to market needs with a strong focus on acceptable risk-adjusted return on capital (RAROC). The consumer loans segment has two main categories as follows:

Mortgage Loans are granted to buy residential property, including multipurpose loans, which use property as collateral to support the client's liquidity. The repayment terms vary from 3 to 30 years with full collateral, with interest rates either floating or fixed in the first one-to-three years and floated rate for the remaining years.

As of December 31, 2012, mortgage loans were 1,455.60 million baht, increased by 6.5% from 1,366.69 million baht in 2011 partly due to continual recovery of housing demand after flood crisis in late 2011.

Consumption Loans are operated by TISCO Bank Plc., TISCO Leasing Co., Ltd., and Hi-Way Co., Ltd.; provide multipurpose lending for individuals such as personal loans, loans against car registration, loans for insurance premiums, and loans for provident fund members. The repayment periods vary from 6 to 30 months depending on cash flow and client's earning ability. The loans against car registration namely "TISCO Auto Cash", is considered a multipurpose loan for car owner who needs financing in which the loan does not require the transferring of car registration. Moreover, TISCO Bank has continually provided TISCO Auto Cash loan and develop the product to meet customer's needs. The strengths of TISCO Auto Cash loan are convenient, speedy, and competitive interest rate when compared with general consumer loan. The customer can update the service of TISCO Auto Cash via www.tiscoautocash.com. To enhance customer's convenience, TISCO Group expanded distribution channels of loans against car and motorcycle registration nationwide namely "Somwang" in which 25 of Somwang branches were opened across the country in 2012.

As of December 31, 2012, consumption loans were 14,388.61 million baht, increased by 12.8% from 12,753.92 million baht in 2011.

Table shows details of retail loans

Retail Finance	December 31, 2010		December 31, 2011		December 31, 2012		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	106,047.24	90.0	124,915.88	89.8	163,697.12	91.2	31.0
Mortgage loans	1,422.29	1.2	1,366.69	1.0	1,455.60	0.8	6.5
Consumption loans	10,405.72	8.8	12,753.92	9.2	14,388.61	8.0	12.8
Total	117,875.24	100.0	139,036.49	100.0	179,541.32	100.0	29.1

Customer and Distribution Channels

Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment record. The Group service's channels operate through the Bank's headquarters and its branch network and other subsidiary companies. The car hire-purchase business in the TISCO Group is operated by TISCO Bank Plc., TISCO Leasing Co., Ltd., and TISCO Tokyo Leasing Co., Ltd. while motorcycle hire-purchase is operated by Hi-Way Co., Ltd. TISCO Group has an assured client base via dealer which major portion of client base are fixed income individual with well payment background.

For consumption loans which are operated by TISCO Bank Plc., TISCO Leasing Co., Ltd., and Hi-Way Co., Ltd., targets individual customer with good payment background and adequate earning ability.

1.2 Bancassurance

The Bank has been granted Insurance Broker License since 2005 from the Department of Insurance, under the Ministry of Commerce. The Bank provides insurance brokerage services for both life and non-life insurances covering various types of insurances. Over 7 years of service, the Bank aims to select and develop both life and non-life insurance products that match with risk of each customer segment. For non-life insurance, the service includes motor insurance, fire insurance, accidental insurance, critical illness insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. At present, the Bank has partnered with strong financial stability and well-know insurance companies.

In 2012, the Bank and insurance company had good progress in developing new products, namely Health Insurance Plan (HIP) which offered to hire purchase customers. HIP offers health protection for both cases of in-patients and out-patients, as well as compensation for daily medical treatment fees whereby match customer needs. For car insurance, the Bank developed Auto Care Insurance (ACI) which increased protection coverage in addition to car protection. ACI offers income compensation for up to 7 persons in each car accident, personal belonging insurance, and compensation for any car accidents regardless of whoever is at fault. These 3 types of protections are combined into one product for the first time in Thailand. In addition of new product offerings, the Bank has officially acted as insurance broker for partnered car companies, which offers car protection to all customers, along with special protection against in-car personal belongings up to 20,000 baht. These improved products and projects have given clients the opportunity to get the best product under the affordable price, which the Bank has received a pleasant feedback accordingly.

2. Corporate Banking

Corporate Banking group provides 3 service types as follows:

2.1 Corporate Lending

Corporate Lending service is operated by TISCO Bank. Commercial finance facilities are provided to medium and large corporate clients for commercial purposes, including loans and related services such as guarantees, aval, loan arrangement services and loan restructuring. Commercial lending is classified by the following service types:

• Working Capital Loans

Working capital loans fill the need for business liquidity and cash flow, especially for industry and seasonal businesses, by facilitating loans for buying raw materials and inventory, and loans for accounts payable repayments. They are revolving loans, with repayment terms set for within one year. The terms and conditions of such loans are subject to credit review annually.

• Project and Term Loans

Project and term loans fill the need created by medium or long-term business development projects which have a specific purpose. The funding project, as the ultimate source of funds for loan repayment, must be traceable in terms of project progress. This segment mainly consists of term loans which have a repayment schedule in line with the timeline, progress and cash flow of the project. The Bank's policy is to support industry and manufacturing in all business areas, especially ones that support national development. Project and term loans are generally offered for building factories, offices or business expansion, property developments, infrastructure construction, project bids or buying industrial machinery.

• Other Commercial Loans

Other than the two above-mentioned types, the Bank also provides credit for other commercial purposes such as loans against deposits or liquid assets with short or medium terms using liquidity assets as collateral. This segment includes loans for investment, which are medium or long-term funds which investors use to buy assets, such as property, which they then use as collateral, with the terms and conditions of the loan set according to asset earning ability.

- **Guarantee and Aval Services**

The Bank provides guarantees and aval services for our client's business partners by issuing project bidding bonds, performance bonds and purchase guarantee letters to manufacturers. Terms of letters of guarantee are flexible and made to suit the beneficiary's needs.

- **Loan Consultancy and Related Services**

The Bank provides full-service loan consultation services in such areas as financial structuring and debt restructuring, and is also a syndicated loan arranger, facility agent and security agent.

- **Custodian Service**

The Bank provides custodian service for safekeeping the clients' assets and securities, payment and delivery, and performs the fiduciary duty of acting as custodian for provident fund, private fund, juristic person and individual, including confirmation of net asset value for provident fund.

2.2 Commercial Lending

Commercial lending provides commercial credits mainly in small and medium-sized businesses such as inventory financing for car-dealers, working capital loans and hire-purchase and leasing loans for customers in various segments including automobile & parts, logistics, etc.

As of December 31, 2012, TISCO Group had a corporate lending portfolio of 42,993.75 million baht, which accounted for 17.3% of total loans. This indicated a 32.9% increase from 32,348.73 million baht at the end of 2011. Commercial loans had a portfolio of 25,780.61 million baht, up by 89.2% (YoY) from 13,628.40 million baht from 2011 driven by strong demand of loan for car dealer. The portfolio is detailed as follows;

Type of Business	December 31, 2010		December 31, 2011		December 31, 2012		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	10,996.33	7.3	16,368.35	8.8	17,226.31	6.9	5.2
Real estate and construction	6,374.43	4.3	8,789.92	4.8	10,203.97	4.1	16.1
Public utilities and services	4,905.58	3.3	6,862.20	3.7	14,888.26	6.0	117.0
Agriculture and mining	155.24	0.1	328.26	0.2	675.20	0.3	105.7
Corporate Lending	22,431.58	15.0	32,348.73	17.5	42,993.75	17.3	32.9
Commercial Lending	9,425.41	6.3	13,628.40	7.4	25,780.61	10.4	89.2
Retail loans and other loans	117,875.24	78.7	139,036.49	75.1	179,541.32	72.3	29.1
Total TISCO Loan	149,732.23	100.0	185,013.62	100.0	248,315.68	100.0	34.2

Customer and Distribution Channels

Targeted customers are mainly current customer base who have established long-term relationships with the Bank, and new customers from industries that support national development or sectors with strong government backing, such as vehicles and parts, agriculture and food processing, transportation and logistics, and petrochemicals. In addition, future infrastructure projects, such as those in the energy, property development, and construction sectors, are within our scope of interest.

Apart from the headquarters in Bangkok and branches upcountry, the Bank also provides its services through direct sales by marketing officers and client visits. In addition, advertising and public relations via newspapers and the Internet are deployed as alternative sale channels.

2.3 Investment Banking

TISCO Securities Co., Ltd. is a leader in investment banking service with a long-established reputation more than 30 years in providing the best services to both with corporate and government-related clients. With high caliber and highly experienced professionals, TISCO Securities Co., Ltd. is specialized in many industries such as oil & gas, power, telecommunications, banking, transportation, health care, media and entertainment, and manufacturing together with a wealth of experience in equity and debt markets, both domestically and internationally. TISCO Securities Co., Ltd. has been approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. The full range of financial advisory and underwriting services are covering various types of instrument including equity, debt, and convertible instruments. Moreover, TISCO Securities Co., Ltd. also provides financial advisory service for merger & acquisition, privatization advisory and implementation, project financing, debt restructuring, feasibility study, project valuation, and general advisory, etc.

For the highlighted projects for the year 2012, TISCO performed as the financial advisor and joint book runners for the public offering for PTT Exploration and Production Plc. totalling 92,300 million baht, the financial advisor and lead underwriter for the initial public offering of VGI Global Medial Plc. totalling 3,080 million baht, and the underwriter for the debenture offering for Thai Tap Water Supply Plc. totalling 3,500 million baht. Furthermore, TISCO also engaged in several M&A transactions such as financial advisory for Gunkul Engineering Plc. in the partial shares disposition in the subsidiary that operates solar power plants totalling 625 million baht, the financial advisor for Tirathai Plc. for the acquisition of large size casing transformer producer. Moreover, TISCO performed as financial advisor and tender offer agent for Mitr Phol Sugar Corporation Limited. In addition, TISCO performed numerous of financial advisory services on valuation studies, corporate restructure and other services for various leading companies.

3. Wealth & Asset Management

TISCO provides full-shelf financial & investment advisory service namely "TISCO Wealth" in which banking, securities, and asset management services are consolidated in one place, to satisfying various type of saving and investment demand. TISCO Wealth categorizes the customer into 2 groups which are TISCO Platinum and TISCO Private. TISCO Platinum is defined as group of customer who have total saving, fund, and securities portfolio of 5 – 20 million baht while TISCO Private is defined as group of customer who have total saving, fund, and securities portfolio more than 20 million baht. Both groups will be closely served by wealth manager who provide deposit service and various types of investment advisory for both domestic and foreign assets. In 2012, with an aim to provide excellence investment advisory service, TISCO Wealth established "TISCO Wealth Strategy Team" to provide in depth global economic trend as well as portfolio strategy for various types of asset classes namely "Global Economic Review" and "Global Wealth Strategy" reports to cover outbound investment activities. Likewise, TISCO provides investment analysis in other alternative assets such as gold, oil, real estate, and agricultural products, etc. The customer can follow news and related investment recommendation through www.tiscowealth.com.

Wealth & Asset Management group provides 6 service types as follows:

3.1 Private Banking

Private Banking is responsible for high net worth clients who are ready to invest a minimum of 20 million baht. The services offered include bank deposits, cash management services, professional financial and investment advisory as well as fund management services. In 2012, TISCO launched the first advisory branch at Gateway Ekkamai. This branch was initially introduced "Wealth Clinic" service whereby the service provides in depth investment advisory that match with each individual demand, supported by our experienced wealth manager team. In the future, TISCO plans to expand Wealth Clinic service in new branch in order to increase coverage of investment advisory service.

3.2 Retail Deposit

TISCO Bank has provided variety of deposit products such as current, savings and fixed deposits along with related financial product for instance cashier cheques, personal cheques, cheques clearing and money transfers at headquarter and branches channel. In 2012, TISCO focused on deposit products and all-round investment by offering a savings account with high return and high liquidity, namely Diamond Savings for customers who has deposit more than 1 million baht, and offering accounting privilege and Super Savings for customers who has deposit less than 1 million baht as well as launched special promotion for fixed deposit has launched regularly. Furthermore, during the end of 2012, TISCO launched a new promotion for saving products and investment under the name "TISCO Combo 10% savings", that combined benefits of LTF, RMF and insurance altogether, of which offers tax benefit and return simultaneously. In addition, TISCO launched 3 new branches in downtown areas namely Gateway Ekkamai, Ratchawong and Seacon Bangkae. These new branches have covered all type of financial & investment products of TISCO Group.

3.3 Private Sales Brokerage

Private Sales Brokerage is operated by TISCO Securities Co., Ltd., offers brokerage services to retail clients both domestic and international through head office in Bangkok, a branch in Bangkok, namely Esplanade Center, and four branches in upcountry, namely Chiang Mai, Nakorn Pathom, Nakorn Ratchasima, and Udon Thani.

Service foundation of TISCO Securities Co., Ltd. is built on quality of service, integrity, and client satisfaction. The Company provides trading channels through the Internet, in which clients place orders themselves, and through marketing services in which investors place trading orders with their designated marketing officers.

At the end of 2012, TISCO Securities Co., Ltd.'s market share of individual customer was at 2.3% increased from 2.1% in 2011. The strategy for Private Sales Brokerage aims at expanding market aggressively as well as continuously provides investment knowledge for the customer. In 2012, TISCO Securities Co., Ltd. expanded its derivatives brokerage business by

providing USD Futures and Sector Index Futures. Moreover, TISCO Securities Co., Ltd. joined SET to provide trading service through ASEAN Linkage in order to provide varieties of financial products to the customer. It also launched various customer relationship activities to enhance customer relationship with such as movie watching activity and loyalty program system. Furthermore, TISCO Securities Co., Ltd. has continually offered Employee Joint Investment Program (EJIP) for listed companies whereby there were new listed companies who became our clients is growing, such as TKS Technology Plc. and other companies that are still in process in addition to existing leading companies such as Minor International Co., Ltd. and Universal Adsorbent and Chemicals Co., Ltd. and Charoen Pokphand Foods Plc. In addition, TISCO Securities Co., Ltd. was providing foreign equity trading with well-response from the customer. In term of investor education, TISCO Securities Co., Ltd. was providing derivatives trading workshop that allows investor to trade in the simulation market. TISCO Securities Co., Ltd. also organized investment workshop for both individual on regular basis.

Table shows information on TISCO securities business

(Unit: Million baht)

Information of TISCO Securities Business	2010	2011	2012
Trading values categorized by Individual Customer	162,094.05	158,875.15	189,638.84
Market Share – Company¹	2.7	2.6	3.1
Market Share – Individual Customer	1.9	2.1	2.3

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

3.4 Institutional Brokerage

TISCO Securities Co., Ltd., as a member number two on the SET, offers brokerage services to institutional clients through head office in Bangkok. As of December 31, 2012, the market share of institution customer was 3.1% comprised of 2.6% from local institution investor and 3.5% from foreign institution investor. In 2012, TISCO Securities Co., Ltd.'s strategy aims at expanding the market aggressively by brought leading corporation's representatives to meet with world-wide investors. In addition, TISCO Securities and Deutsche Bank Group have jointly established a new company called "Deutsche TISCO Investment Advisory Company Limited" to provide world-class equity research and strategic investment advisory service for domestic and foreign institutional investors.

Table shows information on TISCO securities business

(Unit: Million baht)

Information of TISCO Securities Business	2010	2011	2012
Trading values categorized by Institutions Customer	171,117.30	162,427.78	218,700.18
- Domestic	104,749.29	88,416.48	85,598.94
- Foreign	66,368.31	74,011.30	133,101.34
Market Share – Institutions Customer¹	3.2	2.5	3.1
- Domestic Institutions	3.8	2.8	2.6
- Foreign Institutions	2.6	2.3	3.5

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

3.5 Asset Management

TISCO Asset Management Co., Ltd. operates provident funds, private funds, and mutual funds management as permitted under its mutual fund and private fund management licenses granted by the Ministry of Finance.

- **Provident funds**

TISCO Asset Management Co., Ltd.'s provident fund management license covers advisory services for setting up provident funds, and registrar and advisory services for provident fund committees. Fund investments may cover a wide range of instruments, in line with consent from the respective provident fund committees.

As of December 31, 2012 there were 75 provident funds with a net asset value of 95,316.27 million baht, representing 3,217 companies and 477,755 members. As of December 31, 2012, the provident funds business accounted for a

market share of 13.7% putting the company in 3rd place in the overall market based on net asset value. The breakdown of TISCO Asset's provident fund types is shown below:

(Unit : Million baht)

TISCO Asset Provident Fund	2010	2011	2012	% Growth
Single Fund	18,401.84	20,304.09	21,869.45	7.7
Pooled Fund	22,287.52	23,240.81	24,563.50	5.7
State Enterprise Fund	4,292.30	4,420.92	4,289.22	(3.0)
Master Fund	32,284.03	37,062.52	44,594.10	20.3
Total	77,265.69	85,028.35	95,316.27	12.1

• Private funds

TISCO Asset Management Co., Ltd. provides private fund management services for individuals and juristic persons taking into account the client's risk-return profile in offering a wide range of investment alternatives including equity, fixed income, and mutual funds. Clients receive reports which summarize fund performance on a regular basis.

As of December 31, 2012, there were 337 private funds with net asset value of 33,155.36 million baht. As of December 31, 2012, the private funds business accounted for a market share of 10.3%, putting the company in 4th place in the overall private fund market. The breakdown of TISCO Asset Management Co., Ltd.'s private fund types is shown below:

(Unit : Million baht)

TISCO Asset private fund	2010	2011	2012	% Growth
Juristic person	33,638.27	27,482.02	22,536.86	(18.0)
Individual	8,389.19	9,332.48	10,618.50	13.8
Total	42,027.46	36,814.50	33,155.36	(9.9)

• Mutual funds

TISCO Asset Management Co., Ltd. provides mutual fund management services for retail investors. Mutual fund units are sold to the general public with due consideration given to finding the right investment type suitable for each investor's needs. TISCO Asset Management Co., Ltd. focuses on efficient investment based on continuous research and risk management. It reports fund performance to the public regularly.

As of December 31, 2012, mutual funds under management by the Company totaled 68 funds, with net asset value of 24,252.71 million baht. As of December 31, 2012, the mutual funds business accounted for a market share of 1.0% and ranking 13th in the overall mutual fund market.

Distribution Channels

In general, TISCO Asset Management Co., Ltd. uses direct sales as main channel for all fund types. For mutual fund business, the company has additional channels consisting of agents from banks, finance and securities companies, as stated in their prospectus. In addition, TISCO Asset Management Co., Ltd. also increased distribution channel through internet trading in order to increase customer's service convenience.

3.6 Cash Management Services

The Bank's Cash Management Services include cash inflow and cash outflow management for corporate clients, which ultimately help increase operation efficiency and reduce operating cost for clients. Cash Management Services comprise of 3 main business areas, TISCO Collection, TISCO Payment, and TISCO Liquidity Management. Additionally, TISCO E-Cash Management was introduced to facilitate customer in performing business transaction and enquiring consolidated account information.

4. Corporate Affairs & CSR

Corporate Affairs & CSR group aims to promote business operational efficiency while ensuring that business ethics and a strong sense of social responsibility are incorporated into corporate core values. With an aim to achieve sustainable value creation to all stakeholders, TISCO has placed great emphasis on building strong supportive network among our stakeholders, to promote long-term social development, environmental awareness, and arts & cultural support programs. Furthermore, all governance and support functions are centralized at the Company; subsidiary companies shall outsource all such activities back to the Company. These include, but not limited to, the following functions

- Enterprise Risk Management, Risk Research, Operational Risk Management, Planning & Budgeting, Corporate Accounting, Regulatory & Management Report, , Data Analysis & Management, Investor Relations, Investment
- Product Development and Marketing, Channel Development, Productivity Improvement, Project Management
- Corporate Secretariat Office, Compliance, Legal Office, Corporate Services
- Human Resource Strategy, Human Resource Services, Corporate Marketing & Communication
- Internal Audit

In addition, treasury department is a unit of the Bank, 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. It also manages liquidity according to the BoT regulations.

TISCO Securities Co., Ltd. handles the securities trading business and trades equity securities for company accounts, with an aim to maximize trading gains. However, securities trading volume was insignificant because TISCO Securities has maintained its investment policy of long-term returns rather than short-term trading gains. In addition, TISCO Securities Co., Ltd. actively performs securities trading when the stock market is favorable for making short-term profits. TISCO Securities Co., Ltd. only invests in proven good performers and fundamental securities to minimize market risk.

As of December 31, 2012, the investment portfolio of debt and equity instruments was 7,015.52 million baht, increased by 89.3% from 3,706.26 million baht in 2011 mainly from an increase in fixed income investment.

4.2 Market and Competition

4.2.1 Commercial Banking Business

• Market

As of December 31, 2012, there were 31 banks, composed of 16 Thai commercial banks and 15 branches of foreign banks. The conditions of deposits and loans market are detailed as follows;

Deposits

As of December 31, 2012, deposits in Thai commercial bank industry¹ were at 9,234,727 million baht, up by 28.0% (YoY) due partly to the reduction of bill of exchange raising following the revision of contribution rate paid to Financial Institutions Development Fund (FIDF) and Deposit Protection Agency together with continuous deposit raising competition to support growth in loan expansion. At the end of 2012, average 3-month deposit interest rate of the top four large banks was at 1.84%, decreased from 2.08% at the end of year 2011 following continually decrease of policy rate by the Bank of Thailand.

Table showing movement of average interest rates of Thai commercial banks

	(Unit: % per year)		
	2010	2011	2012
Minimum Lending Rate (MLR) ¹	6.12	7.25	7.00
3-month fixed deposit rate ¹	1.10	2.08	1.84

¹ Average interest rate at the end of each period of four large banks, i.e. Bangkok Bank Plc., Siam Commercial Bank Plc., Krung Thai Bank Plc. and Kasikornbank Plc.

¹ Summary of Assets and Liabilities Form (C.B. 1.1) Bank of Thailand

In 2012, the Bank's deposit¹ was 228,017.43 million baht, up by 34.9% (YoY), comprised of 220,633.71 million baht of deposits and 7,383.72 million baht of short-term borrowings.

Loans

As of December 31, 2012, loan in Thai commercial bank industry was 8,506,255 million baht, up by 13.7 % (YoY) following domestic economic growth. The Bank's loan was 238,666.45 million baht, up by 32.9% (YoY). At the end of 2012, the average MLR at the top four large banks was at 7.00% per year, decreased from 7.25% per year at the end of year 2011.

Table showing comparison of assets, deposits and loans as of December 31, 2012

(Unit: Million baht)

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Bangkok Bank Plc.	2,338,099	18.4	1,774,371	19.2	1,480,574	17.4
2. Krung Thai Bank Plc.	2,248,268	17.7	1,667,374	18.1	1,478,988	17.4
3. Siam Commercial Bank Plc.	2,145,316	16.8	1,614,589	17.5	1,490,457	17.5
4. Kasikorn Bank Plc.	1,921,321	15.1	1,394,536	15.1	1,273,614	15.0
5. Bank of Ayudhya Plc.	986,467	7.7	692,994	7.5	714,405	8.4
6. Thanachart Bank Plc.	951,007	7.5	701,282	7.6	707,612	8.3
7. Thai Military Bank Plc.	711,968	5.6	496,414	5.4	426,986	5.0
8. UOB Bank Plc.	355,959	2.8	201,934	2.2	207,679	2.4
9. TISCO Bank Plc.	275,124	2.2	220,634	2.4	233,979	2.8
10. Standard Charter Bank(Thai) Plc.	260,007	2.0	114,576	1.2	103,399	1.2
11. Kiatnakin Bank Plc.	223,931	1.8	153,532	1.7	163,072	1.9
12. CIMB Thai Bank Plc.	200,269	1.6	135,285	1.5	133,602	1.6
13. ICBC (Thai) Plc.	120,066	0.9	67,208	0.7	91,889	1.1
Total	12,737,802	100.0	9,234,727	100.0	8,506,255	100.0

Source: Summary of Assets and Liabilities Statement (C.B. 1.1) Bank of Thailand

Moreover, car hire-purchase business, the major business of the Bank, is generally expanded in line with automobile industry growth. For year 2012, industry-wide new car sales were 1,436,335 cars, up by 80.9% (YoY) resulting from the pent-up car demand during the last quarter of 2011 as the automobile production was halted by flood crisis together with government's excise tax rebate scheme from first-time car buyer. The proportion of new passenger car sales to commercial car sales in 2012 was 44.6% to 53.4%. As of December 31, 2012, the car penetration rate of TISCO was 8.3%.

Table showing car sales in Thailand during 2008-2012

Unit : cars	2008	2009	2010	2011	2012
Passenger cars	238,990	235,169	346,644	360,711	669,954
Commercial cars	375,088	313,703	453,713	433,370	766,381
Total	614,078	548,872	800,357	794,081	1,436,335

Source : Automobile Institute

• Competition

In 2012, commercial banking industry showed continual growth with stability a long with recovery of domestic economy supported by strong improvement of consumption, investment for capacity expansion as well as flood damaged restoration in private sector, together with government's mega-project and stimulus measures. The competition in deposit market remained intense along with the growth in credit market as well as fund raising from deposit in place of bill of exchange of some commercial banks resulting from the revision of regulation related to the issuance of the bill of exchange and contribution rate on financial institutions (including government's bank) paid to Financial institutions Development Fund (FIDF) and Deposit Protection Agency. As of December 31, 2012, the Bank was ranked by asset size at 9th place compared with the industry. The market share of assets, deposits and loans were 2.1%, 2.3% and 2.7% respectively.

For corporate banking business, the Bank has focused on loan quality, reducing NPL with debt restructuring, preparing for market uncertainty. The Bank aim to compete on quality rather than quantity and has expanded its customer base on account of its over 40 years of business experience with efficient operations, management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships.

¹ Deposit includes the short-term borrowings

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). In 2012, the competition in auto hire purchase market remained intense despite domestic new car sale grew by 75% which exhibited highest record in the history resulting from pent-up car demand which was affected from flood crisis during late of 2011 together with government's excise tax rebate scheme from first-time car buyer. Furthermore, the large financial institution, who has funding cost advantage and aiming to be the market leader offered low interest rate to attract the customer. As the result, the auto hire purchase loan providers including TISCO Bank Plc. shifted the focus to expand loan against car registration (TISCO Auto Cash) rather than hire purchase loan for new car due to its better return. However, TISCO Group (specified for TISCO Bank and credit granting companies) focuses on providing efficient and high standards of service, and maintaining long-term relationships with car dealers. TISCO Group will decrease prices as necessary to maintain its client base. TISCO Group also expanded loan against car registration client while maintained used car portion in hire-purchase portfolio in order to increase average portfolio yield. Furthermore, TISCO Group has also gained competitive advantage after becoming the key strategic partner with car manufacturers and car dealers of Ford, Mazda, Volvo, and Chevrolet. In addition, TISCO Group is highly confident that it can maintain long term competitive position given the long-term experience of TISCO Group, good connections with dealers, effective cost and risk management and an extensive customer database.

4.2.2 Securities Business

(1) Securities and investment banking business operated by TISCO Securities Co., Ltd.

- **Market**

In 2012, there are 40 companies¹ who have been granted to operate brokerage business service and 74¹ companies who have been granted to operate financial advisory service from the Securities Exchange Commission. In 2012, SET Index closed at 1,391.93 points increased from 1,025.32 points at the end of 2011 with average daily turnover increased from 28,854.34 million in 2011 baht to 31,084.24 million baht. The capital market was highly fluctuated during the first half of 2012 due to the investors concerned over global economic uncertainty however, the capital market had continually improved during the second half of 2012 driven by strong recovery of domestic economy together with relaxing of global economic condition. In primary market, there were 18 newly listed companies in SET and MAI markets, increased from 12 newly listed companies in 2011. The total offering size of newly listed securities was 19,389.07 million baht, up from 4,953.99 million baht in 2011 amidst continual improvement of capital market.

Table showing stock market conditions

	2010	2011	2012
SET index (points)	1,032.76	1,025.32	1,391.93
Market capitalization (million baht)	8,334,684	8,407,696	11,831,448
Trading value (million baht)	6,937,890	7,040,457	7,615,638
Average daily turnover (million baht)	28,669	28,854	31,084
Dividend yield (%)	2.92	3.72	2.98
Price to earnings ratio (times)	15.35	12.07	18.25
Number of listed companies on the SET	474	472	477

Source: The Stock Exchange of Thailand

- **Competition**

Due to a lot of players in the market, the competition among companies is intense in order to maintain and expand its market share. Also, there are merger & acquisition between Brokerage Company in preparation to the securities business liberalization in 2012. Revenue diversification strategy through new sources of income can be seen including cross-border business activity to expand investment banking business, exclusive partnership with international brokers in order to increase market share in foreign institution sector, and new service expansion such as derivatives business, selling agent business, etc. Furthermore, several securities companies extensively operated their own proprietary trading to increase trading income. Going forward, the competitive pressure will be significantly increased led by commission fee liberalization in which sliding scale commission fee will be applied to individual investor while freely negotiated commission fee will be applied to institutional client. In addition, TISCO Securities Co., Ltd. has no price cutting policy for commission fee. However, TISCO Securities Co., Ltd. focuses on fundamental

¹ Source: www.sec.or.th

investors rather than speculative investors, quality of research article, and developing other services as an alternative for the investor. In addition, TISCO Smart Point is used as a tool to manage long-term relationship with customer. As of December 31, 2012, TISCO Securities Co., Ltd. accounted for a market share of 2.60%, ranking 14th place among 31 securities companies.

In the investment banking sector, the competition is intense due to there are a lot of market players while market demand is limited. Most of the players emphasis in quality of team, experience in business, service excellence, initiatives of new financial instruments, and strong customer relationship.

(2) Asset Management business operated by TISCO Asset Management Co., Ltd.

• Market

For the asset management industry, there are around 29 players including asset management companies, commercial banks, securities companies, and insurance companies. The asset management market as of December 31, 2012 recorded net asset value of mutual funds totaling 3,464,558 million baht, increased by 21.6% (YoY). Furthermore, private funds totaling 322,111 million baht, increased by 1.8% (YoY). Provident funds totaling 696,144 million baht, increased by 13.1% (YoY). Mutual funds totaling 2,446,302 million baht, increased by 27.6% (YoY). The details of market funds at year-end of 2010 to 2012 are shown as follows:

(Unit: Million baht)

Funds	2010	2011	2012
Provident Funds	574,075	615,259	696,144
Private Funds	277,209	316,516	322,111
Mutual Funds	1,868,510	1,916,889	2,446,302

Source: Association of Investment Management Companies

• Competition

Overall asset management industry competition was relatively intense in all kinds of business. The industry growth was driven by positive factors including domestic economic recovery and capital markets upturn; these factors favorably affected to asset management business in which much more capital flow in mutual fund business. In provident fund business sector, the competition remained intense driven by price cutting strategy. Nevertheless, TISCO Asset Co., Ltd. has continued to maintain the market share by receiving trusted from leading corporate such as Citi Corp Group, MK Restaurant Group Co., Ltd, Google (Thailand) Co., Ltd., KTIS Co., Ltd., Rama 3 Honda Cars Group Co., Ltd., Australian-Thai Chamber of Commerce and KTB Securities (Thailand) Plc. Furthermore, Master Fund has become more popular whereby it increased opportunity to create wealth in retirement period for diverse risk appetite of fund member. In 2012, the number of companies who invested in Master Fund and allowed fund member to mix the different investment policies according to their demand (Employee's Choice) increased by 25% (YoY). As of December 31, 2012, the size of Master Fund was around 46,000 million baht from total provident fund which was approximately 93,000 million baht.

For mutual fund business, the competition among asset management firms remained intense. During the first half of 2012, there were high investment risk including Euro-zone debt crisis as well as slow recovery of Chinese economy since 2011. Meanwhile, the return of fixed income securities was becoming more attractive. Then, TISCO Asset Management Co., Ltd. had continually launched 3-6 months fixed income funds. As the global economic tension improved during the second half of 2012, TISCO Asset Management Co., Ltd launched more equity mutual fund which invested both Thai and foreign markets especially, trigger funds which invested in either Thai or China stocks, can reached targets prior to its ending period. Specifically, TISCO China Trigger Funds reached the targeted return within a few weeks. The achievement amplified our leading position in both domestic and foreign fund management business. In addition, TISCO Asset Management Co., Ltd launched mixed trigger fund namely "TISCO Special Bonus" which achieved target return. The return of fund exhibited higher return than fully invest in fixed income instrument while lower investment risk than fully invest in equity.

For private fund business, TISCO Asset Management Co., Ltd. focused on increasing individual customer with appropriate risk adjusted return amidst negative factors from foreign markets. In 2012, TISCO Asset Management Co., Ltd. able to generate return higher than customer's expectation which reflected our professional in investment management for high net worth customer. As of December 31, 2012, TISCO Asset Management Co., Ltd. accounted for a market share of 4.4% ranked 8th place among 29 asset management companies¹. Details of market share and market position compared with peers are shown as follows;

¹ Source: Association of Investment Management Companies

Table showing the TISCO's asset under management by type of fund business

Funds	Net asset under management (Million baht)	Market Share (%)	Market Rank
Provident Fund	95,316.27	13.7	3/19
Private Fund	33,155.36	10.3	4/23
Mutual Fund	24,252.71	1.0	13/23
Total	152,724.34	4.4	8/29

Source: Association of Investment Management Companies

4.3 Resources

1) Source of Funds

Apart from the Group's capital, most of the Group's and its subsidiaries' funds are sourced from deposits, interbank and money markets and short and long-term borrowing. The details of sources of funds are as follows:

(Unit : Million baht)

Source of Funds	2010	2011	2012
Deposit and Short-term Borrowings	48,533.22	170,549.69	233,518.69
Interbank and Money Market Items	10,842.76	14,478.65	13,970.61
Debentures	7,000.00	7,076.00	14,071.20
Long-term Borrowings	8,460.40	5,749.90	110.70
Other Liabilities	6,398.11	6,551.73	10,445.49
Total Source of Funds from Liabilities	156,550.32	204,405.98	272,116.69
Capital	14,857.23	16,311.59	18,380.25
Total Source of Funds	171,407.55	220,717.57	290,496.94

As of December 31, 2012, list of assets and liabilities breakdown by term to maturity is shown in the following table:

(Unit: Million baht)

Transaction	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non performing loans*	Total
	Financial assets							
Cash	1,046	-	-	-	-	-	-	1,046
Interbank and money market items	3,767	27,429	-	-	-	-	-	31,196
Derivative Asset	-	15	-	27	-	-	-	42
Investment – net	10	2,739	1,692	86	-	2,489	-	7,016
Loans to customers	21,198	26,357	46,168	143,333	7,839	-	3,774	248,669
Securities and derivatives business receivables	-	2,224	-	-	-	-	-	2,224
Receivable from clearing house	-	136	-	-	-	-	-	136
	26,021	58,900	47,860	143,446	7,839	2,489	3,774	290,329
Financial liabilities								
Deposits	38,159	135,578	45,855	231	-	-	-	219,823
Interbank and money market items	3,151	6,508	2,389	1,921	2	-	-	13,971
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivative Liability	-	-	-	1	-	-	-	1
Debts issued and borrowings	58	9,247	10,218	111	8,243	-	-	27,877
Securities and derivative business payables	-	1,524	-	-	-	-	-	1,524
Payable to clearing house	-	852	-	-	-	-	-	852
	42,020	153,709	58,462	2,264	8,245	-	-	264,700
Off-balance sheet items								
Aval to bills and guarantees	-	4	147	4	-	-	-	155
Loans	9	3,080	30	3,605	100	681	-	7,505
Other commitments								

Details of risk of duration mismatch are described in Part 1 Section 2: Risk Factor.

2) Lending

- **Credit granting policy**

Commercial loans

TISCO Group (specified for TISCO Bank and credit granting companies) has a policy to emphasize prudent growth in commercial and retail lending. In each new credit approval, the Bank thoroughly considers the borrower's business potential, opportunities, ability to repay, collateral, and also the rate of return that justifies the risk of each borrower. TISCO Group focuses on expanding business into markets with acceptable risks/returns in which it has sufficient expertise. TISCO Group performs analysis and key risk characteristics prior to entering new markets.

The collateral policies vary, depending on the type of credit. Prudent collateral policies are employed with effective procedures to stabilize collateral values under the specified conditions and to minimize potential losses. However, TISCO Group may selectively grant loans without collateral to certain borrowers considered to have high creditworthiness on a case-by-case basis. For the appraisal of collateral values, the Bank has a policy to have the collateral appraised by an independent appraiser or the internal asset appraisal unit before any loan can be drawn. TISCO Group's Appraisal Sub-Committee is responsible for approving the appraisal value proposed by the internal unit and independent appraisers under the company's guidelines in compliance with the regulations of the BoT.

TISCO Group has established prudence procedures for all credit approvals to ensure high credit quality while maintaining customer satisfaction. Approved credits are reviewed and controlled in compliance with overall credit policies.

The maximum credit terms are set according to the regulations of the BoT. TISCO Group has constructed a pricing policy aligned with current market conditions and credit exposure as well as the cost of funds without any price undercutting strategy.

Retail loans

The hire-purchase business covers a large portion of the retail credit portfolio. TISCO Group has a policy to aggressively expand its hire-purchase business in this market with justified risk-adjusted returns. Despite the growth of automobile hire-purchase in 2012 showed strong growth, TISCO Group still maintain good loan quality and market share rather than pricing completion.

In addition, TISCO Group has established a standard approval process for the hire-purchase portfolio by implementing a credit-scoring system which has been developed from an internal database to effectively control and shorten the loan approval process.

Credit policies have been regularly reviewed to reflect the current market situation and support loan expansion in a prudent manner. Meanwhile, TISCO Group has a policy to maintain good credit quality compared to competitors without resorting to a price-undercutting policy. In this respect, the focus on enhancing quality of service and good business relationships is a vital competitive tool. For the collateral policy, hire-purchase assets are supported by adequate secondary markets and appropriate insurance strategies.

For mortgage loans, the approved credits do not exceed 90% of the collateral value with terms and conditions varying with the types of collateral, while other retail loans without collateral require higher interest rates to offset the higher risk being assumed.

- **Credit Approval Limits and Authorities**

The Credit Committee is responsible for overseeing the credit approval process under the credit policies and guidelines set forth by the Executive Board.

In addition, credit approval policies have been clearly stated in terms of credit limits and delegation of authority. All corporate loan transactions must be reviewed and approved by the Credit Committee while loan facilities considered material and large in size must be approved by the Executive Board.

For the retail credit portfolio, which naturally covers small transaction sizes, the credit approval process and delegation of authority varies according to the level of credit limit as controlled by overall credit policies. Large retail credits must be approved by the Credit Committee or the Executive Board after reviewing the types and purposes of loans on a case-by-case basis.

For hire purchase business, TISCO has also implemented a credit-scoring system to assist the loan approval process in which customer characteristics, loan terms and conditions are taken into consideration for the computation of credit scores.

- **Credit Risk Management**

The Risk Management Committee of the Bank, comprised of senior management from key business lines, has been delegated the authority to set up policies, guidelines and procedures for overall credit risk management. Meanwhile, the Credit Committee and Chief Credit Officer, who are in charge of the loan approval processes of each credit transaction, set up guidelines for the delegation of approval authority at different levels for different types of facilities. The Problem Loan Committee is set up to monitor and follow up on problem loans and set up appropriate provisions for potential loan losses. Moreover, Risk Management Committee will report risk management activities to the Risk Management Committee of TISCO Financial Group Public Company Limited, the parent company, on a regular basis in compliance with Consolidated Supervision principle of the Bank of Thailand.

To ensure independence in carrying out the credit approval process and reporting to the Risk Management Committee, credit quality control functions are clearly separated from marketing functions. Moreover, credit review functions assigned by the Internal Control function and the Audit Committee are responsible for reviewing ongoing credit approval processes and ensuring transparency in overall credit granting procedures.

A credit grading system has been adopted in credit risk assessment for both corporate and retail credit portfolios. In accordance with the implementation of the Internal Ratings Based approach (IRB) under the new guidelines of the Basel Committee for banking supervision, historical payment information based on credit rating is being developed and tested to ensure system validity and provide more efficiency in capital utilization.

In controlling risks from credit concentration, TISCO Group has set up a concentration limit which defines the maximum credit exposure for each individual borrower or borrowing group. Moreover, concentration in a single sector is also controlled within an acceptable level, and considered in combination with the sector exposure of equity investment. Furthermore, TISCO Group complies with the regulations of BoT concerning single lending limits.

- **Credit Collection**

TISCO Group regularly performs credit reviews of the loan portfolio and monitors problem accounts. The Credit Committee closely co-ordinates with credit departments, and follows up accounts with potential problems promptly after a missing repayment is reported. Also, Problem Loan Committee meetings are arranged to review the status of borrowers, set up debt collection schedules and follow-up procedures, pursue legal action, and set aside provisions for loan losses. In the follow-up procedures, the credit officer reports to the Problem Loan Committee on all restructure cases on a regular basis.

For the retail credit portfolio, TISCO Group strives to continuously improve the strategies and procedures for debt collection and follow-up, in line with economic conditions and related laws and regulations, particularly with regard to notification from the Office of Consumer Protection. The main collection and follow-up process includes collection, follow-up and asset repossession, legal process and enforcement.

- **Debt restructuring**

The objective of debt restructuring is to resolve problem loans, which are affected by economic downturns or the borrower's financial difficulties. Under TISCO Group's procedures on debt restructuring, there are various methods such as relaxing of payment conditions, debt-to-assets conversion, debt-to-financial-instruments conversion, and debt-to-equity conversion.

Debt restructuring can be conducted with every type of borrower, either defaulted or non-defaulted. The corporate lending function is responsible for the debt restructuring process, including the decision to select borrowers for restructuring. The delegated officers will evaluate the borrower's credit qualities and related financial and operating environments, and perform projections on repayment possibilities.

For debt restructuring cases related to, both directly and indirectly, Bank directors, persons related to TISCO Group directors or the management, the borrower's status, repayment ability and cash flow status must be evaluated by an independent financial institution or third party with no conflict of interest with the bank and the borrower. Under the regulations of the Bank of Thailand, all restructured loans are reclassified, provisioned, and recalculated for impairment loss.

(3) Capital Adequacy

The Group has a policy to maintain capital that is adequate to safeguard against company risks in the long run, taking into account long-term solvency within economic uncertainties and the adequacy of regulatory capital-to-risk asset ratios as required by law. Currently, the Bank of Thailand sets the capital adequacy ratio for banks registered in Thailand at 8.50%, where Tier-I Capital must be maintained at a level equal to at least 4.25% of risk assets.

The year-end Capital Adequacy Ratio for 2010 to 2012 has been maintained above the regulatory requirements with details as follows:

(Unit: Percentage)

Capital Adequacy Ratio	December 31, 2010 ¹	December 31, 2011 ¹	December 31, 2012 ¹	Regulatory Requirement
Tier-I Capital to Risk Assets	11.29	9.88	9.03*	4.25
Total Capital to Risk Assets	15.23	14.91	13.30*	8.50

¹ Use calculation method under Basel II IRB

*Including net profit for the year 2012, if excluding net profit for the year 2012 Tier-I capital and Total capital to risk assets were at 8.51% and 12.79%, respectively

It can be clearly seen that the capital base of the Group remains strong with the Capital Adequacy Ratio exceeding the requirements of the BoT and fairly sufficient to support the forthcoming regulations concerning debt reclassification and provisions.

(4) Liquidity Management Policy

The Risk Management Committee is responsible for monitoring and determining assets-to-liabilities direction and funding structure in detail. The Committee also establishes various liquidity limits to serve as early warning triggers such as liquid assets, contractual maturity mismatches, funding concentration and daily deposit/withdrawal levels. Furthermore, a liquidity contingency plan has been established for outlining clear procedures and responsibilities in detail for liquidity management in times of crisis.

Meanwhile, the Treasury function is responsible for daily liquidity management and preparation for securing sources and the use of funds as required. The Treasury function is also responsible for managing the Bank's liquidity position to comply with internal guidelines and the regulatory requirements of the BoT under the notification on prescription and maintenance of liquid assets by commercial banking as follows:

- The Bank shall maintain liquid assets on average of no less than 6% of the total deposits and borrowings as follows:
 - The sum of all types of deposits.
 - The sum of borrowings from bill of exchange or promissory note except bill of exchange or promissory note under
 - The sum of foreign borrowings which mature within one year since borrowing date and total foreign borrowings which shall repay or reclaim within one year since borrowing date, except the borrowings which complied with the guideline of the BoT.
 - The sum of borrowings which embedded derivative feature.

In addition, total deposits and borrowings as abovementioned must include transferred fund from foreign branch or headquarter which represents in related parties account.

- Liquid assets consist of
 1. Current saving at BoT on average of no less than 0.8%
 2. Fixed saving at BoT
 3. Cash at cash center on average of 0.2%, when includes with current saving at BoT (no.1) must no less than 1%
 4. Cash at commercial bank when includes the excess of cash at cash center in no. 3 will be counted as liquidity asset which is not exceed 2.5%
 5. Unencumbered and transferable securities or instruments
 6. Unencumbered debt securities of BoT which issued for transaction with commercial bank
 7. Securities or debt instruments which issued for propose of solving non-performing loan of financial institution in which Ministry of Finance, Bank of Thailand, or Financial institutions Development Fund acceptant, guarantee or aval only principal or including interest which those are unencumbered

(5) Asset Classification, Provisions and Write-offs

The Group defines asset classifications according to the notification of the Bank of Thailand regarding worthless or irrecoverable assets and doubtful assets that may be worthless or irrecoverable as follows:

- (1) Assets classified as Loss are claims where there is no possibility of repayment due to death, disappearance, bankruptcy or dissolved business, or losses from debt restructuring according to the rules and regulations of the Bank of Thailand.
- (2) Assets classified as Doubtful-to-Loss are assets or claims whose entire value is expected to be irrevocable, such as debt claimed on the principal and interest overdue more than 12 months from the payment date.
- (3) Assets classified as Doubtful are assets or claims that are unlikely to be repaid in full, such as debtors with payments overdue more than 6 months from the contractual payment date.
- (4) Assets classified as Sub-Standard are defined as assets or claims with difficulties of repayment or that do not generate a reasonable income, such as debtor-owing interest and/or principal payments for a cumulative period of over three months from the contractual due date.
- (5) Assets classified as Special Mention are assets or claims whose value is deteriorating, such as debtor-owing interest and/or principal payments for a cumulative period of over one month from the contractual due date.
- (6) Assets classified as Pass are assets or claims which are not classified as Loss, Doubtful to Loss, Doubtful, Sub-Standard, or Special Mention.

The Group has a conservative provisioning policy. As of December 31, 2012, the Group's reserves were 5,121.52 million baht, or 165.3% of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 5 : Operating Assets item: 5.2

Securities Business operated by TISCO Securities Co., Ltd. is detailed as follows:

(1) Source of funds

The sources of funds are mainly from equity, operational cash flow and loans from financial institutions for working capital purposes.

(2) Credit approval and authorization

TISCO Securities Co., Ltd. has a credit approval policy to screen qualified customers as well as to provide customers with a good understanding of securities trading. The credit line for a particular customer will be based on the customer's financial status and collateral. The Executive Board of Directors has granted credit approval authority to the Credit Committee. The Credit Committee approves high volume credit lines by itself and has granted lesser authority to management responsible for approving general credit lines complying with the Credit Committee's guidelines and policy.

(3) Margin trading accounts

All clients of securities brokerages are cash accounts.

(4) Investment Policy

For listed equity, TISCO Securities Co., Ltd. has a policy to invest in businesses with strong fundamentals by considering liquidity, risk and return on securities and the diversification of its portfolio. As for non-listed equity, the Company has no policy to enlarge this portfolio, but will exploit market opportunities for selling the existing securities at the highest price. For debentures, TISCO Securities Co., Ltd. holds them only for liquidity reserve purposes. For unit trusts, the company holds them as a short-term and a long-term investment depending on their investment policy and fund performance. Moreover, the company has a policy to invest in derivative instruments to earn gains from trading and for risk management purpose upon investment climate in the stock market.

Investment policy complies with the guidelines and policies of the Risk Management Committee, which consists of key executives. This committee determines the investment policy, size of investment portfolio, maximum limits for daily securities trading, and the loss limit.

(5) Capital Adequacy Ability

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd. as of December 31, 2012 is 52.40%, well above the 7.0% regulatory requirement of the SEC.

5. Operating Assets

5.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment of TISCO Group as of December 31, 2010 - 2012 are as follows: These assets are free from any obligations.

(Unit: Million baht)

Type of Assets	2010	2011	2012
Land and buildings			
1. Office of TISCO Financial Group Plc. at TISCO Tower	625	630	689
2. Office for subsidiaries at TISCO Tower	419	421	318
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	2	-	0
4. Brokerage branch – Nakhon Pathom	7	7	7
Total land and buildings (net)	1,053	1,058	1,014
Office improvements	171	156	135
Office furniture and improvements	139	140	134
Others	104	97	101
Total (net)	1,467	1,451	1,384

Long-term contract

1. Contract

TISCO Group has entered into several lease agreements in respect of the lease office building and branch office, in which terms of the agreements are generally between 3-10 years. The details are shown in notes to financial statement item 3.36.3

2. Rental contracts between the Bank and subsidiaries

Office suite rental agreements between the Company and its subsidiaries located at TISCO Tower are based on 1-3 year contracts at normal market prices. These contracts are illustrated as follows:

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc.	3,708.91
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Financial Group Plc.	2,857.67
TISCO Tower Office	TISCO Bank Plc.	TISCO Financial Group Plc.	1,286.47
TISCO Tower Office	TISCO Learning Center Co., Ltd.	TISCO Financial Group Plc.	590.00
TISCO Tower Office	Deutsche TISCO Investment Advisory Co., Ltd.	TISCO Financial Group Plc.	375.00

5.2 Loans

Classification of assets

Asset classification in TISCO group consists of loans and receivables, investments in securities and property foreclosed. Our asset classification policies are in compliance with those set by the BOT and the SEC. The details of asset classification as of December 31, 2012, are shown below:

(Unit: Million baht)

Classification	Loans and receivables	Investments in securities	Property foreclosed	Investment in receivable	Total	%
Pass	251,348	-	-	-	251,348	94.4
Special mention	12,045	-	-	-	12,045	4.5
Substandard	1,861	-	-	-	1,861	0.7
Doubtful	488	-	-	-	488	0.2
Bad debts	425	72	21	18	536	0.2
Total	266,167	72	21	18	266,278	100.0

Provision for Loan Loss Policy

TISCO Group's provisioning policy for bad debt allowances or losses from debt restructuring are in accordance with the regulations of the BOT and the SEC.

The provisioning requirements for bad debt allowances under the BOT regulations can be summarized as follows:

1. Assets classified as Loss shall be written off.
2. Assets classified as Doubtful to Loss require a provision of 100%.
3. Assets classified as Doubtful require a minimum provision of 100%.
4. Assets classified as Sub-Standard require a minimum provision of 100%.
5. Assets classified as Special Mention require a minimum provision of 2%.
6. Assets classified as Pass require a minimum provision of 1%.

Under the announcement by the BOT, provisioning regulations following International Accounting Standard No.39 (IAS39) require assets classified as Substandard, Doubtful, and Doubtful to loss to set a minimum provision in accordance with a 100% of the different between asset's carrying amount and present value of estimated future cash flow or the present value of estimated future cash flow from collaterals. Meanwhile, the loan portfolio with similar credit risk profile can be set on a portfolio basis following collective approach.

TISCO Group has a policy in applied portfolio provision basis or collective approach with loan portfolio which as similar credit profiles with adequate historical loss data. TISCO Group will prudently set provision level based on estimation of historical loss.

Provision of Asset Impairment Policy

TISCO Group will reserve provisioning in cases of asset impairment by considering impairment indicators based on generally accepted accounting principles (GAAP) and by estimating the receivable value of the assets.

Policy of revenue recognition on interest income

TISCO Group has a more conservative policy for recognition of interest income than the requirements of the BOT. The Group stops accruing income for loans on which interest payments are overdue by more than 1 month for commercial loans, and 3 months for retail loans, whether or not there is collateral. Furthermore, the Group will reverse all recorded accrued interest on such loans.

Income recognition of such loans will be reinstated to accrual basis only when the total overdue amount is received.

TISCO Group recognizes interest income from restructured loans, in corporate lending business only, on a cash basis. Income recognition will be restated to accrual basis only when receiving approval from the Problem Loan Committee, and assurance of borrower status regarding the capacity to repay principal and interest normally.

5.3 Investment in Securities

Details of investment in securities are shown in Notes to Financial Statements, 3.4 Investments in securities.

Securities Investment Policy

Securities investment policy is described in Part 1 Section 4 : Business Operations by Area, item 4.3

Risk Management of Investment Portfolio

TISCO Group diversifies its investments in order to avoid high concentrations in single securities. Appropriate investment opportunities are emphasized to ensure a proper risk-return trade-off. In addition, the Group has set up an integrated risk management system to aggregate all investment risks, where the issues of capital adequacy and the prospect of risk-return from each investment are incorporated to enable timely portfolio adjustment if required. Details of risk management are listed in Part 1 Section 2: Risk Factors.

Allowance for Impairment of Securities

TISCO Group sets allowances for impairment of securities according to accounting standards. Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining earnings. Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, after which they are included in determining earnings.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the SET. The fair value of government bonds, state enterprise securities and private debt instruments is determined by using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Dealing Center or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

In the event the Bank and its subsidiaries reclassify their investments in securities, the investments are adjusted to reflect their fair value on the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining earnings or recorded as a surplus (or deficit) from changes in the value of investments in shareholder equity, depending on the type of investment which is reclassified.

5.4 Policies on investment in associates and subsidiaries

The details on investment in associates and subsidiaries are presented in Notes to Financial Statements, 3.4 Investments in securities and 3.5 Investment in subsidiary companies

The Company has a policy to invest its funds in investment activities that generate sufficient returns in relation to risk, with the objective to maximize value creation for the Company and its shareholders. The Company's investments can be divided into 2 groups Strategic Investment and Financial Investment.

1) Strategic Investment

Strategic Investments are investment in equity of subsidiaries or affiliated companies for the purpose of fulfilling TISCO Group corporate mission, business strategies, and action plans. The Company will invest in strategic investment to the extent that the Company gains managerial control, and thus able to direct the company according to the Group direction and governance.

Strategic Investments shall be made in company with good business prospects, which supplements well with the group businesses. The investments shall also be justified in terms of risk-return in the long run, considering group's overall sustainability and profitability, and shall be free of any conflict of interests.

Subsidiaries companies under strategic investment are required to strictly comply with group's governance policies, which comprehensively constitutes all key strategic & control areas including governance and operating structure, business strategy, management, operations, risk and control, human resource, finance and accounting, corporate affairs, and public and client communications. All decisions for strategic investment required case by case approval by the Executive Board of TISCO Financial Group Plc.

2) Financial Investment

Financial Investments are investment in financial instruments for the purpose of earning financial returns as well as for liquidity management. The investment may be in various types of financial instruments, e.g. fixed income, equities, hybrids, mutual funds, etc.

Financial investments shall be made with good justification of risk and returns, and careful consideration of liquidity, capital adequacy, and risk tolerance.

Financial investments shall also be made only in instruments that the Company has sufficient knowledge of risk and returns, and shall be well supported by good risk management system.

Table illustrates details of subsidiary companies

(Unit : Million baht)

Company Name	Paid up	Cost Method
	As of December 31, 2012	As of December 31, 2012
TISCO Bank Plc.	7,282	13,294
TISCO Securities Co., Ltd.	1,000	1,075
TISCO Asset Management Co., Ltd.	100	110
Hi-Way Co., Ltd.	100	273
TISCO Information Technology Co., Ltd.	20	22
TISCO Leasing Co., Ltd.	100	137
TISCO Tokyo Leasing Co., Ltd.	60	73
Primus Leasing Co., Ltd. ¹	3	32 ²
TISCO Learning Center Co., Ltd.	5	5
	-	15,022

¹ Ceased business operation and proceeding liquidation process² Deducted impairment in investment

6. Legal Disputes

As of December 31, 2012, the Company and its subsidiary companies had 27 unresolved cases from its regular business operations such as banking business operation (TISCO Bank) and asset management business (TISCO Asset), which consisting of:

- (1) 1 criminal case which the plaintiff filed a lawsuit against used car dealer for forging documents and use of forged documents and also against TISCO Bank, in capacity of the hire purchaser, for receiving stolen property. The case was dismissed by the Court of First Instance but the plaintiff appealed the case to the Court and not yet reaches judgment;
- (2) 25 civil cases involving an estimated total amount of 162.1 million Baht, which was less than five percent (5%) of its shareholders' equity, consisting of:
 - (2.1) 23 cases that TISCO Bank being sued (estimated total amount of 157.85 million Baht), there were 12 cases involving total amount of 23.26 million Baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 2 cases, with a total amount of 0.84 million Baht, that already reach judgment but the Bank appealed the cases to the Court. There were 8 cases, with a total value of 93.51 million Baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiff still appealed to the Appeal Court or Supreme (Dika) Court. Apart from the said case, there were 1 case which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 40.24 million Baht in which the Bank had an indemnification for any damages suffered (if any);
 - (2.2) 2 cases that TISCO Asset being sued (estimated total amount of 4.25 million Baht), there were 1 case involving estimated amount of 1.86 million Baht was in the tribunal process and 1 case involving estimated amount of 2.39 million Baht that already dismissed by the Court of First Instance the plaintiff still appealed to the Appeal Court; and
- (3) 1 labour case (estimated total amount of 3.39 million Baht) which the plaintiff file lawsuit against his employer for severance pay and damage in an amount of 3.29 million Baht and also against TISCO Asset together with his employer for his saving and contribution from provident fund in an amount of 0.13 million Baht. In mediation process, TISCO Asset stated to the court the plaintiff filed its lawsuit against wrong entity due to the fact that such saving and contribution should be claimed from the provident fund. The case was in the tribunal process and not yet reach judgment.

Additional details on legal disputes are presented in Notes to Financial Statements; 3.36.2 Litigation. The management of the TISCO Group believes that neither the Company and its subsidiary companies will not suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Company by the directors, managements or any related persons of the Company or its subsidiary companies.

7. Capital Structure

7.1 Securities Information

7.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 2012

Total registered capital	:	11,002,000,000 Baht
Total paid-up capital	:	7,279,120,860 Baht comprised of 727,878,228 common shares and 33,858 preferred shares, both with par value of 10.00 Baht per share.

The preferential rights of the preferred shares were expired on June 30, 2009. Thus, since July 1, 2009, the rights and benefits of preferred shares were equal to those of common shares in all aspects.

7.1.2 Offerings of Shares and Convertible Securities to the Thai Trust Fund or NVDR

Offerings of Shares and Other Convertible Securities to the Thai Trust Fund

- None -

Non-Voting Depository Receipts (NVDRs)

As of December 28, 2012 Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Company's shares as underlying securities totaling 99,700,251 units, or 13.70% of paid-up capital, consisting of 99,677,951 common shares and 22,300 preferred shares. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of the Company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

Moreover, the number of NVDRs is subject to change and is not under control by the Company. Investors can obtain records of the Company's NVDRs from the website of the SET (www.set.or.th).

7.1.3 Debentures

The Company

- None -

Subsidiary Company

As of December 31, 2012, the details of outstanding debentures of TISCO Bank Public Company Limited are as follows:

1. TISCO Bank Public Company Limited 1/2009 subordinated debenture with maturity date in 2019 with call option

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	February 17, 2009
Maturity Date	:	February 17, 2019
Security	:	None
Coupon Rate	:	(1) 5.5% per annum for Year1 st - Year3 rd , started from issuance date (2) 6.0% per annum for Year4 th - Year7 th , started from issuance date (3) 6.5% per annum for Year8 th - Year10 th , started from issuance date
Payment Date	:	Every 17 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

- Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
- (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or
 - (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
 - (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
 - (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or
 - (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
- Rating : A- from TRIS Rating Company Limited on November 2, 2012
- Debenture holder
- Representative : TMB Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited

2. TISCO Bank Public Company Limited 2/2009 subordinated debenture with maturity date in 2019 with call option

- Type of Offering : Public Offering
- Face Value : 1,000 Baht
- Offering Price : 1,000 Baht
- Issue size : 2,000,000 units
- Outstanding : 2,000,000 units
- Tenor : 10 years
- Issuing Date : May 25, 2009
- Maturity Date : May 25, 2019
- Security : None
- Coupon Rate : (1) 5.0% per annum for Year1st - Year3rd, started from issuance date
(2) 5.5% per annum for Year4th - Year7th, started from issuance date
(3) 6.0% per annum for Year8th - Year10th, started from issuance date
- Payment Date : Every 25th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
- (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or
 - (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
 - (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or

(d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or

(e) Any cases or conditions to be specified by the Bank of Thailand in the future.

Issue Rating : A- from TRIS Rating Company Limited on November 2, 2012
 Debenture holder
 Representative : TMB Bank Public Company Limited
 Debenture Registrar : TMB Bank Public Company Limited

3. TISCO Bank Public Company Limited 1/2010 subordinated debenture with maturity date in 2020 with call option

Type of Offering : Public Offering
 Face Value : 1,000 Baht
 Offering Price : 1,000 Baht
 Issue size : 1,000,000 units
 Outstanding : 1,000,000 units
 Tenor : 10 years
 Issuing Date : May 17, 2010
 Maturity Date : May 17, 2020
 Security : None
 Coupon Rate : 5.0% per annum for Year1st - Year10th, started from issuance date
 Payment Date : Every 17th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:

(a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or

(b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or

(c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or

(d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or

(e) Any cases or conditions to be specified by the Bank of Thailand in the future.

Issue Rating : A- from TRIS Rating Company Limited on November 2, 2012
 Debenture holder
 Representative : TMB Bank Public Company Limited
 Debenture Registrar : TMB Bank Public Company Limited

4. TISCO Bank Public Company Limited 2/2010 subordinated debenture with maturity date in 2020 with call option

Type of Offering : Public Offering
 Face Value : 1,000 Baht
 Offering Price : 1,000 Baht
 Issue size : 1,000,000 units
 Outstanding : 1,000,000 units
 Tenor : 10 years
 Issuing Date : December 13, 2010

Maturity Date	:	December 13, 2020
Security	:	None
Coupon Rate	:	4.8% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 13 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	<p>With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:</p> <p>(a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or</p> <p>(b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or</p> <p>(c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or</p> <p>(d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or</p> <p>(e) Any cases or conditions to be specified by the Bank of Thailand in the future.</p>
Issue Rating	:	A- from TRIS Rating Company Limited on November 2, 2012
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

5. TISCO Bank Public Company Limited 1/2012 Tranche 1 debenture with maturity date in 2013

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	4,324,300 units
Outstanding	:	4,324,300 units
Tenor	:	1 year
Issuing Date	:	March 1, 2012
Maturity Date	:	March 1, 2013
Security	:	None
Coupon Rate	:	3.5% per annum started from issuance date
Payment Date	:	Every 1 st of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	None
Issue Rating	:	A from TRIS Rating Company Limited on November 2, 2012
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

6. TISCO Bank Public Company Limited 1/2012 subordinated debenture with maturity date in 2022 with call option

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units

Tenor	:	10 years
Issuing Date	:	March 9, 2012
Maturity Date	:	March 9, 2022
Security	:	None
Coupon Rate	:	4.85% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 9 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option*	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
<small>*Remark: Terms and Conditions amendment were notified to the debentures on October 22,2012</small>		
		(a) On the 5 th anniversary from the issuing date or on any coupon dates after the 5 th year of issuance.
		i If the issuer can provide funding equivalent or better than the amount of debenture.
		ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand.
		(b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
		(c) Any cases or conditions to be specified by the Bank of Thailand in the future
Issue Rating	:	A- from TRIS Rating Company Limited on November 2, 2012
Debenture holder		
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

7. TISCO Bank Public Company Limited 2/2012 Tranche 1 debenture with maturity date in 2013

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units
Tenor	:	363 days
Issuing Date	:	March 30, 2012
Maturity Date	:	March 28, 2013
Security	:	None
Coupon Rate	:	Fixed rate 3.5% per annum started from issuance date
Payment Date	:	On 30 th of September and 28 March of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	None
Issue Rating	:	A from TRIS Rating Company Limited on November 2, 2012
Debenture holder		
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

8. TISCO Bank Public Company Limited 3/2012 Tranche 1 debenture with maturity date in 2013

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	503,900 units
Outstanding	:	503,900 units
Tenor	:	1 year
Issuing Date	:	April 4, 2012
Maturity Date	:	April 4, 2013
Security	:	None

Coupon Rate	:	3.5% per annum started from issuance date
Payment Date	:	Every 4 th of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	None
Issue Rating	:	A from TRIS Rating Company Limited on November 2, 2012
Debenture holder		
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

9. TISCO Bank Public Company Limited 2/2012 subordinated debenture with maturity date in 2022 with call option

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	1,243,000 units
Outstanding	:	1,243,000 units
Tenor	:	10 years
Issuing Date	:	December 19, 2012
Maturity Date	:	December 19, 2022
Security	:	None
Coupon Rate	:	4.60% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 19 th of March, June, September, and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) On the date of 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance. <ul style="list-style-type: none"> i If the issuer can provide funding equivalent or better than the amount of debenture. ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand. (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (c) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	:	A- from TRIS Rating Company Limited on November 2, 2012
Debenture holder		
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

As of December 31, 2012 TISCO Bank has outstanding subordinated and unsubordinated debentures issued and offered worth Baht 14,071.2 Million

7.1.4 Bills of Exchange

The Company

The Company was granted approval by the Securities and Exchange Commission on July 8, 2011 to offer short-term bills of exchange to the public as detailed below :

Type of Offering	:	Public Offering
Type of securities	:	Short-Term Bills of Exchange <ul style="list-style-type: none"> 1. Type I : Non-Interest-Bearing Bill of Exchange 2. Type II : Fixed-Interest-Bearing Bill of Exchange, interest payment on maturity
Tenor	:	Up to 270 days from the issue date

Issue size	:	Up to 10,000,000,000 Baht
Face Value	:	Not less than 1,000,000 Baht
Issuing Period	:	From April 1, 2012 to March 31, 2013
Offering price per unit	:	1. For Bill of Exchange Type I : Face Value deducts the discount portion 2. For Bill of Exchange Type II: Face Value
Coupon Rate	:	1. For Bill of Exchange Type I : No Coupon 2. For Bill of Exchange Type II: Fixed Coupon depending on the market condition
Coupon Payment Date	:	For Bill of Exchange Type I : No coupon payment For Bill of Exchange Type II : Payment on maturity date
Issuer Rating	:	A- from TRIS Rating Co., Ltd on May 14, 2012.

As of December 31, 2012, TISCO had outstanding short-term bills in forms of Fixed-Interest-Bearing Bill of Exchange worth Baht 6,311.63 Million with coupon rate ranging from 3.00% - 3.75% and average of 81 days to maturity.

Subsidiary Companies

As of December 31, 2012, TISCO Bank had outstanding bill of exchange, all in forms of bill of exchange, worth Baht 7,494.42 Million with coupon rate ranging from 2.50% - 4.25% and average of 102 days to maturity for short-term bill of exchange and 600 days to maturity for long-term bill of exchange.

As of December 31, 2012, Hi-Way Co., Ltd. had outstanding short-term bill of exchange, all in forms of Callable Bill of Exchange, worth Baht 1,196 Million with 3.62% coupon rate.

As of December 31, 2012, TISCO Leasing Co., Ltd. had outstanding short-term bill of exchange, all in forms of Callable Bill of Exchange, worth Baht 2,645 Million with 3.62% coupon rate.

7.1.5 Major shareholder agreements regarding share issuance or the Company management

None

7.2 Shareholders

The top 10 major shareholder groups whose names appeared in the share registration book on May 8, 2012, (the latest book closing for the right to receive dividend), were as follows:

No.	Shareholder Name	Total ShareHolding			
		Common Shares	Preferred Shares	Total	Percent
1	THAI NVDR COMPANY LIMITED	96,027,368	22,300	96,049,668	13.20
2	CDIB & PARTNERS INVESTMENT HOLDING PTE.LTD.	72,791,200	-	72,791,200	10.00
3	HSBC (SINGAPORE) NOMINEES PTE LTD	44,672,946	-	44,672,946	6.14
4	CHASE NOMINEES LIMITED 42	43,149,056	-	43,149,056	5.93
5	SATHINEE CO.,LTD.	35,893,425	-	35,893,425	4.93
6	STATE STREET BANK EUROPE LIMITED	29,964,900	-	29,964,900	4.12
7	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	24,951,900	-	24,951,900	3.43
8	KRUNGSRI DIVIDEND STOCK LTF	21,040,700	-	21,040,700	2.89
9	SOCIAL SECURITY FUND (2CASES)	20,576,600	-	20,576,600	2.83
10	J.P. MORGAN BANK LUXEMBOURG S.A.20	19,316,400	-	19,316,400	2.65
Total of Shareholdings of 10 Major of Shareholders		408,384,495	22,300	408,406,795	56.11
Other Minority Shareholders		319,493,733	11,558	319,505,291	43.89
Total		727,878,228	33,858	727,912,086	100.00

^{/1} CDIB & Partners Investment Holding Pte. Ltd. is 100% owned by CDIB & Partners Investment Holding Corporation via CDIB & Partners Investment Holding (Cayman) Limited. CDIB & Partners Investment Holding Corporation incorporated in Taiwan and engages in investment activities.

7.3 Dividend Policy

The Company

The Company's dividend payment shall be made in accordance with the Articles of Association which states that no dividend shall be paid out of any money other than profits. In the event that the Company has an accumulated loss or cannot retain regulatory capital requirements after dividend payment, no dividend shall be paid.

Dividends shall be paid equally according to the number of shares, unless otherwise specified in the Articles of Association regarding dividend for preferred shares. Payment of dividends shall be subject to shareholder approval.

The Company shall pay dividends at the rate approximately 50% or more of net profit of each year, after appropriation of statutory reserve, subject to the current Company financial performance, long-term capital adequacy, capital expenditure requirements, business strategies, and provided that such dividend will have no impact on the Company's subsidiary's status as a Qualifying Bank under the definition of the Bank of Thailand.

The Board of Directors may from time to time pay interim dividends when it is clear that the Company has sufficient profit.

Subsidiary Companies

Subsidiary and affiliate companies dividend payments will be the major source of income of TISCO Financial Group Plc. ("the Company"). Each and every subsidiary and affiliate company shall make dividend payments as advised by the Company. The Company will advise dividend payments of subsidiary and affiliate companies considering each company's financial performance, long-term capital adequacy, capital expenditure requirements, and business strategies. Provided that, TISCO Bank ("The Bank") shall pay dividends at the appropriate rate to ensure that after the dividend payment, the Bank BIS ratio will be maintained above 12% to satisfy the Bank of Thailand's criteria for Qualified Bank.

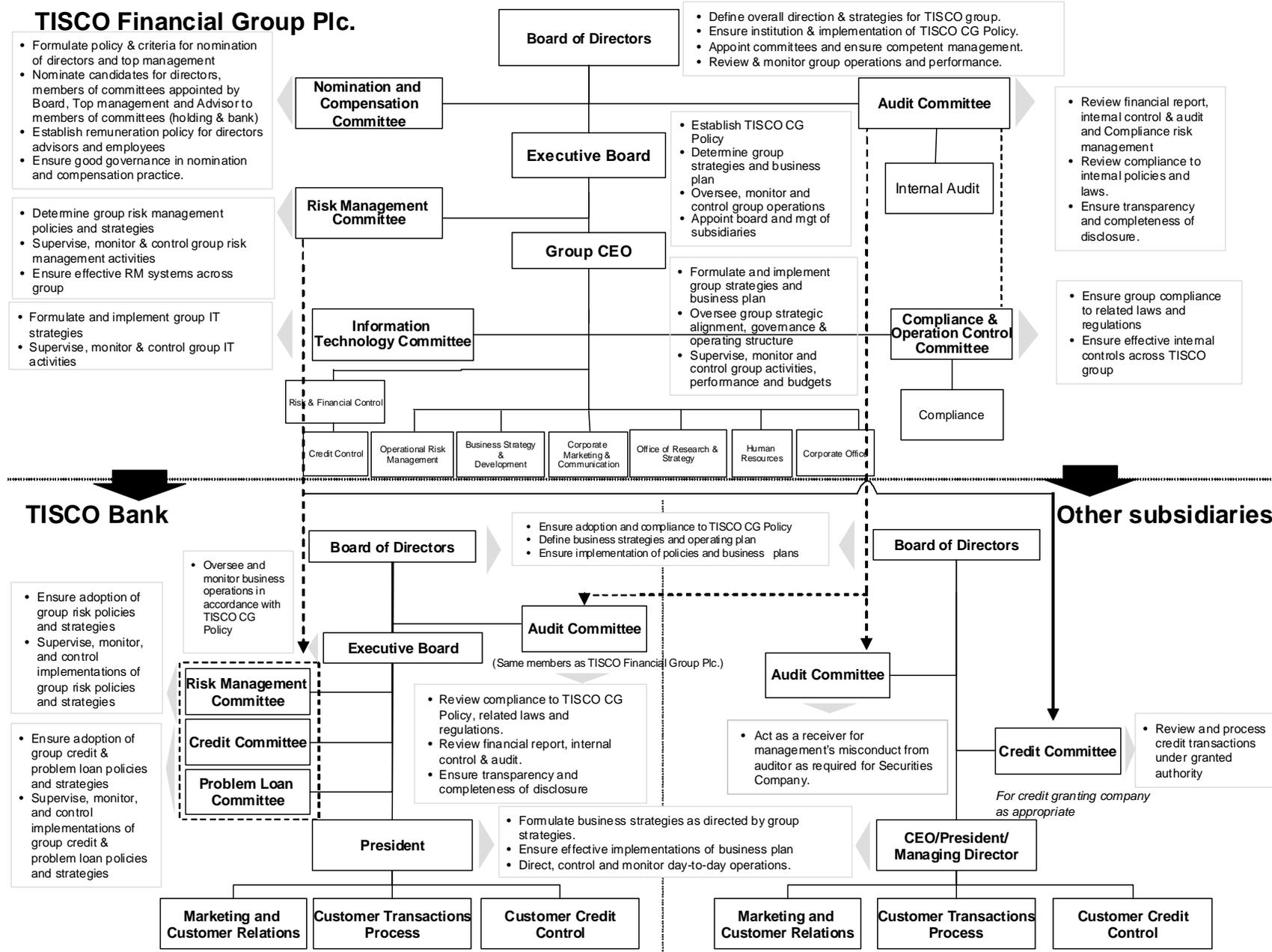
The Board of Directors of each subsidiary and affiliate company may from time to time pay interim dividends when it has sufficient profit.

8. Management

8.1 Management Structure

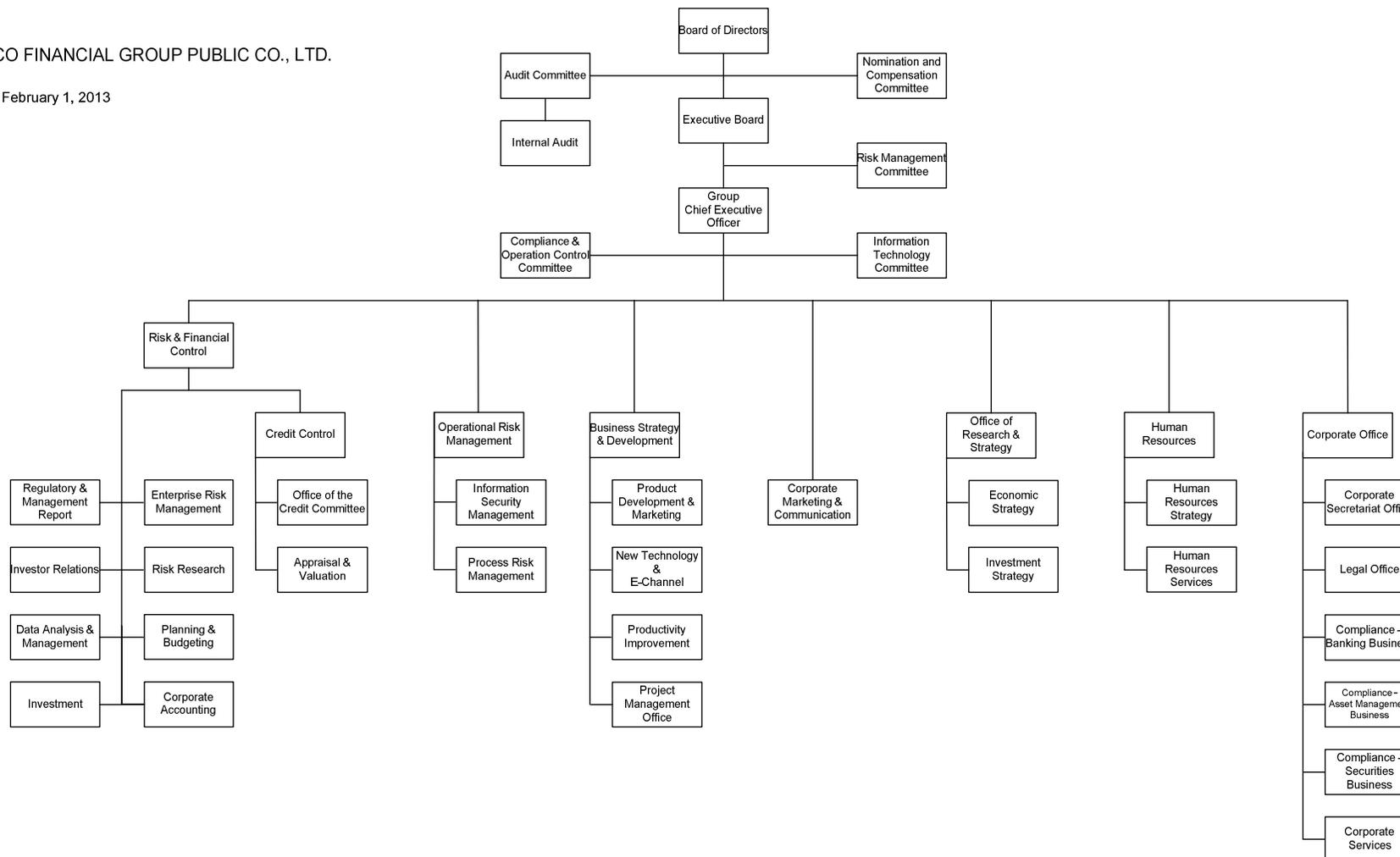
The Company, the parent company of TISCO Group, oversees, monitors and controls business operations of all subsidiary companies to ensure that all companies in TISCO Group operate under the same standard to maximize shareholders' benefit. The corporate governance, risk management, business development, compliance and corporate support functions are centralized at the Company. Subsidiary companies function as strategic business unit, responsible for marketing & customer relationship, and transaction processing & credit control activities.

The Board of Directors is responsible for monitoring and controlling business operations of TISCO Group. Other Boards and committees will be appointed according to the needs and suitability to carry out specific missions and tasks. The governance structure of TISCO Group is exhibited as follows;



TISCO FINANCIAL GROUP PUBLIC CO., LTD.

As of February 1, 2013



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, in 2010, the Company transferred certain Management Committee and management supervising important functions within TISCO Group from subsidiary companies to be employed under the Company. The Company seconded those management to the same subsidiary companies for the same responsibilities on full time basis. This is to ensure that they shall devote their time to effectively manage subsidiary companies under TISCO Group strategy and plan approved by the Board of Directors.

8.1.1 Board of Directors

As of February 1, 2013 the Board of Directors consisted of 12 directors as follows;

Name	Position
1. Mr. Pliu Mangkornkanok ^{/1}	Chairman and Independent Director
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) ^{/2}	Vice Chairman and Member of the Nomination and Compensation Committee
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Ms. Krisna Theravuthi	Independent Director and Chairperson of the Nomination and Compensation Committee
5. Ms. Panada Kanokwat	Independent Director and Chairperson of the Audit Committee
6. Prof. Dr. Pranee Tinakorn	Independent Director and Member of the Audit Committee
7. Ms. Patareeya Benjapolchai	Independent Director and Member of the Audit Committee
8. Assoc. Prof. Dr. Angkarat Priebjriwat	Independent Director and Advisor to the Audit Committee
9. Mr. Chainoi Puankosoom	Independent Director
10. Mr. Hirohiko Nomura	Director, Member of the Executive Board and Member of the Nomination and Compensation Committee
11. Mr. Chi-Hao Sun (Mr. Howard Sun) ^{/2}	Director and Member of the Executive Board
12. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

^{/1} Qualified as an independent director stated in the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 and TorChor. 4/2552 from July 1, 2012

^{/2} At the Board of Directors' Meeting No. 4/2012 convened on August 24, 2012, the Meeting resolved to acknowledge the resignation from the membership in the Executive Board of Mr. Hon Kit Shing (Mr. Alexander H. Shing) and approve the appointment of Mr. Chi-Hao Sun to be a new member of Executive Board replacing Mr. Hon Kit Shing (Mr. Alexander H. Shing), the resigned. The resignation and appointment shall be effective from September 3, 2012 onward.

Authorized Signatory

The Company's authorized signatories are Ms. Oranuch Apisaksirikul, Mr. Hon Kit Shing (Mr. Alexander H. Shing) and Mr. Hirohiko Nomura. It is required that Ms. Oranuch Apisaksirikul singly sign with the seal of the Company affixed or two directors namely Mr. Hon Kit Shing (Mr. Alexander H. Shing) and Mr. Hirohiko Nomura jointly sign with the seal of the Company affixed.

Authority and Responsibilities of the Board of Directors:

1. Define overall direction and strategies of TISCO group and ensure institution of TISCO Corporate Governance Policy for application across all companies in TISCO group. Under consolidated supervision framework, TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications. The Board shall ensure that all companies in TISCO group adopt and implements the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.
2. Approve TISCO group business plan and budget as reviewed by the Executive Board.
3. Define and establish the Strategic Audit – a self-audit measure on the company existing strategy – to oversee and review the strategy of TISCO group.

4. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
5. Continuously review TISCO group's operations to ensure that its executive directors, management, and employees conduct the businesses in compliance with TISCO Corporate Governance Policy as well as related laws and regulations.
6. Ensure competent management of TISCO group.
7. Ensure the institution of effective systems for internal control and audit.
8. Ensure that TISCO group's management refers significant issues to the Board.
9. Ensure that TISCO group has in place risk management policies, processes and controls of all risk types.
10. Appoint other committees and delegate authorities according to the needs and suitability to carry out specific tasks to ensure that the operations are in compliance with established Corporate Governance Policy.
11. Ensure that TISCO group has in place the succession plan for Top Management.
12. Appoint the Corporate Secretary to take care of director's activities and administer critical corporate matters.
13. Ensure that the Bank and each credit granting subsidiary has policies, guidelines and controls procedures for granting credit and investment transactions with related parties.
14. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the Board.
15. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the company, in particular, the proportion or the number of independent directors on the Board.
16. Ensure that the Board receives sufficient information to effectively discharge its authorities, duties, and responsibilities.
17. Report business activities and financial performance to the shareholders.

The following responsibilities of the Board of Directors require approval from shareholders meeting: requirement by laws such as increase or decrease the Company's capital, issuance of debentures, sales or transfers of whole or important parts of the Company business to other persons, purchase or acceptance or transfer of business belonging to other companies, amendments to Company's Memorandum and Articles of Association, related parties transaction, as well as sale and purchase of relevant assets according to regulations stipulated by the Company's regulators.

The Board of Directors may assign any other committees or an attorney to conduct the businesses on behalf of the Board of Directors. Such assignment of power shall not allow the committee member or the attorney to have authority to approve transactions that they or persons who may have a conflict of interest - as defined by the Securities and Exchange Commission - with stakeholders or may have any other conflict of interest with the Company or subsidiary companies.

Details of the Board of Directors of TISCO Bank Public Company Limited, the core company of TISCO Group, is shown in Attachment 3.

Corporate Secretary

The Board of Directors have appointed Mr. Ekkapol Apinun as the Corporate Secretary to be responsible for preparing and maintaining director profile, notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management's report on conflict of interest, and performing other duties as required by the Capital Market Supervisory Board. (Qualification and profile of the Corporate Secretary is shown in Attachment 3)

8.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors. As of February 1, 2013, the Executive Board comprised the following directors:

Name	Position
1. Ms. Oranuch Apisaksirikul	Chairperson of the Executive Board
2. Mr. Chi-Hao Sun (Mr. Howard Sun) ^{/1}	Member of the Executive Board
3. Mr. Hirohiko Nomura	Member of the Executive Board
4. Mr. Suthas Ruangmanamongkol	Member of the Executive Board

^{/1} At the Board of Directors' Meeting No. 4/2012 convened on August 24, 2012, the Meeting resolved to acknowledge the resignation from the membership in the Executive Board of Mr. Hon Kit Shing (Mr. Alexander H. Shing) and approve the appointment of Mr. Chi-Hao Sun to be a new member of Executive Board replacing Mr. Hon Kit Shing (Mr. Alexander H. Shing), the resigned. The resignation and appointment shall be effective from September 3, 2012 onward.

Authority and responsibilities of Executive Board:

1. Establish and implement TISCO Corporate Governance Policy across all companies in TISCO group. Under consolidated supervision framework, TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications.
2. Determine group business strategies, mergers & acquisition activities, new business ventures, and new products for TISCO group.
3. Review TISCO group business plan and budget as proposed by the Group CEO for Board of Directors' approval.
4. Oversee, monitor and control business operations of TISCO group.
5. Monitor the operations in accordance with TISCO Corporate Governance Policy as well as related laws and regulations.
6. Conduct the businesses as assigned by the Board of Directors in agreement of Executive Board.
7. Appoint board and management of all subsidiary companies.
8. Ensure that managements of the company and subsidiary companies refer significant issues to Executive Board, and Executive Board receives sufficient information from the management to effectively discharge its authorities, duties, and responsibilities.
9. Supervise subsidiary companies of transactions that involve high risks.
10. Institute TISCO group's policies and procedures on all important operational and control areas, including risk management policies, credit policies, policy on loan and investment to related entities, internal control policies, and outsourcing policies.
11. Handle urgent matters, which call for an immediate action by Executive Board, though in ordinary circumstances such matters would require the Board of Directors' review. Such urgent matter should be reported to the Board of Directors for acknowledgement in the next Board meeting.
12. Report business activities and financial performance to the Board of Directors on a regular basis.

8.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of February 1, 2013, the Audit Committee comprised the following independent directors:

Name	Position
1. Ms. Panada Kanokwat	Chairperson of the Audit Committee
2. Prof. Dr. Pranee Tinakorn	Member of the Audit Committee
3. Ms. Patareeya Benjapolchai	Member of the Audit Committee
Assoc. Prof. Dr. Angkarat Priebjivat	Advisor to the Audit Committee

Note: All members of the Audit Committee have sufficient knowledge and experience to review the trustworthiness of financial statements.

Authority and responsibilities of Audit Committee:

1. Review TISCO group's financial report to ensure accuracy and adequacy.
2. Review and evaluate that TISCO group has suitable and efficient internal control system and internal audit.
3. Review TISCO group's operations to ensure compliance with related laws and regulations.
4. Consider, select and nominate the independent person to be the external auditor of TISCO group and recommend remuneration of such auditor as well as meet with the external auditor at least once a year without participation of management.
5. Consider connected transaction or the transaction that may cause conflict of interest to ensure the appropriateness and best interest of TISCO group.
6. Ensure the accuracy and completeness of the disclosure of TISCO group, especially the connected transaction or the transaction that may cause conflict of interest.
7. Review Corporate Governance Policy and Code of Conduct
8. Prepare and disclose the Audit Committee report signed by the Chairperson of the Audit Committee in an annual report.
9. Consider the independence of TISCO group's Internal Audit function. Appoint, transfer, or dismiss Head of Internal Audit or other functions responsible to Internal Audit.
10. Report to the Board of Directors in order that remedial action is taken within the time that the Audit Committee deems appropriate in case the Audit Committee finds or suspects any misconduct which may affect the Company's financial position and performance significantly as follows;
 - Transaction which causes conflict of interest;
 - Fraud or irregularity or material defect in the internal control system;
 - Infringement of applicable laws. If the Board of Directors or the management do not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to the Bank of Thailand.
11. Conduct the businesses as assigned by the Board of Directors in agreement of the Audit Committee.
12. Approve Compliance policy and assess the efficiency of compliance risk management.

8.1.4 Nomination and Compensation Committee

The Nomination and Compensation Committee members were appointed by the Board of Directors. As of February 1, 2013 the Nomination and Compensation Committee comprised the following directors:

Name	Position
1. Ms. Krisna Theravuthi	Chairperson of the Nomination and Compensation Committee
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Member of the Nomination and Compensation Committee
3. Mr. Hirohiko Nomura	Member of the Nomination and Compensation Committee

Authority and Responsibilities of Nomination and Compensation Committee:

1. Formulate policy, criteria, and method for nominating candidates for directors and Top Management of the Company and its subsidiaries in TISCO Group to the Board for consideration and submit the policy to regulatory parties upon request.
2. Select and nominate names of qualified candidates to the Board of Directors of the and its subsidiaries which contribute more than 25% of total revenue of TISCO Group for the following positions;
 - Directors
 - Members of committees whose functions, responsibilities and authorities are directly given by the Board of Directors
 - Top Management
 - Advisor(s) to the Board of Directors and/or committees whose functions, responsibilities and authorities are directly given by the Board of Directors
3. Ensure that size and composition of the Board of Directors of the companies in TISCO Group is appropriate for the organization and the business environment. The Board should comprise members who have diversified expertise and experience.
4. Review and establish clear and transparent remuneration and benefit policy and criteria for the directors, committee members, advisors and TISCO Group's employees as proposed by the management.
5. Ensure that the Board remuneration is commensurate with their duties and responsibilities. Board members who handle the extra assignments should be compensated accordingly.
6. Devise performance assessment criteria for board members and TISCO Group's employees for annual remuneration review, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.
7. Ensure that the meeting(s) between the Board and management in absence of the Top Management is arranged at least once a year prior to his/her annual performance assessment.
8. Ensure that succession plan for Top Management of the companies in TISCO Group is properly developed to allow smooth and continuity of business operations, and that such plan is reviewed periodically.
9. Disclose the nomination policy and process in the Annual Report.
10. Disclose the remuneration policy, actual payment in various forms for directors as well as prepare and disclose the Committee's report that at least covers the objectives, activities and opinion of the Committee in the Annual Report.
11. Report activities to the Board of Directors on a regular basis.
12. Conduct the businesses as assigned by the Board of Directors in agreement of the Nomination and Compensation Committee.

Details of meeting attendance of TISCO Financial Group Public Company Limited's directors in 2012 are as follows:

Name-Surname	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of total meetings (times)</i>	<i>6³</i>	<i>12</i>	<i>12</i>	<i>7</i>
1. Mr. Pliu Mangkornkanok	6	-	-	-
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	4	5 ^{1/2} (out of 8 times)	-	5
3. Ms. Oranuch Apisaksirikul	6	12	-	-
4. Ms. Krisna Theravuthi	6	-	-	7
5. Ms. Panada Kanokwat	6	-	12	-
6. Prof. Dr. Pranee Tinakorn	6	-	12	-
7. Ms. Patareeya Benjapolchai	6	-	12	-
8. Assoc. Prof. Dr. Angkarat Priebjivat	6	-	12	-
9. Mr. Chainoi Puankosoom	6	-	-	-
10. Mr. Hirohiko Nomura	6	12	-	6
11. Mr. Chi-Hao Sun (Mr. Howard Sun)	6	4 ¹ (out of 4 times)	-	-
12. Mr. Suthas Ruangmanamongkol	6	12	-	-

¹ At the Board of Directors' Meeting No. 4/2012 convened on August 24, 2012, the Meeting resolved to acknowledge the resignation from the membership in the Executive Board of Mr. Hon Kit Shing (Mr. Alexander H. Shing) and approve the appointment of Mr. Chi-Hao Sun to be a new member of Executive Board replacing Mr. Hon Kit Shing (Mr. Alexander H. Shing), the resigned. The resignation and appointment shall be effective from September 3, 2012 onward.

² Mr. Hon Kit Shing (Mr. Alexander H. Shing) did not attend three Executive Board's meetings in person but participated via conference calls once.

³ In 2012, the company has arranged one strategic Board Meeting in addition to the regular Board of Directors' Meeting.

8.1.5 Management

The Company transferred certain senior management and management supervising major functions from subsidiary companies to be employed under the Company in 2010. Simultaneously, the Company seconded those management to the same subsidiary companies for the same responsibilities on full time basis. This is to ensure that they shall devote their time to effectively manage subsidiary companies under TISCO Group strategy and plan approved by the Board of Directors.

Management Committee of the TISCO Group as of February 1, 2013 comprise of the following members:

Name	Position in the Company	Position assigned in subsidiary company
1. Ms. Oranuch Apisaksirikul ^{/1}	Group Chief Executive, TISCO Group	-
2. Mr. Suthas Ruangmanamongkol ^{/1}	President	President, TISCO Bank Public Company Limited
3. Mr. Sakchai Peechapat ^{/1}	Senior Executive Vice President	Senior Executive Vice President - Retail Banking, TISCO Bank Public Company Limited
4. Mr. Pitada Vatcharasiritham ^{/1}	Senior Executive Vice President	Senior Executive Vice President - Corporate Banking TISCO Bank Public Company Limited
5. Mr. Metha Pingsuthiwong ^{/1}	First Executive Vice President	First Executive Vice President - Retail Banking - Front, TISCO Bank Public Company Limited
6. Ms. Araya Thirakomen ^{/1}	First Executive Vice President	President, TISCO Asset Management Company Limited
7. Mr. Paiboon Nalinthrangkurn ^{/1}	First Executive Vice President	Chief Executive Officer, TISCO Securities Company Limited Chief Executive Officer, Deutsche TISCO Investment Advisory Company Limited
8. Mr. Chalit Silpsrikul ^{/1}	First Executive Vice President	First Executive Vice President - Wealth Management and Banking Services, TISCO Bank Public Company Limited
9. Ms. Yutiga Sonthayanavin	Executive Vice President	Managing Director, TISCO Information Technology Company Limited
10. Mr. Chatri Chandrangam ^{/1}	Executive Vice President - Risk & Financial Control	-

^{/1} Management as defined by the Securities and Exchange Commission

Authority and Responsibilities of Management Committee:

1. Cross-over business, operating, control issues among different high-impact business/operating areas.
2. Ensure coherent business strategies and maximize synergies among different business groups.

Authority and Responsibilities of the Group Chief Executive:

1. Oversee, supervise and monitor performance of TISCO group's senior management to ensure effectiveness and alignment.
2. Formulate corporate strategies and business plan of TISCO group for the Board's consideration and approval.
3. Oversee strategic alignment of TISCO group business and ensure effective implementations of corporate strategies and business plan across the group.

4. Oversee TISCO group's governance & management structure, operations, risk management & control systems.
5. Monitor TISCO group's business activities and operating performance and report to the Board.
6. Oversee financial budgets and resource management of TISCO group.
7. Ensure that TISCO group's business conducts are in accordance with the Board's approved policies & guidelines, as well as related laws and regulations.

In addition to the Management Committee of TISCO Group as of February 1, 2013, the Company's management comprised the following 28 persons ^{1/};

Name-Surname	Position
1. Ms. Oranuch Apisaksirikul ^{1/2}	Group Chief Executive, TISCO Group Acting Head of Business Strategy & Development And Acting Head of Office of Research & Strategy
2. Mr. Chatri Chandrangam ^{1/2}	Executive Vice President – Risk and Financial Control Acting Head of Investment
3. Mr. Pairat Srivilairit	Head of Operational Risk Management
4. Mr. Watsakorn Thepthim	Head of Human Resources Acting Head of Human Resource Strategy
5. Mr. Ekkapol Apinun	Corporate Secretary Head Of Corporate Office Acting Head of Corporate Secretariat Office
6. Ms. Dulyarat Taveebhol	Assistant Head Of Corporate Office
7. Mr. Kontee Sunthornpradit	Head of Planning & Budgeting
8. Dr. Kampon Adireksombat	Head of Economic Strategy
9. Mr. Kittipong Tiyaboonthai	Head of Regulatory & Management Report
10. Mr. Kullachart Ekvoratham	Head of Productivity Improvement
11. Ms. Jiraporn Sawsukpaiboon	Head of Internal Audit
12. Ms. Chutintorn Vigasi ^{2/}	Head of Corporate Accounting
13. Ms. Nudtinee Suwanpanitch	Head of Legal Office
14. Mr. Noppawat Tangburanakij	Head of New Technology & E-Channel
15. Ms. Narisara Tanarugsachock	Head of Data Analysis & Management
16. Ms. Nartrudee Siwabut	Head of Corporate Marketing & Communication
17. Mr. Nipon Wongchotiwat	Head of Enterprise Risk Management
18. Mr. Prayuk Charoencharaskul	Head of Process Risk Management
19. Mr. Pitak Lausangngam	Head of Project Management
20. Ms. Pattarinee Ratananakin	Head of Investor Relations
21. Mr. Puvarin Kullaphatkanon	Head of Risk Research
22. Ms. Maneerat Wattanajak	Head of Compliance – Asset Management Business
23. Mr. Synn Navamananda	Head of Product Development & Marketing
24. Ms. Sakornrat Manuwong	Head of Compliance – Banking Business
25. Mr. Somchat Lapapong	Head of Corporate Services
26. Ms. Suthipirom Areesakulsuk	Head of Human Resources Services
27. Ms. Supaporn Aramtiantamrong	Head of Compliance – Securities Business
28. Ms. Arayapha Siripanich	Head of Information Security Management

^{1/} Ms. Oranuch Apisaksirikul and Mr. Chatri Chandrangam are the members of the Management Committee of TISCO Group

^{2/} Management as defined by the Securities and Exchange Commission

8.2 Directors, Independent Directors and Management Selection Guidelines

8.2.1 Director and Independent Director Nomination

The Nomination and Compensation Committee shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance including securities business, economics, law or any other fields deem appropriate. The Nomination and Compensation Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors according to the Company's criteria as specified under Section 8.5

The Nomination and Compensation Committee shall recommend the Board to consider the appointment of new director and/or independent director for replacement of any vacancy occurring otherwise than by rotation, or propose the shareholders the election of directors to replace those who retire by rotation or appointment of additional directors and/or independent director. The election, appointment and removal criteria are as follows:

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than five, provided that not less than one half of the directors must domicile in Thailand. In addition, the number of directors who are persons of Thai Nationality shall be in compliance with related law.
2. The general meeting of shareholders shall elect directors on the following criteria and procedures:
 - (1) Each shareholder shall have a number of votes equal to the number of shares multiplied by the number of the directors to be elected.
 - (2) Each shareholder may exercise all the votes he or she has under (1) to elect one or several persons as director or directors. If several persons are to be elected as directors, the shareholder may allot his or her votes to any person in any number.
 - (3) The candidates shall be ranked in descending order from the highest number of votes received to the lowest, and shall be elected as directors in that order until all of the director positions are filled. In case that number of votes for candidates are tied and would otherwise cause the number of directors to be exceeded, the remaining elections shall be made by drawing lots.
3. At the general meeting of shareholders of each calendar year, the whole board of directors shall be simultaneously elected. However, the former board of directors shall remain in office to conduct the business of the company for the time being, as necessary, until the new board of directors takes office. Retired directors are eligible for re-election.
4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled up by the remaining directors, unless, the term of the original director is less than two months. For the purpose thereof, the resolution of the appointment of new directors shall be valid with the vote of not less than three-fourths of the number of remaining directors. However, any person so appointed shall hold office only for the remainder of the term of the director to whom he has succeeded. If a general meeting of the shareholders removes a director, and appoints another person in his place, the person so appointed shall hold office only for the remainder of the term of the director so removed.
5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths of the number of shareholders who attend the meeting and have right to vote. Such a motion must also represent an agreed number of shares equal to or not less than half of the total shares held by the shareholders who attend the meeting and have right to vote.

In terms of balance of power, it was determined to be in the Company's interest to have more non-executive directors than executive directors whereby directors who are representative of shareholders shall be determined based on proportion of their shareholding.

8.2.2 Management Selection

The Nomination and Compensation Committee shall identify and propose qualified nominees with necessary expertise to be appointed as Top Management to the Board. The prerequisites in selection should generally include consideration on the candidates' character, technical competence, and employment experience in the financial services field. The successful candidate should share the board's operating philosophy and vision of the Company's future in order to ensure that the

institution's goals are met. It is important that mutual trust and a close working relationship are established. The Nomination and Compensation Committee shall recommend qualified candidates to the Board of Directors for approval.

For other senior executive positions, Top Management shall identify and propose qualified nominees for the Nomination and Compensation Committee's consideration and further recommendation to the Executive Board for approval.

8.3 Qualifications of Independent Director

The following are the qualifications of an Independent Director set up in accordance with the Company's Corporate Governance Policy and Code of Conduct, which are stricter than those specified by the Capital Market Supervisory Board and the Bank of Thailand:

1. Holding not exceeding 0.50 per cent of the total number of voting rights of the Company, its parent company, subsidiary companies, associated companies or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director.
2. Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary companies, associated companies, or juristic person who may have conflicts of interest unless the foregoing status has ended not less than 2 years.
3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and son/daughter, including spouse of the son/daughter, management, major shareholders, controlling persons, or persons to be nominated as management or controlling persons of the Company or its subsidiary companies.
4. Not having any business relationship, as defined by the Capital Market Supervisory Board, with the Company, its parent company, subsidiary companies, associated companies or any juristic persons who may have a conflict of interest that could be barrier to independent judgment; or not being existing or previous major shareholder, director other than independent director or management of the stakeholders of the Company, subsidiary companies, associated companies or any juristic persons who may have a conflict of interest unless the foregoing relationship has ended not less than 2 years.
5. Neither being nor having been an auditor of the Company, its parent company, subsidiary companies, associated companies or juristic persons who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary companies, associated companies or juristic person who may have conflicts of interest unless the foregoing status has ended not less than 2 years.
6. Neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the Company, its parent company, subsidiary companies, associated companies or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing status has ended not less than 2 years.
7. Not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder.
8. Not undertaking any business in the same nature and in competition to the business of the Company or its subsidiary companies or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding one per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of the Company or its subsidiary companies.
9. Not having any characteristics which make him/her incapable of expressing independent opinions with regard to the Company's business affairs.

8.4 Director and Management Remuneration

8.4.1 Director and Management Remuneration Policy

The remuneration of directors, proposed by the Nomination and Compensation Committee, shall be approved by shareholders. The scale and components of remuneration for directors and management has been set subject to the principle that such remuneration should be appealing enough to attract and retain quality directors, but avoid excessive

pays. Remuneration for directors should be comparable to the general practice in the industry with regard to work experience and commitment, as well as the benefits each director brings. In addition, the remuneration shall be reviewed in comparison to comparable listed companies with similar size of business and the listed company average as disclosed in the Thai Institute of Directors Association (IOD)'s Thai Directors Compensation Survey.

Directors who are assigned with extra work (being members of other committee, for example) should be paid appropriately. The remuneration to be paid to such director or directors will be approved by the board. Remuneration for management shall be linked to the performance of TISCO Group, and that of each management member. The remuneration should be determined in accordance with the principles and policies approved by the Nomination and Compensation Committee with an endorsement from the Board of Directors.

To avoid conflict of interest and enhance transparency, remuneration shall always be approved from the higher level of command. Namely, shareholders approve the remuneration of the board of directors, the board of directors approves remuneration of the Executive Board, and the Executive Board approves remuneration of management upon the consideration of the Nomination and Compensation Committee.

Apart from the remuneration payable to directors of TISCO Financial Group Public Company Limited, TISCO Group only pays remuneration to subsidiary companies' directors who are non-executive director(s), that do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO Group of companies, in the same form and amount of TISCO Financial Group Public Company Limited's director.

8.4.2 Financial Remuneration

The Company's shareholders approved at the Shareholders Ordinary General Meeting for the year 2012, the annual directors' remuneration in the form of reward, monthly fee, meeting fee and bonus at the amount of not greater than 2,400,000 Baht for the Chairman of the Board, and not greater than 500,000 Baht for each Board member, to be valid until amended. The Board of Directors, under the authority delegated by the shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors. Following the Board of Directors' Meeting No. 2/2012 on April 26, 2012 approved new directors' remuneration to be allocated as follows:

	<i>Monthly Fee (Baht / Month)</i>	<i>Meeting Fee (Baht / meeting)</i>
<u>Board of Directors</u>		
Chairman	200,000	-
Member	40,000	-
<u>Executive Board</u>		
Chairperson	-	40,000
Member	-	35,000
<u>Audit Committee</u>		
Chairperson	-	50,000
Member	-	40,000
Advisor	-	35,000
<u>Nomination and Compensation Committee</u>		
Chairperson	-	50,000
Member	-	40,000

The details of Board of Director remuneration during January 1 to December 31, 2012 are as follows;

Name of the Directors	Remuneration (Baht)				Total
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee	
	Monthly Fee	Meeting Fee	Meeting Fee	Meeting Fee	
1. Mr. Pliu Mangkornkanok	2,400,000	-	-	-	2,400,000
2. Mr. Hon Kit Shing ¹ (Mr. Alexander H. Shing)	480,000	175,000	-	200,000	855,000
3. Ms. Oranuch Apisaksirikul	480,000	480,000	-	-	960,000
4. Ms. Krisna Theravuthi	480,000	-	-	350,000	830,000
5. Ms. Panada Kanokwat	480,000	-	600,000	-	1,080,000
6. Prof. Dr. Pranee Tinakorn	480,000	-	480,000	-	960,000
7. Ms. Patareeya Benjapolchai	480,000	-	480,000	-	960,000
8. Assoc. Prof. Dr. Angkarat Priebjivat	480,000	-	420,000	-	900,000
9. Mr. Chainoi Puankosoom	480,000	-	-	-	480,000
10. Mr. Hirohiko Nomura	480,000	420,000	-	240,000	1,140,000
11. Mr. Chi-Hao Sun ¹	480,000	140,000	-	-	620,000
12. Mr. Suthas Ruangmanamongkol	480,000	420,000	-	-	900,000
Total	7,680,000	1,635,000	1,980,000	790,000	12,085,000

Remarks: ¹ At the Board of Directors' Meeting No. 4/2012 convened on August 24, 2012, the Meeting resolved to acknowledge the resignation from the membership in the Executive Board of Mr. Hon Kit Shing (Mr. Alexander H. Shing) and approve the appointment of Mr. Chi-Hao Sun to be a new member of Executive Board replacing Mr. Hon Kit Shing (Mr. Alexander H. Shing), the resigned. The resignation and appointment shall be effective from September 3, 2012 onward.

In 2012, total remuneration for the Board of Directors, the Executive Board, the Audit Committee, the Nomination and Compensation Committee, Management Committee (10 members) and the Management¹ (25 persons) was 303,906,457 Baht. This was paid in the form of monthly compensation, meeting fees, provident fund, and bonuses, which varied according to TISCO Group's performance.

Remuneration for subsidiary companies' directors

In 2012, TISCO Bank paid remuneration to one director namely Mr. Pichai Chanvirachart in the amount of 480,000 Baht. Total remunerations for one TISCO Bank director and TISCO Bank management¹ (31 persons, excluded 5 persons which are the Parent Company's management and seconded to manage TISCO Bank), was 127,222,488 Baht. This was paid in form of monthly compensation, salaries, provident funds, and bonuses which varied according to TISCO Bank performance.

Besides TISCO Bank, there was remuneration paid to the other subsidiary companies' director in the amount of 480,000 Baht.

8.4.3 Other Remuneration

The Company also provides executive vehicle for the Chairman of the Board of Directors with full support of related expenses actually incurred including vehicle check up, maintenance, annual registration, and auto insurance.

¹ The Management as of December 31, 2012

8.5 Corporate Governance

TISCO Group is dedicated to providing competitive and innovative financial solutions that ensure complete customer satisfaction. Our commitment to the highest ethical standards and good corporate governance is the result of our belief that a truly successful business is one that conducts itself as a good corporate citizen of the society in which it operates. This can only be achieved by ensuring that the rights and interests of all stakeholders, which includes shareholders, employees, customers, business partners and creditors, competitors, society and the environment, are fully protected.

TISCO Corporate Governance Policy, developed from the 2006 Good Corporate Governance Policy for listed companies in aligning with the guideline set by the Stock Exchange of Thailand, is established to define group governance structure, code of conduct, operating structure, charters of governance bodies, as well as centralized operating policies in various areas for coherent adoption across all subsidiary companies in TISCO Group. The parent and subsidiary companies of TISCO financial group are required to strictly comply with this Corporate Governance Policy.

Corporate Governance Code of Conduct is set up to provide guiding principles of good corporate governance to the directors, management, and employees of TISCO Group in order to ensure that the Group complies with all relevant laws and regulations and carries out duties with maximum accountability, transparency, and equitable treatment to all stakeholders so as to promote managerial integrity, effectiveness, and efficiency across the group. The Corporate Governance Principle covers 5 main areas, namely, the Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board (details of Corporate Governance Code of Conduct are presented on www.tisco.co.th). In addition, TISCO Group has endorsed Operating Policies to be applied at the managerial and operational level in dealing with such matters as customer complaints, conflicts of interest, control of inside information, confidentiality, and related issues including securities trading by employees.

To ensure that all employees understand and effectively carry out their duties in compliance with the relevant regulations and business code of conduct, TISCO Group launched the compulsory Compliance and Human Resource Policy Test through the TISCO intranet system. The test results will be evaluated to determine the level of understanding so that appropriate communication methods will be carried out to enhance the staff's awareness of their roles and responsibilities in good corporate governance. Employees taking the test will be able to learn instantly from the provided answers to all questions. The Company has revised the test in compliance with changes in laws and regulations. Completion of the test is required by all employees as one of their Compulsory Key Performance Indicator. All new staff employed during the year is required to complete the test in addition to attending the orientation. The result of the test will be considered as part of their evaluation.

TISCO Group strictly and consistently applies good corporate governance at all levels within the organization. This commitment has yielded TISCO much recognition and honors from many institutes. TISCO's Shareholder Ordinary General Meeting for the year 2012 received an **"Excellent"** score from the **Ordinary General Meeting Assessment Program** conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. TISCO was also among 74 listed companies, out of 450 in the program, to score full at 100 point. In addition, TISCO has honored for the fourth time the **SET Awards 2012 in Top Governance Report Awards Category**. The award, organized by the Stock Exchange of Thailand in corporation with the Money and Banking magazine, is given to the listed company presented with distinctive governance report appraising from the information disclosed in Annual Registration Statement (Form 56-1), the Annual Report, the Company's website, and Notice and Minutes of Shareholder Ordinary General Meeting. Besides the above mentioned recognition given, Thai Institute of Directors (IOD) also awarded TISCO as the listed company with **"Excellent"** corporate governance recognition level considering from information disclosed through the Stock Exchange of Thailand's information dissemination channel and other Company's public documents. The Company will report the assessment result to the Audit Committee, which will further report to the Board of Directors to review IOD's recommendations to continuously develop and improve corporate governance of TISCO Group.

TISCO Group emphasizes on information disclosure. Thus, regular meetings with investors both local and foreign were held to illustrate TISCO Group's policies, exchange viewpoints, and respond to any queries on the basis of trustworthiness and professionalism concerning all stakeholders.

1) Rights of Shareholders

In recognition of the significance of the rights of shareholders as the real owners of the Company, TISCO is committed to ensuring their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling, or transferring shares; receiving their rightful portion of Company profits; easily obtaining relevant and adequate information of the Company on a regular basis; attending and voting in the shareholders' meetings to elect or remove members of the Board of Directors and determining director remuneration, appointing the external auditor and determining auditing fees, and making decisions on any transactions that significantly affect the Company. TISCO also encourages shareholders to fully exercise their rights by providing them with convenient access to relevant information via its website, setting up a dedicated Investor Relations Function for direct

communication with investors, inviting shareholders to propose agenda items and qualified candidates for director positions, and facilitating attendance in shareholders' meetings.

With regard to shareholder meetings, in addition to the annual general meeting which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number of paid-up shares may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of paid-up shares, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within 1 month of the date of receiving the notice.

The Company also gives great emphasis to shareholders' meetings as important occasions in which the shareholders have the right to participate in the decision-making process. TISCO strongly encourages shareholders to fully exercise their rights by facilitating in the following aspects:

- Invitation to shareholders to propose agenda items in the annual general meeting and nominate qualified candidates for director position

TISCO allocates sufficient time frame for the shareholder either one shareholder or combined shareholders, who is holding minimum shares of 100,000 shares or equivalent to less than one percent of total issued and paid-up capital of the Company, to propose agenda items that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified director candidates. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the Company. Regarding agenda items, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the Notice of the annual general meeting. For nominations of qualified candidates for director positions, the Nomination and Compensation Committee shall review and propose candidates for the Board of Directors' consideration for further recommendation to the shareholders at the annual general meeting. In cases wherein proposals are disapproved by the Board and/or the Nomination and Compensation Committee, the Company shall state the reason for refusal to the shareholders in the shareholders' meeting, on the Company's website or any other appropriate information dissemination channels.

For the 2012 Annual General Meeting, TISCO invited shareholders to propose agenda and qualified candidates for director positions in advance, from October 15, 2011 to December 14, 2011. Before mailing out the Notice, the Company posted on the Company's website to inform shareholders their rights to propose additional agenda in the annual general meeting together with related procedures, deadline for the proposal of agenda so that the Board of Directors shall consider include or not include the agenda in the Notice, and methods of proposing qualified candidates for director position to the Nomination and Compensation Committee for further recommend to the Board of Directors and propose to the shareholders at the annual general meeting. In this regard, upon the posting of information, the Company also disclosed through the Stock Exchange of Thailand's information dissemination channel.

- Notification of Meeting Details and Materials

The Company prepares Notice of the shareholder meeting in both Thai and English and notifies the meeting details to investors prior to the meeting date through the Stock Exchange of Thailand's information dissemination channel and its website to allow shareholders adequate time to study meeting materials. Such notice and materials shall be sent to the shareholders not less than 7 days before the date set for the meeting in accordance with the law. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders; which include (1) Notice of the meeting (2) Procedure for meeting registration (3) Profile of the independent directors nominated to serve as proxies for shareholders (4) the Company's Articles of Association in the category of company's shareholder meetings, directors; with regard to the number of directors section, an election of directors, director's term of office and dividend (5) Agenda of the meeting (6) Annual Report (7) Proxy Forms (8) Registration and Voting Form (9) Meeting location map and (10) Return envelope. In addition, the Company shall publish Notice of the shareholder meeting in a Thai daily newspaper for 3 consecutive days and not less than 3 days before the date set for the meeting. All agenda items shall indicate clearly whether it is a matter being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the Board of Directors in said matters.

For the 2012 Annual General Meeting, TISCO disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 17, 2012 and disclosed Notice of the shareholder meeting in both

Thai and English languages through the Stock Exchange of Thailand's information dissemination channel and its website since March 15, 2012. The Company mailed notice and materials to shareholders since March 29, 2012.

- Meeting attendance

To protect shareholders' rights to attend the meeting and ensure equitable treatment for shareholders, TISCO assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, TISCO allowed enough time for any shareholder to register to attend the meeting in advance of the meeting time. TISCO utilized a computer and barcode system for registration and printing of voting forms for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration, and for vote counting procedure. In addition, shareholders are also able to register to attend and exercise their voting rights on the agenda that they have not cast the vote in advance after the meeting's commencement. For shareholders unable to attend the meeting and would like to appoint a proxy, TISCO proposes more than one independent directors by presenting director profiles for the shareholders' selection, in addition to management, director or any other person attending the meeting on their behalf. TISCO has also attached Proxy Forms, which allows shareholders to specify their voting decision, with the notice. Moreover shareholders could cast their votes in advance on the Voting Form which had been sent out together with notice of shareholders' meeting. The shareholders can download other types of proxy forms and Voting Form from the Company's website.

For the 2012 Annual General Meeting, the Company proposed two independent directors, Chairperson of the Audit Committee and Chairperson of the Nomination and Compensation Committee, including their profiles for shareholders to appoint as proxy. Proxy Form B which allows shareholders to indicate their voting directions was also enclosed in the Notice. In addition, shareholders can download other Proxy Forms from the Company's website.

- Shareholders' opportunity for query and comment

Before the date set for the meeting, TISCO invites shareholders to submit questions regarding the Company and meeting agenda that requires clarification by the Board of Directors and the management at the meeting. The question may be submitted in advance via fax or email to Investor Relations. In the meeting, the Chairman shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries at the meeting as per the agenda. TISCO shall endeavor to arrange for all directors, executives of the Company and subsidiaries, as well as the auditors to attend the shareholders' meeting to answer the queries. The Company's directors and management will clearly explain and clarify such matters.

For the 2012 Annual General Meeting, all directors, TISCO Management Committee members, and the auditors attended the meeting. In addition, representatives from the Bank of Thailand were also observed the meeting.

- Conduct of the meeting and voting

The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding an aggregate number of shares not less than two-third of total number of shareholders attending the meeting resolve to change the order of the agenda. In addition, the shareholders holding an aggregate number of shares not less than one-third of the total number of paid-up shares may request that the meeting consider other matters in addition to those specified in the notice of the meeting. Before the meeting starts considering the agenda, the shareholders will be informed of number and proportion of shareholders or proxy attended the meeting, their voting rights, total votes required for each agenda and the voting process for each agenda. Every shareholder present in person or being represented by proxy is entitled to one vote per share, with the exception of cumulative voting for the appointment of directors. For the purpose of transparency and equitable treatment of the shareholders in the voting process, the Company shall utilize voting forms for all agenda and under cumulative voting for the appointment of director. The Company assigns inspectors to oversee and monitor the shareholders meeting to ensure that the meeting is conducted with transparency and compliance with the law and its Articles of Association. After the vote count is completed, voting results of each agenda will be announced to the meeting, by specifying the vote results as "For", "Against", and "Abstain" together with number of votes.

For the 2012 Annual General Meeting, the meeting was conducted according to the Company's Articles of Association with no additional agenda, no changes to the agenda order, or no changes in important information without prior notification to shareholders. In addition, the Company assigned Ernst & Young Office Limited to ensure that the meeting was conducted with clear and transparency and in accordance with laws and the Company's Articles of Association. There were representatives of Ernst & Young Office Limited to observe in the registration and vote counting throughout the meeting.

2) Equitable Treatment of Shareholders

The Company treats all shareholders, majority or minority, individual or institutional, foreign or Thai, both executive and non-executive, fairly and equally. All shareholders receive important and accurate information at the same time. Apart from the Company's pledge to protect shareholders' right as described in Item 1 regarding the right to propose agenda for the annual general meeting and qualified director candidates, to propose independent directors for shareholders' proxy, to receive meeting details and documents, and to express opinion and to raise questions, the Company shall ensure that minority shareholders are able to fully exercise their rights as illustrated below;

For director election agenda, TISCO has introduced a Cumulative Voting process, which allows minority shareholders to take part in nominating and electing Independent Directors. To ensure transparency and equitable treatment, shareholders are allowed to cast their votes for individual director.

The Company shall give notification of the shareholders' meeting resolutions to all investors through the SET's information dissemination channel within the same day of the meeting or at least one hour before the opening of the Stock Exchange of Thailand on the next working day. In addition, the Company shall also prepare the minutes of the meeting in which all relevant information, including all clarifications, queries, opinions, and resolutions are recorded and categorized into "For", "Against", and "Abstain" votes. TISCO shall disseminate the above minutes on its website and submit it to the Stock Exchange of Thailand within 14 days from the date of the meeting. The minutes of the meeting will be kept at the office. In addition, TISCO has arranged for a recording of the shareholders' meeting to be available on CD. Shareholders who are interested may request a copy of the CD from Investor Relations.

For the 2012 Annual General Meeting held on April 26, 2012, the Company notified the shareholders' meeting resolutions through the SET's information dissemination channel within the same day of the meeting and disclosed the minutes of the meetings on May 9, 2012, in compliance with the above mentioned timeframe.

Regarding measures taken to prevent conflict of interest, the Company has set the code of conduct for employees to ensure that employees comply with stipulated laws and regulations, conduct their duties with integrity, consider the Company's interests above their own, and refrain from exploiting inside information for their own benefit. Directors, Top Management or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth ranked management, and Accounting department managers must firstly file with the Company a report on his/her interest or related person's interest in relation to management of the Company upon the appointment and within 3 working days from the date of the change. In addition TISCO has set out rules regarding securities trading by employees, stating that all employees must open trading accounts only with its subsidiary, TISCO Securities Company Limited. Also, employees are required to seek approval from their supervisors and the Compliance Unit before executing trades. Moreover, it also prohibits Management Committee and insiders from trading TISCO's shares 7 days prior to the last working day of the month until 2 days after the financial statements or the summary statements of assets and liabilities of TISCO are published.

Directors, Top Management or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth ranked management, and Accounting department managers must report their securities holdings in TISCO, as well as the securities holding of their spouses and any minor children, to the Office of Securities and Exchange Commission. This report on securities holding must be filed within 30 days from the date of appointment and within 3 working days from the date of the change. Directors must also notify the Board via the Audit Committee of their shareholdings at the end of each quarter. The Audit Committee reviews director's shareholding and report to the Board for acknowledgement every quarter under Audit Committee's activities.

The above-mentioned persons must file a copy of their report on securities holdings to TISCO within the same date on which such a report is filed to the Office of Securities and Exchange Commission. In addition, Directors and management shall file with TISCO a report on his/her interest or a related person's interest in relation to management of TISCO or the subsidiaries in accordance with the rules, conditions and procedures specified by the Company in compliance with the Securities and Exchange Commission requirement.

TISCO Group has placed great emphasis on managing its business operations effectively under good governance guidelines. TISCO Group has no policy to encourage transactions between related parties or any other transactions that may result in a conflict of interest. Should any such transactions occur, they must be considered thoroughly by the Audit Committee. The Audit Committee shall report and/or propose to the Board of Directors Meeting for approval, as the case may be. The Company shall consider said transactions with the same conditions as those governing normal business transactions. Persons with vested interests shall not be entitled to vote for the approval of said transactions.

3) Role of Stakeholders

Aside from all stakeholders to conveniently deliver their suggestions, complaints, or any other important concerns directly to Independent Director or the Audit Committee. In addition, TISCO Group provides variety of channels, for instance, Customer Service Center, service counters, TISCO Group website, and TISCO dedicated functions. For example, Investor Relations Function is responsible for feedbacks from shareholders and investors community while Human Resources Function is responsible for those from employees. Moreover, Compliance Function has been assigned to receive suggestions, complaints or any other concerns related to TISCO business operation and regulatory matters. Significant issues shall be reported to the Compliance Committee for consideration. The Compliance Committee will preliminary screen the issue before reporting to the Audit Committee in case of critical corporate issues. The Audit Committee will further review, advise and report the issues and/or outcome to the Board of Directors.

Anti-Corruption Policy

In 2011, “**TISCO Group Anti-Corruption Policy**” was set up with an aim to enhance ethically and integrity business operation within TISCO group. Besides, the set up policy which is held as business conduct guidance, the company has, over the year, consistently supported and participated in numerous anti-corruption activities e.g. being one of **the signatory companies of Thailand’s Private Sector Collective Action Coalition Against Corruption’s Declaration of Intent**, developed by Thai Institute of Directors Association (IOD) in cooperation with The Thai Chamber of Commerce (TCC), Joint Foreign Chambers of Commerce in Thailand (JFCCT), Thai Listed Companies Association, and The Thai Bankers’ Association. TISCO is considered to be one of the key organizations in promoting the integrity and transparency in business conduct across the companies within the private sector. This “Collective Action Coalition” is the national project which is fully supported by the Government, the Office of the Nation Anti-Corruption Commission (NACC), and Center for International Private Enterprise (CIPE). For many years, the company has continuously support the activities held by the coalition e.g. participating in the anti-corruption walk rally, organized by Anti-Corruption Network jointly with representatives from both public and private sector, and general public, to urge the public awareness on the impact from corruption as well as express the intention in fighting the corruption. The rally was held at the Rama VI Park Statue, Lumpini whereby members of the Board of Directors, the management, and TISCO staff have taking part in the event.

Furthermore, for several times, TISCO Management has been invited to be key speakers in notable talks as well as taking part in numerous corporate governance supporting activities such as being a member of Financial and Social Responsibility Club (FSR), co-exhibiting the displays at the 4th and the 5th National Moral Marketplace and Assembly, attending the academic activities, and participating in the declaration of intention to promote business moral and integrity arranged by other business entities.

4) Disclosure and Transparency

TISCO recognizes the importance of information disclosure, with respect to financial reports and non-financial information, in an accurate, complete, transparent, equitable, and timely manner, in compliance with applicable laws and regulations. The disclosure is conducted in both Thai and English, through easy access channels including the Company’s website, press releases, analyst meetings, and the information dissemination channels of the Stock Exchange of Thailand and the Securities and Exchange Commission.

TISCO prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and simplicity. The Board of Directors shall provide a report indicating the performance of the Company and important business activities over the course of the year to shareholders. Moreover, the Board of Directors is accountable for assessing the Company’s internal control system, which is primarily assessed by the Executive Board and reviewed by the Audit Committee. The Board of Directors is also responsible to certify the accuracy of information in financial statements, the Board assigns the Audit Committee to review the financial statements of the Company and its subsidiaries to ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the Statement of the Board of Directors’ Responsibility for Financial Statements, while the Audit Committee provides reports on audit issues along with the auditor’s report. Reports from the Board, the Audit Committee and the auditor’s report are included in the Annual Registration Statement and Annual Report.

TISCO arranges for the disclosure of the names and responsibilities of directors and other committees, the number of meetings, each director’s meeting attendance record, their remuneration, profile of directors and management, and other corporate information in the Annual Report and the Company’s website.

The Company assigned its Corporate Secretariat Office and Investor Relations Function to represent the Company in communications with shareholders, investors, analysts, credit rating agencies and related regulatory bodies. The Company’s information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the Company’s website under the topic of “Investor Relations”. Furthermore, TISCO has set up numerous

activities to portray or update the Company's information as well as to provide responses to inquiries from investors such as Quarterly Analyst Meetings, Press Conferences, One-on-One meetings and Meetings with investors, both local and international. The mentioned activities are also participated by senior management. In this respect, the activities arranged in 2012 were as follows;

1. 4 Quarterly Analyst Meetings and 4 general meetings with approximately 35-40 persons attended each meeting
2. 2 Press Conferences with approximately 25-30 media representatives attended each conference
3. 1 SET Opportunity Day, arranged by the Stock Exchange of Thailand, with approximately 60-65 analysts and investors attended the meeting
4. 88 One-on-One Meetings and 23 conference calls with investors and equity analysts, both local and foreign
5. Meetings with investors, both local and foreign in America, Europe and Asia including the United States, United Kingdom, Japan, Hong Kong, and Singapore. The details are as follows;
 - 5.1 14 Investor Conferences; comprising 6 local conferences and 8 international conferences, covering 185 investors attended.

For more information, please contact Investor Relations at:

Address	:	TISCO Tower, 7 th Floor North Sathorn Road, Bangrak, Bangkok, 10500
Telephone	:	0 2633 6868
Fax	:	0 2633 6855
Email	:	ir@tisco.co.th
Website	:	www.tisco.co.th

Directors and management shall file with the Company a Report of their Securities Holding in the Company and Report on their Conflict of Interest as details in 5) mentioned below.

5) Responsibilities of the Board

5.1 Board Structure

The Board members are selected on the basis of, among other things, knowledge, experience, skill, diversity of expertise, integrity, ability to make independent analytical inquiries, and their understanding of TISCO Group's business environment. TISCO has clearly established the proper structure of the Board as well as Guidelines for Board Composition and Selection Criteria with regard to the proportion of independent directors, management directors, and directors nominated by major shareholders to ensure the appropriateness of the Board's composition. In addition, the term of office of TISCO's directors is 1 year as specified in the Articles of Association, whereby the whole Board of Directors shall be simultaneously elected at the annual general meeting each year. However, the former Board of Directors shall remain in office to conduct the business of the Company as necessary until the new Board of Directors take office.

Recognizing the crucial of their roles and to be in compliance with the Bank of Thailand regulations, directors, managers and person with controlling power are allowed to assume the position of Chairman, executive director, or director with signatory authority in no more than 3 listed companies. Directors and management should avoid other positions or jobs that may lead to conflicts of interest.

The Chairman of the Board of Directors shall be non-executive, and the Chairman of the Board of Directors and the Chairperson of the Audit Committee shall not be a member in any other committees. Moreover, the Board also clearly separates its roles and responsibilities from those of management to ensure a balance of power and authority, and to avoid a situation where a single individual has unfettered power in decision-making. For example, the Chairman of the Board of Directors and the top management shall not be the same person, and their roles and responsibilities must be clearly separated. To achieve high standards of performance, the Board delegates other committees to take on tasks that require in-depth consideration, such as the Executive Board, the Audit Committee, and the Nomination and Compensation Committee. TISCO assigns the Corporate Secretary to take care of the Board's activities, monitoring compliance to the Board's resolution, handling Board Meeting and shareholders' meeting on matters concerning notice, minutes, including other duties as required by related laws and regulations of the governing authorities.

5.2 Roles and Responsibilities of the Board

Key roles of the Board of Directors are divided into 2 areas: Performance roles, and Compliance roles. This illustrates that the Board of Directors not only places great emphasis on overseeing the Company's policy and strategic planning, but that it is also responsible for monitoring the Company's operations to ensure that key policies are implemented effectively and efficiently and in accordance with all laws, rules and regulations as well as upholding the highest ethical standards.

(1) Performance roles of the Board – Strategy and policy formulation

The Board oversees the development of a long-term strategic plan, which reflects the Board's general business philosophy and vision for the future of the Company. Short-term business plans should outline specific and measurable targets that management adheres to and that are evaluated at regular intervals. The Board approves a business plan as a guideline for staff and annual budgets prepared by the management. The business plan also includes key performance indicators and business targets wherein variation from these targets is regularly measured and analyzed. In addition, business performance analysis prepared by management is regularly reported to the Board to provide updates on progress and achievement of targets. Timely performance monitoring and assessment helps the Company identify significant deviations of results from predefined business plans in order to perform corrective actions promptly.

The Board determines the operational policies designed to regulate areas of fiduciary and insider activities, human resource management, financial disclosure, auditing and investments that are consistent with TISCO Group's long-term and short-term strategic plans. By approving the implementation of such policies and procedures developed by management, the Board defines what practices are acceptable and in line with the overall business philosophy of the institution. Policies should be devised to assist management in determining what actions to take in various situations, limiting unnecessary errors resulting from ill-informed judgments.

All major activities of TISCO Group are to be regulated by policy which shall be flexible. When required, they should extend to cover new or improved practices and adapt to changing business conditions. Having clearly written policies prevents miscommunication. Newly introduced activities should not be undertaken without proper implementation of policy. The Board should specify appropriate procedures in monitoring and reporting risk activity.

In implementing policies, clear standards of performance are communicated through all levels of the Company, providing a single, authoritative source of reference. The Board also establishes the norm of periodically reviewing policies and revising such policies as necessary to ensure that they remain consistent with the institution's long and short term strategic plans.

TISCO Group has placed great emphasis on managing its business operations effectively under good governance guidelines. TISCO Group has no policy to encourage transactions between related parties or any other transactions that may result in a conflict of interest. Should any such transactions occur, they must be considered thoroughly by the Audit Committee. The Audit Committee shall report and/or propose to the Board of Directors Meeting for approval, as the case may be. The Company shall consider said transactions with the same conditions as those governing normal business transactions. Persons with vested interests shall not be entitled to vote for the approval of said transactions.

(2) Compliance roles of the Board – Supervising, Monitoring, and Accountability

Although the Board delegates a substantial part of its administrative function including day-to-day operations to a full-time management team of executives, in fulfilling its compliance roles, the Board is responsible for monitoring the Company's operations. The Board must be continually aware of the institution's operating environment. Directors are to be well informed of internal and external factors affecting the institution, including business environments, legal and regulatory frameworks. Directors also be aware of the potential liabilities imposed on them by law or regulations and ensure that the Company has appropriate policies and procedures in place to maintain compliance with them. Directors should also be aware and keep themselves updated on local, regional, national, and international financial trends and any statutory and regulatory changes affecting the Company.

The primary mechanism for overseeing TISCO Group's operations is regularly reported to the Board from the management containing relevant information regarding financial performance, management of the loan portfolio, liquidity risk, market risk, investment, assets and liabilities, and compliance. The Board shall carefully review reports and be aware of any warning signs of deteriorating performance, increased risk, abuse of power within the management, problems with internal control systems, compliance issues or issues relating to the accuracy and reliability of the reports.

In addition to providing the reports noted above, management should regularly brief the Board on the business environment, market trends, industry benchmarks, regulatory changes and macro-economic indicators. Management should be expected to promptly alert the Board of any competitive threats, business opportunities and changes within the industry, regulatory procedures that may impact the institution or information which would assist the Board in strategic planning, setting policy, or monitoring operations or business performance.

On the Board's role in supervising risk management, the Board ensures that management has identified potential risks and has established an adequate risk management process to assist in identification, measurement, monitoring and control of various categories of risk commonly encountered by financial institutions. It is the responsibility of the Board to approve and periodically review TISCO Group's risk management strategies that are ultimately implemented by management.

TISCO Group needs to comply with a large number of regulatory requirements, including various reporting obligations. It is the responsibility of the Board to establish and maintain rigorous internal controls to ensure that TISCO Group complies with all relevant laws and regulations and to highlight potential or actual breaches if and when they occur.

5.3 Other Committees

To optimize the efficiency of its corporate governance and achieve high standards of performance, the Board of Directors delegates committees to take on tasks that require detailed review or in-depth consideration. Such committees as the Executive Board, the Audit Committee, the Nomination and Compensation Committee, and others if necessary, are entitled to make decisions on behalf of the Board of Directors or submit recommendations for consideration, depending on the committee's specific charter. The structure of each committee shall be determined by the size of business, the scope of operation, the composition of the committee, the experience and expertise of each director, and in compliance with the Principles of Good Corporate Governance. The scope of authority given to other committees shall exclude approval for conducting transactions in which the committee member has or may have conflict of interest.

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, and the Executive Board as detailed below. Detail of Management Structure is described under Section 8.1.

Audit Committee

The Audit Committee acts on behalf of the Board of Directors and oversees all material aspects of the reporting, control and audit functions of the Company and its subsidiary companies. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on the Company's process for compliance with significant applicable legal, ethical and regulatory requirements. The role also includes coordination with other board committees and maintenance of the strong, positive working relationships with management, and external and internal auditors.

The Audit Committee has its roles and responsibilities in assessing the effectiveness of the internal control system, internal audit function, and compliance risk management; reviewing Corporate Governance Policy and Code of Conduct; overseeing the Company's operations for compliance with relevant laws and regulations; assessing the independence of internal audit department and external auditors; and ensuring that the management takes remedial actions on a timely manner towards deficiencies or activities that are not in compliance with laws, regulations, and notifications, or other issues identified by external auditors. The Audit Committee has an explicit authority to investigate any matters within its duties and is able to obtain outside professional advice in matters that the Committee may deem appropriate. Additionally, the Audit Committee is responsible for reviewing the reliability of financial statements and information disclosures, and providing recommendation to the Board of Directors for the appointment of external auditors and the determination of audit fees.

Nomination and Compensation Committee

The Nomination and Compensation Committee is charged with the responsibility of identifying qualified candidates for directorships, executive and advisor(s) to the Board and/or committees whose functions, responsibilities and authorities are directly given by the Board. The Committee ensures that only the most competent individuals, who can contribute to the institution and discharge their responsibilities in the interests of all shareholders, are appointed. The candidate shall be fit and proper for the office and shall be the best and most qualified candidate nominated for the office, taking into account the candidate's track record, age, experience, capabilities and other relevant factors. The Committee also ensures that the remuneration of directors is appropriate, with regard to their responsibilities and commitment. Directors who are assigned with extra work should receive additional compensation. In addition, the Committee reviews and recommends remuneration and benefit policy for the Board, advisors and TISCO Group's employees with clear and transparent criteria. The performance assessment criteria for Board members and TISCO Group's employees for annual remuneration review should be devised by the Committee, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.

Executive Board

The Executive Board is authorized to act in operational matters that require in depth consideration in policy, procedural, human resources and administrative issues, which includes among other things, making recommendations to the Board on matters of budget allocation. The Executive Board also handles matters that, in ordinary circumstances would require Board review, but due to a particular circumstance needs immediate attention. This is usually relevant to urgent matters, which arise during the period between full Board Meetings. The Executive Board may also appoint and supervise other committees for specific operations in order to improve TISCO Group's efficiency. Detail of sub-committees, Risk Management Committee, Compliance Committee and Information Technology Committee, whose roles and responsibilities are described under Section 9.1.

5.4 Board of Directors' Meeting

Board Meetings are regularly scheduled in advance so that each member of the Board can manage their time to attend the meetings. Furthermore, in case of special agenda, additional meetings may be scheduled as necessary. The Board of Directors also assigns the Corporate Secretary to send out notice of the meeting together with documents relating to the meeting agenda, stating clearly which matters are to be acknowledged, approved, or considered, to every director at least 7 days prior to the date set for the meeting.

During meetings, the Chairman of the Board promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the management to attend the Board of Directors' Meeting to present additional information relevant to their responsibilities. The Company also encourages non-executive directors to hold meetings as necessary to discuss issues without executive attendance. In 2012, there were several meetings among non-executive directors, without formal minutes taking. After the meeting, the Corporate Secretary is responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly recorded and kept for inspection.

5.5 Board Self-assessment

In order to improve its performance, the Board of Directors has formulated self-assessment process to assess Board performance and efficiency according to corporate governance best practices. The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend Board Performance Self-assessment Guidelines for the Board's approval. The Nomination and Compensation Committee then reports the assessment result to the Board for acknowledgment.

Said assessment is essential to assess the appropriateness of the Board's composition and Board performance according to corporate governance best practices. The Board of Directors shall analyze the assessment results, recommendations and remarks from Board members and consider applying according to the Company's business environment and operations.

In 2012, the Nomination and Compensation Committee revised the self-assessment form to be in compliance with the Thai Director Association (IOD) and to be more accurate and suitable for the Company's business. The assessment divided into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members.

5.6 Remuneration

To ensure that the remuneration policies are set up with transparency, the Board of Directors assigns the Nomination and Compensation Committee to formulate director remuneration policies with clear and transparent criteria. Director remuneration shall reflect their duties and responsibilities. Directors who are assigned with extra work should receive appropriate remuneration for special assignments. The Committee shall propose the remuneration to the Board Meeting and shareholders' meeting for approval. Remuneration for directors should be comparable to general practice in the industry with regard to work experience, expertise, commitment, as well as the contribution or benefit each director brings.

5.7 Board and Management Training

When a new director is appointed to the Board, senior management will arrange for an orientation regarding TISCO Group's business operations and past performance to provide clear understanding and enable the director to fully perform his/her duties. The Company shall also provide a copy of the Director Manual and the Corporate Governance Policy and Code of Conduct to such director. It is TISCO Group's policy to encourage trainings and educational activities for directors on a regular basis. The Company has subscribed for membership in The Thai Institute of Directors Association for directors in order to keep abreast of news and updates as well as to attend trainings beneficial to a listed company directorship. Training schedules shall be regularly notified to the director in advance.

Details of the Board of Directors and Top Management attending training programs organized by Thai Institute of Directors as of December 31, 2012 are as follows:

Name	IOD Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> ● Role of the Chairman Program ● Directors Certification Program
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> ● Directors Certification Program ● IOD Anti Corruption Training Program for Corporate and Executives
Ms. Krisna Theravuthi	<ul style="list-style-type: none"> ● Role of the Chairman Program ● Monitoring the System of Internal Control and Risk Management ● Role of Compensation Committee ● Audit Committee Program ● Directors Certification Program ● Directors Accreditation Program ● Effective Audit Committee and Best Practices Program
Ms. Panada Kanokwat	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Financial Institutions Governance Program
Prof. Dr. Pranee Tinakorn	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Audit Committee Program ● Monitoring the Internal Audit Function ● Monitoring the System of Internal Control and Risk Management ● Monitoring Fraud Risk Management ● Monitoring the Quality of Financial Reporting ● Financial Institutions Governance Program
Ms. Patareeya Benjapolchai	<ul style="list-style-type: none"> ● Directors Certification Program ● Financial Institutions Governance Program
Assoc. Prof. Dr. Angkarat Priebjivat	<ul style="list-style-type: none"> ● Role of the Chairman Program ● Monitoring the Internal Audit Function ● Audit Committee Program ● Directors Certification Program ● Directors Accreditation Program ● Monitoring the System of Internal Control and Risk Management ● Monitoring Fraud Risk Management
Mr. Chainoi Puankosoom	<ul style="list-style-type: none"> ● Directors Accreditation Program ● Financial Institutions Governance Program
Mr. Suthas Ruangmanamongkol	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Sakchai Peechapat	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program
Mr. Metha Pingsuthiwong	<ul style="list-style-type: none"> ● Directors Certification Program
Ms. Araya Thirakomen	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Paiboon Nalinthrangkurn	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Audit Committee Program
Ms. Yutiga Sonthayanavin	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Chalit Silpsrikul	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Chatri Chandrangam	<ul style="list-style-type: none"> ● Directors Certification Program

5.8 Chief Executive Officer Performance Assessment

The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend the Chief Executive Officer Performance Assessment Guidelines for the Board's approval. The Nomination and Compensation Committee shall arrange the meeting(s) between the Board and Management in absence of the Top Management at least once a year prior to his/her annual performance Assessment. The Nomination and Compensation Committee then reports the assessment result to the Board Meeting. The assessment shall be divided into 2 main parts: Financial KPI and Non-Financial KPI.

5.9 Succession Planning

To ensure stability and continuity of TISCO Group business operations, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of Top Management's succession plan. Said plan shall be regularly reviewed as appropriate. For other senior management positions, Top Management and Human Resources Function shall review and evaluate the successors for the Executive Board's approval.

8.6 Business Ethics

TISCO Group has introduced a code of business ethics into the compliance manual and has established an Employee Code of Conduct to assist employees in performing their duties with integrity and fairness. The Good Corporate Governance Guidelines are displayed on the intranet system, "mytisco" for the management and employees at all level to follow. Additionally, in order to ensure honest and fair performance of the management and employees with regard to TISCO Bank, stakeholders and the public, TISCO Bank requires compliance with these regulations, and will impose serious penalties for any violations. The Compliance Function is charged with monitoring performance in accordance with the code of business ethics. A summary of TISCO Bank's code of business ethics is as follows:

1. Honest and fair conduct	Employees shall conduct their duties with honesty and fairness and refrain from exploiting their position for their own benefit or that of any particular group, or committing any dishonest action that may damage TISCO Bank or customers.
2. Prudence	TISCO Group shall ensure that the business has been operated with prudence and due professional care that a prudent and competent expert would exercise under a given set of circumstances. TISCO Group employees must ensure that they have operated the business with prudent business practice at all time.
3. Legal and regulatory compliance	Employees shall comply with applicable laws and regulations, and refrain from assisting others to violate any laws, regulations, or ethical principles. Employees shall make an effort to learn, understand, and monitor changes to relevant laws and regulations, as well as keep up to date with their professional code of conduct.
4. Record keeping and reporting duties	TISCO Group's financial and other record keeping must be accurate and complete. TISCO Group shall not withhold any information from appointed auditors or other supervisory agencies, and shall disclose information required to evaluate the accuracy of financial statements and the integrity of TISCO Group's operations.
5. Duty of confidentiality towards TISCO Bank and customers	Confidentiality towards TISCO Bank and customers is fundamental to TISCO Group's business operations. Financial information pertaining to the bank and customer transactions and activities is deemed confidential and shall not be exploited for any employees' own benefit, nor be disclosed to any other party.
6. Conflict of interest	Employees shall concentrate on their responsibilities to TISCO Group regardless of personal interest. Business decisions shall be made to ensure maximum benefit for TISCO Group and clients. Employees are not allowed to receive any benefits such as cash or gifts related to their involvement in situations or activities that lead or may lead to a conflict of interest between employees and TISCO Group or clients.
7. Political support	According to the rules laid down by TISCO Group, donations to political parties or political candidates including payments to government officials, is prohibited.

8.7 Control of Internal Information

TISCO Group's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Company's compliance manual. With respect to TISCO Group's regulations governing employee securities trading, the Group requires management and employees to open trading accounts with TISCO Securities, its subsidiary. In this regard, he or she must, however the case may be, report their transaction to the Compliance function. Furthermore, the Group also prohibits senior management and insiders from trading the Company's shares within 7 working days before last day of the month until 2 days after the Company's monthly financial statements or concise assets and liabilities statement (C.B 1.1) are published. Penalties shall be imposed for any breaches.

8.8 Human Resources

As of December 31, 2012, the total number of employees at TISCO Group was 3,669 (excluding senior management) of which 3,308 were permanent employees and 361 contract staff.

Major Function	As of	
	December 31, 2011	December 31, 2012
1. Retail Banking	2,092	2,065
2. Corporate Banking	184	184
3. Wealth & Asset Management	476	843
4. Corporate Affairs & CSR	572	577
Total	3,324	3,669

At the end of 2012, the number of employees of TISCO Group was increased by 345 additional staffs (10.4% YoY). Meanwhile, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 1,901,463,698 Baht.

8.8.1 TISCO Group Registered Provident Fund

TISCO Group has established a Provident Fund in accordance with Ministerial Regulation 162 (B.E. 2526). The purpose of the fund is to encourage long-term savings among employees for their retirement or in the event of their leaving the TISCO Group.

The fund, called the "TISCO Group Registered Provident Fund", as per Ministerial Regulation 162 (B.E. 2526), has been registered in compliance with the Provident Fund Act B.E. 2530 since June 21, 1990. Rules and regulations of the fund, including the rights of members for the entire duration of their membership to the fund, have been set up to comply with Provident Fund Act B.E. 2530.

Employee's Contribution: Members shall remit contributions to the fund by granting the Employer permission to make deductions from their monthly salary. Members have two alternatives; to remit contributions at 5% of monthly salary, or at the same rate as the employer's contribution, which can be changed once a year.

Employer's Contribution: Employer is obligated to contribute to the fund on the same day as the employee, and the percentage of the employer's contribution depends on the employee's years of service as follows:

Years of Service	Employer's Contribution (% of salary)
1	5
2	6
3	7
4	8
5	9
≥ 6	10

The fund is supervised by the fund committee, which is comprised of the employee's elected representatives and the employer's appointed representatives. Terms for fund committee members are valid for two years, and any individual can be re-elected or re-appointed. The fund committee is responsible for the supervision of fund management and investment policy. To broaden choices of employees for more suit their risk appetite and needs, TISCO Group Provident Fund has been transformed from 2 single funds with 2 investment policies to a master fund with 3 investment policies (sub funds) and 10 predefined investment choices. The choices consist of fixed income, mixed, equity and another 7 choices mixed between fixed income and equity with different portion. Presently, the TISCO Group Master Fund Committee allows members to switch their investment policies once year in the month of July.

8.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality, TISCO Group had established one Human Resources Policy that applies to all TISCO entities. Human Resources system and tools are developed to ensure the most effective human resource management and development. Human Resources operations are centralized for work efficiency and consistency. Meanwhile, decentralized authority and empowerment is embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry. The policy is shown as follows:

1. **Principles of Dealing with People at TISCO Group**

Because professionalism and trust in financial services is crucial, TISCO Group has established a clear definition of its corporate values in order to foster their development in TISCO Officers. TISCO Group's values describe the six human behaviors that accommodate the journey of the organization towards success.

- 1 Customer Priority
- 2 Integrity
- 3 Reliability
- 4 Mastery
- 5 Creativity
- 6 Guidance

2. **Hiring**

In order to serve various business aims while maintaining a uniform corporate culture across the group, the selection and hiring of TISCO Group employees is based on corporate values and the required competency, i.e. Organizational Core Competencies, Functional Competencies, and Leadership Competencies.

To ensure good corporate governance, close relatives and immediate family members of the Board of Directors, the Executive Board, and the Management Committee, will not be considered for any job vacancy in the TISCO Group. The same condition will apply to senior employees with managerial authority. Kin and immediate family members of other employees are to be considered on a case-by-case basis by senior management and the human resources function. Every candidate will be assessed to match their competency with the requirements of the position and potential for growth in the future.

TISCO Group has job promotion and job rotation policy in case of job vacancy in the TISCO Group. Even, the executive and human resource function also have duty to select the candidate from outside who have appropriate qualification in order to maintain the good quality of human resource. It is as important to hire the right person as it is to integrate newcomers into the organization so that their skills and behaviors can merge smoothly with TISCO Group culture.

3. **Employment at TISCO Group**

To uphold the highest standards of Good Corporate Governance, TISCO Group has established a "**Business Code of Conduct**" that demonstrates its determination to be a good corporate citizen in society. These principles are to be respected everywhere and under all circumstances. The management will implement the necessary processes to ensure that these principles are enforced at all levels. Employees who fail to abide with the Business Code of Conduct cannot be maintained in employment and will be asked to leave the organization. Employees should also inform vendors, suppliers and the providers of outsourced services of our Business Code of Conduct in the issues related to them and they should comply.

TISCO Group favors a policy of long-term employment. Separations are only for cases violating the Bank's principles, business misconduct, retirement, leaving voluntarily, and falling into the separation criteria as stated in the rules and regulations that TISCO Group has registered with the Department of Labor. Whenever an operation or business cannot be maintained under the parent company's umbrella (TISCO Financial Group Public Company Limited), reasonable steps will be undertaken to avoid overall loss of employment and by fully respecting all related labor laws. Reasonable efforts will be undertaken to reduce, as much as possible, the suffering of our employees.

4. Assessment and Development

4.1 Assessment

Human value creation starts with the quality of the people that fit with TISCO Group's strategy, culture, technology and environment. Therefore, employee assessments shall be employed in all steps of employee movements from selection of new candidates to promotion, career development and succession planning. The Human Resources function will provide assessment tools at the corporate level, whereas business units will have the freedom to customize assessment tools under corporate HR consultation to suit each business environment while maintaining corporate standards of people quality.

4.2 Development

To sustain organizational growth, TISCO has prioritized human resources development as a primary policy. Learning culture is established by providing development solutions that satisfy both organizational requirements and individual development. A policy that encourages continuous self-improvement through learning leads to sustainable growth and, finally, a High Performance Organization.

The Human Resources function is responsible for providing knowledge and skills development at the corporate level for corporate competitive advantage. At the Business Unit level, the Human Resources function provides consultation and advice on development methodology and techniques to maximize learning and development of human capital to add value to the business. Human Resources is also responsible for the recording of organizational knowledge and the skills inventory of all business units in TISCO Group. The Human Resources Development activities in TISCO are handled by a dedicated team – "TISCO Learning Center".

5. Career Management

To motivate employees and build up the organization's strength, every employee has opportunities for career progression, both vertically and horizontally. TISCO Group emphasizes "***promotion from within***" for available job positions. Should there be no best fit within the organization, hiring from outside then comes into consideration.

Career development and progression are open for upwards, downwards and lateral movements both within business units and functions and cross-functions across TISCO Group. Open communication in career development and progression is mandatory between line managers and employees to ensure transparency and clear expectations.

6. Performance Management

The objective of Performance Management is to build a workforce committed to the delivery of quality service while building a trusting relationship between line managers and job performers. Performance Management will be a key responsibility of every employee who assumes a supervisory role. Regular counseling and guidance are the best tools for improving performance and helping people develop their skills. Efficient performance management emphasizing the achievement of agreed objectives is a prime responsibility for each manager. Candidates for managerial positions should clearly have demonstrated a willingness and ability to apply the performance management system and process. The components of the performance management system and process are outlined in the guidelines and manuals that support this policy and will be developed, updated and maintained by the Human Resources function.

7. Employee Compensation and Benefits

TISCO Group recognizes that its employees are its most important resource and thus places great emphasis on their health, safety and well being TISCO Group arranges for all employees to have annual physical checkups, and has set up programs to promote continuous exercise for employees to promote good health and immunity to illness. The nursing facilities are also available at main sites to provide first aid and healthcare and provide advice on health and well beings to the employees.

TISCO Group favors competitive, stimulating and fair remuneration structures offering an overall competitive and attractive compensation package. Various forms of compensation are designed in combination to best match the nature of various jobs, as well as supply and demand. Remuneration includes salary, fixed and variable incentives/bonuses, social welfare, health care and other benefits.

TISCO Group has adopted market benchmarking compensation system, incorporated with the job levels and job family, so that it is flexible and able to adapt to the evolution of market conditions. Its structure allows sufficient flexibility to effectively reward high professional insight and performance as well as individual potential in both generalist and specialist employees.

TISCO Group will establish a compensation practice based on relevant external compensation levels as well as the requirement of internal fairness. It is the responsibility of each manager to propose, within the framework of TISCO Group policy, the remuneration of his/her employees, taking into account the local market, competency in financial industry, individual performance, skills and potential for development.

It is also the responsibility of each manager, if needed, with the support of the Human Resources function, to communicate properly, clearly and with sufficient transparency, the individual remuneration of each staff member regarding his/her specific responsibilities. The quality of communication in these matters is an essential part of the dialogue that each manager will have with his/her employees. It should be realized that, however important remuneration is for each employee, it is not remuneration alone that will stimulate the motivation of staff.

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

All jobs in TISCO Group are clearly identified by key roles and responsibilities and slotted into the broad banding system. Certain pay levels are determined for each job by market surveys and benchmarking. The jobholders will be rewarded within the pay range of their particular job and band.

Individual remuneration is considered from skills, knowledge, behavior, attitude and potential to contribute to the business. Development of competency level will be valued and rewarded. Line managers have a direct responsibility to assess team members for a fair reward.

7.2 Pay for performance

Performance objectives and targets for each employee are preset and agreed at the beginning of the financial year. Employees who meet their target are entitled to earn rewards in the form of monetary bonuses or incentives of any form that TISCO Group will announce in the future.

Different types of businesses in TISCO Group can have different combinations and methods of pay, with senior management agreement and CEO and President approval, in order to drive business success.

8. Human Resources Administration

To be fully in compliance with labor laws and regulations, all HR practices related to labor laws are centralized at the Human Resources function so as to be handled properly. Any policies and/or HR practices that contradict national labor laws will be automatically superseded and the Bank's rules will be revised in accordance with new labor laws.

Employee data recording is centralized at the Human Resources function for overall and high-level workforce management. Transfers or changes in employee status at all business units across TISCO Group are to be reported and processed according to the corporate HR guidelines and procedures.

9. Succession Planning

To prepare the organization for the future, all key positions are required to develop successors and put development plans in place. Succession planning is overseen by the CEO and President with support from the Human Resources function.

In addition, Nomination and Compensation Committee of the Company responsible to prepare the succession plan of the senior executives of all companies in TISCO Group for tranquil and continuous business operation. The succession plan will periodically review. The Nomination and Compensation Committee of the Company will select and nominate names of qualified candidates to the Board of Director for the position of senior executives in the Company and its subsidiaries which contribute more than 25% of total revenue of TISCO Group.

8.8.3 Organizational Development & the Learning process

As a part of an ongoing plan towards becoming a learning organization, TISCO Group has continue to invest substantially in a program to develop all levels of personnel so that they can fully contribute to the organization and it's stakeholders. The TISCO Learning Center has been formed as a new unit dedicating to deliver training programs and roadmaps to enhance the organization competencies, including performance and competency development, productivity improvement, leadership and developmental effectiveness. TISCO Group continued to implement various development programs as follows;

1. Development programs to support business & marketing plans

1.1 The Teller academy

Teller Academy Program has been designed and continuously updated to equip new TISCO Bank tellers with all the necessary bank teller skills plus the awareness of risk management as well as customer services. Regular refresh courses are also administrated for all existing tellers to ensure that desired level of expertise can be maintained.

1.2 Wealth Relationship Managers Development program

Along with the improvement of tellers as customer service team, a dedicate and expertise team of wealth relationship managers has been developed for all segments of customers. The program aims to build financial and investment expertise and customer priority of the growing team of relationship managers .This is to ensure that the objective of increasing share of depositors can be achieved.

1.3 Hire Purchase Marketing Development Program

The hire purchase marketing team plays an important role in providing retail finance solutions to TISCO clients. This newly designed program aims at the roles and comprehensive knowledge on retail finance products as well as customer service skills. This is to secure positioning of the all-in-one solution provider for retail finance clients and ensure a continuous growth in retail finance business.

1.4 Micro Finance Staff Development Program

To support penetration into micro finance business, a new comprehensive development program was administrated to provide theoretical classroom training, practical training, and on-the-job training. It was provided to both the marketing team and the credit team. Separated modules were designed for the mentor team and the line trainer team to ensure effective management and growth over the long run.

1.5 Delivery Service and Support team Development Program

To support growth of retail business, the delivery, service, and support team was equipped with necessary product, credit, and process knowledge and skills to ensure effective service for retail clients.

2. TISCO Leadership Development Program

There has been a rapid growth in TISCO business, organization size, corporate vision, missions, strategies, and branding. To cope with these changes effectively, Managers and Leaders play important roles in the organization. Being a role model and driving force, they have to understand and aware of rapid external changes as well as ability to motivate their teams and be adaptive to the changes around them. To lead into a single direction and synergies, TISCO Leadership program was launched for all managers and leaders. The program provides skills and knowledge on team management, leadership, and strategic management. This ensure effective and flexible management in TISCO as a modern organization.

3. Competencies Development Program

TISCO Group consistently values employee development and promotes training and development on specific job-related competencies. The training programs are offered as per organizational training roadmap and individual development plan to ensure possession of necessary skills and knowledge, both from internal training and external training programs.

5. TISCO Culture and Value enhancement

TISCO Group emphasizes on organizational culture and corporate values, namely, Mastery, Integrity, Reliability, and Customer Priority, including the two behaviors, Creativity and Guidance so that TISCO employee could be the Financial Architect. The campaign was clearing designed and embedded with all other programs, from orientations, trainings, and other activities. A more specific campaign was administrated to promote and recognize adoption of corporate values into daily lives, including the Financial Architect of the month, and CEO awards program.

9. Internal Control

9.1 Internal Control Overview

The importance of an internal control system has always been a key focus of the TISCO Group. Special emphasis is placed on the adequacy and appropriateness of the internal control system on all business operations, with the ability to protect the Group's assets from any damage or misconduct on the part of employees or management. Meanwhile, recommendations on internal controls from the independent external auditor and the BOT's auditor are seriously taken into consideration.

For all business operations, clear goals and operating guidelines have been set up in a measurable way to ensure operational efficiency. The Group also sets up training programs to increase staff knowledge and skills at many levels in order to improve efficiency and reduce operational errors. In addition, an operating compliance manual and an IT user manual have been put into place to create thorough understanding and compliance to the rules and regulations of the organization.

The Board of Directors of TISCO Financial Group oversees all of the internal control system through the Executive Board and the Audit Committee, following the governance structure in page 8-2

Under TISCO Group, corporate governance and internal controls is centralized at the parent company, TISCO Financial Group, and in compliance with the consolidated supervision principle of the Bank of Thailand with major structures as follows;

1. The Executive Board of the parent company oversees all the internal control systems of TISCO Group by taking into account of good corporate governance and consolidated supervision principle of the BOT. TISCO Financial Group as parent company has delegated sub-committees to oversee and control all specific risk areas, namely: the Risk Management Committee, the Compliance and Operation Control Committee, and the Information Technology Committee while other subsidiaries including TISCO Bank have also established sub-committees to be in line with complexity of the business involved, namely the Risk Management Committee, the Credit Committee, and the Problem Loan Committee. Effective policies and guidelines for internal controls and risk management have been set up with clearly-defined roles and responsibilities and are documented in writing.

Specific-Area Committee of TISCO Financial Group

- The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of TISCO Group to ensure comprehensive and timely risk monitoring and control. The Enterprise risk management and risk research functions support the committee in assessing and monitoring group's risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses for TISCO Group.
- The Compliance and Operation Control Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed and managed. The Operational Risk Management, together with Internal Audit, Legal, and Compliance functions support the Committee in reviewing and monitoring group's risk profile and errors to be in compliance with the guidelines and related regulations.
- The Information Technology Committee is responsible for setting up an effective IT technology policy and prudent operating guidelines to ensure accuracy and security of information.

Specific-Area Committee of TISCO Bank and other subsidiaries

- The Risk Management Committee of TISCO Bank is responsible for controlling and monitoring the adoption of TISCO Financial Group's risk management policy to ensure effective managements in the bank's various business units. The Enterprise risk management and risk research functions support the committee in assessing and monitoring bank risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses.
- The Credit Committee of TISCO Bank and other credit-granting subsidiaries and the Problem Loan Committee of TISCO Bank are responsible for setting up credit granting criteria and controlling loan approval procedures at the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Control business line supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Internal audit function regularly reviews compliance to the credit approval guidelines and procedures.

2. The Audit Committee of TISCO Financial Group independently reviews the assessment of the adequacy of the TISCO Group's internal control system, as annually prepared by the Executive Board, in relation to the group's risks, and also reviews the policy and guidelines for internal audit as well as for the Compliance and Operation Control Committee and the Audit Committee of other subsidiaries to ensure that financial statement reports are transparent and accurate. The committee also effectively assesses that all business operations have adequate internal controls and are in compliance with laws and regulations, and reports the key issues to the Board of Directors of TISCO Financial Group for consideration. For other subsidiaries under the supervision of regulators, the Audit Committee, internal control and internal audit reporting process have been established in each company. Additionally, the Audit Committee of TISCO Bank has been delegated by the parent company, and is responsible for independent audit and assessment of the adequacy of the Bank's internal control system to ensure that financial statement reports of the bank are transparent and accurate. The committee also effectively assesses that all business operations have adequate internal controls and are in compliance with laws and regulations, and shall be directly reported to the Audit Committee of TISCO Financial Group, whilst internal audit and control process in other companies shall also be reported directly to the Audit Committee of TISCO Financial Group.

The internal audit function is responsible for regular auditing of business operations in compliance with policies and guidelines, and reporting to the Audit Committee. Internal Audit also coordinates with management and relevant business units to improve the effectiveness of internal control systems.

9.1.1 Audit Committee Report

The Audit Committee convened 12 meetings in Year 2012, all with full committee member's attendance. Major activities performed by the Committee were as follows:

- **Financial Statements:** Reviewing quarterly and annual financial statements with consideration for the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors. The Committee agrees with the external auditor that the Company's financial statements and the disclosure of relevant information are adequate and fairly presented in accordance with generally accepted accounting principles.
- **Internal Control and Audit:** Reviewing and assessing internal control system and internal audit works and considering all issues raised by the external auditor and internal audit department. Assessing the independence of internal audit department and approving annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Committee opines that the Company's internal control system and internal audit function are appropriate and effective.
- **Regulatory Compliance:** Reviewing and assessing annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledging the results of external examinations by the Bank of Thailand and the Securities and Exchange Commission of Thailand and assessing the Company's corrective actions. The Committee opines that the Company properly follows all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewing and assessing the independence of the external auditor as well as the overall scope and focus of the annual and interim audit. Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considering the independence, professional proficiency, performance, and appropriateness of audit fee, the Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the Auditor of the Company and its subsidiaries for the Year 2012.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewing and assessing related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee agrees with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewing and assessing the management's presentation on the effectiveness of risk management system, capital adequacy, operational risk management, fraud risk management, and disclosure of risk information and capital adequacy based on Basel II. The Committee is satisfied with the Company's risk management system and the adequacy of risk information disclosure.
- **Corporate Governance Policy:** Reviewing and assessing the appropriateness of the Company's corporate governance policy & code of conducts and anti-corruption policy. Acknowledging the results of corporate governance assessment by the Thai Institute of Directors Association and assessing the Company's actions on improvement measures. The Committee opines that the Company's corporate governance policy & code of conducts and anti-corruption policy are appropriate and in accordance with legal requirements and ethical practices, and the Company has good corporate governance system and structure.
- **Audit Committee Self Assessment:** Performing self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The results revealed that the Committee have carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee, relevant laws and regulations, and as delegated by the Board of Directors.

The Audit Committee has recognized continuously the significance of good corporate governance and business ethics. The Audit Committee was awarded "Audit Committee of the Year 2010/11" by the Thai Institute of Directors Association. See the Report of the Audit Committee in Attachment 4.

9.2 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2013 on February 18, 2013, where all Audit Committee members and independent directors were present, the Board assessed the Company's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Company's internal control system is adequate based upon the assessment of five aspects: Organizational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 6.

9.3 Independent Auditor's Comment on Internal Control System

In year 2012, Ernst & Young Office Limited as independent auditor of the Company had no comments on the internal control system.

10. Related Party Transactions

In 2012, the Company had related party transactions only with its subsidiary companies. These transactions were the supporting transaction for normal business operation of TISCO Group, according to the consolidated supervision principle by the Bank of Thailand. The transactions did not incur any conflict of interests, and disclosed in the notes to financial statement item 3.33.

10.1 Measures or procedures for approval of related party transactions

All transactions between related parties shall be done on the same basis and conditions as applied to external parties. Personal vested interests shall not be entitled to vote for the approval of said transaction. In addition, TISCO Group will be disclosed information in a transparent manner according to the Good Governance principle.

10.2 Future related transaction policy

The Group puts a strong emphasis on effective management under Good Governance and in accordance with rules and regulation of related regulators. In addition, the Group has set up "Related Party Transaction Policy" and implemented across the group, and therefore the Group has no policy to encourage transactions between related parties. Should any such transactions occur, the conditions would be the same as in normal business transactions for the group

11. Financial Status and Performance

11.1 Financial Statements

11.1.1 Summary of Auditor's Report

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2010 and 2011

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2010 was Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516 and in 2011 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of Ernst & Young Office Limited. The conclusion of his report can be summarized as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2010 and 2011, the results of the operations, and cash flows in accordance with Thai Financial Reporting Standards.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2011 and 2012

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2011 and 2012 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of Ernst & Young Office Limited. The conclusion of his report can be summarized as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2011 and 2012, the results of the operations, and cash flows in accordance with Thai Financial Reporting Standards.

Table Depicting the Consolidated Financial Statements of the Company and its Subsidiaries

TISCO Financial Group Public Company Limited and its subsidiaries			
Balance Sheets			
As of			
	Unit: Thousand Baht		
	December 31, 2010	December 31, 2011	December 31, 2012
Assets			
Cash	903,306	903,450	1,046,330
Interbank and money market items - net	12,545,403	30,722,345	31,196,279
Derivatives assets	12,800	45,374	41,863
Investments - net	6,481,004	3,706,257	7,015,518
Loans to customers and accrued interest receivables			
Loans to customers	164,980,877	203,429,925	273,311,973
Accrued interest receivable	133,879	258,374	352,769
Total loans to customers and accrued interest receivables	165,114,756	203,688,299	273,664,742
Less: Deferred revenue	(15,248,648)	(18,416,303)	(24,996,296)
Less: Allowance for doubtful accounts	(4,162,022)	(4,420,351)	(5,121,518)
Less: Allowance for loss on debt restructuring	(3)	(3)	(3)
Loans to customers and accrued interest receivables	145,704,083	180,851,642	243,546,925
Property foreclosed - net	21,397	257,869	272,533
Investment property	72,004	952	304
Premises and equipment - net	1,394,870	1,450,901	1,384,381
Intangible assets - net	243,719	182,317	126,709
Deferred tax assets	1,242,503	355,401	306,126
Securities and derivative business receivable - net	1,292,529	724,650	2,223,792
Other assets	1,493,932	1,516,412	3,336,175
Total assets	171,407,549	220,717,570	290,496,935
Liabilities and shareholders' equity			
Liabilities			
Deposits	48,535,599	37,978,994	219,823,339
Interbank and money market items - net	10,842,765	14,478,653	13,970,608
Liability payable on demand	532,448	448,049	652,310
Derivatives liabilities	9,363	276,056	747
Debts issued and borrowings	90,773,847	145,396,598	27,877,250
Provision for long-term employee benefits	-	205,141	324,357
Deferred tax liabilities	156,347	61,339	158,583
Securities and derivative business payables	1,610,686	469,540	1,523,645
Accrued interest payable	462,130	1,396,455	1,773,793
Income tax payable	942,103	137,821	428,307
Other liabilities	2,685,034	3,557,332	5,583,583
Total liabilities	156,550,322	204,405,978	272,116,685
Shareholders' equity			
Share capital			
Registered	11,002,000	11,002,000	11,002,000
Issued and fully paid-up			
33,858 preference shares of Baht 10 each ^{1/}	354	339	339
727,878,228 ordinary shares of Baht 10 each ^{2/}	7,278,767	7,278,782	7,278,782
	7,279,121	7,279,121	7,279,121
Share premium			
Share premium of preference shares	-	-	-
Share premium of ordinary shares	-	-	-
Other components of shareholders' equity	1,049,546	999,037	1,040,375
Retained earnings			
Appropriated-statutory reserve	212,600	297,900	405,200
Unappropriated	6,235,417	7,634,389	9,471,665
Equity attributable to owners of the Company	14,776,684	16,210,447	18,196,361
Non-controlling interest of the subsidiaries	80,543	101,145	183,889
Total shareholders' equity	14,857,227	16,311,592	18,380,250
Total liabilities and shareholders' equity	171,407,549	220,717,570	290,496,935

^{1/}(31 December 2010: 35,358 preference shares of Baht 10 each)

^{2/}(31 December 2010: 727,876,728 ordinary of Baht 10 each)

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of Earnings

For the years ended

Unit: Thousand Baht

	December 31, 2010	December 31, 2011	December 31, 2012
Interest income	9,433,028	12,368,668	15,210,612
Interest expenses	2,571,639	5,461,341	8,166,146
Net interest income	6,861,389	6,907,327	7,044,466
Fees and service income	2,923,104	3,066,989	4,407,551
Fees and service expenses	214,968	212,818	278,919
Net fees and service income	2,708,136	2,854,171	4,128,632
Net gains (losses) on tradings and foreign exchange transactions	20,729	42,905	167,256
Net gains (losses) on investments	200,963	34,266	120,532
Dividend income	86,909	83,257	82,856
Penalty fee income from loans	201,722	220,532	256,662
Income from business promotion relating to the business	212,214	538,092	1,259,511
Reversal allowance for impairment of property foreclosed	-	248,232	315
Other operating incomes	331,687	143,759	122,657
Total operating income	10,623,749	11,072,541	13,182,887
Expenses to business promotion relating to the business	296,385	598,701	1,422,668
Total net operating income	10,327,364	10,473,840	11,760,219
Operating expenses			
Employee's expenses	2,760,453	2,722,316	3,223,511
Directors' remuneration	9,380	13,231	13,345
Premises and equipment expenses	701,339	685,086	843,452
Taxes and duties	154,304	224,067	174,668
Others	596,320	691,158	769,330
Total operating expense	4,221,796	4,335,858	5,024,306
Bad debt and doubtful accounts and impairment loss of debt securities	1,946,933	1,283,075	1,922,244
Profit (loss) from operating before tax	4,158,635	4,854,907	4,813,669
Income tax expense	1,256,163	1,561,908	1,080,661
Profit (loss) for the year	2,902,472	3,292,999	3,733,008
Non-controlling interests of the subsidiaries	14,225	26,244	27,828
Profit (loss) attributable to the equity holders of the Company	2,888,247	3,266,755	3,705,180
Basic Earnings per share	3.97	4.49	5.09

TISCO Financial Group Public Company Limited and its subsidiaries
Cash flow statements
For the years ended

Unit: Thousand Baht

	December 31, 2010	December 31, 2011	December 31, 2012
Cash flows from operating activities			
Profit before income tax	4,158,635	4,854,907	4,813,669
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities			
Depreciation and amortisation	349,873	303,525	325,414
Bad debts and doubtful accounts	2,585,631	1,975,565	2,749,722
Allowance for impairment of investments (reversal)	14,430	44,636	(66,896)
Allowance for impairment of property foreclosed (reversal)	257	(248,232)	(315)
Gain (loss) on disposal of investments	(201,863)	(84,101)	(50,892)
Unrealised (gain) loss on trading and foreign exchange transactions	1,847	(40,219)	(24,420)
Loss from written-off of equipment	124	(7,844)	(5,964)
Loss on written-off of equipment and intangible assets	(39,511)	3,331	870
Unrealised loss from trading securities	(12,996)	7,504	21,688
Gain on disposal of property foreclosed	(205,902)	(69,087)	(54,938)
Gain on cash flow hedge	-	-	(100,761)
Provision for long-term employee benefits	-	24,448	62,657
Decrease (increase) in other accrued income	(17,764)	(10,570)	(95,410)
Increase in accrued expenses	688,487	482,498	647,418
Net interest income	(6,861,389)	(6,907,327)	(7,044,466)
Dividend income	(86,909)	(83,257)	(82,856)
Interest received	9,109,947	12,007,185	14,987,139
Interest paid	(2,116,523)	(3,530,306)	(7,788,807)
Dividend received	86,909	83,257	82,856
Income tax paid	(1,556,866)	(1,458,144)	(653,584)
Profit from operating activities before changes in operating assets and liabilities	5,896,417	7,347,769	7,722,124
Operating assets (increase) decrease			
Interbank and money market items	162,836	(17,886,400)	(634,472)
Loans to customers	(38,554,492)	(37,944,184)	(67,212,737)
Receivable from clearing house	(277,622)	569,311	(1,499,141)
Securities and derivative business receivables	-	1,135,453	-
Property foreclosed	1,822,782	1,135,453	1,808,696
Intangible assets	(89,186)	-	-
Other assets	(206,288)	1,790	(1,266,506)
Operating liabilities increase (decrease)			
Deposits	(8,272,884)	(10,554,229)	181,844,344
Interbank and money market items	4,463,971	3,637,009	(505,287)
Liability payable on demand	187,278	(84,399)	204,261
Securities and derivative business payables	652,155	(1,141,146)	1,054,105
Short-term debts issued and borrowings			
Other liabilities	74,378	(399,859)	1,036,292
Net cash flows from (used in) operating activities	(34,140,655)	2,935,995	21,053,375
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(5,343,869)	(1,046,880)	(5,874,225)
Cash received from sale of investment in securities held for investment	8,944,430	3,607,966	2,831,237
Cash paid for purchase of equipment	(196,027)	(183,356)	(170,057)
Cash paid for purchase of intangible assets	-	(53,233)	(22,325)
Cash received from disposal of intangible assets	-	9	-
Cash received from disposal of equipment	77,297	9,456	8,959
Cash received from share capital reduction of a subsidiary	-	-	49,000
Net cash flows from (used in) investing activities	3,481,830	2,333,962	(3,177,411)
Cash flows from financing activities			
Borrowings	32,643,690	(3,710,504)	(23,016,244)
Cash received from issuance of long-term debentures	2,000,000	76,000	8,071,200
Cash paid for the redemption of long-term debentures	(3,000,000)	-	(1,076,000)
Dividend paid	(902,479)	(1,637,736)	(1,710,573)
Net cash flows from (used in) financing activities	30,741,211	(5,272,240)	(17,731,617)
Translation adjustment	(5,606)	2,427	(1,467)
Net increase (decrease) in cash	76,780	144	142,880
Cash at beginning of year	826,526	903,306	903,450
Cash at the end of the year	903,306	903,450	1,046,330

Important Financial Ratios

		2010	2011	2012
Profitability Ratio				
Gross Profit Margin	(%)	78.0	63.6	57.2
Net Profit Margin	(%)	23.0	27.7	26.2
Return on Average Shareholders' Equity	(%)	21.1	21.0	21.4
Interest Income Ratio	(%)	6.2	6.3	5.6
Interest Expense Ratio	(%)	1.9	3.1	3.2
Interest Spread	(%)	4.3	3.2	2.4
Return on Investment	(%)	8.3	5.9	8.6
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.4	3.5	2.8
Return on Average Assets	(%)	1.9	1.7	1.4
Total Asset Turnover	(times)	0.1	0.1	0.1
Financial Ratio				
Debt to Equity Ratio	(times)	10.5	12.5	14.8
Total Loans to Total Borrowing and Deposits	(%)	107.1	100.6	100.0
Total Loans to Public Borrowing	(%)	308.5	487.1	113.0
Public Borrowing to Total Liabilities	(%)	31.0	18.6	80.8
Dividend Payout Ratio	(%)	56.7	52.4	47.2
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	2.8	2.4	2.0
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	1.1	0.9	1.1
Non-accrued loans ¹ to Total Loans	(%)	2.6	1.7	1.4
Loan loss provision to Non-performing loans	(%)	156.8	169.2	165.3
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.1
Other Ratios				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.0	0.0	0.0
Capital Funds to Risk Weighted Asset (BIS)	(%)	15.23	14.91	12.79
Net Capital Rule (TISCO Securities)	(%)	49.75	102.50	52.40

¹according to the Bank of Thailand's definition

11.2 Explanation and Analysis of Financial Position and Operating Performance

The Management Discussion and Analysis compares operating performance and financial position of TISCO Group for the year 2012, in which TISCO Financial Group Public Company Limited is the parent company, with those of the year 2011

Movement of Money Market and Capital Market

For the year 2012, domestic economy had continually improved from major flood crisis during the end of 2011 driven by strong recovery of domestic consumption and investment, especially domestic car production exhibited highest record in the history together with strong expansion of government's spending. Meanwhile, export sector was decelerated in tandem with global economic condition.

Moreover, the Bank of Thailand (BOT) adjusted the policy rate 2 times from 3.25% at the of 2011 to 3.00% in the first quarter of 2012. Subsequently, the policy rate was reduced to 2.75% in the forth quarter of 2012 to stimulate consumption as well as support the domestic economic recovery. Furthermore, average 3-month fixed deposit rates of Top 4 commercial banks decreased from 2.08% at the end of 2011 to 1.84 % at the end of 2012, while the average minimum lending rate of Top 4 commercial banks decreased from 7.25% at the end of 2011 to 7.00% at the end of 2012. In addition, the Bank of Thailand revised contribution rate on financial institution's funding (including state bank) in which the contribution will be paid to Financial institutions Development Fund (FIDF) and Deposit Protection Agency. The new contribution rate will be 0.47% p.a. on deposits base which covered by deposit protection act

In 2012, the capital market was highly volatile in which the investors concerned over the global economic uncertainty during the first half of 2012, especially Eurozone debt crisis as well as China economic slowdown. Nonetheless, the relaxing of global economic condition together with US central bank adopted economic stimulus measure during the second half of 2012 resulting in strong improvement of SET index whereby the index increased at 1,025.32 points to 1,391.93 points at the of the year. The average daily turnover improved from 28,066 million baht in 2011 to 31,084 million baht at the end of 2012.

11.2.1 Operating Performance for the Year 2012

TISCO Financial Group Public Company Limited had net profit from operations on a standalone basis totaling 2,144.87 million baht, mainly contributed by service fee income and dividend income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company's consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

In 2012, TISCO Group had a consolidated net profit after minority interest totaled 3,705.18 million baht, increased by 438.42 million baht (13.4% YoY) contributed by an increase in total interest income of 23.0% (YoY) following strong expansion in loan portfolio of 34.2% (YoY). However, loan spread declined to 3.0% compared to 3.7% (YoY) amid strong competition in deposit market to maintain deposit base together with higher cost of fund from increased contribution rate to FIDF and DPA. Non-interest income from core business was 4,706.57 million baht, increased by 1,004.41 million baht (27.1% YoY) contributed by growth in banking fee of 49.6% (YoY) following healthy growth in loan and bancassurance businesses, together with the growth in brokerage income of 15.9% (YoY) following an increase in market share of TISCO Securities Co., Ltd. Furthermore, total fee income of asset management business increased by 29.0% (YoY), due partly to significant increase in performance & incentive fees along with strong improvement of capital market.

Basic earnings per share for the year 2012 was 5.09 baht compared with 4.49 baht in 2011. Meanwhile, the return on average equity (ROAE) in 2012 was at 21.4% compared with 21.0% in 2011.

(1) Consolidated Revenue Structure

The Company and its subsidiaries' consolidated revenue structure in 2011 and 2012 are illustrated in Table 1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2011		2012		Change % YoY
	Amount (Bt. million)	%	Amount (Bt. Million)	%	
Interest income					
Interest on loans	3,221.33	30.8	4,477.68	38.1	39.0
Interest on interbank and money market items	627.80	6.0	730.84	6.2	16.4
Hire purchase and financial lease income	8,294.57	79.2	9,827.13	83.6	18.5
Investments	224.97	2.1	174.96	1.5	(22.2)
Total interest income	12,368.67	118.1	15,210.61	129.3	23.0
Interest expenses	(5,461.34)	(52.1)	(8,166.15)	(69.4)	49.5
Net interest income	6,907.33	65.9	7,044.47	59.9	2.0
Fee income	3,066.99	29.3	4,407.55	37.5	43.7
Fee expenses	(212.82)	(2.0)	(278.92)	(2.4)	31.1
Net fee income	2,854.17	27.3	4,128.63	35.1	44.7
Gain on investment and foreign exchange transaction	77.17	0.7	287.79	2.4	272.9
Other operating income	1,233.87	11.8	1,722.00	14.6	39.6
Total operating income	11,072.54	105.7	13,182.89	112.1	19.1
Expenses to business promotion relating to the business	(598.70)	(5.7)	(1,422.67)	(12.1)	137.6
Total net operating income	10,473.84	100.0	11,760.22	100.0	12.3
Non-interest expenses	(4,335.86)		(5,024.31)		
Bad debt and doubtful account and impairment loss of debt securities	(1,283.07)		(1,922.24)		
Profit before income tax and minority interest	4,854.91		4,813.67		(0.8)
Corporate income tax	(1,561.91)		(1,080.66)		
Profit before minority interest	3,293.00		3,732.01		13.4
Minority interest in net earnings in subsidiary company	(26.24)		(27.83)		
Net profit	3,266.76		3,705.18		13.4

(2) Net Interest Income

Net interest income in 2012 was 7,044.47 million baht, increased by 137.14 million baht (2.0% YoY), in which total interest income was 15,210.61 million baht, increased by 2,841.94 million baht (23.0% YoY), following an continual expansion in loan portfolio. Meanwhile, interest expense increased by 2,704.80 million baht (49.5% YoY) to 8,166.15 million baht following higher cost of fund.

However, yield on loan was slightly decreased from 6.9% to 6.6% (YoY). Meanwhile, TISCO Group's cost of fund increased from 3.1% to 3.6% driven by competition in deposit market to maintain deposit base together with higher cost of fund from increased contribution rate to FIDF and DPA from 0.1% to 0.3% (YoY). As a result, loan spread declined from 3.7% to 3.0% (YoY). In addition, net interest margin (NIM) was at 2.8% whereby NIM will be varied with the amount of excess liquidity in each period.

TISCO Group reported net interest income after impairment loss of loans and debt securities for 2012 of 5,122.22 million baht, decreased by 502.03 million baht (8.9% YoY). Meanwhile, impairment loss of loans and debt securities was reported at 1,922.24 million baht increased by 49.8% (YoY) from 1,283.07 million baht (YoY) following strong loan portfolio growth of 34.2% in 2012. Accordingly, TISCO Group set up loan loss reserve over next 12 months based on expected credit losses of loan portfolio, resulting in higher provision expenses following strong loan growth in this year.

Table 2: Interest spread year 2011 - 2012

	2011	2012
Yield on loans	6.9	6.6
Cost of fund	3.1	3.6
Loan spread	3.7	3.0

(3) Non-interest Income

Non-interest income of TISCO Group's core businesses was recorded at 6,129.55 million baht increased by 1,828.69 million baht (42.5% YoY) following an increase in banking fee of 1,547.58 million baht (54.5% YoY), to 4,385.54 million baht following the continual growth of loan and bancassurance businesses. Meanwhile, brokerage income increased by 107.99 million baht (15.9% YoY) following higher average trading volume and market share of TISCO Securities Co., Ltd. Total fee income from asset management business increased by 191.53 million baht (29.0% YoY) due partly to significant increase in incentive fee of provident fund business. In addition, gain on investment and foreign exchange transaction increased by 210.62 million baht (272.9% YoY). As the result, total non-interest income was at 6,417.34 million baht, increased by 2,039.31 million baht (46.6% YoY)

(4) Non-interest Expenses

Non-interest expenses in 2012 were 5,024.31 million baht, increased by 688.45 million baht (15.9% YoY). The increase was due to higher marketing expenses associated with higher business volume and revenue. In 2012, the cost to income ratio was at 42.7% compared to 41.4% (YoY)

(5) Corporate Income Tax

The corporate income tax in 2012 was 1,080.66 million baht, equivalent to the effective tax rate of 22.4%, compared to 32.2% (YoY) following the adjusted corporate tax from 30% to 23% according to the government policy.

11.2.2 Financial Position

(1) Assets

Total assets as of December 31, 2012 were 290,496.94 million baht, increased by 31.6% (YoY) due mainly to higher loan portfolio from 185,013.62 million baht to 248,315.68 million baht (34.2% YoY). Meanwhile, the investment increased from 3,706.26 million baht to 7,015.52 million baht (89.3% YoY).

Table 3: Assets Breakdown as of December 31, 2011 and 2012

Assets	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	903.45	0.4	1,046.33	0.4	15.8
Interbank and Money Market Items	30,722.35	13.9	31,196.28	10.7	1.5
Derivatives assets	45.37	0.0	41.86	0.0	0.0
Fixed income	2,364.15	1.1	4,775.53	1.6	102.0
Equity	1,342.11	0.6	2,239.99	0.8	66.9
Corporate Loans	32,348.73	14.7	42,993.75	14.8	32.9
Retail Loans	134,000.17	60.7	175,864.42	79.7	31.2
Commercial Loans	13,628.40	6.2	25,780.61	8.9	89.2
Other Loans	5,036.33	2.3	3,676.90	1.3	(27.0)
Allowance for doubtful accounts and for loss on debt restructuring	(4,420.35)	(2.0)	(5,121.52)	(1.8)	15.9
Other Assets	4,746.88	2.2	8,002.79	2.8	68.6
Total – The Company and Subsidiaries	220,717.57	100.0	290,496.94	100.0	31.6

(a) Investments

At the end of 2012, the investment was 7,015.52 million baht increased 3,706.26 million baht (89.3% YoY) due to an increase in both equity and fixed income investment.

(b) Loans and Receivables Breakdown

At the end of 2012, total consolidated loans and receivables were 248,315.68 million baht, up by 63,302.05 million baht (34.2% YoY), following growth in all loan businesses. The composition of loan portfolio was 70.8 % of retail loans, 17.3% of corporate loans, 10.4% of commercial loans and 1.5% of other loans. In addition, loans and receivables breakdown are shown in the following table

Table 4: Loans and Receivables Breakdown as of December 31, 2011 and 2012

Type of Business	March 31, 2012		June 30, 2012		% Change
	Amount	%	Amount	%	
	(Bt. million)		(Bt. million)		
Manufacturing and commerce	16,368.35	8.8	17,226.31	6.9	5.2
Real estate and construction	8,789.92	4.8	10,203.97	4.1	16.1
Public utilities and services	6,862.20	3.7	14,888.26	6.0	117.0
Agriculture and mining	328.26	0.2	675.20	0.3	105.7
Corporate Loans	32,348.73	17.5	42,993.75	17.3	32.9
Commercial Loans	13,628.40	7.4	25,780.61	10.4	89.2
Hire purchase	124,915.88	67.5	163,697.12	65.9	31.0
Mortgage	1,366.69	0.7	1,455.60	0.6	6.5
Consumption	7,717.60	4.2	10,711.71	4.3	38.8
Retail Loans	134,000.17	72.4	175,864.42	70.8	31.2
Others	5,036.33	2.7	3,676.90	1.5	(27.0)
Total – The Company and Subsidiaries	185,013.62	100.0	248,315.68	100.0	34.2

(c) Non-performing Loans

In 2012, TISCO Group's NPL ratio was at 1.2%, decreased from 1.4% in 2011 resulting from effective non-performing loan management and closely monitoring of loan portfolio. Additionally, NPL ratio of retail loan, corporate loan, and commercial loan were 1.4%, 0.9% and 0.2%, respectively with total NPLs of 3,098.76 million baht, increased by 487.03 million baht (18.6% YoY) compared with the previous year resulting from strong loan portfolio expansion as well as some effects from long holidays period during the end of 2012. In addition, NPLs of the Bank were 2,774.06 million baht and 324.69 million baht from other subsidiaries.

Table 5: NPLs Breakdown by Area as of December 31, 2011 and 2012

Type of Business	December 31, 2011			December 31, 2012			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	0.4	71.50	2.7	0.5	77.85	2.5	8.9
Real estate and construction	3.3	288.63	11.1	2.7	274.27	8.9	(5.0)
Public utilities and services	0.5	30.99	1.2	0.2	30.87	1.0	(0.4)
Agriculture and mining	0.7	2.34	0.1	0.9	5.95	0.2	154.6
Total NPL - Corporate Loans	1.2	393.46	15.1	0.9	388.94	12.6	(1.1)
NPL-Commercial Loans	0.8	114.13	4.4	0.2	48.36	1.6	(57.6)
Hire purchase	1.5	1,886.41	72.2	1.5	2,411.67	77.8	27.8
Mortgage	7.6	103.87	4.0	7.3	105.65	3.4	1.7
Total NPL - Retail Loans	1.5	1,990.28	76.2	1.4	2,517.33	81.2	26.5
Others	2.3	113.87	4.4	3.9	144.13	4.7	26.6
Total NPL – The Company and Subsidiaries	1.4	2,611.73	100.0	1.2	3,098.76	100.0	18.6

Allowance for Doubtful Accounts and Losses on Debt Restructuring

Despite NPL ratio was declined in this year, the loan portfolio was significantly increased by 34.2% (YoY) (retail loan increased by 31.2% YoY). TISCO Group set up loan loss reserve over next 12 months based on expected credit losses of loan portfolio, resulting in higher provision expenses following strong loan growth in this year. The impairment loss of loans and debt securities totaled 1,922.24 million baht, compared to 1,283.07 million baht (YoY).

Loan loss reserve of TISCO Group was 5,121.52 million baht or 165.3% of NPLs. Total loan loss reserve of the Bank was 4,687.64 million baht which was well above the minimum required reserve by the Bank of Thailand of 2,648.08 million baht, reflecting the prudent provisioning policy to mitigate potential risks. In addition, specific reserve for classified loan stood at 2,676.22 million baht and excess reserve of 2,016.43 million baht.

Table 6: Allowance for doubtful accounts – classified by the receivables classification as of December 31, 2011 and 2012

Type of receivables classification	December 31, 2011 ¹ (Bt. million)	%	December 31, 2012 ¹ (Bt. million)	%	% Change
Pass	3,280	80.0	2,752	58.7	(16.1)
Special mentioned	188	4.6	1,024	21.8	444.7
Substandard	378	9.2	556	11.9	47.1
Doubtful	54	1.3	136	2.9	151.9
Doubtful of loss	195	4.8	216	4.6	10.8
Excess Provision	4	0.1	4	0.1	0.0
Total	4,099	100.0	4,688	100.0	14.4

(2) Liabilities

Total liabilities as of December 31, 2012 were 272,116.69 million baht, increased by 33.1% (YoY) led by an increase in total deposits of 36.9% (YoY). The liabilities mix comprised of 85.8% total deposit including bill of exchange, 5.1% interbank and money market items, 5.2% debentures, and 3.8% other liabilities.

Table 7: Liabilities Breakdown by Area as of December 31, 2011 and 2012

Type of Borrowings	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total deposits ²	170,549.69	83.4	233,518.69	85.8	36.9
Interbank and money market items	14,478.65	7.1	13,970.61	5.1	(3.5)
Debentures	7,076.00	3.5	14,071.20	5.2	98.9
Long-term borrowings	5,749.90	2.8	110.70	0.0	(98.1)
Others	6,551.73	3.2	10,445.49	3.8	59.4
Total – The Company and Subsidiaries	204,405.98	100.0	272,116.69	100.0	33.1

(3) Shareholders' Equity

Shareholder's equity as of December 31, 2012 was 18,380.25 million baht, increased by 2,068.66 million baht (12.7% YoY) following continual increase in profit. The book value per share (BVPS) as of December 31, 2012 was 25.25 baht per share, increased from 22.41 baht per share (YoY). In the end of 2012, TISCO Group had paid-up shares amounting 727.91 million shares, comprising of 727.88 million common shares and 33,858 preferred shares.

11.2.3 Business Segment Performances

(1) Banking Business

Loans

Total consolidated loans and receivables at the end of December 31, 2012 were 248,315.68 million baht, up by 63,302.05 million baht (34.2% YoY) following growth in all businesses. The composition of loan portfolio was 70.8% of retail loans, 17.3% of corporate loans, 10.4% of SME loans and 1.5% of other loans.

Corporate Loans

As of December 31, 2012, corporate loan portfolio totaled 42,993.75 million baht, increased by 10,645.02 million baht (32.9% YoY) mainly due to an increase in loan to public utilities and services business.

Commercial Loans

As of December 21, 2012, commercial loan portfolio totaled 25,780.61 million baht, up by 12,152.20 million baht (89.2% YoY), mainly due to an increase in loan to manufacturing and commerce sector.

¹ Allowance for doubtful accounts for loans to customers is determined based on debt balance less collateral value in accordance with the BoT's guidelines (except for hire purchase and financial lease receivables, for which the Subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance).

² Deposit includes short-term borrowings from the Bank's regular client base

Retail Loans

As of December 31, 2012, retail loan portfolio totaled 175,864.42 million baht, increased by 31.2% (YoY). Retail lending portfolio consisted of 93.1% car, motorcycle, and other hire purchase loans, 6.1% consumption loans and 0.8% mortgage loans. The outstanding hire purchase loans totaled 163,697.12 million baht, increased by 38,781.23 million baht (31.0% YoY) partly due to the success of hire purchase business expansion into captive brands of Ford, Mazda, and Chevrolet. Car hire purchase new business volume amounted 87,412 million baht, increased by 24,523 million baht (39.0% YoY) from 2011, while the domestic car sales in 2012 reported at 1,436,335 units, increased 80.9% YoY resulting from the pent-up car demand during the last quarter of 2011 as the automobile production was halted by flood crisis together with government's excise tax rebate scheme from first-time car buyer. The car penetration rate in 2012 was reported at 8.3%, decreased from 11.1% at the end of 2011. Moreover, consumption loans amounted 10,711.71 million baht increased by 2,994.11 million baht (38.8% YoY) following an increase in TISCO Auto Cash loan.

Other Loans

Portfolio totaled 3,676.90 million baht, decreased by 1,359.43 million baht (27.0% YoY).

Deposits

Total deposits totaled 233,518.69 million baht, increased by 62,969.00 million baht (36.9% YoY). As of December 31, 2012, TISCO Group had excess liquidity approximately 22,524.31 million baht, combining with the BoT required liquidity of 14,202.13 million baht (including bill of exchange), resulting in liquidity ratio of 14.2% which was well over the required liquidity by BoT of 6.0%. Meanwhile, the portion of saving accounts and current accounts of total deposits was at 13.3%.

Table 8: Deposits Structure as of December 31, 2011 and 2012

Type of Deposits	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,423.09	2.0	2,762.37	1.2	(19.3)
Saving accounts	17,082.94	10.0	28,140.15	12.1	64.7
Fixed accounts	2,049.15	1.2	15,385.04	6.6	650.8
Negotiate certificate deposit	15,423.82	9.0	173,535.78	74.3	1,025.1
Short-term borrowings	132,570.70	77.7	13,695.35	5.9	(89.7)
Total deposits	170,549.69	100.0	233,518.69	100.0	36.9

(2) Securities Business

In 2012, TISCO Securities' average daily turnover was 1,666.69 million baht, increased by 26.6% from 1,316.82 million baht (YoY). Average market share increased from 2.31% to 2.62% (YoY). Meanwhile, brokerage fee increased from 678.18 million baht to 786.18 million baht (15.9% YoY). Furthermore, brokerage volume consists of 21.0% local institution investors, 32.6 % foreign institution investors and 46.4% retail customers. In addition, investment banking fee increased by 123.7 million baht to 158.1 million baht in 2012, partly due to an increase of financial advisory and underwriting fee for VGI Global Media Plc. as well as PTT Exploration and Production Plc. In addition, TISCO Securities and Deutsche Bank Group have jointly established a new company called "Deutsche TISCO Investment Advisory Company Limited" to provide world-class equity research and strategic investment advisory service for domestic and foreign institutional investors, in which the company has officially commenced the business in December 2012.

(3) Asset Management Business

As of December 31, 2012, asset management industry increased from December 31, 2011 by 615,940.17 million baht (21.6% YoY). TISCO's assets under management as of December 31, 2012 were 152,724.34 million baht, increased by 16,771.19 million baht (12.3% YoY). Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2012 was 4.4%, ranking 8th in the market. The market share of provident fund was 13.7%, ranking 3rd while the market share of private fund was 10.3%, ranking 4th in the market. For mutual fund, the market share was 1.0%, ranking 13th in the market.

For the year 2012, the asset management fee totaled 851.11 million baht, increased by 191.53 million baht (29.0% YoY) whereby the performance & incentive fees were 180.25 million baht, significantly increase from the previous year mainly following the strong improvement of capital market. The composition of total asset under management was 62.4 % of provident fund, 21.7 % of private fund, and 15.9% of mutual fund.

Table 9: Assets under Management Breakdown by Type of Fund as of December 31, 2011 and 2012

Type of Fund	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	85,028.35	62.5	95,316.27	62.4	12.1
Private Fund	36,814.50	27.1	33,155.36	21.7	(9.9)
Mutual Fund	14,110.31	10.4	24,252.71	15.9	71.9
Total	135,953.16	100.0	152,724.34	100.0	12.3

11.2.4 Liquidity

As of December 31, 2012, TISCO Group's cash was 1,046.33 million baht, increased by 15.8% (YoY). This was mainly comprised of 21,053.38 million baht in net cash flows from operating activities, mainly contributed by an increase in deposits. Meanwhile, the net cash flows used in financing activities amounting 17,731.62 million baht, mainly contributed from an issuance of debt instruments. Meanwhile, net cash flow used in investing activities was 3,177.41 million baht mainly contributed by the investment in securities.

11.2.5 Sources and Uses of Funds

As of December 31, 2012, the funding structure as shown in the consolidated financial statement comprised of 272,116.69 million baht in liabilities and 18,380.25 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 14.8 times. The major source of funds on liabilities side was deposits, which accounted for 80.4% of total source of funds. Other sources of funds included interbank and money market items accounted for 4.8% of total source of funds, 8.5% of long term borrowing and others liability, and 6.3% of shareholders' equity, respectively.

As of December 31, 2012, TISCO Group's major use of funds was loans, amounting 248,315.68 million baht, resulting in a loan-to-deposit ratio¹ of 106.3%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

11.2.6 Capital Requirements

As of December 31, 2012, TISCO Group's internal capital stood at 16,796.49 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 2,589.20 million Baht from the end of 2011 to 13,154.57 million baht resulting from continuous business growth during 2012. In addition, the capital surplus remained strong at 3,641.92 million Baht or 21.7% of total internal capital.

Comparing to the end of 2011, the credit risk capital was 9,814.56 million baht, increasing by 2,225.19 million baht or 29.3% following the portfolio expansion in overall lending segment by 34.2% during the period. The non-performing loan of TISCO Group decreased from 1.4% at the end of 2011 to 1.2% at the end of 2012, partly resulting from the recovery of customers who was affected from flooding in the end of 2011 as well as bad debt write off during the year.

The market risk capital increased by 178.36 million baht from 1,636.12 million baht to 1,814.48 million baht, resulting from an increase in risk capital of interest rate in banking book. The overall interest rate risk in banking book increased following the portfolio expansion and increasing duration gap. The assets duration decreased from 1.53 years to 1.48 years resulting from increasing in lending portfolio with lower duration, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, decreased from 0.65 year to 0.54 year. Therefore, the duration gap of assets and liabilities increased, but was still in a manageable level, from 0.88 year to 0.94 year.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions are still in strong and sufficient levels to cushion for the expansion of asset in the future. At the end of 2012, the regulatory capital adequacy ratio, based on IRB approach (BIS ratio), including net profit of 2012, stood at 13.30%, remaining higher than 8.50% required by the Bank of Thailand. As Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 9.03% and 4.28%, respectively, in which Tier-I capital adequacy ratio remained higher than the minimum requirement at 4.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 52.40%, which was higher than the minimum required ratio by the SEC of 7.0%.

¹ Deposit includes short-term borrowings from the Bank's regular client base

Table 10: Capital Adequacy Ratio as of December 31, 2011 and 2012

	December 31, 2011 (%)	December 31, 2012 (%)
Tier-I Capital	9.88	9.03*
Total Capital	14.91	13.30*

*Including net profit for the year 2012, if excluding net profit for the year 2012 Tier-I capital and Total capital to risk assets were at 8.51% and 12.79%, respectively

Table 11: Average Duration Mismatch of Assets and Liabilities and Its Impact

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase (Bt. million)	
	2011	2012	2011	2012
	Assets	1.53	1.48	531.41
Liabilities	0.65	0.54	(761.94)	(1,136.04)
Net Gap	0.88	0.94	(230.53)	(335.14)

11.2.7 Auditor's Fee**(1) Audit Fee**

The Company and its subsidiaries paid the audit fee for the year 2012 of 7,742,070 baht to Ernst & Young Office Limited.

(2) Non-audit Fee

The Company paid non-audit fees in 2012 amounted to 230,000 baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand.

11.2.8 Credit Rating

In 2012, the Company offered short-term bill of exchange with tenor up to 270 days. The Company got credit rating 'A-' and rating outlook "Positive" as at May 14, 2012. The ratings reflect the Company's strong asset quality, capital base, profitability. The details of credit ratings by TRIS Rating Co., Ltd. are shown as follows;

Credit Rating (Unsolicited Rating)	Announcement Date May 14, 2012
Company Rating Rating Outlook	A- Positive

12. Other related information

12.1 Corporate Social Responsibility

TISCO realizes that success in business is not measured solely by profitability or performance growth, but also by good corporate citizenship, business ethics, involvement in community development and helping underprivileged people to be self-reliant and independent. We recognize that building a society with a solid foundation is a critical factor for sustainable development, and therefore conduct our business responsibly.

TISCO places great importance on its corporate commitment to social responsibility as one of the group's core values. Not only are the group's Corporate Social Responsibility (CSR) projects and activities focused on the sustainable development of the nation's people, culture and environment, they are supported by the active participation of TISCO employees. Working groups for specific projects have been set up to maintain continuity in the CSR activities with the recommendations given by the board of directors. Therefore, our CSR projects have been largely driven by the "Volunteer Spirits" of the company. Corporate Social Responsibility unit (CSR), serving as the CSR project center, plans the CSR directions, sets up the budgets as well as organizes CSR projects and activities. Their duties also include following up the project performances, reporting the progressions to the board of directors and serving itself as the communication center with the external organizations. All will be performed in accordance with TISCO Group's core values: to create sustainable development in the society.

In 2012, TISCO launched 3 new long-term projects, aiming to improve quality of life of the underprivileged people in the society. "**Learning Finance with TISCO**" focuses on providing youths, students, as well as the public to understand the importance of financial planning in order to improve their quality of life. "**TISCO for Teaching Enhancement**" project provides funds and supports training courses for disadvantaged teachers, especially those whose teaching fields are in Mathematics, English Language and Technology since these fields are highly required in Thailand. "**Promoting Self-Sustainability in the Community**" project supports developing local products to meet market needs and teaches effective marketing and management knowledge to the communities.

Apart from the projects that TISCO initiated, we also joined in other charity activities and encouraged our regional branches in our group to take part in their communities' charity activities especially those for sustainable development.

12.2 General Policy on Social Responsibility

For more than 40 years, TISCO operates businesses with ethics and strong sense of social responsibilities. These values incorporate into management practices as examples for younger generation to follow the footsteps and become our corporate culture, to commit to the highest ethical standards.

1. Good Corporate Governance
2. Ethical Business Operation
3. Anti-corruption
4. Respect on Human Rights and Labor Justice
5. Responsibility on Consumers
6. Community and Social Development
7. Environmental Conservation
8. Innovation from Social Works
9. Report on Social and Environmental Activities

1. Good Corporate Governance

TISCO Group is thoroughly committed to maintaining high standards of corporate governance. It is the group's policy to ensure that the rights and interests of all stakeholders are well protected. The board carefully considers the various stakeholders' legal rights, and ensures that those rights are protected and treated with care. Collaboration between the company and all stakeholders is promoted in order to secure profits and business stability. (see more details in Section 8.5 Corporate Governance, Part 8 Management).

Shareholders	Return their investment with good business performances and provide channels for them to be able to fully exercise their rights.
Customers	Respond to various needs of customers with client centric practices and provide channels for them to voice their opinions.
Business Partners	Abide by binding contract conditions, rules, regulations fairly and equally.
Competitors	Compete with fairness and ethical values. Avoid creating negative impacts to the industry.
Employees	Support their learning and development continuously with fair treatments and compensations.
Society	Aware of social responsibilities as one of the duties.
Environment	Promote environmentally friendly practices and organize activities that focus on environmental conservation.

2. Ethical Business Operation

TISCO Group includes Code of Corporate Ethics in its employee manual. The codes cover ethical and moral values that employees must be abided to ensure no behaviors leading to corruptions, prejudices, violation of rules, and leakage of customers' private information. Employees must pass annual test of their knowledge and understanding of corporate ethics and compliance. In addition, Know Your Customer (KYC) and Customer Due Diligence (CDD) practices are implemented to make sure that our services will not be unlawful or cause any negative effects to the society and environment. Operating Risk Management department was set up to monitor and ensure effective risk control of the company. (see more details in Section 8.6 Corporate Governance, Part 8 Management).

3. Anti-corruption

TISCO Group emphasizes on Corporate Governance policy and has followed this path with high standard for more than 44 years. Therefore, we are ready to bring our knowledge and idea into practice. In 2010, TISCO Group signed a mutual agreement with the Private Sector Collective Action Coalition Against Corruption in "Private Sector Collective Action Coalition Against Corruption Seminar" hosted by Thai Institute of Directors Association (IOD), Thai Chamber of Commerce (TCC), Joint Foreign Chambers of Commerce (JFCCT), the Listed Companies Association, Thai Bankers' Association, Federation of the Thai Capital Market Organizations and Federation of Thai Industries to create awareness against corruption in Private Sector. This national project was well-supported by Office of the National Anti-Corruption Commission and Center for International Private Enterprise (CIPE)

In 2011, TISCO Group has launched the additional plan in the company's "Anti-corruption policy" to guide our group of companies to practice with honesty, efficiency and effectiveness and ready to support Private Sector's anti-corruption activities every year.

4. Respect on Human Rights and Labor Justice

TISCO Group always places great importance on employee rights. TISCO employees are equally treated and given opportunities to develop themselves for professional advancement. We use a fair compensation and merits system to measure employees' performance. In addition, TISCO encourages employees to participate in recreational activities. TISCO provides corporate intranet systems and performance evaluation system for their employees to share their ideas and also launch many activities for employees' quality of life improvement.

TISCO Group places a high value on education and learning as an important part of its corporate culture. As such, training and development activities are therefore aligned with corporate goals and policy directives. While every employee is responsible for their own career path development, the group encourages them to express their goals and expectations through the performance management system and equips them with appropriate tools. The group also invests in human resources development to improve employee potential, thus enabling them to meet the highest requirements of professional ethics.

The group's policies and objectives are delivered through "continuous training" and development programs including specific knowledge and skills training, basic training courses, and strategic policy training to enable our employees to easily adapt themselves to the company's ethics. In 2012, the Human Resource & Organization Development department has continually arranged several training programs for TISCO employees throughout the year. TISCO held 129 in-house courses with 61,168 training hours, and 160 outside training programs of 8,686 training hours. In total, the company provided 289 training programs using 69,854 training hours.

TISCO Group also established TISCO Learning Center to train employees, develop courses for basic and specific knowledge and skill training including, and instill corporate values. In other words, TISCO Learning Center plays an important role in increasing organization competency. (see more details in Section 8.8 Personnel Development, Part 8 Management)

5. Responsibility on Consumers

TISCO Group aims to operate its business with the highest ethical standards and exert effort to respond to all financial needs to create wealth and sustainable value for consumers, shareholders, employees, and society. For the past 40 years, TISCO has focused on providing financial service in every business with professional expertise. We place great importance on customer centricity to respond to customers' needs with a wide range of products. To maximize client value, 4 pillars of focused business areas serving key clients and all stakeholders have been identified, comprising of Retail Banking, Corporate Banking, Wealth & Asset Management, and Corporate Affairs & CSR.

TISCO Group offers products and services that meet customers' needs and discloses details and conditions for their clarification and understanding. The company realize the importance of customers' rights and strictly complies with rules and regulations of related- parties. Twenty-four contact center services to serve our customers.

TISCO Group's financial products and services do not inflict negative consequences on society. Its commercial banking business, operated by TISCO Bank, does not provide personal loans or credit card service, which may result in overspending and huge debts. The products and services of TISCO Bank are mainly offered in the form of consumer loans and related financial services, in response to customer demand for housing, vehicles, and cash flow for business operations. TISCO Group also provides savings and investment products to boost long term savings and prudent investment under the advisory services of well trained investment consultants and marketing officers, and offers monthly seminars for customers seeking a better understanding of financial services.

6. Community and Social Development

TISCO Group commits to sustainable development of the society by providing long-term support on charitable projects. For more than thirty years, TISCO Foundation for Charity was established to work full time on social development, providing opportunities to the underprivileged to be able to rely on themselves. The Foundation's main activities are to provide scholarships for needy students nationwide, and provide start-up and medical treatment funds for the underprivileged to help them stand on their own feet and be able to earn their living. Every year the Foundation's working team went on field trips to visit schools and students to follow up the scholarship recipients' performance.

TISCO voluntary groups work as a team in both long-term projects, which are tree-planting project, nationwide blood donation, Thai Contemporary art support project, and also in the latest 3 projects in 2012 which were the "Learning Finance with TISCO" project, the "TISCO for Teaching Enhancement" project and the "Promoting Self-Sustainability in the Community" project. Moreover, TISCO continuously supports special charity projects such as flood relief activities in 2011, business start-up fund for flood victims, school supplies and construction funds. In 2012, TISCO also supported a construction of a new building at Cholapratan Anukroh School in Ayutthaya.

7. Environmental Conservation

TISCO Group always instills a sense of responsibility in environmental conservation to its employees through constructive activities such as promoting and enhancing efficiency of energy usage, launching a campaign to combat global warming through printed media. TISCO always encourages loans for firms that propose the projects with environmental conservation agenda and optimal utilization of natural resources.

TISCO Group signed the agreement to support and to be a part of United Nations' environmental services in 1992 since we realized the strong connection between community and environment, business profit and sustainable development. In addition, in 1991, TISCO started its first reforestation project and has continued to do so as an annual activity for almost 20 years with management and staffs joining the activities for public benefit.

8. Innovation from Social Works

TISCO Foundation for Charity is a non-profit organization established by TISCO to work on a full-time basis for social development works. The foundation has been registered under the Ministry of Finance as such receipts from the donation can be applied for tax deduction. In addition, TISCO has established Productivity Improvement Department to monitor the process of resources utilization to their fullest potential under effective control system. We develop electronic banking services which help facilitate financial transactions for customers and at the same time reduce the paper usage. TISCO Bank also initiated the e-statement, 24 hour access to TISCO accounts and electronic banking services. For internal operation, we develop electronic reporting software for our employees. Not only it helps reducing resource consumption, it also reduces commuting time for our marketing employees who are frequently out of office for visiting their clients. All are for fulfilling our clients' satisfaction.

9. Report on Social and Environmental Activities

TISCO reported the activities and summarized budgets spent on major projects as part of the company's annual report since 2006. TISCO also published the special report on social responsibilities written in both Thai and English version. This special report is meant to communicate our ideas and share our experience on social and environmental development activities to our shareholders, educational institutions, and general public. The report is also available in the form of CDROM and as website www.tisco.co.th

The details of TISCO Group's practices reflecting responsible business operation for stakeholders consisting of shareholders, employees, customers, trading partners and creditors, and competitors can be found under Part 12 will discuss social and environmental responsibilities with the details as following: Section 8.5 Corporate Governance, Part 8 Management.

12.3 Corporate Social Responsibility Highlights in 2012

TISCO Group always emphasizes to a long-term project to achieve sustainable development. Through the TISCO Foundation for Charity, the group has offered many scholarships for needy students, provided funds for disadvantaged teachers and schools, helped underprivileged people to get back on their feet with business start-up funds, promoted self-sustainability in community and encouraged environmental preservation. Moreover TISCO expands our role as the communities' financial adviser as we also supported cultural, art activities and a wide array of important social and community activities as following:

1. Social Supports

1.1 TISCO Foundation for Charity

As a demonstration of TISCO Group's long-term commitment to sustainable development, the "TISCO Foundation for Charity" was established in 1982 to work towards the long-term goal of improving society and the nation. Since then, TISCO's major social contributions have been made through the work of TISCO Foundation, which has four primary charitable purposes as follows:

- 1) Providing nationwide educational scholarships for needy students
- 2) Providing medical funding for destitute patients including donation of artificial organs and prosthesis
- 3) Providing business start-up funds for underprivileged people to promote self-reliance
- 4) Providing support for social and community activities

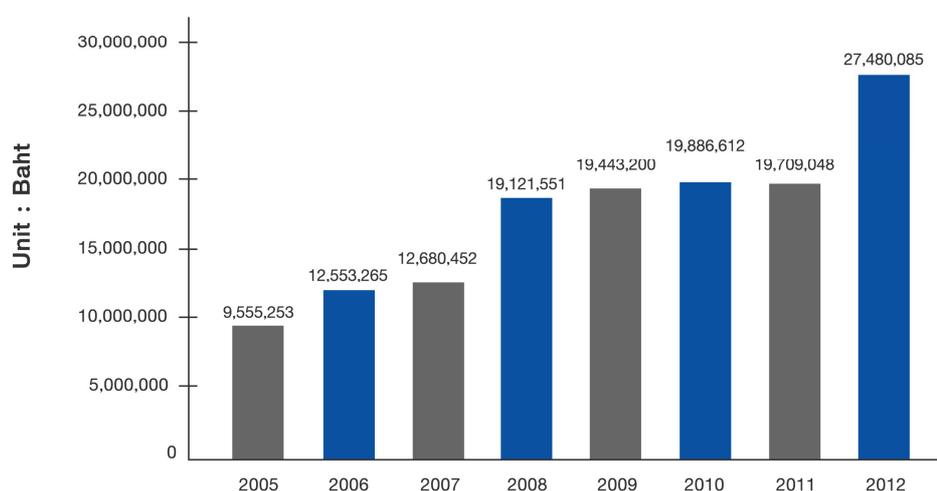
TISCO Foundation for Charity received a certificate of "Jit Arsa Tam Dee Mee Khon Hen" under the project of "Song Tor Kham Dee Mai Mee Wan Mood" as the organization who has been continuously volunteered for the public and has inspired Thai society as a social practice of volunteering to the public for more than 30 years. The project was hosted by the Board of Public Affairs to celebrate His Majesty the King's Seventh Cycle Birthday on December 5th 2011.

Apart from the interest generated by the foundation's capital fund, the foundation has received regular support from TISCO Group, TISCO employees and the general public. The interest income from such funds has been donated to many charitable projects in accordance with the foundation's objectives. In 2011, TISCO mainly contributed to the TISCO Foundation at the total amount of 27,480,085 baht.

TISCO Foundation's Social Support Activities (Unit: Baht)

Year	Education Support	Medical Support	Start-Up Fund	Total
1982-2004	85,477,599	3,939,778	1,700,979	91,118,356
2005	9,405,013	109,840	40,400	9,555,253
2006	12,431,750	41,375	80,140	12,553,265
2007	12,650,500	11,710	18,242	12,680,452
2008	18,996,000	100,551	25,000	19,121,551
2009	19,347,800	13,500	81,900	19,443,200
2010	19,715,000	128,274	43,338	19,886,612
2011	19,586,000	43,350	79,698	19,709,048
2012	27,023,000	157,405	299,680	27,480,085

TISCO Foundation's Education Support



In 2012, TISCO Foundation provided 7,293 scholarships at the total amount of 27,023,000 baht to needy students at every level throughout the country. Among these scholarships, 3,427 scholarships have been continuously granted, and 3,866 to the new recipients as follow:

- Primary school students 487 scholarships
- Secondary school students 5,914 scholarships
- Vocational school students 423 scholarships
- University students 352 scholarships
- Other levels 117 scholarships

Moreover, in 2012, TISCO Foundation has provided medical support and start-up fund for the underprivileged both in Bangkok and local areas. During the year contributions were 157,405 baht for medical supports and 299,680 baht for start-up funds.

Follow-up Progress

TISCO Foundation has regularly followed-up and made outcome evaluations of the scholarships to maximize its benefits in the future. TISCO Foundation's committee members, staff and voluntary working group usually made follow-up progress in every November by visiting schools and homes of the granted students and also the prospective ones. As for the start-up fund support, the Foundation's staffs usually visit the fund recipients to see their progress 2 times, once after the funds have been granted for 2 months, and once after 1 year. In 2012, TISCO Foundation's staff went on field trips to follow up scholarships performance nationwide as follow:

- Bangkok and its vicinity: Wat Bang Dua School and Thetsaban 1 (Yiam Ket Suwan) School
- Central Region: Nawama Rachunuson School, Wat Sut Thammaram School, Wat Bueng Lat Sawai School, Nakhon Pathom Rajabhat University, Ban Ta Dindam School, Thetsaban Wat Chomkhiri Nak Prot School, Tessaban Watpaknampoltai School
- North Eastern Region: Suranarai (Kururat Prachasawan) School, Chum Phuang Suksa School, Ban Nong Pruk School, Boromrajonani Collage of Nursing
- Eastern Region: Banwonthakrang School, Wat Na Krarok School, Laem Sing Wittaya Kom School, Chantaburi Collage of Drama Arts
- Northern Region: Wat Ubekha Ram School, Nakorn Tritrung School, Wat Wang Wa School, Wang Samrong Wang Wa School, Bang Lai Pittayakom School

1.2 Special Continuous Project

Blood Donation

TISCO Group and The Thai Red Cross Society have organized blood donation for over 28 years to give an opportunity for employees, customers, and the public to participate in the activity every quarter at Head Office, North Sathorn. The activity has also been held at our branches across the nation. In 2012, the blood donation events were held 16 times and we received 4,429 units of blood or 1,726,650 cc., which is the highest record of blood donation since we launched the activity. The donations helped more than 12,000 of critical patients.

Time	Month	Description	No. (unit)	Quantity (CC.)
1	March	TISCO Head Office with National Blood Centre, Thai Red Cross Society	345	155,250
2	June		346	138,400
3	September		347	138,800
4	December		291	101,850
5	May	Phuket branch with Phuket Regional Blood Centre, Phuket	400	188,000
6		Krabi branch with Krabi Hospital	114	45,600
7	June	Nakhorn Prathom branch with Silphakorn University	602	204,400
8		Surat Thani branch with Surat Thani Hospital	300	90,000
9	August	Saraburi branch with Saraburi Chamber of Commerce	85	34,000
10		Surin branch with <u>Rajamangala University of Technology Isan</u>	199	59,700
11		Nakhorn Ratchasima branch with Provincial Red Cross Chapter of Nakorn Ratchasima	76	22,800
12		Chiang Mai branch with Provincial Red Cross Chapter of Chiang Mai	416	166,400
13	September	Phitsanulok brunch with Buddhachinaraj Hospital	61	28,350
14	October	Nakhon Si Thammarat branch with Nakhon Si Thammarat Provincial Police	76	30,400
15	November	Konkan branch with Blood Centre,	563	238,950
16	December	Nakhon Sawan with Satri Nakhon Swan	219	876,000
		Total	4,429	1,726,650

Long-term projects initiated in 2012

"Learning Finance with TISCO"

Project was initiated from our aspiration to become the communities' financial advisor, aiming to educate financial knowledge and financial planning to the youths, school students, university students as well as the communities. We encourage those people to realize the importance of financial planning in their daily life in order to elevate themselves and their families' quality of life. In the first year, TISCO voluntary working employees were divided into 2 groups: Curriculum Planning team and Teaching team. With guidance from the educational and financial experts, we developed "TISCO Junior learns Finance" a course for secondary school students to learn about personal finance. The curriculum covered 4 main topics which were 'Know how to earn', 'Know how to save', 'Know how to spend' and 'Know how to prioritize the life'. This activity-based learning was taught by the teaching team with a close monitoring from the Curriculum Planning team and the experts. In 2012, demonstration classes were set up twice for our employees' families and children and the 2 following pilot classes were held twice in order to evaluate the course accomplishment at Wat Thang Yow School, Ayutthaya and Pathum Wilai School, Pathumtanee. In total, TISCO arranged training classes for 125 students.

"TISCO for Teaching Enhancement"

Project started from the direct and indirect messages about the shortage of teachers in Mathematics, Technology and English fields in our schools in both qualitative and quantitative aspect. Even though the public sector was trying hard to fill the gap, this problem needed cooperation between all sections of society. We would like to take part in solving this problem, enhancing teaching ability and elevating Thai education standards. In 2012, TISCO and the Institute of the Promotion of Teaching Science and Technology (IPST) launched "Enhancing of Mathematics Teaching program". We firstly provided a 3-year training course for Mathematics teachers in primary schools. The objective was to help the teachers creating systematic teaching plan for each school semester. In total, we provided training courses to 41 Prathom 1-4 teachers from 21 schools in 12 provinces.

The schools that enrolled in the program were;

1. Mae Hong Son Province: Ban Thung Kong Mu School, Ban Nam Rin School, Baan Nam Som School, Ban Mae Ki School, Baan Sop Soi School, Ban Mai Sang Nam School, Ban Nong Haeng School
2. Phayao Province: Ban Pua Si Phrom School
3. Chiang Mai Province: Srisuphan School
4. Nan Province: Ban Hat Khet School, Ban Rim Fang Nan Wittaya School
5. Phichit Province: Wat Wangwa School
6. Pathum Thani Province: Wat Suwan Jin Daram School
7. Nakhorn Sawan Province: Tessaban 3 (Wat Sangtham Sutharam) School
8. Lopburi Province: Ban Sub Jumpa School
9. Ayutthaya Province: Cholpratan Anukroh School, Wat Thang Yao School
10. Chonburi Province: Wat Soet Samran School (Wat Soet Wittayakarn)
11. Nakhorn Sri Thammarat Province: Wat Suwan Khosit School
12. Trung Province: Wat Tha Klong School, Ban Nong Wa School

"Promoting Self-Sustainability in the Community"

Project was initiated by following His Majesty the King's Self-Sufficiency economy philosophy and our Corporate Social Responsibility commitments. This project was created to support developing local products that meet market need in the communities and to teach marketing and management knowledge to them. In 2012, TISCO selected projects according to the local resources and community's interest in consumer goods and commodity goods.

- *Iodine enriched hen egg raising at Ban Kiew Dong Mafai School, Tambon Naphu, Amphur Pen, Udon Thani.* TISCO supported the construction of the school's chicken coop for raising hen egg for school meal. With cooperation from Naphu Subdistrict Administrative Organization, the site would be developed into a learning center and the iodine enriched egg would be developed into the One Tambon One product (OTOP) product in the future. Not only did this project promote careers in the community, be a management and learning center and follow the King's Self-Sufficiency economy, it also gave a new innovation for iodine enriched egg production for Udon Thani' Science Center 2 and helped reducing the iodine deficiency consuming in the local area. This project was a continuous project since TISCO had supported in the construction of the 40th year TISCO building to this school in 2009 and we are still continuously offering scholarships and other supports to the school.

- *Reed Mat Production as a souvenir, Amphur Ranuon, Konkarn.* TISCO Group and Faculty of Decorative Arts, Silpakorn University launched a research on reed mat product development. We brainstormed and exchanged our ideas and mat weaving technique and shared various ways to develop product with the local. This project was also a demonstrative training for the Decorative Arts students in designing modern patterns for the reed mat. Moreover, we developed the mat dying technique by using Nano Zinc Oxide technology that reduces mat mold from Collage of Nanotechnology, King Mongkut's Institute of Technology Ladkrabang for business innovation.

Other Social Support Activities

Apart from continuous social support activities through TISCO Foundation, TISCO Group also supports other social and community development activities in 2012 as follow:

Good Governance Support: TISCO Group supported Private Sector Collective Action Coalition Against Corruption by Thai Institute of Directors Association (IOD), Thai Chamber of Commerce (TCC), Joint Foreign Chambers of Commerce (JFCCT), the Listed Companies Association, Thai Bankers' Association, Federation of the Thai Capital Market Organizations and Federation of Thai Industries

Education Support: TISCO Group supported and provided scholarships to "the Look Pra Dabos", a project to celebrate His Majesty the King's 84th birthday and supported Nanmee Books' "Give Future, Give Books to 800 schools" a project for celebrating Her Majesty the Queen's 80th birthday. We supported Thai small puppet performance to raise fund for Srinagarindar the Princess Mother School, Phayao and supported Money and Banking Department, Faculty of Commerce and Accountancy at Chulalongkorn Academic Fair to promote banking knowledge and innovation. We supported the 21st National Science and Mathematics and Technology academic conference by the Ministry of Education for teachers to exchange their knowledge. We supported scholarships to AIDs orphans such as sponsoring meal and donating sports equipments and educational equipments for orphans at Sarnelli House, Nongkai, and also supported funds for Dr. Sem Pringpuangkaew Foundation and scholarships for students in Northern region of Thailand to celebrate the 20th anniversary of Northern Bankers club foundation. In addition, we supported education and research by renovating "Rean Ru Ruk Rean Ru Su Chum Chon" library in Phitsanulok.

Art Support: TISCO Group supported Rotary Club of Bangkok 's "Serenity Siam – The Night of Orchestra and Songs" to celebrate His Majesty the King's 84th birthday and supported the club's social development activities. We provide scholarships for classical music education to students at **Bangkok Symphony Orchestra Foundation** under the Royal Patronage of His Royal Highness Crown Prince Maha Vajiralongkorn. Moreover, we supported musical funds to needy students in rural areas in order to crate musical personals in the future under College of Music's "Plook Dok Mai Nai Duang Jai" project. We supported Retrospective Art Exhibition, the Thai contemporary art exhibition by Preecha Orachunka. In addition, we supported an academic seminar on "Kukrit, the Siamese scholar", promoting unity and awareness of doing good deeds for themselves and for the community, by Kukrit 80 Foundation under the royal patronage of Her Royal Highness Princess **Maha Chakri** Sirindhorn, Ministry of Culture and its allies to honour M.R. Kukrit Pramoj.

Community and Social Support: TISCO Group donated sport equipments to Wat Nong Wo School in Sukhothai for student activities. We offered funds for music club at Mathayom Wat Nong Kam School, Bangkok. We supported Thai Women's Day with business sector in order to raise awareness of Thai women's roles in the society. Furthermore, we supported Thung Mahamek Police Station in promoting drug-free communities. We also supported a unity activity at Department of Special Investigation and media's community activities such as fundraising event for organ transplant by Sirikij Medical Center, Ramathibodi Hospital and Phra Dabos foundation to celebrate the 42nd anniversary of Nation Multimedia Group. In addition, we supported Jit Arsa group of reporters' "Pee Phua Nong, Year 9", a 12-school-renovation project. Moreover, we supported the "Rally to reforestation" project launched by Economic reporters club. We also sponsored a fundraising mini-marathon for needy students by the Bangkok Post newspaper. And "Term Yim Hai Nong Chai Dan Tai" project by the MCOT Public Company Limited. Furthermore, we donated for Faculty of Medicine, Chulalongkorn University in the "Ananda Mahidol 2012" pin project to help destitute patients. We also supported the occupation promotion program to disabled people of the National Council on Social Welfare of Thailand under Royal Patronage in honor of **HRH Princess Kalaya Niwattana**. We also supported Special Olympic Thai activities to improve physical fitness and independent living for mentally disabled people. Finally, we supported renovation of 14 water filters for schools in Ayutthaya and Nakorn Pathom province.

2. Environmental Conservation

Reforestation Project

In 2012, TISCO Group expanded its CSR activities in the environment conservation project and encouraged our employees to take their parts in the environmental activities. We created reforestation "Look Phra Dabos Samut Prakarn under the Royal Initiative of His Majesty the King" project for our employees in Bangkok and "Ruam Jai Puk, Plook Mahesak – Sayammin for H.M. the King" for employees in regional branches. In total, we planted 5,000 seedlings coving 25 rai as follow:

TISCO Group organized the “Brackish water Mangrove Reforestation” project for 2 times. Around 250 TISCO employees from Bangkok and its vicinity planted 2,800 plants such as Lumpan tree, Taboonkhao tree, Samor Talay tree, Po Talay tree, Prong Dang tree, Fad Dok Dang tree covering 4 rai in Chalerm Phakiat Public Park, Samut Prakarn under the “Look Phra Dabos Samut Prakan under the Royal Initiative of His Majesty the King” project. We also organized integrated farming activities following the Royal initiative on sufficiency economy in order to become a community’s learning center that passed on the agricultural technology to the community. We helped increasing the value to agricultural and herb products and supported using of alternative energies. In addition, we supported the sufficiency economy study for Dabos students, as well as supported woodworking class in Phra Dabos School. Moreover, the project also helped promoting agricultural technology, promoting agritourism and was a training site for students, farmers and the public.

In 2012, TISCO Group also continuously supported the “Ruam Jai Puk, Plook Mahesak –Sayammin for the H.M. the King” project in Tumbon Nong Kradon, Amphor Muang, Nakorn Sawan and in Tumbon Phu Luang, Amphor Pakthongchai, Nakorn Rachasrima. Around 300 of TISCO employees from Central, Northern and North Eastern region of Thailand participated in planting 2,200 seedlings in 22 rai. The seedlings that we planted were “Mahesak” and “Sayammin” seedlings which were named by H.M. the King, The project, organized by the Plant Genetic Conservation Project Office under the Royal Initiative of Her Royal Highness Princess Maha Chakri Sirindhorn, aimed to promote the royal idea of plants conservation and genetic development in Thailand to the world’s stage in order to protect our natural resources.

Reforestation Project	Amount (tree)	Area (Rai)
From 1991 to 2011	341,500	1,072
2012	5,000	26
Total	346,500	1,098

In addition, TISCO Group’s environmental conservations also include resource management policy. TISCO Group gave great importance on creating mindset for energy and environmental conservation to TISCO employees, i.e. the “Turning off the unused lights in the office” project, the “Transportation planning” project, and the project of “Paper separation...give opportunity to needy students” - the income from selling recycling paper contributed to needy students, power saving, travel planning, using environmental-friendly office supplies and waste reduction.

3. Support for the Arts and Cultures

Thai Contemporary Art Support

TISCO Group has been a pioneer and continuous supporter of the Thai contemporary art since 1970, realizing that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, TISCO has consistently supported a number of initiatives and has collected more than 400 Thai contemporary artworks. The TISCO Art Collection has been recognized as one of the best in the country boasting great diversity that unfolds the maturity and long history of nation’s contemporary art. The collection covers many early works of prominent artists at present which are rare to find nowadays. It is also considered a reflection of the journey of Thai contemporary art in four decades. In addition, TISCO Group has continuously supported many activities of The Rama IX Art Museum.

Religious support

TISCO continues to support important religious traditions, especially in the rural areas where monasteries are center of communities. Through TISCO Bank’s provincial branches, merit making activities such as Kathin ceremonies were organized annually to provide support to designated temples. In 2012, TISCO Group hosted the Kathin ceremony at Wat Nong Ngu Leum in Chonburi province. The board members organized the ceremony of presenting yellow robes to the Buddhist monks at the end of the Buddhist Lent at Wat Hor Chiang Wora Viharn, Luang Prabang. We also hosted the off-season offer of yellow robes ceremony to provide scholarships to Buddhist monks and novices at Amphur Sawankhalok which was postponed from 2011 due to the major floods in many areas.

4. Special activities to relieve flood victims

In 2011, the severe floods in many areas in the nation have caused damages to many people. Apart from helping employees and customers, TISCO also supported the public including partners and communities from the beginning of crisis to the recovering. In 2012, we still continued helping those flood-affected people throughout year with our projects; renovating schools buildings, providing scholarships to needy students and providing funds to flood-affected people.

Flood-Affected School Renovation Project covered from the renovations of school buildings as well as the provision of scholarships and educational equipments to the flood affected schools. TISCO Group supported in the renovation in 20 schools in Ayutthaya, Pathum Thane, Nakhon Pathom and Bangkok. Our hi-light project was to support the construction of a 3-story building with 8 classrooms for Cholpratan Anukroh School in Ayutthaya, replacing the 40-year-old, 1-story building which were damaged by the flood. The ground floor of the new building would be a hall to prevent damages from the floods. This estimated cost was around 4.95 million baht. The objective of this project was to encourage students and teachers and to improve their education standard to enable them to develop their communities. TISCO Group being the main sponsor, received supports from Lighting and Equipment Public Company Limited, Bangkok Cable Co., Ltd., Siam Art Ceramic Co., Ltd. The construction was started in July 2012 and expected to finish in April 2013.

TISCO also provided 174 start-up funds (1,338,300 baht in total) to flood-affected victims in Bangkok, Pathum Thani, Nonthaburi and Ayutthaya. These victims lost their jobs due to factory shutdown or lost their occupational tools. The funds was used to buy occupational tools according to their needs, such as street vendors' carts to sell food, tricycles to trade second hand goods, sets of tables & chairs, pots & pans to sell noodles, washing machines & irons, sewing machines, cooking tools, carpentry tools, to help the flood-affected victims to be able to rely on themselves again.

Summary of Corporate Social Responsibility Donations and Supports in 2012

1. Social support

1.1 TISCO Foundation for Charity

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2012	Educational Support	To provide nationwide educational scholarships for needy students	27,023,000
All Year 2012	Medical Support	To provide medical funding for destitute patients	157,405
All Year 2012	Start-Up Fund	To provide business start-up funds for underprivileged people to promote self- reliance	299,680
	Total		27,480,085

1.2 Continuous project

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2012	Blood Donation for the Thai Red Cross Society	To save life and to promote this activity to our regional branches nationwide	334,794
All Year 2012	Collective Action Coalition against corruption in private sector	To raise awareness about corruption and to promote against corruption in private sector	214,000
New Project	"Learning Finance with TISCO" project	To teach personal finance to the youths, school students, university students and the public, making them understand the importance of financial planning for their better life	384,811
New Project	"Teaching Ability Enhancement" project	To improve teaching ability among disadvantaged teachers, esp. Maths, English and Technology teachers with intensive training course	312,505
New Project	"Promoting Self-Sufficiency in the Community" project	To support career development in the community by developing products that meet the market's demand. To teach the effective financial and management knowledge	787,720
	Total		2,033,830

1.3 Other CSR activities

Date/Month	Activities	Objectives	Amount (Baht)
March	Sponsored meal and donated sports equipments and educational equipments for orphans at Sarnelli House, Nongkai	To support education and development of AIDs orphans	69,351
March	Donated sports equipments to Wat Nongwong School, Sukhothai and provided fund for music club at Mattayom Wat Nongkam School, Bangkok	To support students' activities at disadvantaged schools	14,023
October-November	Fixed 14 water filters for schools in Ayutthaya and Nakhon Pathom.	For hygiene and better health for disadvantage schools	34,857
December	Renovated school library at Nakhonthai Wittayakom, Phitsanulok	To give learning opportunity to students and the community	36,065
	Total		154,296

1.4 Other CSR activities with network

Date/Month	Activities	Objective	Amount (Baht)
January	"One Stand Calendar – One Learning Opportunity" project	To gather used stand calendars for studying tools at the Bangkok School for the Blind	-
February	"Serenity Siam – The Night of Orchestra and Songs" concert with Rotary Bangkok.	To celebrate His Majesty the King's 84th birthday and supported the club's social development activities	30,000
	Academic seminar on "Kukrit, the Siamese Scholar" by Kukrit 80 Foundation under the royal patronage of Her Royal Highness Princess Maha Chakri Sirindhorn	To promote unity and awareness of doing good deeds for themselves and for the community	10,000
	"Retrospective Art Exhibition", the Thai contemporary art exhibition by Preecha Orachunka.	To promote and preserve Thai contemporary art	30,000
	Thung Mahamek Police Station	To promote drug-free communities	30,000
March	Dr. Sem Pringpuangkaew Foundation's fundraising	To provide scholarship and funds for students with AIDs	50,000
	Bangkok Symphony Orchestra Foundation under the Royal Patronage of His Royal Highness Crown Prince Maha Vajiralongkorn	To provide musical funds to needy students and to create musical personnel in the future	30,000
April	Srinagarindar The Princess Mother School, Phayao	To provide scholarships for students and school	20,000
May	"Ananda Mahidol 2012" pin project by Faculty of Medicine, Chulalongkorn University	To help destitute patients	50,000
	Activities at Department of Special Investigation	To support unity in the community	20,000
June	Scholarships for "the Luk Pra Dabos," the project to celebrate His Majesty the King's 84th birthday.	To give opportunity to disadvantaged people for skill training courses, To enable them to financially support themselves and their family	5,000
	The Bangkok Post newspaper's mini marathon event.	To provide scholarships for needy students	32,100
	Nation Multimedia Group's 42nd anniversary event	To raise organ transplant fund at Sirikij Medical Center, Ramathibodi Hospital	5,000
July	Thai Women's Day	To raise awareness of Thai women's role in the society	50,000
	"Pee Phua Nong, Year 9" project by	To renovate buildings for 12 disadvantaged	30,000

Date/Month	Activities	Objective	Amount (Baht)
	'Jit Arsa' reporter group	schools	
August	"Rally to reforestation" by Economic reporters club.	To reserve forest and natural resources	100,000
	Nanmee Books' "Give Future, Give Books to 800 schools" project	To enhance the learning potential of Thai children and to promote reading	20,000
October	Special Olympic Thai activities	To improve physical fitness and independent living for mentally disabled people.	50,000
November	Souvenirs for Money and Banking Department, Faculty of Commerce and Accountancy at Chulalongkorn Academic Fair	To promote banking knowledge and innovation	-
	The 21 st National Science and Mathematics and Technology academic conference by the Ministry of Education	To enable teachers to exchange their knowledge.	20,000
	To celebrate the 20 th anniversary of Northern Bankers club foundation.	To provide scholarships for students in Northern province	30,000
	College of Music's "Plook Dok Mai Nai Duang Jai" project.	To support and encourage music learning for students in rural areas	100,000
	Dok Kaew Kallaya for the National Council On Social Welfare Of Thailand Under Royal Patronage	To promote career for people with disabilities in honor of HRH Princess Kalaya Niwattana	19,800
December	"Term Yim Hai Nong Chai Dan Tai" project by the MCOT Public Company Limited	To support students in the 3 Southern border provinces	100,000
	Total		811,900

2. Environmental Conservation

Day/Month	Activities	Objective	Amount (Baht)
May-September	"Brackish water Mangrove Reforestation" project and "Ruam Jai Puk, Plook Mahesak – Sayammin for H.M. the King" project	To reserve forest and support environmental preservation	841,277
All year 2012	"Paper separation...give opportunity to needy students" project	To create mindset for energy and environmental conservation among TISCO employees	319,160
	Total		1,160,437

3. Support for the Arts and Cultures

Day/Month	Activities	Objectives	Amount (Baht)
All year 2012	TISCO Art Collection	To support Thai artist by continuously collecting Thai contemporary art	827,800
March	Offering of robes the Buddhist monks at the end of the Buddhist Lent at Wat Nong Wo, Sukhothai by TISCO board members and their allies.	To provide scholarships to Buddhist monks and novices	235,000
October	Kathin ceremony at Wat Nong Ngu Leum in Chonburi province.	To build Ubosot for celebrating the king's 84 th birthday	649,999
	Offering of robes to the Buddhist monks at the end of the Buddhist Lent at Wat Hor Chiang Wora Viharn, Luang Prabang.	To support Buddhism	480,000
	Total		2,192,799

4. Special activities to relieve flood victims

Day/ Month	Activities	Objectives	Amount (Baht)
All year 2012	Construction of the building at Cholpratan Anukroh School in Ayutthaya.	To replace the 1-storey building damaged by the flood	4,950,000
January-March	Building renovation and provide educational equipments to 19 schools	To help flood-affected schools	471,540
January-March	174 start-up funds to flood-affected victims in Bangkok, Pathum Thani and Ayutthaya	To help flood-affected victims to stand on their own feeds	1,338,300
January	Mahidol University for flood-affected victims activity.	To renovate flood-affected community around the campus	20,000
June	"Return schools to students – Unite the community" project by the Association of Investment Management Companies ("SET helps the flood victims")	To renovate building in the flood-affected schools	-
	Total		6,759,840
Total in 2012			40,593,187

TISCO Group endeavors to support CSR projects and activities undertaken in parallel with our business operations. We take pride in our accomplishment each year and have a long-term commitment to continue CSR activities to achieve sustainable development.

12.4 The Committee's Planning and Implementation for Corporate Social Responsibility

TISCO Group's CEO and three top executives are TISCO Foundation' Board of Directors, together with other six expertise, who will formulate the Foundation's strategies for maximizing the usefulness of the Foundation's annual budget. In addition, board of committee, serving a 2-year term were selected from 20 people of TISCO voluntary staff and 300 of TISCO employees volunteered to assist the Foundation's staff as a working group such as in organizing scholarship presentation ceremonies, scholarship follow-up and implementing other fund-raising activities.

For other social activities and charitable events, the Foundation's Board of Directors also advises and approves the budget and then implemented by the project's working group.

The key factor that makes TISCO Group enable to put its planning into implementation is the organizational culture that supports increased cooperation. Each project has its own in-charge person and working group to plan and implement the project, continue follow-up progress and communicate efficiently and continuously for increased cooperation.

Performance Report to the Foundation's Board of Directors for Evaluation and Consideration

Most of social activities are long-term projects and are implemented through TISCO Foundation by the Foundation's Board of Directors and working group. TISCO Group's Board of Directors is regularly reported the Foundation's activities and other social activities in the Board meeting annually.

In addition, TISCO Group provided a Corporate Social Responsibility Special Report on annual basis, as one of communication tools of TISCO's social responsibility ideas and activities to our stakeholders and the public.

12.5 Honors & Awards in 2012

Awards are recognition of professional success, a reflection of TISCO Group's achievements, and proof of the quality of service and standardized operational policies that TISCO provides. In 2012, the awards received include:

Top Corporate Governance Report Awards 2012

TISCO Financial Group Public Company Limited received Top Corporate Governance Report Awards 2011 from the SET Awards 2011, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies with outstanding corporate governance reports considering information disclosed in the Annual Report, Annual Registration Statement (Form 56-1), AGM Notice to shareholders and GM minutes.

Outstanding Securities Company Awards 2012 – Retail Investors

TISCO Securities Company Limited received Outstanding Securities Company Awards 2012 – Retail Investors from the SET Awards 2012, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies that have excellent performance. There were two areas of consideration: the outstanding ability and good service to operate as a broker and performance of securities analysis and qualified portfolio that has covered a wide range of securities based on quantitative and qualitative data on the key areas. The survey of clients and good practiced policy and guidelines by its staff are the areas of consideration.

Top Bank in the Secondary Market for Corporate Bonds

TISCO Bank Plc. received Top Bank in the Secondary Market for Corporate Bonds 2012 for Thai Baht Corporate Bond from The Asset Currency Bond Benchmark Survey, a survey of institutional investors in more than 300 institutions for the service. dealers of various countries. Nine countries in Asia including Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

Ratsadakorn-pipat Awards 2011

TISCO Bank Plc. and TISCO Asset Management Co., Ltd. received Ratsadakorn-pipat Award 2011, organized by the Department of Revenue, Ministry of Finance. The Ratsadakorn-pipat Award Ceremony is held annually in order to give recognition to taxpayers who have complied with regulations and paid their taxes on time. The award given aims to promote the role of being a good and responsible taxpayer. For corporate taxpayers, the award encourages corporate governance that complies with tax-filing regulations. The compliance will lead to an increase in the government's revenue as a whole. This year the award is given to 11 individual taxpayers and 109 corporate taxpayers from all over the country.

Part 2

Certification of the Accuracy of Information

The Company has examined the information contained in this annual registration statement and hereby certify that the information contained herein is neither false nor misleading nor missing any material information. The Company further certify that:

- (1) The financial statements and financial summary in this registration statement present fairly, in all material respects, the financial position, the results of the operations and cash flows of the Company and subsidiary companies.
- (2) The Company provides sound information disclosure systems to ensure that the Company has accurately disclosed all the Company's and subsidiary companies' material information and that all the procedures of the said systems were followed properly.
- (3) The Company provides reliable internal control system and ensure that the Company has comprehensively complied with the said system. Moreover, the Company has reported the internal control assessment as of February 11, 2013 to the auditor and the Audit Committee. The information presented includes errors and significant changes, if any, of the internal control systems as well as any misconduct which might have an effect on the preparation of the Company's and subsidiary companies' financial statements.

In order to ensure the authenticity and the wholeness of the said documents, the Company authorizes Mr. Ekkapol Apinun or Mr. Kontee Sunthornpradit to sign every page of each document. If any document does not contain the signature of Mr. Ekkapol Apinun or Mr. Kontee Sunthornpradit, the Company will deem that such document is not the document that the Company certified.

Name	Position	Signature
Ms. Oranuch Apisaksirikul	Director, Chairperson of the Executive Board and Chief Executive, TISCO Group	<u>Oranuch Apisaksirikul</u>

Name	Position	Signature
Authorised Signatory Mr. Ekkapol Apinun	Corporate Secretary	<u>Ekkapol Apinun</u>
Authorised Signatory Mr. Kontee Sunthornpradit	Head of Planning & Budgeting	<u>Kontee Sunthornpradit</u>

Attachment 1

Details of Directors, Management and Controlling Persons

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
3. Ms. Oranuch Apisaksirikul Director Chairman of the Executive Board (Authorized Signatory) Group Chief Executive	54	Common Preferred - -	-	Master of Business Administration (Finance) Bachelor of Laws Bachelor of Accountancy (Accounting & Commerce) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - IOD Anti Corruption Training Program for Corporate and Executives Thai Institute of Directors Association	2010-Present	TISCO Group Chairperson of the Executive Board Group Chief Executive	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Director		
					2009-2010	Member of the Executive Board President		
					Feb2013-Present	Acting Head of Business Strategy & Development		
					Feb2013-Present	Acting Head of Office of Research & Strategy		
					2010-Present	Chairperson of the Executive Board	TISCO Bank Public Company Limited	Bank
					2005-Present	Director		
					2008-2009	Member of the Executive Board		
					2005-2008	Senior Executive Vice President		
					2011-Present	Director	TISCO Foundation	Foundation
					2011-Present	Director	TISCO Learning Center Company Limited	Services
					2010-2011	Chairperson of the Board	TISCO Securities Company Limited	Securities
					2009-2011	Director		
					2010-2011	Member of the Audit Committee		
					2009-2011	Chairperson of the Board Director	TISCO Asset Management Company Limited	Asset Management
					2010-2011	Member of the Audit Committee Chairperson of the Board	TISCO Information Technology Company Limited	Information Technology
					2009-2011	Director		
2000-2007	Director	TISCO Global Securities Limited	Securities					
2000-2007	Director	TISCO Securities Hong Kong Limited	Securities					
2005	Director	TISCO Finance Public Company Limited	Finance					
2002-2005	Chief Financial Officer, Planning and Risk Management							
Jan2012-Present	Others Member of Risk Management Subcommittee	Government Pension Fund	Asset Management					
2010-2011	Advisor to the Risk Management Subcommittee							
2006-2010	Advisor and Member of Risk Management Committee	Small Industry Credit Guarantee Corporation	Specialized Financial Institution					
2001-2008	Member of Risk Management Subcommittee	The Stock Exchange of Thailand	The Stock Exchange of Thailand					
4. Ms. Krisna Theravuthi Independent Director Chairperson of the Nomination and Compensation Committee	62	Common Preferred - -	-	Master of Business Administration (Marketing) University of Wisconsin-Madison, USA Bachelor of Accountancy (Accounting) Chulalongkorn University - Directors Certification Program - Directors Accreditation Program - Effective Audit Committee and Best Practice Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management - Role of Compensation Committee - Role of the Chairman Program Thai Institute of Directors Association	2008-Present	TISCO Group Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2007-2008	Chairperson of the Nomination and Compensation Committee Chairperson of the Nomination and Compensation Committee	TISCO Bank Public Company Limited	Bank
					2005-2008	Member of the Audit Committee Independent Director		
					2005-2007	Chairperson of the Audit Committee		
					2002-2005	Independent Director	TISCO Finance Public Company Limited	Finance
					1998-2002	Member of the Audit Committee Director		
					1996-1998	Member of Audit Committee Director	TISCO Finance and Securities Public Company Limited	Finance and Securities
					Jan2012-Present	Others Director		
					2010-Present	Vice President	Krua Charoen Company Limited Business and Professional Women's Association of Thailand - Udonthani	Food & Beverage Association
					2004-2010	Secretary		
					2010-Present	Advisor	Committee on Labour and Welfare	Government Office
					2008-2010	Advisor		
2004-Present	Vice Chairman	Northeast Community Center for Mental Retardation	Charity Organization					
1986-Present	Member of the Executive Board	Thavorn Udon Company Limited	Hotel					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
5. Ms. Panada Kanokwat Independent Director Chairperson of the Audit Committee	63	Common Preferred	-	Master of Business Administration (Banking & Finance) North Texas State University, USA Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate of Executive Program in International Management Stanford-National University of Singapore - Certificate of Building, Leading & Sustaining Innovation Organization Sloan School of Management, Massachusetts Institute of Technology, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program Thai Institute of Directors Association	2011-Present	<i>TISCO Group</i> Chairperson of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Independent Director	TISCO Bank Public Company Limited	Bank
					2008-2011	Member of the Audit Committee		
					2011-Present	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2008-Present	Independent Director		
					2008-2011	Member of the Audit Committee	Faculty of Commerce and Accountancy, Thammasat University	Academic Institute
					2010-Present	<i>Others</i> Committee, The Bachelor's Degree in Business Administration (International Program)		
					2009	Director	Thai Fatty Alcohols Company Limited	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International (Asia Pacific ROH) Limited	Petrochemical and Chemical
					2008-2009	Director	Thai Oleochemicals Company Limited	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International (Singapore) Pte. Ltd.	Petrochemical and Chemical
					2008-2009	Director	TOC Glycol Company Limited	Petrochemical and Chemical
					2008-2009	Director	Thai Choline Chloride Company Limited	Petrochemical and Chemical
					2008-2009	Director	Thai Ethanolamines Company Limited	Petrochemical and Chemical
2005-2009	Senior Executive Vice President, Chief Corporate Finance & Accounting	PTT Polyethylene Company Limited	Petrochemical and Chemical					
2005-2009	Executive Vice President	PTT Chemical Public Company Limited	Petrochemical and Chemical					
2008	Director	PTT Public Company Limited	Oil and Gas					
2006	Director	Bangkok Polyethylene Public Company Limited	Petrochemical and Chemical					
2004-2005	Director	Star Petroleum Refining Company Limited	Refinery					
2004-2005	Director	Rayong Refinery Public Company Limited	Refinery					
6. Prof. Dr. Pranee Tinakorn Independent Director Member of the Audit Committee	63	Common Preferred	-	Doctor of Philosophy (Economics) Master of Art (Economics) University of Pennsylvania, USA Bachelor of Art (Economics) Swarthmore College, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management - Monitoring the Internal Audit Function - Monitoring the Quality of Financial Reporting - Monitoring Fraud Risk Management Thai Institute of Directors Association	2008-Present	<i>TISCO Group</i> Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2009-Present	Independent Director		
					2009-Present	Member of the Audit Committee	Thai Public Broadcasting Service (Thai PBS)	Government Office
					Aug2012-Present	<i>Others</i> Board of Governors		
					2009-Present	University Council Director	Thailand Development Research Institute (TDRI)	Foundation
					2008-Present	Executive Director of TDRI		
					2005-Present	Member of TDRI Council of Trustees	Thammasat University	Academic Institute
					1979-Present	Professor of Economics		
					2005-2007	Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs	Thammasat University	Academic Institute
					2005-2006	University Committee on Grievance and Appeal		
					2004-2005	University Council Director	The Office of the Public Sector Development Commission	Government Office
					2003-2006	Dean, Faculty of Economics		
					2011-2012	Subcommittee on Improvement of Financial and Budget System under Public Sector Development Committee	National Reform Committee	Independent State Agency
					2010-2011	Director		
					2008-2010	Member of the Committee on Budget Subsidy for Public Services	Ministry of Finance	Government Office
					2007-2008	Advisor to the Minister of Finance		
					2004-2005	Member of the Committee on Adjustment of the State Enterprise Capital Act B.E.2542	Ministry of Finance	Government Office
					2007-2008	Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions		
					2007-2008	Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Company Limited and True Move Company Limited and Digital Phone Company	CAT Telecom Public Company Limited	Communication
2007-2008	Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association					
2003-2006	Member	Puey Ungphakorn Institute Committee	Institute					
2003-2006	Member of the Research Committee	The Secretariat of the House of Representatives	Government Office					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
7. Ms. Patareeya Benjapolchai Independent Director Member of the Audit Committee	58	Common Preferred	-	Master of Business Administration Thammasat University Bachelor of Accountancy (Accounting) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate, The Executive Program University of Michigan, USA - Certificate, Advanced Accounting and Auditing Chulalongkorn University - Directors Certification Program - Financial Institutions Governance Program Thai Institute of Directors Association		<i>TISCO Group</i>		
					2011-Present	Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2010-Present	Independent Director		
					2011-Present	Independent Director	TISCO Bank Public Company Limited	Bank
						Member of the Audit Committee		
						<i>Others</i>		
					2013-Present	Corporate Governance Committee	Corporate Governance Center, The Stock Exchange of Thailand	Stock Exchange
					2011-Present	Ethics Committee	Federation of Accounting Professions Under the Patronage of His Majesty the King	Private Sector
					2011-Present	Director, Award Committee, Board of the Year Award	Thai Institute of Directors Association	Association
					2005-2008	Director		
					2011-Present	Chairperson of the Audit Committee	The Office of the Agricultural Futures Trading Commission	Ministry of Commerce
					2010-Present	Advisor	Thai Listed Companies Association	Association
					2010-Present	Audit Committee	Office of the Permanent Secretary for Defence, Ministry of Defence	Government Office
					2010-Present	Associate Judge	The Central Intellectual Property and International Trade Court	Court
					2010-Present	Directors' Responsibilities Steering Committee	The Securities and Exchange Commission	Independent State Agency
					2010-Present	Director	Baan Ruam Tang Fhun Company Limited	Property Development
					2007-Present	Honorary Advisor	The Institute of Internal Auditors of Thailand	Associate
					2002-Present	Director	Krabi Petra Company Limited	Property Development
					2008-2012	Directors on Foreign Business Committee	Department of Business Development, Ministry of Commerce	Government Office
					2006-2010	President and Executive Committee	The Stock Exchange of Thailand	Stock Exchange
					2009-2010	Chairman	Thailand Securities Depository Company Limited	Private Sector
					2006-2010	Chairman and Executive Chairman		
					2009-2010	Chairman	Family Know-How Company Limited	Private Sector
2006-2009	Vice Chairman							
2009-2010	Chairman	Settrade.com Company Limited	Private Sector					
2008-2010	Director, Award Committee, State-owned Enterprise Award 2008-2010	State Enterprise Policy Office, Ministry of Finance	Government Office					
2007-2010	Chairman of the Subcommittee of Member Recruitment	Thailand Futures Exchange Public Company Limited	Private Sector					
2006-2010	Vice Chairman and Executive Chairman							
2006-2010	Chairman	Thai NVDR Company Limited	Private Sector					
2006-2010	Chairman	Thai Trust Fund Management Company Limited	Private Sector					
2006-2010	Chairman	Siam DR Company Limited	Private Sector					
2006-2010	Chairman	Thailand Clearing House Company Limited	Private Sector					
2006-2010	Director and Secretary	Federation of Thai Capital Market Organizations	Private Sector					
2002-2010	Director, Subcommittee on Investors Education and Public Relations and on Corporate Governance in Thailand	The Prime Minister's Office	Government Office					
2005-2010	Councillor	Thailand Management Association	Association					
2006-2008	Member of The National Legislative Assembly Committee on Finance, Banking and Financial Institutions	The National Legislative Assembly, Thailand	Government Office					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
8. Assoc. Prof. Dr. Angkarat Priebjivat Independent Director Advisor to the Audit Committee	58	Common Preferred	- -	Doctor of Philosophy (Accounting) New York University, USA Master of Science (Accounting) Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate in International Financial Reporting Standard (IFRS) The Institute of Chartered Accountants in England and Wales (ICAEW) - Directors Certification Program - Directors Accreditation Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management - Role of the Chairman Program Thai Institute of Directors Association	2011-Present 2008-Present 2008-2011 2007-2011 2005-2011 2005-2007 2012-Present 2012-Present 2011-Present 2009-Present 2008-Present 2006-Present 2002-Present 2002-2009 1997-Present 1992-Present 2004-2012 2002-2012 2004-2009	<u>TISCO Group</u> Advisor to the Audit Committee Independent Director Chairperson of the Audit Committee Chairperson of the Audit Committee Independent Director Member of the Audit Committee <u>Others</u> Advisor to the Audit Committee Member of the Audit Committee Advisor to the Audit Committee Member, Accounting and Corporate Governance Steering Group Independent Director Chairperson of the Audit Committee Chairman, Supervisory Committee Government Accounting Standards Committee Advisor Associate Professor Advisor to the Listing and Disclosure Department Independent Director (Accounting Specialist) Advisor to the Audit Committee Member of the Consultative Subcommittee on Cost Accounting Development Project	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Government Pension Fund Thai Public Broadcasting Service (Thai PBS) State Railway of Thailand Securities and Exchange Commission Office Mate Public Company Limited The ABF Thailand Bond Index Fund The Comptroller General's Department, Ministry of Finance National Institute of Development Administration (NIDA) The Stock Exchange of Thailand Association of Investment Management Companies TOT Corporation Public Company Limited Office of the Higher Education Commission	Holding Company Bank Asset Management Government Office Government Office Independent State Agency Supplier of full line office products Fund Government Office Educational Institute Stock Exchange Association Communication Commission on Higher Education
9. Mr. Chainoi Puankosoom Independent Director	62	Common Preferred	- -	Master of Management Sasin Graduate Institute of Business Administration of Chulalongkorn University Bachelor Degree in Higher Accounting California College of Commerce, USA - Diploma, Politics and Governance in Democratic Systems for Executives Course, Class 6 King Prajadhipok's Institute - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Accreditation Program - Financial Institutions Governance Program Thai Institute of Directors Association	2011-Present Dec2012-Present Jul2012-Present Jun2012-Present Apr2012-Present Jan2012-Present 2011-Present 2011-Present 2010-Present 2010-Present 2005-2010 2011-2011 2011-2011 1984-2005 2011-2011 2007-2010 2005-2007 2000-2005 1974-1984	<u>TISCO Group</u> Independent Director <u>Others</u> Independent Director Member of the Audit Committee Director Member of the Audit Committee Director Acting Director of Energy Fund Administration Institute Director Chairperson Director Advisor Senior Executive Vice President, Downstream Petroleum Business Group Member of Audit Committee Director Vice President Director Chief Executive Officer and President President President Country Financial Manager	TISCO Financial Group Public Company Limited Golden Land Property Development Public Company Limited Rayong Olefins Company Limited TIPCO Asphalt Public Company Limited Energy Fund Administration Institute "EFAI" HMC Polymers Company Limited National Power Supply Company Limited PTT Public Company Limited Thai Oil Public Company Limited PTT Chemical Public Company Limited PTT Aromatics and Refining Public Company Limited Rayong Refinery Public Company Limited Independent Power (Thailand) Company Limited Chase Manhattan BaNK (Thailand), N.A.	Holding Company Property and Construction Petrochemical and Chemical Property and Construction Public Organization Oil and Gas Oil and Gas Oil and Gas Oil and Gas Oil and Gas Petrochemical and Chemical Oil and Gas Refinery Oil and Gas Bank
10. Mr. Hirohiko Nomura Director Member of the Executive Board Member of the Nomination and Compensation Committee (Authorized Signatory)	48	Common Preferred	- -	Bachelor of Economics The University of Tokyo, Japan	2009-Present 2008-Present 2008-Present 2008 2008-Present 2002-2008	<u>TISCO Group</u> Director Member of the Executive Board Member of the Nomination and Compensation Committee Director Member of the Executive Board Member of the Nomination and Compensation Committee <u>Others</u> Managing Director Senior Manager, International Credit Division	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited MHC Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited: Head Office	Holding Company Bank Consultant Bank
11. Mr. Chi-Hao Sun Director Member of the Executive Board	35	Common Preferred	- -	Master of Science (Finance) Bentley University, USA Master of Business Administration Boston University, USA Bachelor of Arts (Economics) Taipei University, Taiwan	Sep2012-Present 2011-Present Sep2012-Present 2012-Present 2010-2012 2006-2010	<u>TISCO Group</u> Member of the Executive Board Director Member of the Executive Board <u>Others</u> Assistant Vice President Senior Manager Senior Consultant	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDIB & Partners Investment Holding Corporation KPMG Corporate Finance (Taiwan)	Holding Company Bank Investment Financial Services Consulting

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
12. Mr. Suthas Ruangmanamongkol Director Member of the Executive Board (Authorized Signatory) President	51	Common Preferred 3,000,000 -	-	Master of Science (Business) University of Wisconsin-Madison, USA Master of Business Administration (Finance) Western Illinois University, USA Bachelor of Engineering (Computer Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present 2009-Present 2008-Present 2009-Present 2009-2011 2005-2011 2005-2008 2002-2005 2000-2001 1998-2000 2010-Present 2010-Present 2010-Present	<i>TISCO Group</i> President Member of the Executive Board Director Director Member of the Executive Board President Director Director Managing Director Head of Commercial Finance Treasury and Funding Director Assistant Managing Director - Securities Investment and Trading <i>Others</i> Director Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Information Technology Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited TISCO Securities Company Limited The Thai Bankers' Association Phelps Dodge International (Thailand) Company Limited PTDL Trading Company Limited	Holding Company Bank Information Technology Asset Management Finance Securities Association Manufacture of wire and cable products Distributor of electric wires and cable
13. Mr. Sakchai Peechapat Senior Executive Vice President	45	Common Preferred 60,000 -	-	Master of Business Administration (International Business) University of Hawaii at Manoa, USA Bachelor of Engineering (Civil Engineering) (Honour) Kasetsart University Japan-focused Management Program Japan-America Institute of Management Science, USA Executive Management Program Faculty of Commerce and Accountancy, Thammasat University - Directors Certification Program - Directors Accreditation Program Thai Institute of Directors Association	2010-Present 2010-Present 2010 2009 2006-2008 2005-2006 2010-Present 2009-Present 2009-Present 2009-2011 2009-2011 2004-2005 2002-2004 2006-Present	<i>TISCO Group</i> Senior Executive Vice President Senior Executive Vice President - Retail Banking Senior Executive Vice President - Marketing & Customer Relations Executive Vice President - Marketing & Customer Relations Executive Vice President - Retail Banking Acting Human Resources and Organization Development Executive Vice President - Human Resources and Organization Development Chairman of the Board Director Chairman of the Board Director Director Head of Human Resources and Organization Development Deputy Head of Retail Finance Acting Head of Special Channel Distribution and Retail Finance <i>Others</i> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited AXA Insurance Public Company Limited	Holding Company Bank Hire Purchase Leasing Securities Asset Management Finance Insurance
14. Mr. Pitada Vatcharasiritham Senior Executive Vice President	48	Common Preferred - -	-	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University	Jan2013-Present 2010-2012 2010-Present Jul2012-Jan2013 2011-Present 2010 2010 2009-2010 2006-2010 2000-2010 2006-2009 2002-2010 2002-2010	<i>TISCO Group</i> Senior Executive Vice President First Executive Vice President Senior Executive Vice President - Corporate Banking Acting Head of Investment Banking Director <i>Others</i> Director Executive Director President Executive Director Director President - Investment Banking Director Executive Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Company Limited Finansa Public Company Limited Finansa Securities Company Limited Finansa Capital Company Limited	Holding Company Bank Securities Finance Securities General Management Business
15. Mr. Metha Pingsuthiwong First Executive Vice President	46	Common Preferred 178,000 -	-	Master of Business Administration (Finance) University of Wisconsin-Milwaukee, USA Bachelor of Engineering (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present Feb2013-Present 2010-Jan2013 2009 2005-2008 2011-Dec2012 2009-2011 2002-2005 2005 1999-Present	<i>TISCO Group</i> First Executive Vice President First Executive Vice President - Retail Banking - Front First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Treasury and Banking Operation Executive Vice President - Treasury and Private Banking Director Director Head of Securities Investment and Trading Executive Vice President - Treasury and Funding <i>Others</i> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Investment Advisory Company Limited ² TISCO Securities Company Limited TISCO Finance Public Company Limited K-Line (Thailand) Company Limited	Holding Company Bank Investment Advisory Securities Finance Transportation

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
16. Ms. Araya Thirakomen First Executive Vice President	50	Common Preferred	193,000 -	-	Master of Business Administration (Finance) University of New Haven, USA Bachelor of Accountancy (Finance) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program Thai Institute of Directors Association	2010-Present 2009-Present 2005-Present 2005-2008 2003-2005 1999-2003 2006-Present 2002-Present 2002-Present 2004-2012 2002-2004	<u>TISCO Group</u> First Executive Vice President President Director Deputy Managing Director Head of Provident Fund Business Head of Provident Fund-Marketing <u>Others</u> Member of National Pension Subcommittee Member of Subcommittee on Pension and Provident Fund Member of Subcommittee on Consideration of draft Notifications on Supervision of Security Business Deputy Chairman, Chairperson of Provident Fund Business Group, and Chairperson of Subcommittee-Provident Fund Member of Subcommittee on Consideration of the Amendment to Provident Fund Act	TISCO Financial Group Public Company Limited TISCO Asset Management Company Limited Fiscal Policy Office, Ministry of Finance The Securities and Exchange Commission Association of Investment Management Company ("AIMC")	Holding Company Asset Management Government Agency Independent State Agency Association
17. Mr. Paiboon Nalinthrangkum First Executive Vice President	46	Common Preferred	260,000 -	-	Master of Business Administration (Finance) Indiana University at Bloomington, USA Bachelor of Arts (Computer Science) University of California at Santa Cruz, USA Certified Financial Analyst CFA Institute, USA - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Directors Accreditation Program - Audit Committee Program Thai Institute of Directors Association	2010-Present 2006-Present 2005-Present 2005-2006 2001-2005 2011-Present 2010-Present 2010-Present 2009-Present 2009-Present 2009-Present 2008-Present 2007-2012	<u>TISCO Group</u> First Executive Vice President Chief Executive Officer Director Deputy Managing Director Head of Brokerage Equity Director Head of Equity Head of Research (Acting) Chairman of the Board of Directors and Chief Executive Officer <u>Others</u> Chairman Director Chairman Executive Director Governor Director Director	TISCO Financial Group Public Company Limited TISCO Securities Company Limited Deutsche TISCO Investment Advisory Company Limited Federation of Thai Capital Market Organizations Joint Public and Private Sector Consultative Committee (JPPCC) Securities Analysts Association Association of Securities Companies The Stock Exchange of Thailand Capital Market Development Committee Futures Industry Club	Holding Company Securities Investment Advisory Organization Committee Association Association Stock Exchange Committee Club
18. Mr. Chalit Silpsrikul First Executive Vice President	51	Common Preferred	- -	-	Master of Business Administration Bachelor of Accountancy (Accounting) Thammasat University Financial Executive Development Program (FINEX 14) The Thai Institute of Banking and Finance Association Crestcom Bullet Proof Manager (Management Skill Development Course) - Directors Certification Program Thai Institute of Directors Association	Jan2013-Present 2010-2012 Feb2013-Present 2010-Jan2013 2010-2011 2009 2005-2008 2011-Present	<u>TISCO Group</u> First Executive Vice President Executive Vice President First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Retail Banking - Front Acting Head of Provincial Channel Head of Retail Banking Deputy Head of Retail Banking Director <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited	Holding Company Bank Hire Purchase
19. Ms. Yutiga Sonthayanavin Executive Vice President	54	Common Preferred	524 -	-	Master of Business Administration Bachelor of Science (Statistics) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present 2004-Present 2005-2008 2006-2007	<u>TISCO Group</u> Executive Vice President Managing Director <u>Others</u> Vice Chairperson and Director - Information Technology Club Member - Technology Development Committee	TISCO Financial Group Public Company Limited TISCO Information Technology Company Limited Association of Securities Companies The Stock Exchange of Thailand	Holding Company Information Technology Association Stock Exchange

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
20. Mr. Chatri Chandrangam Executive Vice President Risk and Financial Control	43	Common Preferred	20,000 -	-	Master of Finance (Distinction) Imperial College, London, UK Master of Business Administration (International Business) Schiller International University, UK Bachelor of Business Administration (Banking & Finance) Chulalongkorn University Certified Financial Analyst CFA Institute, USA - Directors Certification Program Thai Institute of Directors Association	2010-Present Jan2012-Present 2009 2005-2008 2011-Present 2011-Present 2011-Present 2011-Present 2011-Present 2009-Present 2009-Present 2009-Present 2007-Present 2000-2005	<i>TISCO Group</i> Executive Vice President - Risk and Financial Control Acting Head of Investment Financial Controller and Risk Management Financial Controller and Risk Management Director Director Director Director Director Director Director Director and Member of Audit Committee Director and Member of Audit Committee Head of Risk Management <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Leasing Company Limited TISCO Information Technology Company Limited Deutsche TISCO Investment Advisory Company Limited TISCO Learning Center Company Limited Hi-Way Company Limited TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited	Holding Company Bank Leasing Information Technology Investment Advisory Services Hire Purchase Leasing Securities Asset Management Finance
21. Mr. Paitat Srivilairit Head of Operational Risk Management	47	Common Preferred	- -	-	Master of Business Administration Thammasat University Bachelor of Engineering Chulalongkorn University - Company Secretary Program - Audit Committee Program - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management Thai Institute of Directors Association	Feb2013-Present 2009-Jan2013 2004-2008 2003-2004	<i>TISCO Group</i> Head of Operational Risk Management Head of Internal Audit Head of Internal Audit Head of Executive Office <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Company Limited	Holding Company Bank Securities
22. Mr. Watsakorn Thepthim Head of Human Resources	40	Common Preferred	- -	-	Master of Information System University of Manchester, UK Master of Business Administration (Management) Assumption University Bachelor of Business Administration (Finance) Assumption University	Jan2012-Present May2012-Present 2009-2010 2005-2008 2011-Present 2011-Present 2010-2011	<i>TISCO Group</i> Head of Human Resources Acting Head of Human Resources Strategy Assistant Head of Business Strategy & Development Acting Head of Product Development & Market Research Head of Product & Service Development Director of TISCO Learning Center Director Head of TISCO Learning Center <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Learning Center Company Limited	Holding Company Bank Learning Center
23. Mr. Ekkapol Apinun Corporate Secretary Head of Corporate Office	42	Common Preferred	- -	-	Master of Laws Southern Methodist University, USA Master of Laws The American University, USA Bachelor of Laws Thammasat University - Company Secretary Program - Company Reporting Program Thai Institute of Directors Association	2011-Present Jan2012-Present May2012-Present 2010-2011 2009-2010 2007-2008 Apr2012-Present 2011-Present 2011-Present 2011-Present 2006-2007 1997-2006	<i>TISCO Group</i> Corporate Secretary Head of Corporate Office Acting Head of Corporate Secretariat Office Assistant Head of Corporate Office Head of Legal Office Head of Legal Office Director Director Director Director <i>Others</i> Senior Legal Manager <i>Others</i> Associate	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Deutsche TISCO Investment Advisory Company Limited Hi-Way Company Limited TISCO Information Technology Company Limited TISCO Leasing Company Limited Yum Restaurant International (Thailand) Company Limited Deacons Company Limited	Holding Company Bank Investment Advisory Hire Purchase Information Technology Leasing Restaurant Law Firm
24. Ms. Dulyarat Taveebhol Assistant Head of Corporate Office	55	Common Preferred	- -	-	Bachelor of Accountancy (Accounting) Thammasat University	2010-Present 2009-2010 2008-2009 2005-2008 2009-Present 2009-Present 1997-2005	<i>TISCO Group</i> Assistant Head of Corporate Office Head of Compliance & Internal Control Head of Compliance & Internal Control Head of Internal Control Director and Member of the Audit Committee Director and Member of the Audit Committee Head of Internal Control <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Asset Management Company Limited TISCO Securities Company Limited TISCO Finance Public Company Limited	Holding Company Bank Asset Management Securities Finance

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
25. Mr. Kontee Sunthornpradit Head of Planning and Budgeting	36	Common Preferred	12,000 -	-	Master of Management (Operation Research) Case Western Reserve University, USA Master of Business Administration Bachelor of Economics Chulalongkorn University	Feb2013-Present 2009-Jan2013 2006-2008 2005-2006 2005 2005	<i>TISCO Group</i> Head of Planning and Budgeting Head of Enterprise Risk Management Head of Risk Management Head of Enterprise Risk Head of Risk Research and Analysis Head of Risk Research and Analysis <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
26. Dr. Kampon Adireksombat Head of Economic Strategy	35	Common Preferred	- -	-	Doctoral Degree (Economics) Michigan State University, USA Master of Economics National University of Singapore Bachelor of Economics Chulalongkorn University	Feb2013-Present 2011-Jan2013 2010-2011	<i>TISCO Group</i> Head of Economic Strategy Senior Economist <i>Others</i> Senior Economist	TISCO Financial Group Public Company Limited TISCO Securities Company Limited Economic Intelligence Center, The Siam Commercial Bank Public Company Limited	Holding Company Securities Bank
27. Mr. Kittipong Tiyaboonchai Head of Regulatory & Management Report	40	Common Preferred	8,000 -	-	Master of Information Systems University of Memphis, USA Master of Business Administration Bachelor of Business Administration (Banking & Finance) Chulalongkorn University	2009-Present 2007-2008 2006-2007 2005-2006	<i>TISCO Group</i> Head of Regulatory & Management Report Head of Corporate Information Management Head of Cashiering & Bulk Processing Financial Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
28. Mr. Kullachart Ekvoratham Head of Productivity Improvement	34	Common Preferred	- -	-	Master of Business Administration Bachelor of Engineering Chulalongkorn University	Jan2012-Present 2010-2011 2009-2010 2009 2007-2008 2006-2007	<i>TISCO Group</i> Head of Productivity Improvement Head of Productivity Improvement - Retail & Corporate Banking Head of Productivity Improvement - Corporate Banking and Core Operation Productivity Improvement Officer Processing Officer <i>Others</i> Project Manager	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited ADA Trade Company Limited	Holding Company Bank Plastic Trading Business
29. Ms. Jiraporn Sawukpaiboon Head of Internal Audit	44	Common Preferred	15,000 -	-	Master of Administration (Accounting) Thammasat University Bachelor of Arts (Accounting) Kasetsart University	Feb2013-Present 2006-Jan2013	<i>TISCO Group</i> Head of Internal Audit Deputy Head of Internal Audit <i>Others</i> -	TISCO Financial Group Public Company Limited	Holding Company
30. Ms. Chutintorn Vigasi Head of Corporate Accounting	49	Common Preferred	10,324 -	-	Master of Business Administration (Accounting) Thammasat University Bachelor of Accountancy (Accounting Theory) Chulalongkorn University	2009-Present 2005-2008 2002-2005	<i>TISCO Group</i> Head of Corporate Accounting Head of Corporate Accounting Head of Corporate Accounting <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
31. Ms. Nudtinee Suwanpanitch Head of Legal Office	39	Common Preferred	- -	-	Master of Business Administration Ramkhamhaeng University Bachelor of Laws Thammasat University	2010-Present 2009-2010 2007-2008	<i>TISCO Group</i> Head of Legal Office Head of Legal Counselor Senior Counselor <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
32. Mr. Noppawat Tangburanakij Head of Technology & E-Channel	35	Common Preferred	- -	-	Master of Science in Information Technology Arizona State University, USA Bachelor of Business Administration (Management) Chulalongkorn University	Feb2013-Present 2010-Jan2013 2009 2007-2008 2005-2007 2005	<i>TISCO Group</i> Head of Technology & E-Channel ¹³ Head of Channel Development Head of Product & Channel Development Head of Cash Management & Bulk Processing Head of Cash Management Services Cash Management Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years				
					Period	Position	Company / Organization	Type of Business	
33. Ms. Narisara Tanarugsachok Head of Data Analysis & Management	36	Common Preferred	-	-	Master of Science (Statistics) Chulalongkorn University Bachelor of Science (Mathematics) Mahidol University	2009-Present	<i>TISCO Group</i> Head of Data Analysis & Management	TISCO Financial Group Public Company Limited	Holding Company
						2006-2009	<i>Others</i> Manager - Data Mining Department	Total Access Communication Public Company Limited	Communication Company
						2004-2006	Assistant Manager - Privilege Banking	Bank Thai Public Company Limited	Bank
34. Ms. Nartrudee Siwabut Head of Corporate Marketing & Communication	52	Common Preferred	135,000	-	-	2009-Present	<i>TISCO Group</i> Head of Corporate Marketing & Communication	TISCO Financial Group Public Company Limited	Holding Company
						2004-2008	Head of Corporate Marketing & Communication <i>Others</i> -	TISCO Bank Public Company Limited	Bank
35. Mr. Nipon Wongchotiwat Head of Enterprise Risk Management	35	Common Preferred	-	-	Master of Science (Finance) Thammasat University Bachelor of Commerce (Finance & Economics) University of Wollongong, Australia	Feb2013-Present	<i>TISCO Group</i> Head of Enterprise Risk Management	TISCO Financial Group Public Company Limited	Holding Company
						2009-Jan2013	Head of Planning & Budgeting	TISCO Bank Public Company Limited	Bank
						2007-2008	Head of Planning & Budgeting		
						2005-2007	Acting Head of Budgeting & Cost Management		
						2005	Risk Management Officer	TISCO Finance Public Company Limited	Finance
36. Mr. Prayuk Charoencharaskul Head of Process Risk Management	33	Common Preferred	-	-	Master of Business Administration University of North Carolina at Chapel Hill, USA Bachelor of Business Administration (Management) Chulalongkorn University	Feb2013-Present	<i>TISCO Group</i> Head of Process Risk Management ¹⁴	TISCO Financial Group Public Company Limited	Holding Company
						2009-Jan2013	Head of Operational Risk Management		
						2006-2008	Productivity Improvement Officer <i>Others</i> -	TISCO Bank Public Company Limited	Bank
37. Mr. Pitak Lausangnam Head of Project Management	30	Common Preferred	-	-	Master of Science in Engineering Business Management University of Warwick, UK Bachelor of Engineering Kasetsart University	Jan2012-Present	<i>TISCO Group</i> Head of Project Management	TISCO Financial Group Public Company Limited	Holding Company
						2009-2011	Head of Productivity Improvement - Wealth & Asset Management		
						2009	Operational Risk Management Officer	TISCO Bank Public Company Limited	Bank
						2008	Productivity Improvement Officer <i>Others</i> 2007-2008 Manager of Printing and Packing Department	Plastech Industrial Company Limited	Plastic Packaging
38. Ms. Pattarinee Ratananakin Head of Investor Relations	32	Common Preferred	-	-	Master of Business Administration (Finance) University of Wisconsin-Madison, USA Bachelor of Business Administration (Finance and Banking) Chulalongkorn University	2009-Present	<i>TISCO Group</i> Head of Investor Relations	TISCO Financial Group Public Company Limited	Holding Company
						2008	Senior Investor Relations <i>Others</i> Associate Director, Investment Banking	TISCO Bank Public Company Limited	Bank
						2005-2008		Kasikorn Securities Public Company Limited	Securities
39. Mr. Puvarin Kullaphatkanon Head of Risk Research	32	Common Preferred	-	-	Master of Arts in Economics New York University, USA Bachelor of Economics Chulalongkorn University Financial Risk Manager (FRM) Global Association of Risk Professionals, USA	2010-Present	<i>TISCO Group</i> Head of Risk Research	TISCO Financial Group Public Company Limited	Holding Company
						2009-2010	Head of Risk Research & Advisory		
						2005-2009	Senior Risk Officer	TISCO Bank Public Company Limited	Bank
						2004-2005	Risk Officer <i>Others</i> -	TISCO Finance Public Company Limited	Finance
40. Ms. Maneerat Wattanajak Head of Compliance - Asset Management Business	43	Common Preferred	-	-	Master of Financial Accounting Chulalongkorn University Bachelor of Accountancy Thammasat University	2010-Present	<i>TISCO Group</i> Head of Compliance - Asset Management Business	TISCO Financial Group Public Company Limited	Holding Company
						2009-2010	Head of Compliance and Internal Control - Asset Management		
						2008	Head of Compliance and Internal Control	TISCO Asset Management Company Limited	Asset Management
						2000-2008	Senior Compliance and Internal Control Officer <i>Others</i> -		
41. Mr. Synn Navamananda Head of Product Development and Marketing	31	Common Preferred	-	-	Bachelor of Economics (International Program) Thammasat University	Apr2012-Present	<i>TISCO Group</i> Head of Product Development and Marketing	TISCO Financial Group Public Company Limited	Holding Company
							<i>Others</i> Vice President Fraud System & Prevention		
						2008-2012	Vice President Business Transformation	The Hongkong and Shanghai Banking Corporation Limited	Bank
						2007-2008	Vice President Quality Management		
42. Ms. Sakornrat Manuwong Head of Compliance - Banking Business	42	Common Preferred	-	-	Bachelor of Accountancy (Accounting) Thammasat University	2010-Present	<i>TISCO Group</i> Head of Compliance - Banking Business	TISCO Financial Group Public Company Limited	Holding Company
						2010	Head of Compliance & Internal Control - Bank		
						2009	Senior Compliance and Internal Control Officer	TISCO Bank Public Company Limited	Bank
						2008	Senior Compliance and Internal Control Officer <i>Others</i> -		

1.1 Details of Directors, Management and Controlling Persons as of February 1, 2013

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
43. Mr. Somchat Lapapong Head of Corporate Services	50	Common Preferred	- -	-	Bachelor of Business Administration (Marketing) Ratchamangkala University	2010-Present 2009-2010 2005-2008	<u>TISCO Group</u> Head of Corporate Services Deputy Head of Corporate Services Head of Branch Development <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
44. Ms. Suthiprom Areesakulsuk Head of Human Resources Services	56	Common Preferred	38,452 -	-	Bachelor of Arts (Management) Bangkok University	Jan2012-Present 2005-2011 2005 2003-2004 2002-2003 2000-2001 1999-2000 1996-1999	<u>TISCO Group</u> Head of Human Resources Services Head of Compensation & Benefit Head of Human Resources Services Head of Employee Services Deputy Head of Human Resources Head of Human Resources Services Head of Processing Services Head of Personal Data & Compensation / Human Resources	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Thai Information Technology Company Limited TISCO Finance Public Company Limited	Holding Company Bank Information Technology Finance
45. Ms. Supaporn Aramtiantamrong Head of Compliance - Securities Business	56	Common Preferred	61,248 -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	2010-Present 2009-2010 2008 2003-2008	<u>TISCO Group</u> Head of Compliance - Securities Business Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Asset Management <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited	Holding Company Securities Asset Management
46. Ms. Arayapha Siripanich Head of Information Security Management	33	Common Preferred	- -	-	Bachelor (Computer) King Mongkut's Institute of Technology Ladkrabang	Feb2013-Present 2007-Jan2013	<u>TISCO Group</u> Head of Information Security Management IT Security Specialist <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Information Technology Company Limited	Holding Company Information Technology

Remark: ¹ Including spouse and minor children² Renamed to "Deutsche TISCO Investment Advisory Company Limited"³ Renamed from Channel Development⁴ Renamed from Operational Risk Management

Name	TISCO	TISCO BANK	Subsidiaries							
			TISCO SEC	TISCO ASSET	HI-WAY	TISCO IT	TTL	TISCO LEASE	TLC	DTJV ²
1 Mr. Pliu Mangkornkanok	C,D	C,D	-	-	-	-	-	-	-	-
2 Mr. Hon Kit Shing (Mr. Alexander H. Shing)	VC,D,NCC	VC,D	-	-	-	-	-	-	-	-
3 Ms. Oranuch Apisaksirikul	D,CE,GCE	D,CE	-	-	-	-	-	-	D	-
4 Mrs. Krisna Theravuthi	I,CNCC	-	-	-	-	-	-	-	-	-
5 Assoc.Prof.Dr.Angkarat Priejvirivat	I,AVAC	-	-	-	-	-	-	-	-	-
6 Ms. Panada Kanokwat	I,CA	I,CA	-	-	-	-	-	-	-	-
7 Prof. Dr. Pranee Tinakorn	I,A	I,A	-	-	-	-	-	-	-	-
8 Ms. Patareeya Benjapolchai	I,A	I,A	-	-	-	-	-	-	-	-
9 Mr. Chainoi Puankosoom	I	-	-	-	-	-	-	-	-	-
10 Mr. Hirohiko Nomura	D,E,NCC	D,E	-	-	-	-	-	-	-	-
11 Mr. Chi-Hao Sun	D,E	E	-	-	-	-	-	-	-	-
12 Mr. Suthas Ruangmanamongkol	D,E	D,E,P ¹	-	-	-	-	-	-	-	-
13 Mr. Pichai Chanvirachart	-	D	-	-	-	-	-	-	-	-
14 Mr. Sathit Aungmanee	-	-	C,D,A	C,D,A	-	-	-	-	-	-
15 Mr. Sakchai Peechapat	SEVP ¹	SEVP ¹	-	-	C,D	-	C,D	-	-	-
16 Mr. Pitada Vatcharasiritham	SEVP ¹	SEVP ¹	D	-	-	-	-	-	-	-
17 Mr. Metha Pingsuthiwong	FEVP ¹	FEVP ¹	-	-	-	-	-	-	-	-
18 Ms. Araya Thirakomen	FEVP ¹	-	-	D,Pr ¹	-	-	-	-	-	-
19 Mr. Paiboon Nalinthrangkurn	FEVP ¹	-	D,CEO ¹	-	-	-	-	-	-	C,D,CEO ¹
20 Mr. Chalit Silpsirikul	FEVP ¹	FEVP ¹	-	-	D	-	-	-	-	-
21 Ms. Yutiga Sonthayanavin	EVP ¹	-	-	-	-	D,MD ¹	-	-	-	-
22 Mr. Chatri Chandrangam	EVP	-	D,A	D,A	D	D	D	D	D	D,A
23 Mr. Pairat Srivilairit	DH	-	-	-	-	-	-	-	-	-
24 Mr. Watsakorn Thepthim	DH	-	-	-	-	-	-	-	D	-
25 Mr. Ekkapol Apinun	DH	-	D,A	-	D	D	-	D	-	D,A
26 Ms. Dulyarat Taveebhol	ADH	-	-	D,A	-	-	-	-	-	-
27 Mr. Kontee Sunthornpradit	FH	-	-	-	-	-	-	-	-	-
28 Dr. Kampon Adireksombat	FH	-	-	-	-	-	-	-	-	-
29 Mr. Kittipong Tiyaboonchai	FH	-	-	-	-	-	-	-	-	-
30 Mr. Kullachart Ekvoratham	FH	-	-	-	-	-	-	-	-	-
31 Ms. Jiraporn Sawsukpaiboon	FH	-	-	-	-	-	-	-	-	-
32 Ms. Chutintorn Vigasi	FH	-	-	-	-	-	-	-	-	-
33 Ms. Nudtinee Suwanpanitch	FH	-	-	-	-	-	-	-	-	-
34 Mr. Noppawat Tangburanakij	FH	-	-	-	-	-	-	-	-	-
35 Ms. Narisara Tanarugsachock	FH	-	-	-	-	-	-	-	-	-
36 Ms. Nartrudee Siwabut	FH	-	-	-	-	-	-	-	-	-
37 Mr. Nipon Wongchotiwat	FH	-	-	-	-	-	-	-	-	-
38 Mr. Prayuk Charoencharaskul	FH	-	-	-	-	-	-	-	-	-
39 Mr. Pitak Lausanggam	FH	-	-	-	-	-	-	-	-	-
40 Ms. Pattarinee Ratananakin	FH	-	-	-	-	-	-	-	-	-
41 Mr. Puvarin Kullaphatkanon	FH	-	-	-	-	-	-	-	-	-
42 Ms. Maneerat Wattanajak	FH	-	-	-	-	-	-	-	-	-
43 Mr. Synn Navamananda	FH	-	-	-	-	-	-	-	-	-
44 Ms. Sakornrat Manuwong	FH	-	-	-	-	-	-	-	-	-
45 Mr. Somchat Lapapong	FH	-	-	-	-	-	-	-	-	-
46 Ms. Suthiprom Areesakulsuk	FH	-	-	-	-	-	-	-	-	-
47 Ms. Supaporn Aramtiantamrong	FH	-	-	-	-	-	-	-	-	-
48 Ms. Arayapha Siripanich	FH	-	-	-	-	-	-	-	-	-

/1 TISCO Financial Group Public Company Limited management, seconded to manage subsidiary companies

/2 Deutsche TISCO Investment Advisory Company Limited is a joint venture of Deutsche Bank and TISCO

Abbreviations :

C = Chairman
I = Independent Director
D = Director
CE = Chairperson of The Executive Board
E = Executive Board Member
CNCC = Chairperson of The Nomination and Compensation Committee
NCC = Nomination and Compensation Committee
CA = Chairperson of The Audit Committee
A = Audit Committee
AVAC = Advisor to the Audit Committee

GCE = Group Chief Executive
P = President of parent company & core company
SEVP = Senior Executive Vice President
FEVP = First Executive Vice President
EVP = Executive Vice President
CEO = Chief Executive Officer
Pr = President of other subsidiary company
MD = Managing Director
CFO = Chief Financial Officer

CSO = Chief Security Officer
DH = Division Head
ADH = Assistant Division Head
FH = Function Head
- = None

Remarks :

TISCO = TISCO Financial Group Public Co., Ltd.
TISCO ASSET = TISCO Asset Management Co., Ltd.
TTL = TISCO Tokyo Leasing Co., Ltd.
DTJV = Deutsche TISCO Investment Advisory Co., Ltd.

TISCO BANK = TISCO Bank Public Co., Ltd.
HI-WAY = Hi-Way Co., Ltd.
TISCO LEASE = TISCO Leasing Co., Ltd.

TISCO SEC = TISCO Securities Co., Ltd.
TISCO IT = TISCO Information Technology Co., Ltd.
TLC = TISCO Learning Center Co., Ltd.

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of February 1, 2013	Increase (Decrease) During the Year	As of February 1, 2013
1	Mr. Pliu Mangkornkanok	0	2,019,100	0	0
2	Mr. Hon Kit Shing (Mr. Alexander H. Shing)	0	0	0	0
3	Ms. Oranuch Apisaksirikul	(300,000)	0	0	0
4	Ms. Krisna Theravuthi	(12)	0	0	0
5	Ms. Panada Kanokwat	0	0	0	0
6	Prof. Dr. Pranee Tinakorn	0	0	0	0
7	Ms. Patareeya Benjapolchai	0	0	0	0
8	Assoc. Prof. Dr. Angkarat Priebjrivat	0	0	0	0
9	Mr. Chainoi Puankosoom	0	0	0	0
10	Mr. Hirohiko Nomura	0	0	0	0
11	Mr. Chi-Hao Sun	0	0	0	0
12	Mr. Suthas Ruangmanamongkol	0	3,000,000	0	0
13	Mr. Sakchai Peechapat	0	60,000	0	0
14	Mr. Pitada Vatcharasiritham	0	0	0	0
15	Mr. Metha Pingsuthiwong	0	178,000	0	0
16	Ms. Araya Thirakomen	0	193,000	0	0
17	Mr. Paiboon Nalinthrangkum	0	260,000	0	0
18	Mr. Chalit Silpsirikul	(72)	0	0	0
19	Ms. Yutiga Sonthayanavin	(55,000)	524	0	0
20	Mr. Chatri Chandrangam	0	20,000	0	0
21	Mr. Pairat Srivilairit	0	0	0	0
22	Mr. Watsakorn Thepthim	0	0	0	0
23	Mr. Ekkapol Apinun	0	0	0	0
24	Ms. Dulyarat Taveebhol	0	0	0	0
25	Mr. Kontee Sunthornpradit	0	12,000	0	0
26	Dr. Kampon Adireksombat	0	0	0	0
27	Mr. Kittipong Tiyaboonchai	0	8,000	0	0
28	Mr. Kullachart Ekvoratham	0	0	0	0
29	Ms. Jiraporn Sawsukpaiboon	0	15,000	0	0
30	Ms. Chutintorn Vigasi	0	10,324	0	0
31	Ms. Nudtinee Suwanpanitch	0	0	0	0
32	Mr. Noppawat Tangburanakij	0	0	0	0
33	Ms. Narisara Tanarugsachock	0	0	0	0
34	Ms. Nartrudee Siwabut	0	135,000	0	0
35	Mr. Nipon Wongchotiwat	0	0	0	0
36	Mr. Prayuk Charoencharaskul	0	0	0	0
37	Mr. Pitak Lausanggam	(2,000)	0	0	0
38	Ms. Pattarinee Ratananakin	0	0	0	0
39	Mr. Puvarin Kullaphatkanon	0	0	0	0
40	Ms. Maneerat Wattanajak	0	0	0	0
41	Mr. Synn Navamananda	0	0	0	0
42	Ms. Sakornrat Manuwong	0	0	0	0
43	Mr. Somchat Lapapong	0	0	0	0
44	Mr. Suthipirom Areesakulsuk	0	38,452	0	0
45	Ms. Supaporn Aramtiantamrong	0	61,248	0	0
46	Ms. Arayapha Siripanich	0	0	0	0

Remark: ¹ Including spouse and minor children

Attachment 3

Details of Directors in Subsidiaries

Name	Subsidiary Companies								
	TISCO BANK	TISCO SEC	TISCO ASSET	HI-WAY	TISCO IT	TTL	TISCO LEASE	TLC	DTJV ^{/2}
1 Mr. Pliu Mangkornkanok	C,D	-	-	-	-	-	-	-	-
2 Mr. Hon Kit Shing (Mr. Alexander H. Shing)	VC,D	-	-	-	-	-	-	-	-
3 Ms. Oranuch Apisaksirikul	D,CE	-	-	-	-	-	-	D	-
4 Ms. Panada Kanokwat	I,CA	-	-	-	-	-	-	-	-
5 Prof. Dr. Pranee Tinakorn	I,A	-	-	-	-	-	-	-	-
6 Ms. Patareeya Benjapolchai	I,A	-	-	-	-	-	-	-	-
7 Mr. Hirohiko Nomura	D,E	-	-	-	-	-	-	-	-
8 Mr. Suthas Ruangmanamongkol	D,E,Pr ¹	-	-	-	-	-	-	-	-
9 Mr. Pichai Chanvirachart	D	-	-	-	-	-	-	-	-
10 Mr. Sathit Aungmanee	-	C,D,A	C,D,A	-	-	-	-	-	-
11 Mr. Sakchai Peechapat	-	-	-	C,D	-	C,D	-	-	-
12 Mr. Pitada Vatcharasiritham	-	D	-	-	-	-	-	-	-
13 Ms. Araya Thirakomen	-	-	D,Pr ¹	-	-	-	-	-	-
14 Mr. Paiboon Nalinhrangkurn	-	D,CEO ^{/1}	-	-	-	-	-	-	C,D,CEO ^{/1}
15 Ms. Yutiga Sonthayanavin	-	-	-	-	D,MD ^{/1}	-	-	-	-
16 Mr. Chalit Silpsrikul	-	-	-	D	-	-	-	-	-
17 Mr. Chatri Chandrangam	-	D,A	D,A	D	D	D	D	D	D,A
18 Mr. Tharatporn Techakitkachorn	-	D	-	-	D	-	D	-	D
19 Mr. Ekkapol Apinun	-	D,A	-	D	D	-	D	-	D,A
20 Ms. Dulyarat Taveebhol	-	-	D,A	-	-	-	-	-	-
21 Mr. Theeranat Rujimethapass	-	-	D	-	-	-	-	-	-
22 Ms. Duangrat Kittivitayakul	-	-	D	-	-	-	-	-	-
23 Mr. Supachai Boonsiri	-	-	-	D,MD	-	-	D,MD	-	-
24 Mr. Worapan Luanguthai	-	-	-	D	-	-	-	-	-
25 Ms. Wanthana chotchaisathit	-	-	-	-	D	-	-	-	-
26 Ms. Penjit Taepaisitpong	-	-	-	-	D	-	-	-	-
27 Mr. Dejphinun Suthadsanasoung	-	-	-	-	-	D	-	-	-
28 Mr. Kuniaki Tanaka	-	-	-	-	-	D,MD	-	-	-
29 Mr. Foo Siang Seng	-	-	-	-	-	D	-	-	-
30 Mr. Theerayuth Praserttananadecho	-	-	-	-	-	-	D	-	-
31 Mr. Wittaya Mettaviharee	-	-	-	-	-	-	D	-	-
32 Mr. Viwat Techapoonpol	-	D	-	-	-	-	-	-	-
33 Ms. Aunchana Grisa-ard	-	D	-	-	-	-	-	-	-
34 Mr. Nilesh Navlakha	-	-	-	-	-	-	-	-	D
35 Mr. Fergus Lynch	-	-	-	-	-	-	-	-	D
36 Ms. Ornkanya Pibulldham	-	-	-	-	-	-	-	-	D
37 Mr. Watsakorn Thepthim	-	-	-	-	-	-	-	D	-

/1 TISCO Financial Group Public Company Limited management, seconded to manage subsidiary companies

/2 Deutsche TISCO Investment Advisory Company Limited is a joint venture of Deutsche Bank and TISCO

Abbreviations :

C = Chairman
 VC = Vice Chairman
 I = Independent Director
 D = Director
 CE = Chairperson of The Executive Board
 E = Executive Board Member
 CA = Chairperson of The Audit Committee
 A = Audit Committee
 P = President of Core Company
 Pr = President of Subsidiary Company
 CEO = Chief Executive Officer
 - = None

Remarks :

TISCO BANK = TISCO Bank Public Co., Ltd.
 TISCO SEC = TISCO Securities Co., Ltd.
 TISCO ASSET = TISCO Asset Management Co., Ltd.
 HI-WAY = Hi-Way Co., Ltd.
 TISCO IT = TISCO Information Technology Co., Ltd.
 TTL = TISCO Tokyo Leasing Co., Ltd.
 TISCO LEASE = TISCO Leasing Co., Ltd.
 TLC = TISCO Learning Center Co., Ltd.
 DTJV = DEUTSCHE TISCO Investment Advisory Co., Ltd.

Attachment 4

Report of the Audit Committee

Report of the Audit Committee

The Audit Committee of TISCO Financial Group Public Company Limited comprises three independent directors:

- | | |
|--------------------------------|------------------------------------|
| 1. Ms. Panada Kanokwat | Chairperson of the Audit Committee |
| 2. Prof. Dr. Pranee Tinakorn | Member of the Audit Committee |
| 3. Ms. Patareeya Benjapholchai | Member of the Audit Committee |

Assoc. Prof. Dr. Angkarat Priebjrivat has worked as the Advisor to the Audit Committee throughout the Year 2012.

The Audit Committee has performed duties and responsibilities according to the Charter of Audit Committee and as delegated by the Board of Directors. The Audit Committee has carried out duties independently and without restrictions as to access to information. The Audit Committee supports the Company'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 convened 12 meetings in Year 2012, all with full committee member's attendance. Major activities performed by the Committee were as follows:

- **Financial Statements:** Reviewing quarterly and annual financial statements with consideration for the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors. The Committee agrees with the external auditor that the Company's financial statements and the disclosure of relevant information are adequate and fairly presented in accordance with generally accepted accounting principles.
- **Internal Control and Audit:** Reviewing and assessing internal control system and internal audit works and considering all issues raised by the external auditor and internal audit department. Assessing the independence of internal audit department and approving annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Committee opines that the Company's internal control system and internal audit function are appropriate and effective.
- **Regulatory Compliance:** Reviewing and assessing annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledging the results of external examinations by the Bank of Thailand and the Securities and Exchange Commission of Thailand and assessing the Company's corrective actions. The Committee opines that the Company properly follows all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewing and assessing the independence of the external auditor as well as the overall scope and focus of the annual and interim audit. Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considering the independence, professional proficiency, performance, and appropriateness of audit fee, the Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the Auditor of the Company and its subsidiaries for the Year 2012.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewing and assessing related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee agrees with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewing and assessing the management's presentation on the effectiveness of risk management system, capital adequacy, operational risk management, fraud risk management, and disclosure of risk information and capital adequacy based on Basel II. The Committee is satisfied with the Company's risk management system and the adequacy of risk information disclosure.
- **Corporate Governance Policy:** Reviewing and assessing the appropriateness of the Company's corporate governance policy & code of conducts and anti-corruption policy. Acknowledging the results of corporate governance assessment by the Thai Institute of Directors Association and assessing the Company's actions on improvement measures. The Committee opines that the Company's corporate governance policy & code of conducts and anti-corruption policy are appropriate and in accordance with legal requirements and ethical practices, and the Company has good corporate governance system and structure.
- **Audit Committee Self Assessment:** Performing self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The results revealed that the Committee have carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee, relevant laws and regulations, and as delegated by the Board of Directors.

The Audit Committee has recognized continuously the significance of good corporate governance and business ethics. The Audit Committee was awarded "Audit Committee of the Year 2010/11" by the Thai Institute of Directors Association.

Panada Kanokwat

(Ms. Panada Kanokwat)
Chairperson of the Audit Committee
February 11, 2013

Attachment 5

Report of the Nomination and Compensation Committee

Report of the Nomination and Compensation Committee

The Committee is charged with the responsibility of formulating the compensation policy, selecting and nominating names of qualified candidates for the positions of directors, members of committees with functions, responsibilities and authorities directly given by the Board of Directors, Advisor(s) and Top Management in TISCO and its subsidiary companies and proposing them to the Board of Directors or shareholder meeting in order to preserve an effective and efficient board and management structure and to enhance the good corporate governance of TISCO Group.

The Committee consists of three non-management directors and is chaired by an independent director. Currently, the Committee members are;

1. Ms. Krisna Theravuthi Chairperson of the Nomination and Compensation Committee
2. Mr. Hon Kit Shing Member of the Nomination and Compensation Committee
3. Mr. Hirohiko Nomura Member of the Nomination and Compensation Committee

In 2012, the Nomination and Compensation Committee of TISCO convened 7 meetings to carry out the following activities:

1. Acknowledging and proposing the results of the Board Performance Self-assessment for the year 2011 to the Board of Directors for ratification and recommending the Board the corrective action to be implemented to enhance board performance;
2. Adopting the Board Performance Self-Assessment Guideline and Questionnaires for the year 2012 which provided the board an opportunity to reflect on how well the board fulfilled its responsibilities and to identify opportunities for continuous improvement that will increase the board's overall performance and enhance the board's relationship with management;
3. Evaluating and proposing the results of the Chief Executive Officer Performance for the year 2011 to the Board of Directors for acknowledgement and adopting the Chief Executive Officer Performance Assessment Questionnaires for the year 2012;
4. Review and recommending the revised Guideline for Board Composition and Selection Criteria for TISCO Group to the Board of Directors for approval;
5. Recommending number of directors and nominating qualified candidates for director position of TISCO and TISCO Bank for the Board of Directors to recommend the Shareholder Ordinary General Meeting for approval;
6. Reviewing and ensuring the directors' remuneration to be commensurable with their performance and benchmarking with the industry and recommending to the Board of Directors to further recommend the Shareholders Ordinary General Meeting for approval;
7. Recommending the appointment of Chairman and Vice Chairman of the Board of Directors and other committees namely Executive Board, Audit Committee, Nomination and Compensation Committee including Advisor to the Audit Committee and the appointment of new member of the Executive Board for replacement of TISCO and/or TISCO Bank to the Board of Directors for approval;
8. Approving TISCO Employee Compensation Scheme for the year 2012 with the principle to maintain and attract the employees of TISCO for long term services and goals;
9. Acknowledging TISCO compensation study for the year 2011 and appointing of the Nomination and Compensation Committee Representative to further review the holistic picture of TISCO's employee compensation and human resource development and carry out a survey benchmarking and ensuring that TISCO's employee compensation commensurate with industry peers;
10. Acknowledging the recommendation from Audit Committee regarding the number of independent directors in the Nomination and Compensation Committee and approved to maintain the existing committee composition.;
11. Reviewing and discussing on some certain strategic issues those are under the roles and responsibilities of the Nomination and Compensation Committee as stipulated in its Charter in order to enhance the good corporate governance of TISCO Group; and
12. Approving the incentive pay and bonus appropriation for the year 2012.

Krisna Theravuthi
(Ms. Krisna Theravuthi)
Chairperson
The Nomination and Compensation Committee
December 21, 2012

Attachment 6

Evaluation of the Sufficiency of Internal Control System

Internal Control System Assessment Questionnaire

TISCO Financial Group Public Company Limited

January 28, 2013

This questionnaire was completed by the TISCO Financial Group Plc.'s Board of Directors. It reflects the Board's opinion on the adequacy of the TISCO Financial Group Plc.'s internal control system.

Part 1 **Organizational Control and Environment Measure**

The term "organizational control and environment" refers to a strong organizational structure and environment, which are significant foundations for an effective internal control system. It is necessary to create an environment or factors that help the Company's internal control system to function as intended. The control environment would encourage staff to realize the importance of the internal control system. The control environment includes management's emphasis on business ethics, the appropriate organizational structure and clear description of duties as well as written policies and guidelines.

Under Consolidated Supervision framework of the Bank of Thailand, TISCO Financial Group Public Company Limited and its subsidiary companies will operate as the single financial group. The parent company will function as the governance company in overseeing, managing, and controlling business operations of all subsidiary companies in TISCO Financial Group, and also be responsible for the Group strategy, corporate governance, risk & controls, and corporate support functions. Subsidiary companies will function as strategic business units (Operating Company), and be responsible for marketing & customer relationship, and transaction processing & credit control activities.

TISCO Corporate Governance Policy has been established to define group governance structure, code of conduct, operating structure, charters of governance bodies, as well as centralized operating policies in various areas for coherent adoption across all subsidiary companies in TISCO Group. The parent company and subsidiary companies of TISCO Group are required to strictly comply with this Corporate Governance Policy.

The internal control system assessment questionnaire has been performed on a group consolidated basis.

- 1.1 Does the Board ensure that the Company develops clear and measurable operating goals to be used as working guidelines for staff?

Yes No

As the parent company of TISCO Group, the Board approves the 3-year rolling business plan of TISCO Group as a guideline for staff and annual budget prepared by the management. The business plan also includes key performance indicators and business targets where the variation from these targets is regularly measured and analyzed. In addition, business performance analysis is regularly reported to the Management and business managers for update on progress and achievement of targets.

- 1.2 Does the Board review the operating goals to ensure that the goals were set circumspectly and all possibilities to achieve the goals were taken into account? Are the staff's incentive or compensation targets reasonable? Is there undue pressure to achieve unrealistic targets that may lead to fraudulent activities, for example, too high a sales target that may encourage window dressing of the sales amount?

Yes No

There is no undue pressure to achieve unrealistic targets as targets are basically formulated and proposed by operational functions. Therefore the targets were anticipated from the functions to be achievable. The targets will also be reviewed periodically, i.e. 6 months or whenever there is significant factor affecting the Group's operations. TISCO also implements incentive system that will reward employees in form of annual bonus based on their performance.

- 1.3 Has the Company's structure been properly organized to help management operate the Company effectively?

Yes No

The Group's structure has been well deployed to support the client-centric business strategies. Business functions have well aligned business directions, which are formulated and implemented for each client segment focus group. These enable different strategic business units to operate their diversified business activities independently in the most effective way, while also remaining focused in the Group's common directions, and effectively utilizing Group's resources.

- 1.4 Does the Company have a written code of conduct and regulations prohibiting the activities of management and staff that would cause a conflict of interest with the Company? Are there disciplinary procedures for any violations of these regulations?

Yes No

The Employee Code of Conduct is a part of TISCO Group compliance manual which are distributed /communicated to every employees.

- 1.5 Does the Company develop written policies and guidelines for financial transactions, purchasing and general management transactions? Are they appropriate and able to detect fraud?

Yes No

The Company has in place the written policies and guidelines for business units. The Operational Risk Management function proposes operational risk management policies to the Risk Management Committee for approval and enforce across business functions in the Group. Meanwhile, each business function will be responsible for its own operational guidelines. For the new business, the operational guideline of new business must be concurred by working team, comprised of Operational Risk Management and Productivity Improvement functions who will ensure the appropriateness in operational efficiency and internal control. Meanwhile, Compliance function will ensure that the business procedure has complied with related rules and regulations.

- 1.6 Is fairness to counter-parties taken into account in determining the Company's policies and guidelines for the Company's benefit in the long run?

Yes No

The Group emphasizes in customer and business partner satisfaction in its operation in order to strengthen long-term relationship following the Group's policy of being customer's first choice. In addition, the Group strictly follows related customer protection laws and ensures that product and service information has been adequately provided to customers through well-trained staff. For monitoring process, Incident and Complaint Management system is set by the company to ensure proper management of incidents. Incident data will be analyzed by Operational Risk Management function to identify root causes and provide effective control. The incident profile will be reported to the Compliance and Operation Control Committee and the Risk Management Committee.

Part 2 Risk Management Measures

The Company faces a variety of business risks from internal to external sources. Examples of internal factors causing risk are lack of integrity and ethics by management; and failure by the working system and monitoring to cope with rapid business expansion. External risk factors include changes in technology or consumer behavior, which erode market share. To deal with these risks, management has to carry out the following duties regularly:

- (1) Identify risks
- (2) Analyze risks, concentrating on various scenarios and their effects.
- (3) Manage risks

2.1 Does the Company regularly assess both internal and external risk factors that materially affect the Company's businesses?

- Yes No

The Company regularly performs risk assessment through the Risk Management Committee and other supporting functions. Planning and Budgeting function constantly assesses internal and external risk factors from strategic and business stand point of the Group while Risk Management function regularly assesses financial risks, particularly in the areas of credit, market, and liquidity risks of the Group. In addition, operational risk has been regularly assessed by Operational Risk Management function.

2.2 Does the Company analyze its businesses to identify situations that cause risk?

- Yes No

Businesses are analyzed in an ongoing basis in order to identify situations that cause risks. While business strategy and action plan revisit is performed semiannually, risks from business activities are analyzed and reported for the Risk Management Committee review in an ongoing basis.

2.3 Does the Company have mechanisms to deal with risks and measures to mitigate them?

- Yes No

Procedures and systems to measure and integrate all risks have been set up in writing, including policies and guidelines to manage the risks according to the economic and business condition each year across the Group, with the objective of receiving returns that is justifiable for the controlled risks.

2.4 Does the Company communicate risk management strategy to relevant employees for acknowledgement and action?

- Yes No

The Company has documented policies specifying risk management methodologies and strategies which are distributed to relevant employees for acknowledgement and compliance across the Group. Employee awareness to comply with the policies is regularly reinforced with key risk information regularly communicated to relevant employees across the Group.

2.5 Does the Company have monitoring systems to ensure that all departments have complied with prescribed risk management procedures?

- Yes No

The Company follows up compliance to the risk management guidelines and limits on a daily basis. Compliance to the guidelines is also regularly assessed by independent internal auditors through established procedures.

Part 3 Management Control Activities

Management control activities are integral procedures that help ensure management directives are carried out. The control activities include:

- (1) appropriate authorization and approvals
 - (2) segregation of duties
 - (3) Proper procedures for transactions executed with major shareholders, directors, management and related persons to protect the Company from improper transfer of benefits
 - (4) Compliance with applicable laws and regulations
-

3.1 Does the Company have a clear, written scope of authority and approval limits?

- Yes No

The Company has a clear power of attorney to provide written scope of authority and approval limits for employees to act on behalf of the Company.

3.2 Is there a complete segregation of the following duties for crossed-checks (1) approval (2) accounting records and information (3) custody of assets?

- Yes No

The duties of approval, accounting records and custody of assets are separately responsible by business function, accounting function and processing & settlement function of TISCO Bank, respectively. Moreover there are specific committees to control risk in any aspects, e.g. the Risk Management Committee, the Credit Committee and the Problem Loan Committee (for credit granting subsidiaries), in separation of business functions.

3.3 Does the Company have adequate procedures to ensure that transactions with major shareholders, directors, management or related persons are properly approved as required?

- Yes No No such cases

As the Group's transactions with major shareholders, directors, management or related persons are on arm's length basis, they are then processed through the same procedures as other clients. The Group also discloses such information for transparency in accordance with the principles of good corporate governance and the Group's related party transaction policy. If a director has a personal interest in a matter, the director shall disclose the interest to the Board, excuse himself or herself from participation in the discussion, and shall not vote on the matter.

3.4 Are only persons without conflict of interest authorized to approve the transactions mentioned in 3.3?

- Yes No No such cases
-

3.5 Is approval for transactions in 3.3 made on "an arm's length" basis and for maximum benefit of the Company?

- Yes No No such cases
-

3.6 Are there measures to ensure that terms and conditions are complied with throughout the contract period (for example, timely loan repayment and revision of contract) in cases where long-term transactions with related persons are approved (for example, purchase and sale agreement, loan and guarantee)?

- Yes No No such cases
-

- 3.7 Do the procedures for transactions mentioned in 3.3 cover cases whereby major shareholders, directors, management or related persons might have used opportunities or benefits of the Company for themselves?

Yes No No such cases

- 3.8 In the case where the Company has investments in subsidiaries and related companies, does the Company monitor the operation of subsidiaries and related companies regularly as well as set policy directions for persons nominated by the Company to be directors or management of such companies?

Yes No No such cases

Similar to the Group's standard of performance monitoring, the operation of subsidiaries has been monitored with clearly defined business strategies while key performance indicators and business targets have also been set in alignment with the Group's business direction. The Company exercises managerial control over all of its subsidiaries through its respective board of directors, as stipulated in the articles of association of each subsidiary whereby the appointment of directors in all cases shall be approved by the Company, as the wholly-owned shareholder. All subsidiary companies shall be managed under the same Corporate Governance Policy and Operating Policies prescribed by the Company. According to the Group corporate structure, the Company must retain its ability to direct and align the business operations of all subsidiary companies to ensure the Group success in generating return to shareholders and all other stakeholders of the Group. Moreover, under the Group's consolidated supervision as set by the Bank of Thailand, the Company is allowed to assign its own management to take care of its subsidiaries' business on a condition that an assigned management shall be accountable for single company's business only one at a time, which is the Company's current practice.

- 3.9 Does the Company have measures to ensure that its operations comply with applicable laws for the purpose of mitigating operational risks and protecting its reputation?

Yes No

The Company has delegated the Compliance function to ensure that the Company fully complies with related laws and regulations, with emphasis on communication with business and operation units together with ongoing review of business operations. The Company has appointed the Compliance & Operation Control Committee to advise on compliance issues, complaint management, and operating procedures. Any compliant incidents, which are considered as part of operational risk, are well managed through risk assessment of new business operations, and regular risk review. Moreover, the reporting system of incidents and complaints has been set up to handle and prevent error properly, as well as enable the Company to better understand its ongoing business operations.

- 3.10 Does the Company have preventive and corrective measures to ensure the non-recurrence of activities that were not in compliance with law, in case the Company used to have such activities?

Yes No No such cases

In case of violation of laws, the Company will preliminarily investigate the cause of violation while also reviewing the operations and compliance processes in order to prevent such violations from recurring in the future. Consequently, the Compliance function will monitor the corrective actions and report the result to the Compliance & Operation Control Committee and the Audit Committee, respectively. If the Company or the management does not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to the regulated authorities, for instance, the Bank of Thailand, the Securities and Exchange Commission, etc. as enacted by the Bank of Thailand.

Part 4 Information and Communication Measures

To carry out their responsibilities carefully, Board members, management, shareholders or other related persons need to make decisions based on accurate and adequate information, both financial and general. Therefore, effective communication with related parties is essential and supports an efficient internal control system. Information should be:

- (1) instructive
- (2) complete
- (3) up-to-date
- (4) in an easy to understand format
- (5) well-arranged

- 4.1 Does the Company provide sufficient and relevant information on issues to the Board of Directors for their consideration and decisions? (Such information includes details, reasons, effects and options.)

Yes No

The Company has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the Group. The Executive Board will then assign the management to perform part of the Executive Board's responsibilities. The management will regularly report their activities and provide adequate information required by the Executive Board for decision making on a monthly basis. The Executive Board will propose the matters to the Board of Directors for acknowledgement or approval.

- 4.2 Do Board members receive advance notice of the meeting and documents, which contain relevant and sufficient details for consideration at the meeting, at least within the minimum number of days required by law?

Yes - average 7 days before meeting No

The Company shall send a notice of meeting and related documents to the Board members for consideration no less than 7 days in advance of the date of the meeting with the exception in the case of urgency such as an immediate report from the government agencies which the Company receives very close to the meeting date.

- 4.3 Do minutes of the Board's meetings contain sufficient information for the shareholders to oversee the activities of the Board members? The information includes the Board members' inquiries, opinions and observations as well as the opinions of members who do not agree with the proposed recommendations, along with their reasons.

Yes No

The Board members' observations, inquiries, opinions and resolutions are always included in the minutes of the Board's meetings.

- 4.4 Does the Company maintain complete and categorized accounting records and documents and never receive report from the auditors regarding any related deficiency? If any, has it been corrected?

Yes No

The auditors have never reported any deficiency in accounting records.

- 4.5 Does the Board consider whether the management has already adopts generally accepted accounting principles suitable for the Company's business type and not adopt ones that might cause the Company to report incorrect operating results?

Yes No

The Board of Directors emphasizes that the Group must adopt conservative framework as its principle accounting policy. The Audit Committee in cooperation with the auditor evaluate and consider whether the accounting policy adopted by the management is in accordance with generally accepted accounting principles and suitable to the nature of businesses. This is to assure that the Group's financial statements are accurate, complete and reliable.

Part 5 Monitoring

To operate effectively and efficiently, the Company has to monitor on an ongoing basis to ensure that predefined objectives are achieved, internal controls systems are functioning, improvements are made in association with changing situations and deficiencies are resolved in a timely fashion.

5.1 Does the Board compare the actual operational results with the predefined business plan?

Yes No No such cases

The Management reports business performance and financial results compared with predefined business targets to the Executive Board on a monthly basis, and the Board on a bi-monthly basis.

5.2 Does the Company take corrective and timely action in cases where there is variance between the predefined plan and actual results?

Yes No No such cases

The Executive Board reviews business performance with the management on a monthly basis. In addition, the Group's business committee, comprising of senior management and business line managers, regularly monitors and reviews business performance in the monthly Business Committee meeting. Any significant deviation of the results from predefined business plans will be identified and discussed so that any corrective actions can be performed promptly.

5.3 Have periodic evaluations of internal control systems been conducted?

Yes No

The internal control systems of each business processes and activities as well as computerized information system have been evaluated by internal auditors periodically.

5.4 Do the internal auditors report their audit results directly to the Board or Audit Committee to ensure that internal auditors are able to work independently and report the audit results openly?

Yes No No such cases

Internal Audit department, an independent function, performs audit activities and reports audit results directly to the Audit Committee. The Audit Committee will then consider the matters and assess management's responses and corrective actions on the matter as well as follow up the disposition and report to the Board of Directors periodically.

5.5 Are significant deficiencies, if founded, reported directly to the Board/Audit Committee for corrective and timely action?

Yes No No such cases

The internal auditors shall inform and discuss with the management about their findings and corrective action to be taken. The audit results together with management's response shall instantly be reported to the Audit Committee for additional advice, if any.

5.6 Does the Company have to report the progress of corrective action taken to the Board/Audit Committee?

Yes No

It is reported to the Audit Committee regularly and systematically. The Audit Committee, in turn, will regularly present report summaries to the Board.

5.7 Does the Company have a policy for management to report immediately to the Board in cases of fraud or suspected fraud, activities that are not in compliance with the law and other abnormal activities which might have a material impact on the Company's reputation or financial position?

Yes No No such cases

The management will report cases of fraud or suspected fraud, lawsuit filed, and other related concerns to the business operation to the Compliance & Operation Control Committee for immediate corrections, with support from Operational Risk Management, Compliance, Legal, and Internal Audit functions. The case shall also be reported to the Employee Disciplinary Committee for proper staff penalty. The case and course of actions shall also be reported to the Board. Regarding fraud prevention, the assessment is periodically conducted by Operational Risk Management function and business functions for continuous improvement. In addition, the Company has established Fraud Audit unit to assist in detection and investigation for potential fraud incidents.

Attachment 7

**Statement of the Board of Directors' Responsibility for
Financial Statements and Auditor's Report and Financial Statements**

Statement of the Board of Directors' Responsibility for Financial Statements

The Board of Directors of TISCO Financial Group Public Company Limited is responsible for the Company's financial statements, the consolidated financial statements of the Company 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 applicable in Thailand, which are based on appropriate accounting policies, consistently applied and practiced, prudent judgment and best accounting estimates. All material information has been sufficiently disclosed in the notes to financial statements. These financial statements also have been made in compliance with the stipulations of the Notification of the Bank of Thailand, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The financial statements have been audited and expressed with unqualified audit opinion by an independent auditor, which reflected fair and transparent financial position and operating performance that is useful information for shareholders and general investors.

The Board of Directors has established effective risk management and internal control systems to ensure that the reliability and completeness of financial information are in place, with the ability to protect the Company's assets, as well as identifying the weaknesses of operation in order to adequately prevent operational risk.

In this regard, the Board of Directors has appointed the Audit Committee, comprising independent directors, to oversee qualitative aspects of financial reporting and internal control systems. 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 views that the Company's internal control systems are satisfactory and provide reasonable assurance as to the reliability of both the Company's financial statements and the consolidated financial statements of the Company and its subsidiaries as of December 31, 2012.

Pliu Mangkornkanok
(Mr. Pliu Mangkornkanok)
Chairman of the Board

Oranuch Apisaksirikul
(Ms. Oranuch Apisaksirikul)
Group Chief Executive

**FINANCIAL STATEMENTS
TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
YEAR ENDED 31 DECEMBER 2012 and 2011**

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'R. Jala'.

Ratana Jala
Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok: 11 February 2013

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2012

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Cash		1,046,330	903,450	50	50
Interbank and money market items - net	3.2	31,196,279	30,722,345	565,984	169,447
Derivatives assets	3.3	41,863	45,374	-	-
Investments - net	3.4, 3.8	7,015,518	3,706,257	812,737	-
Investments in subsidiaries - net	3.5	-	-	15,021,895	15,021,902
Loans to customers and accrued interest receivables	3.6, 3.8				
Loans to customers		273,311,973	203,429,925	3,841,000	944,000
Accrued interest receivable		352,769	258,374	-	-
Total loans to customers and accrued interest receivables		273,664,742	203,688,299	3,841,000	944,000
Less: Deferred revenue		(24,996,296)	(18,416,303)	-	-
Less: Allowance for doubtful accounts	3.7	(5,121,518)	(4,420,351)	-	-
Less: Allowance for loss on debt restructuring		(3)	(3)	-	-
Loans to customers and accrued interest receivables - net		243,546,925	180,851,642	3,841,000	944,000
Property foreclosed - net	3.8, 3.9	272,533	257,869	-	-
Investment property	3.10	304	952	363,191	376,439
Premises and equipment - net	3.11	1,384,381	1,450,901	365,160	395,255
Intangible assets - net	3.12	126,709	182,317	45,208	62,427
Deferred tax assets	3.29	306,126	355,401	191,381	154,406
Securities and derivatives business receivables - net		2,223,792	724,650	-	-
Dividend receivable from subsidiaries	3.33	-	-	1,832,654	735,317
Other assets	3.13	3,336,175	1,516,412	126,988	39,256
Total assets		290,496,935	220,717,570	23,166,248	17,898,499

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Liabilities					
Deposits	3.14	219,823,339	37,978,994	-	-
Interbank and money market items - net	3.15	13,970,608	14,478,653	200,000	-
Liability payable on demand		652,310	448,049	-	-
Payable under securities borrowing and lending business		163	-	-	-
Derivatives liabilities	3.3	747	276,056	-	-
Debts issued and borrowings	3.16	27,877,250	145,396,598	6,311,631	1,808,832
Provision for long-term employee benefits	3.17	324,357	205,141	71,086	49,069
Deferred tax liabilities	3.29	158,583	61,339	-	-
Securities and derivatives business payables		1,523,645	469,540	-	-
Accrued interest payable		1,773,793	1,396,455	31,087	8,465
Income tax payable		428,307	137,821	66,129	50,348
Other liabilities	3.18	5,583,583	3,557,332	744,487	676,258
Total liabilities		272,116,685	204,405,978	7,424,420	2,592,972

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Shareholders' equity				
Share capital				
Registered				
	372,287,914 preference shares of Baht 10 each	3,722,879	3,722,879	3,722,879
	727,912,086 ordinary shares of Baht 10 each	7,279,121	7,279,121	7,279,121
		<u>11,002,000</u>	<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up				
	33,858 preference shares of Baht 10 each	339	339	339
	727,878,228 ordinary shares of Baht 10 each	7,278,782	7,278,782	7,278,782
		<u>7,279,121</u>	<u>7,279,121</u>	<u>7,279,121</u>
Share premium				
	Share premium on preference shares	-	298	298
	Share premium on ordinary shares	-	6,012,817	6,012,817
		-	<u>6,013,115</u>	<u>6,013,115</u>
Other components of shareholders' equity				
		1,040,375	999,037	11,571
Retained earnings				
	Appropriated-statutory reserve	405,200	297,900	405,200
	Unappropriated	9,471,665	7,634,389	2,032,821
		<u>18,196,361</u>	<u>16,210,447</u>	<u>15,741,828</u>
Equity attributable to owners of the Company				
		183,889	101,145	-
Non-controlling interest of the subsidiaries				
		<u>18,380,250</u>	<u>16,311,592</u>	<u>15,305,527</u>
Total shareholders' equity				
		<u>290,496,935</u>	<u>220,717,570</u>	<u>23,166,248</u>
Total liabilities and shareholders' equity				
		<u>290,496,935</u>	<u>220,717,570</u>	<u>17,898,499</u>

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



Mrs. Oranuch Apisaksinikul
(Group Chief Executive, TISCO Group)



บริษัท ทีเอสซี จำกัด (มหาชน)
TISCO Financial Group Public Company Limited

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2012

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Interest incomes	3.21	15,210,612	12,368,668	86,047	54,642
Interest expenses	3.22	(8,166,146)	(5,461,341)	(129,589)	(86,867)
Net interest income		7,044,466	6,907,327	(43,542)	(32,225)
Fees and service income		4,407,551	3,066,989	-	-
Fees and service expenses		(278,919)	(212,818)	(9,958)	(9,203)
Net fees and service income	3.23	4,128,632	2,854,171	(9,958)	(9,203)
Net gains (losses) on tradings and foreign exchange transactions	3.24	167,256	42,905	(4,847)	-
Net gains (losses) on investments	3.25	120,532	34,266	(7)	962
Dividend income		82,856	83,257	1,834,859	1,407,312
Penalty fee income from loans		256,662	220,532	-	-
Income from business promotion relating to the business		1,259,511	538,092	-	-
Reversal allowance for impairment of property foreclosed		315	248,232	-	-
Intercompany supporting fee income	3.33	-	-	1,529,999	1,286,324
Other operating income	3.27, 3.33	122,657	143,759	64,934	81,440
Total operating income		13,182,887	11,072,541	3,371,438	2,734,610
Expense from business promotion relating to the business		1,422,668	598,701	-	-
Total net operating income		11,760,219	10,473,840	3,371,438	2,734,610
Other operating expenses					
Employee's expenses		3,223,511	2,722,316	660,165	497,627
Directors' remuneration		13,345	13,231	12,385	12,271
Premises and equipment expenses		843,452	685,086	325,779	265,732
Taxes and duties		174,668	224,067	1,442	1,447
Others	3.28	769,330	691,158	123,093	100,488
Total other operating expenses		5,024,306	4,335,858	1,122,864	877,565
Bad debt, doubtful accounts and impairment loss	3.26	1,922,244	1,283,075	-	-
Profit from operating before income tax expenses		4,813,669	4,854,907	2,248,574	1,857,045
Income tax expenses	3.29	1,080,661	1,561,908	103,706	151,484
Profit for the year		3,733,008	3,292,999	2,144,868	1,705,561

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2012

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Other comprehensive income	3.30				
Gains (losses) arising from translating the financial statements					
of a foreign operation		(1,467)	2,427	-	-
Investment in available-for-sale securities		174,090	(251,804)	14,464	-
Actuarial gains (losses)		(61,777)	(23,558)	(11,955)	(5,405)
Cash flow hedges		(112,575)	124,252	-	-
Income tax effect	3.29, 3.31	73	77,213	(502)	1,080
Other comprehensive income for the year		<u>(1,656)</u>	<u>(71,470)</u>	<u>2,007</u>	<u>(4,325)</u>
Total comprehensive income for the year		<u>3,731,352</u>	<u>3,221,529</u>	<u>2,146,875</u>	<u>1,701,236</u>
Profit attributable to:					
Equity holders of the Company	3.32	3,705,180	3,266,755	<u>2,144,868</u>	<u>1,705,561</u>
Non-controlling interests of the subsidiaries		<u>27,828</u>	<u>26,244</u>		
		<u>3,733,008</u>	<u>3,292,999</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		3,696,488	3,197,405	<u>2,146,875</u>	<u>1,701,236</u>
Non-controlling interests of the subsidiaries		<u>34,864</u>	<u>24,124</u>		
		<u>3,731,352</u>	<u>3,221,529</u>		
Earnings per share of equity holders of the Company	3.32				
Basic earnings per share		<u>5.09</u>	<u>4.49</u>	<u>2.95</u>	<u>2.34</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before income tax	4,813,669	4,854,907	2,248,574	1,857,045
Adjustments to reconcile income before income tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	325,414	303,525	111,489	77,243
Bad debts and doubtful accounts	2,749,722	1,975,565	-	-
Allowance for impairment of investments (reversal)	(66,896)	44,636	7	(962)
Allowance for impairment of property foreclosed (reversal)	(315)	(248,232)	-	-
Gain on disposal of investments	(50,892)	(84,101)	-	-
Unrealised (gain) loss on trading and foreign exchange transactions	(24,420)	(40,219)	4,847	-
Gain (loss) on disposal of equipment	(5,964)	(7,844)	1	(23)
Loss on written-off of equipment and intangible assets	870	3,331	10	600
Unrealised loss from trading securities	21,688	7,504	-	-
Gain on disposal of property foreclosed	(54,938)	(69,087)	-	-
Gain on cash flow hedge	(100,761)	-	-	-
Provision for long-term employee benefits	62,657	24,448	10,061	4,013
Decrease (increase) in other accrued income	(95,410)	(10,570)	(87,862)	74,043
Increase in accrued expenses	647,418	482,498	80,608	126,053
Net interest income	(7,044,466)	(6,907,327)	43,542	32,225
Dividend income	(82,856)	(83,257)	(1,834,859)	(1,407,312)
Cash received on interest income	14,987,139	12,007,185	85,841	54,702
Cash paid on interest expenses	(7,788,807)	(3,530,306)	(106,967)	(87,056)
Cash received on dividend income	82,856	83,257	737,522	2,261,237
Income tax paid	(653,584)	(1,458,144)	(125,401)	(187,256)
Profit from operating activities before changes in operating assets and liabilities	7,722,124	7,347,769	1,167,413	2,804,552
Operating assets (increase) decrease				
Interbank and money market items	(634,472)	(17,886,400)	(396,538)	224,107
Loans to customers	(67,212,737)	(37,944,184)	(2,897,000)	-
Securities and derivative business receivables	(1,499,141)	569,311	-	337,000
Property foreclosed	1,808,696	1,135,453	-	-
Other assets	(1,266,506)	1,790	236	5,051
Operating liabilities increase (decrease)				
Deposits	181,844,344	(10,554,229)	-	-
Interbank and money market items	(505,287)	3,637,009	200,000	-
Liability payable on demand	204,261	(84,399)	-	-
Securities and derivative business payables	1,054,105	(1,141,146)	-	-
Short-term debts issued and borrowings	(101,498,304)	58,254,880	4,502,799	(1,536,243)
Other liabilities	1,036,292	(399,859)	(12,379)	50,489
Net cash flows from operating activities	21,053,375	2,935,995	2,564,531	1,884,956

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Cash flows from investing activities					
Cash paid for purchase of investment in securities held for investment		(5,874,225)	(1,046,880)	(803,120)	-
Cash received from disposal of investment in securities held for investment		2,831,237	3,607,966	-	-
Cash paid for purchase of equipment		(170,057)	(183,356)	(43,350)	(87,738)
Cash paid for purchase of intangible assets		(22,325)	(53,233)	(7,505)	(17,987)
Cash received from disposal intangible assets		-	9	-	9
Cash received from disposal of equipment		8,959	9,456	17	150
Cash paid for acquisition of a subsidiaries		-	-	-	(141,655)
Cash received from share capital increase of a subsidiaries		49,000	-	-	-
Net cash flows from (used in) investing activities		(3,177,411)	2,333,962	(853,958)	(247,221)
Cash flows from financing activities					
Long-term debts issued and borrowings		(23,016,244)	(3,710,504)	-	-
Cash received from issuance of long-term debentures		8,071,200	76,000	-	-
Cash paid for the redemption of long-term debentures		(1,076,000)	-	-	-
Dividend paid		(1,710,573)	(1,637,736)	(1,710,573)	(1,637,735)
Net cash flows used in financing activities		(17,731,617)	(5,272,240)	(1,710,573)	(1,637,735)
Translation adjustment		(1,467)	2,427	-	-
Net increase in cash		142,880	144	-	-
Cash at beginning of year		903,450	903,306	50	50
Cash at end of year		1,046,330	903,450	50	50
		-	-	-	-
Supplemental cash flows information					
Non-cash transactions					
Conversion of preference shares to ordinary shares		-	28	-	28
Transfer of properties foreclosed from receivables for debt settlement		-	3,382	-	-
Transfer investment property to premises and equipment	3.11	-	84,841	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Thousand Baht)

Consolidated financial statements												
Equity attributable to owners of the Company												
Other components of shareholders' equity												
	Issued and fully paid-up		Other comprehensive income			Adjustment from business combination		Retained earnings		Equity		
	Preference shares	Ordinary shares	Surplus (deficit) on change in value of available-for-sale investments	Cash flow hedges	Exchange differences on translation of financial statements in foreign currency	of entities under common control under holding restructuring plan	Total other components of shareholders' equity	Appropriated	Unappropriated	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total
Balance as at 1 January 2011	354	7,278,767	292,656	(3,211)	80,835	679,266	1,049,546	212,600	6,109,527	14,650,794	79,490	14,730,284
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(1,637,752)	(1,637,752)	-	(1,637,752)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	85,300	(85,300)	-	-	-
Total comprehensive income for the year	-	-	(153,521)	100,585	2,427	-	(50,509)	-	3,247,914	3,197,405	24,124	3,221,529
Preference shares converted to ordinary shares	(15)	15	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,469)	(2,469)
Balance as at 31 December 2011	339	7,278,782	139,135	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592
Balance as at 1 January 2012	339	7,278,782	139,135	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(1,710,574)	(1,710,574)	-	(1,710,574)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	107,300	(107,300)	-	-	-
Total comprehensive income for the year	-	-	139,272	(96,467)	(1,467)	-	41,338	-	3,655,150	3,696,488	34,864	3,731,352
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	47,880	47,880
Balance as at 31 December 2012	339	7,278,782	278,407	907	81,795	679,266	1,040,375	405,200	9,471,665	18,196,361	183,889	18,380,250

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Separate financial statements								
	Issued and fully paid-up		Share premium		Other components of shareholders' equity	Other comprehensive income	Retained earnings		Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares			investments	Appropriated	
Balance as at 1 January 2011	354	7,278,767	311	6,012,804	-	212,600	1,737,207	15,242,043	
Dividend paid (Note 5)	-	-	-	-	-	-	(1,637,752)	(1,637,752)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	85,300	(85,300)	-	
Total comprehensive income for the year	-	-	-	-	-	-	1,701,236	1,701,236	
Preference shares converted to ordinary shares	(15)	15	(13)	13	-	-	-	-	
Balance as at 31 December 2011	339	7,278,782	298	6,012,817	-	297,900	1,715,391	15,305,527	
Balance as at 1 January 2012	339	7,278,782	298	6,012,817	-	297,900	1,715,391	15,305,527	
Dividend paid (Note 5)	-	-	-	-	-	-	(1,710,574)	(1,710,574)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	107,300	(107,300)	-	
Total comprehensive income for the year	-	-	-	-	11,571	-	2,135,304	2,146,875	
Balance as at 31 December 2012	339	7,278,782	298	6,012,817	11,571	405,200	2,032,821	15,741,828	

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

TISCO Financial Group Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2012

1. Basis of preparation and presentation of financial statements and significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation have been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011.

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

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

1.2 Basis of consolidation

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.

- d) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary company are translated into Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

During the years 2012 and 2011, there were the following changes in the composition of the subsidiaries:

- a) In February 2011, the Company invested in 49,997 ordinary shares of TISCO Learning Center Co., Ltd. at a price of Baht 100 per share, for a total of Baht 5 million. The Company holds 99.99 percent of shares. Such company registered its incorporations with the Ministry of Commerce on 1 February 2011.
- b) In March 2011, TISCO Securities Co., Ltd., the Company’s subsidiary, invested in 9,997 ordinary shares of TISCO Investment Advisory Co., Ltd. at a price of Baht 100 per share, for a total of Baht 1 million. The Company’s investment represents 99.97 percent of the registered capital of such company, which registered its incorporation with the Ministry of Commerce on 18 March 2011.

In December 2012, TISCO Investment Advisory Co., Ltd. registered the change in the company’s name to “Deutsche TISCO Investment Advisory Co., Ltd.” and increased its registered share capital (as referred to in Notes 4 to the financial statements). TISCO Securities Company Limited, the Company’s subsidiary, invested in that company’s additional ordinary shares, and as a result has a 51 percent shareholding, comprised of 5,099,000 shares acquired at a price of Baht 10 each, for a total of Baht 51 million.

- c) On June 2011, the Company acquired TISCO Leasing Co.,Ltd. from TISCO Bank Public Company Limited, as approved by the year 2011 Annual General Meeting of shareholders of the Company on 21 April 2011. Therefore, the Company’s investment represents 99.99 percent of the registered capital of such company, invested in 999,965 ordinary shares at a price of Baht 136.66 per share, for a total of Baht 137 million.

1.3 New accounting standard not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company and its subsidiaries' managements have assessed the effects of these standards and believe that TAS 20 (revised 2009) and SIC 10 are not relevant to the business of the Company and its subsidiaries, while TAS 21 (revised 2009), TFRS 8, SIC 21 and SIC 25 will not have any significant impact on the financial statements for the year when they are initially applied.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The Company and its subsidiaries' managements have assessed the effects of these standards and believe that SIC 29 and TFRIC 12 are not relevant to the business of the Company and its subsidiaries, while Accounting Treatment Guidance for Transfers of Financial Assets, TFRIC 4 and TFRIC 13 will not have any significant impact on the financial statements for the year when they are initially applied.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, financial lease and auto cash income are recognised over the installment period, using the effective interest rate.

The subsidiaries have policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of its subsidiaries to cease accruing income. For other loans accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and interest then recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is then recognised on a cash basis.

The accounts will be reinstated to an “accrual basis” when the overdue amounts are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment in securities is recognised as income on an accrual basis. Dividends on investment in securities are recognised as income when the right to receive the dividends is established.

c) Brokerage fees

Brokerage fees on securities and derivative trading are recognised as income on the transaction dates.

d) Gains (losses) on trading in securities and derivatives

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

e) Fees and service income

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

1.4.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

The subsidiaries recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, by the effective interest rate method, and deducting them from deferred revenue over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded as expenses when occurred for hire purchase contract originated before 1 January 2007.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.4.3 Securities purchased under resale agreement according to private repurchase transactions

The subsidiary company operating banking business has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the statements of financial position and the securities purchased are used as collateral.

Under securities purchase under resale agreements according to private repurchase transactions, the subsidiary company operating banking business obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest method, and are presented as interest income.

1.4.4 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Held to maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/ discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).
- f) The subsidiary company does not record investments which the subsidiary company holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The subsidiary company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The subsidiary company does not consider the investments in mutual funds to be investments in associated companies by the equity method in the consolidated financial statements, even if the company holds not less than 20% of the equity, because the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.

- h) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities are determined by using the formula quoted by the Bank of Thailand, which are based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- i) Losses on impairment (if any) of the investments in available-for-sale securities, held to maturity debt securities and other investments are recognised in profit or loss.
- j) The weighted average method is used for computation of the cost of investments.
- k) In the event the subsidiaries reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.
- l) Purchases and sales of investments are recorded on settlement date.

1.4.5 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as held-to-maturity securities, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customers and presented at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debt is based on the same Bank of Thailand's guideline as allowance for loans to customers.

1.4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss income in the period when the asset is derecognised.

1.4.7 Receivable from Clearing House/ Payable to Clearing House

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net balance payable to Thailand Clearing House.

1.4.8 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred revenue/discounts on loans to customers are deducted from loans to customers.

Hire purchase and financial lease receivables are stated at outstanding balance, net of deferred revenue. Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of hire purchase contract and advances received from financial lease receivable.

1.4.9 Securities and derivative business receivables

Securities and derivative business receivables comprise the net balance of securities business receivables and derivative business receivables, after deducting allowance for doubtful accounts. Securities business receivables comprise the net receivable balances of cash accounts, securities borrowing and lending receivables, and other receivables such as securities receivables that are subject to legal proceeding, and are undergoing restructuring or are setting in installments.

1.4.10 Allowance for doubtful accounts and losses from troubled debt restructuring

- a) The subsidiary company operating banking business provides allowance for doubtful accounts and losses arising from troubled debt restructuring in accordance with the Notifications of the Bank of Thailand (“BOT”) and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the subsidiary company records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, respectively.

For non-performing loans to customers which are classified as substandard, doubtful and doubtful of loss (except for non-performing hire purchase receivables), the subsidiary company records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT’s Notifications.

For hire purchase receivables that are classified as pass, special mentioned and non-performing hire purchase receivables, the subsidiary company uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

The subsidiary company has already set provision for all loans to customers in accordance with the BOT’s Notifications issued on 3 August 2008.

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors’ ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.

- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is made using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- d) For the subsidiary company operating leasing business, allowance for doubtful accounts is estimated based on a review of all outstanding amounts at the end of the period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to bad debt and doubtful accounts in the period of recovery.

1.4.11 Troubled debt restructuring

The subsidiary company operating banking business records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". The subsidiary records the assets or equities transferred to the subsidiary for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.4.12 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company in cash accounts for securities trading and derivative trading is recorded as an asset of the subsidiary company for the customers' position for internal control purposes. At the financial statement date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.4.13 Borrowing and lending of securities

A subsidiary company operating securities business is engaged in securities borrowing and lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the year, the balances of securities borrowing payables and securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in part of profit or loss in the statement of comprehensive income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

1.4.14 Property foreclosed

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transferred date, not exceed the legally claimable amount of outstanding debt) and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The subsidiary company operating banking business is required to record the additional general reserve for declining in value of property foreclosed in accordance with the notifications of the Bank of Thailand and the management's estimates.

The subsidiary company will recognise loss on impairment in profit or loss. And gains or losses from disposal of property foreclosed are recognised upon disposal.

1.4.15 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

1.4.16 Premises and equipments/Depreciation

Land is stated at cost. Buildings and equipments are stated at cost less accumulated depreciation.

Depreciation of office condominium and equipment is calculated by reference to their costs on the straight-line basis (except for the depreciation of computer and communications equipment, which are calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominium units	-	20	years
Office improvements	-	5,10	years
Furniture, fixtures and equipments	-	3, 5	years
Motor vehicles	-	5	years
Leased assets under operating lease agreements	-	according to the period of lease agreement	

Depreciation is included in determining income.

No depreciation is provided on land.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

1.4.17 Intangible assets

The Company and its subsidiaries initially recognised intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Company and its subsidiaries amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The Company and its subsidiaries reviewed the amortisation period and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Company and its subsidiaries amortised over the following estimated useful lives:

The license agreements specified number of year of usage	-	according to the period of license agreement by the straight-line basis
The license agreements not specified number of year of usage	-	5 years by the straight-line basis
No license agreements	-	3 years by the sum-of-the-year-digits method

1.4.18 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Company and its subsidiaries recognise deferred tax assets for all deductible temporary differences to the extent that it is probable that the Company and its subsidiaries will generate future taxable profits will be available against which such deductible deferred tax assets can be utilised. The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences.

Deferred tax assets/liabilities are calculated based on the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax legislation) that have been enacted at the end of reporting period.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

At the end of reporting period, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.4.19 Impairment of assets

The Company and its subsidiaries assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

1.4.20 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retain control of such financial assets, the Company and its subsidiaries continue to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.4.21 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

1.4.22 Employee benefits

Short-term employee benefits

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

Part of bonus expense of the Company and its subsidiaries is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Company and its subsidiaries record this expense and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting date and any increase or decrease in the expense according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Company and its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 “Employee Benefits” in 2011, the Company and its subsidiaries elected to recognise the transition liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

1.4.23 Provisions

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

1.4.24 Derivatives and hedge accounting

The recording of derivatives and hedge accounting are based on the principles for recording derivatives and hedge accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

- a) A subsidiary operating banking business has recorded derivatives held for trading in fair value method. The subsidiary records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.
- c) Subsidiaries have recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The subsidiaries document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in shareholders' equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.

1.4.25 Financial instruments

a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 3.37 to the financial statements.

b) Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rates at which financial instruments with similar features.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the financial statement approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- Loans to customers and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivables and other retail loans to customers are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.4.26 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4.27 Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimate. Significant judgments and estimates are as follows:

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers for probable credit losses. The management uses judgment to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

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

Impairment of investments

The Company and its subsidiaries treat available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

Premise and equipment/Depreciation

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

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

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefits plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate.

Leases

In determining whether a lease is to be classified as an operating lease or financial lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgment whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

2. General information

2.1 The Company's information

TISCO Financial Group Public Company Limited ("the Company") was incorporated as a holding company. Upon completion of the holding company restructuring plan on 9 January 2009, the Company became the parent company of TISCO Group in place of TISCO Bank Public Company Limited ("TISCO Bank"). On 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

2.2 Share capital

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Company pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Company does not declare dividend payment to the ordinary shareholders, the Company may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Company has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

2.3 Statutory reserve

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

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Company and its subsidiaries' directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

2.5 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company. They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

The Company and its subsidiaries have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Company.

A subsidiary company operating banking business has neither provided any credit nor made any commitments to companies which have directors in common with such subsidiary in cases where such credit is unsecured or not fully collateralised and therefore would require approval from the Bank of Thailand.

The Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or authorised directors.

3. Supplemental information

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2012 and 2011 is provided below.

			(Unit: Percent)	
Company's name	Nature of Business	Country of incorporation	Percentage of shares held by the Company as at 31 December	
			2012	2011
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.98	99.98
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Tokyo Leasing Co., Ltd.	Leasing	Thailand	49.00	49.00
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	99.99
<u>Subsidiaries indirectly held by the Company</u>				
Deutsche TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	51.00	99.97
TISCO Securities Hong Kong Limited Co., Ltd. (in the process of liquidation)	Securities business	China-Hongkong	100.00	100.00

3.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December						
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions Development Fund	3,394,757	230,000	3,624,757	426,279	-	426,279
Commercial banks	325,240	25,132,533	25,457,773	289,501	21,857,059	22,146,560
Specialised financial institutions	997	2,050,000	2,050,997	854	4,054,363	4,055,217
Total	3,720,994	27,412,533	31,133,527	716,634	25,911,422	26,628,056
Add: Accrued interest	8,395	9,340	17,735	4,426	7,013	11,439
Less: Allowance for doubtful accounts	-	-	-	-	(10,000)	(10,000)
Total domestic	3,729,389	27,421,873	31,151,262	721,060	25,908,435	26,629,495
<u>Foreign</u>						
Hong Kong dollar	5,679	-	5,679	15,700	-	15,700
US dollar	39,338	-	39,338	40,592	-	40,592
Yuan	-	-	-	-	4,026,121	4,026,121
Total	45,017	-	45,017	56,292	4,026,121	4,082,413
Add: Accrued interest	-	-	-	-	11,968	11,968
Less: Deferred revenue	-	-	-	-	(1,531)	(1,531)
Total foreign	45,017	-	45,017	56,292	4,036,558	4,092,850
Total domestic and foreign	3,774,406	27,421,873	31,196,279	777,352	29,944,993	30,722,345

(Unit: Thousand Baht)

Separate financial statements as at 31 December						
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	565,745	-	565,745	169,413	-	169,413
Total	565,745	-	565,745	169,413	-	169,413
Add: Accrued interest	239	-	239	34	-	34
Total domestic	565,984	-	565,984	169,447	-	169,447

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2012	2011	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are as collateral. Details of transactions are as follows:

(Unit: Million Baht)

Securities purchase under resale agreements
according to private repurchase transactions
as at 31 December

	2012	2011
Commercial bank	25,000	20,350
Specialised financial institution	2,000	4,000

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

Fair value of securities received as collateral
as at 31 December

	2012	2011
Commercial bank	25,114	20,558
Specialised financial institution	1,973	4,042

3.3 Derivatives

3.3.1 Trading derivative

The subsidiary company operating banking business entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with its loan to customers, as follows:

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

Type of risk	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	14,882	-	3,063,160	-	127,628	3,169,120
Interest rate	26,981	-	3,032,000	21,907	14,715	5,682,000
Total	41,863	-	6,095,160	21,907	142,343	8,851,120

All counter parties of these derivative transactions are financial institutions.

3.3.2 Hedging derivatives

The subsidiary operating banking business and the subsidiary operating leasing business entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with their foreign currency certificates of deposit and borrowings, as follows:

(Unit: Thousand Baht)

Type of risk	Consolidated financial statements as at 31 December					
	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	747	639,410	22,924	133,119	4,982,220
Interest rate	-	-	-	543	594	372,500
Total	-	747	639,410	23,467	133,713	5,354,720

All counter parties of these derivative transactions are financial institutions.

3.4 Investments

3.4.1 Classified by types of investment

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2012	2011
Trading securities - fair value		
Domestic marketable equity securities	23	3,752
Add: Allowance for changes in value	-	21,691
Total trading securities	23	25,443
Available-for-sales securities - fair value		
Government and state enterprise securities	4,136,424	605,918
Debt securities of private sector	171,460	837,593
Domestic marketable equity securities	809,401	809,401
Other securities - domestic unit trusts	25,281	30,281
Other securities - foreign unit trusts	798,273	-
Add: Allowance for changes in value	413,829	239,738
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales securities	6,353,208	2,521,471
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	49,929	-
Investment in receivables	186,847	686,519
Less: Allowance for impairment	(20,801)	(18,057)
Total held-to-maturity debt securities	215,975	668,462
Other investments - cost		
Domestic non-marketable equity securities	494,053	608,263
Less: Allowance for impairment	(47,741)	(117,382)
Total other investments	446,312	490,881
Investments - net	7,015,518	3,706,257

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2012	2011
Available-for-sales securities - fair value		
Other securities - foreign unit trusts	798,273	-
Add: Allowance for changes in value	14,464	-
Investments - net	812,737	-

3.4.2 Classified by the remaining period to maturity of the debt securities

(Unit: Million Baht)

Consolidated financial statements as at 31 December								
2012				2011				
Due within				Due within				
Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total	
Available-for-sale securities								
Government and state								
enterprise securities	4,133	3	-	4,136	405	201	-	606
Debt securities of private								
sector	142	30	-	172	601	236	-	837
Total	4,275	33	-	4,308	1,006	437	-	1,443
Add: Allowance for changes								
in value	4	-	-	4	3	2	-	5
Less: Allowance for								
impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,278	33	-	4,311	1,008	439	-	1,447
Held-to-maturity debt securities								
Government and state								
enterprise securities	50	-	-	50	-	-	-	-
Investment in receivables	129	58	-	187	297	388	1	686
Less: Allowance for								
impairment	(16)	(5)	-	(21)	(18)	-	-	(18)
Total	163	53	-	216	279	388	1	668
Total debt securities	4,441	86	-	4,527	1,287	827	1	2,115

3.4.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements		Type of restriction
	as at 31 December		
	2012	2011	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	577	Pledge for the use of credit balance on clearing position

3.4.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2012		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2011		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

3.4.5 Investments where a subsidiary company operating banking business hold not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2012			2011		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Insurance:						
AXA Insurance Plc.	-	-	-	-	-	10
Services:						
TISCO Securities Hong Kong Limited (In the process of liquidation)	43,956	-	100	46,911	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,377	-	10	4,019	-	10
PDTL Trading Co., Ltd.	8,316	-	10	8,703	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
Prosperity Industrial Estate Co., Ltd.	-	-	-	45,095	-	10
UMI Property Co., Ltd.	5,697	-	10	6,843	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	16,940	-	10	17,028	-	10

3.5 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of shares as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2012	2011	2012	2011	2012	2011	2012	2011
Subsidiaries directly held by the Company									
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.98	99.98	13,294	13,294	1,238	1,070
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	260	150
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	335	185
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	-	-
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	-	-
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	-	-
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Ordinary shares	Ordinary shares	99.99	99.99	137	137	-	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	49.00	49.00	73	73	2	2
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	5	5	-	-
						15,131	15,131	1,835	1,407
Less: Allowance for impairment						(109)	(109)		
Investment in subsidiaries - net						15,022	15,022		

3.6 Loans to customers and accrued interest receivable

3.6.1 Classified by loans to customers type

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		as at 31 December	
		2012	2011
Loans to customers			
Loans		66,608,275	45,069,972
Hire purchase receivables		201,220,750	154,533,482
Financial lease receivables		6,020,564	4,046,616
Less: Deferred revenue		(24,996,296)	(18,416,303)
Advances received from financial lease receivables		(537,616)	(220,145)
Total loans to customers		248,315,677	185,013,622
Add: Accrued interest receivable		352,769	258,374
Less: Allowance for doubtful accounts		(5,121,518)	(4,420,351)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		<u>243,546,925</u>	<u>180,851,642</u>

		(Unit: Thousand Baht)	
		Separate financial statements	
		as at 31 December	
		2012	2011
Loans to customers			
Loans		3,841,000	944,000
Add: Accrued interest receivable		-	-
Loans to customers and accrued interest receivable - net		<u>3,841,000</u>	<u>944,000</u>

3.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	245,252,517	-	245,252,517	181,844,502	-	181,844,502
US Dollars	-	3,063,160	3,063,160	-	3,169,120	3,169,120
Total loans to customers						
net of deferred revenue	<u>245,252,517</u>	<u>3,063,160</u>	<u>248,315,677</u>	<u>181,844,502</u>	<u>3,169,120</u>	<u>185,013,622</u>

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	3,841,000	-	3,841,000	944,000	-	944,000
Total loans to customers						
net of deferred revenue	<u>3,841,000</u>	<u>-</u>	<u>3,841,000</u>	<u>944,000</u>	<u>-</u>	<u>944,000</u>

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December 2012						Other subsidiaries	Total
	Subsidiary company operating banking business							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	1,575,255	43,949	5,272	679	-	1,625,155	-	1,625,155
Manufacturing and commerce	33,359,833	373,478	52,954	12,397	29,385	33,828,047	-	33,828,047
Real estate and construction	10,104,095	115,489	23,251	10,735	248,997	10,502,567	-	10,502,567
Public utilities and services	21,255,301	424,872	35,029	14,633	3,967	21,733,802	-	21,733,802
Personal consumption								
Hire purchase	142,042,315	10,431,471	1,632,472	426,854	29,087	154,562,199	7,632,443	162,194,642
Auto cash loan	9,299,338	491,263	74,922	11,347	1,110	9,877,980	2,015,355	11,893,335
Housing loans	1,329,435	20,509	18,981	3,808	82,862	1,455,595	-	1,455,595
Securities	-	-	-	-	-	-	1,432	1,432
Others	4,881,940	143,840	18,370	7,303	29,649	5,081,102	-	5,081,102
Total loans to customers	<u>223,847,512</u>	<u>12,044,871</u>	<u>1,861,251</u>	<u>487,756</u>	<u>425,057</u>	<u>238,666,447</u>	<u>9,649,230</u>	<u>248,315,677</u>
Add: Accrued interest receivable	<u>172,180</u>	<u>150,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,266</u>	<u>30,503</u>	<u>352,769</u>
Total loans to customers and accrued interest receivable	<u>224,019,692</u>	<u>12,194,957</u>	<u>1,861,251</u>	<u>487,756</u>	<u>425,057</u>	<u>238,988,713</u>	<u>9,679,733</u>	<u>248,668,446</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011

	Subsidiary company operating banking business						Other subsidiaries	Total
	Special			Doubtful				
	Pass	mention	Sub-standard	Doubtful	of loss	Total		
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151	-	1,059,151
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352	-	24,051,352
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394	-	8,955,394
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521	-	11,140,521
Personal consumption								
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637	5,188,906	124,981,543
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522	210,075	7,717,597
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687	-	1,366,687
Securities	-	-	-	-	-	-	1,432	1,432
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945	-	5,739,945
Total loans to customers	166,517,915	10,880,161	1,517,199	254,481	443,453	179,613,209	5,400,413	185,013,622
Add: Accrued interest receivable	88,148	134,518	-	-	-	222,666	35,708	258,374
Total loans to customers and accrued interest receivable	166,606,063	11,014,679	1,517,199	254,481	443,453	179,835,875	5,436,121	185,271,996

3.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December					
	2012			2011		
	Loans to customers and accrued interest receivable	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivable	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	224,020	204,454	2,752	166,607	151,582	3,280
- Special mention	12,195	11,873	1,024	11,015	10,790	188
- Sub-standard	1,861	1,845	556	1,517	1,510	378
- Doubtful	488	477	136	254	227	54
- Doubtful of loss	425	193	216	443	212	195
Allowance established in excess	-	-	4	-	-	4
Total	238,989	218,842	4,688	179,836	164,321	4,099

⁽¹⁾ Allowance for doubtful accounts for loans to customers is determined based on debt balance less collateral value in accordance with the BOT's guidelines (except for hire purchase and financial lease receivables, for which TISCO Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ As at 31 December 2012, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,045 million (As at 31 December 2011: total of Baht 2,080 million). TISCO Bank allocated Baht 2,041 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2011: total of Baht 2,076 million) and so combined with the minimum provision requirement of Baht 2,643 million (As at 31 December 2011: total of Baht 2,019 million), the total provision set aside in accordance with BOT requirements is Baht 4,684 million (As at 31 December 2011: total of Baht 4,095 million).

	Percentage of allowance for doubtful accounts set up			
	Hire purchase receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Pass	1.14	1.42	1	1
Special mention	1.14	1.42	2	2
Sub-standard	24.29	20.88	100	100
Doubtful	24.29	20.88	100	100
Doubtful of loss	24.29	20.88	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ These percentages are the rates used to set aside up allowance for doubtful accounts in accordance with the BOT's minimum requirement.

3.6.5 Hire purchase and financial lease receivables

As at 31 December 2012, net receivables of the subsidiaries under hire purchase and financial lease agreements amount to Baht 181,900 million (31 December 2011: Baht 140,132 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	Consolidated financial statements as at 31 December 2012				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	61,807	134,904	6,579	3,951	207,241
Less: Deferred revenue*	(9,833)	(13,650)	110	(1,430)	(24,803)
Advances received from financial lease receivables	(30)	(505)	(2)	(1)	(538)
Present value of minimum lease pay from agreements	51,944	120,749	6,687	2,520	181,900
Allowance for doubtful accounts**					(2,915)
Net hire purchase and financial lease receivables					178,985

* Net of commissions and direct expenses incurred at the initiation of hire purchase.

** These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning the provisions in exceed of BOT's minimum requirement to specific provisions for an individual debtor.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011					
Amounts of installments due under the long-term lease agreements					
	Less than 1 year	1 - 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	49,809	101,960	3,386	3,425	158,580
Less: Deferred revenue*	(7,375)	(9,416)	(106)	(1,331)	(18,228)
Advances received from financial lease receivables	(17)	(197)	(6)	-	(220)
Present value of minimum lease pay from agreements	42,417	92,347	3,274	2,094	140,132
Allowance for doubtful accounts**					(2,564)
Net hire purchase and financial lease receivables					137,568

* Net of commissions and direct expenses incurred at the initiation of hire purchase.

** These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provisions in exceed of BOT's minimum requirement to specific provisions for an individual debtor.

3.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO Bank's policy as at 31 December	
	2012	2011	2012	2011
	Loans to customers for which the recognition of interest income has ceased ⁽¹⁾	3,441	2,949	3,454

⁽¹⁾ These amounts are calculated on an account by account basis.⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2012	2011
Hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	333	397

3.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiaries

(Unit: Million Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Deferred revenue ⁽¹⁾	24,996	18,416

⁽¹⁾These amounts included deferred revenue of hire purchase and finance lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.6.8 Troubled debt restructuring of a subsidiary company operating banking business

For the years ended 31 December

	2012	2011
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	159	287
Loan balances before restructuring (Million Baht)	120	720
Loan balances after restructuring (Million Baht)	120	720
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	1
Corporate loan receivables	2	2

Supplemental information for the years ended 31 December 2012 and 2011 relating to the restructured debts is as follows:

(Unit: Million Baht)

For the years ended 31 December

	2012	2011
Interest income on restructured receivables	53	64
Receipt of principal and interest	487	730

As at 31 December 2012 and 2011, a subsidiary company operating banking business has the outstanding balance with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2012		2011	
	Outstanding		Outstanding	
	Number of debts	balance	Number of debts	balance
The balance of the restructured debts	1,135	735	1,404	1,201

3.7 Allowance for doubtful accounts / allowance for loss on debt restructuring

3.7.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012							
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,393,569	237,316	469,683	95,954	219,966	3,863	4,420,351
Increase (decrease) in allowance for doubtful accounts during the year	(443,520)	892,124	708,783	1,469,707	135,095	(10,058)	2,752,131
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	9,635	9,635
Bad debt written-off	(1,270)	(17,394)	(547,422)	(1,388,260)	(106,253)	-	(2,060,599)
Balance - end of year	<u>2,948,779</u>	<u>1,112,046</u>	<u>631,044</u>	<u>177,401</u>	<u>248,808</u>	<u>3,440</u>	<u>5,121,518</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011							
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	934,963	92,619	237,767	88,718	457,130	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	2,461,032	162,942	655,523	699,660	346,657	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(2,426)	(18,245)	(423,607)	(692,424)	(583,821)	-	(1,720,523)
Balance - end of year	<u>3,393,569</u>	<u>237,316</u>	<u>469,683</u>	<u>95,954</u>	<u>219,966</u>	<u>3,863</u>	<u>4,420,351</u>

3.7.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012				
	Individual	Collective	Allowance	Total
	impairment	impairment	established in	
			excess	
Balance - beginning of year	1,874,151	2,542,337	3,863	4,420,351
Increase (decrease) in allowance for doubtful accounts during the year	490,531	2,271,658	(10,058)	2,752,131
Transfer from allowance for declining in value of property foreclosed	-	-	9,635	9,635
Bad debt written-off	(109,097)	(1,951,502)	-	(2,060,599)
Balance - end of year	<u>2,255,585</u>	<u>2,862,493</u>	<u>3,440</u>	<u>5,121,518</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011				
	Individual	Collective	Allowance	Total
	impairment	impairment	established in	
			excess	
Balance - beginning of year	565,586	1,245,611	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	1,418,943	2,906,871	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(110,378)	(1,610,145)	-	(1,720,523)
Balance - end of year	<u>1,874,151</u>	<u>2,542,337</u>	<u>3,863</u>	<u>4,420,351</u>

3.7.3 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Non-performing loans to customers	2,774	2,214
Allowance for doubtful accounts	908	627

3.8 Classification of assets

3.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

⁽¹⁾ Allowance for possible loss is determined based on the investment cost less collateral value.

⁽²⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

⁽³⁾ Investments in securities of companies which are vulnerable to delisting, of companies of which the auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

3.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

As at 31 December 2012 and 2011, the quality of assets of a subsidiary company operating banking business classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Pass	251,348	191,868	-	-	-	-	-	-	251,348	191,868
Special mention	12,045	10,880	-	-	-	-	-	-	12,045	10,880
Sub-standard	1,861	1,517	-	-	-	-	-	-	1,861	1,517
Doubtful	488	254	-	-	-	-	-	-	488	254
Doubtful of loss	425	443	72	138	21	18	18	50	536	649
Total	266,167	204,962	72	138	21	18	18	50	266,278	205,168

⁽¹⁾ Loans to customer include investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which are presented as part of interbank and money market items-asset in the statement of financial position).

3.8.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which a subsidiary company operating banking business sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
					(%)	(%)		
Pass	159,472	122,851	159,472	122,851	1.14	1.42	1,227	1,723
Special mention	10,939	10,066	10,939	10,066	1.14	1.42	717	165
Sub-standard	1,707	1,429	1,707	1,429	24.29	20.88	414	296
Doubtful	452	220	452	220	24.29	20.88	111	48
Doubtful of loss	38	50	38	50	24.29	20.88	9	11
Total	172,608	134,616	172,608	134,616			2,478	2,243

⁽¹⁾ The subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽³⁾ These allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8.4 Loans to customers with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts as at 31 December	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	2	1	250	247	142	145	132	123
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	-	1	-	13	-	-	-	13
5. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	2	2	250	260	142	145	132	136

3.8.5 Classification of assets of the securities business of a local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

(Unit: Million Baht)

	Securities business receivables and accrued interest as at 31 December		Allowance for doubtful accounts as required by SEC as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2012	2011	2012	2011	2012	2011
	Doubtful	1	1	1	1	1

3.8.6 Hire purchase receivables / financial lease receivables and other loan receivables of the other subsidiaries classified by the due date of the contracts

(Unit: Million Baht)

	Debt balance as at 31 December		Allowance for doubtful account as at 31 December		Debt balance - net as at 31 December	
	2012	2011	2012	2011	2012	2011
	Current	7,913	4,202	163	85	7,750
Overdue						
1 month	851	298	36	29	815	269
2 - 3 months	561	504	92	49	469	455
4 - 6 months	179	241	76	91	103	150
7 - 12 months	98	111	41	42	57	69
Over 12 months	31	25	13	10	18	15
Debtors under litigation	15	18	12	14	3	4
Total	9,648	5,399	433	320	9,215	5,079

3.9 Property foreclosed

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	239,700	268,015
Disposals	-	(28,315)
Balance - end of year	239,700	239,700
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	37,551	33,860
Additions	-	3,691
Disposals	(12,098)	-
Balance - end of year	25,453	37,551
Total property foreclosed - Immovable assets	265,153	277,251
Movable assets		
Balance - beginning of year	30,479	45,930
Additions	3,169,985	1,558,065
Disposals	(3,174,886)	(1,573,516)
Balance - end of year	25,578	30,479
Total property foreclosed	290,731	307,730
Less: Allowance for impairment		
Balance - beginning of year	49,861	326,408
Increase	1,268	1,885
Decrease	(32,931)	(278,432)
Balance - end of year	18,198	49,861
Property foreclosed - net	272,533	257,869

3.10 Investment properties

The book values of investment properties as at 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Office condominium for lease	Office condominium for lease
As at 31 December 2012:		
Cost	12,857	416,177
Less: Accumulated depreciation	(12,553)	(52,986)
Net book value	<u>304</u>	<u>363,191</u>
As at 31 December 2011:		
Cost	12,857	416,177
Less: Accumulated depreciation	(11,905)	(39,738)
Net book value	<u>952</u>	<u>376,439</u>

A reconciliation of net book values of investment properties for the years 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Book value - beginning of years	952	72,004	376,439	357,401
Asset disposals - book value	-	-	-	-
Transfer type of asset	-	(69,641)	-	(1,190)
Depreciation	(648)	(1,411)	(13,248)	(28,198)
Effect of the change in accounting estimates	-	-	-	48,426
Book value - end of years	<u>304</u>	<u>952</u>	<u>363,191</u>	<u>376,439</u>

The fair value of investment properties as at 31 December 2012 and 2011 stated below:

	(Unit: Thousand Baht)			
	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2012	2011	2012	2011
Office condominium for rent ⁽¹⁾	16,710	15,989	814,179	550,240

⁽¹⁾ The fair value of investment properties of the Company and its subsidiaries as at 31 December 2012 and 2011 have been determined using the market comparison approach and the income approach, respectively.

The fair value of investment properties was calculated by the asset appraisal method based on the market approach and the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

3.11 Premises and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Operating assets				Assets held for future lease and for sale	Assets for operating lease agreements		Total
	Land	Building, office condominium and building improvements	Furniture fixtures computer and equipment	Motor vehicles		Computer and equipment	Motor vehicles	
Cost:								
As at 1 January 2011	17,509	2,134,007	776,199	134,956	8,223	44,846	3,304	3,119,044
Additions/transfers in	-	209,504	98,642	23,035	2,246,269	12,116	3,222	2,592,788
Disposals/written-off/transfers out	-	(85,955)	(21,173)	(20,233)	(2,252,846)	(1,206)	(2,244)	(2,383,657)
As at 31 December 2011	17,509	2,257,556	853,668	137,758	1,646	55,756	4,282	3,328,175
Additions/transfers in	-	46,528	89,727	2,076	3,816,519	29,106	2,825	3,986,781
Disposals/written-off/transfers out	-	(13,515)	(17,163)	(8,869)	(3,801,243)	(9,561)	(1,060)	(3,851,411)
As at 31 December 2012	17,509	2,290,569	926,232	130,965	16,922	75,301	6,047	3,463,545
Accumulated depreciation:								
As at 1 January 2011	-	998,238	637,954	71,195	-	15,019	1,768	1,724,174
Depreciation for the year	-	62,550	97,130	19,756	-	17,204	820	197,460
Depreciation on disposals/written-off	-	(995)	(20,468)	(20,232)	-	(1,206)	(1,459)	(44,360)
As at 31 December 2011	-	1,059,793	714,616	70,719	-	31,017	1,129	1,877,274
Depreciation for the year	-	106,993	102,190	19,199	-	17,649	1,553	247,584
Depreciation on disposals/written-off	-	(9,901)	(16,515)	(8,869)	-	(9,561)	(848)	(45,694)
As at 31 December 2012	-	1,156,885	800,291	81,049	-	39,105	1,834	2,079,164
Net book value:								
As at 31 December 2011	17,509	1,197,763	139,052	67,039	1,646	24,739	3,153	1,450,901
As at 31 December 2012	17,509	1,133,684	125,941	49,916	16,922	36,196	4,213	1,384,381
Depreciation for years ended 31 December:								
2011								197,460
2012								247,584

(Unit: Thousand Baht)

	Separate financial statements			
	Building, office condominium and building improvements	Furniture, fixtures and equipment	Motor vehicles	Total
<u>Cost:</u>				
As at 1 January 2011	323,381	50,123	36,352	409,856
Additions/transfers in	12,076	55,272	20,390	87,738
Disposals/written-off/transfers out	(2)	(358)	-	(360)
As at 31 December 2011	335,455	105,037	56,742	497,234
Additions/transfers in	1,700	40,360	1,390	43,450
Disposals/written-off/transfers out	-	(30)	-	(30)
As at 31 December 2012	337,155	145,367	58,132	540,654
<u>Accumulated depreciation:</u>				
As at 1 January 2011	46,310	11,546	3,346	61,202
Depreciation for the year	21,808	35,586	9,509	66,903
Effect of the change estimates accounting	(25,927)	-	-	(25,927)
Depreciation on disposals	(2)	(197)	-	(199)
As at 31 December 2011	42,189	46,935	12,855	101,979
Depreciation for the year	14,074	47,952	11,491	73,517
Depreciation on disposals	-	(2)	-	(2)
As at 31 December 2012	56,263	94,885	24,346	175,494
<u>Net book value:</u>				
As at 31 December 2011	293,266	58,102	43,887	395,255
As at 31 December 2012	280,892	50,482	33,786	365,160
<u>Depreciation for the years ended 31 December:</u>				
2011				66,903
2012				73,517

3.12 Intangible assets

The book value of intangible assets as at 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u>Computer software</u>	<u>Computer software</u>
As at 31 December 2012:		
Cost	675,460	177,280
Less: Accumulated depreciation	(548,751)	(132,072)
Net book value	<u>126,709</u>	<u>45,208</u>
As at 31 December 2011:		
Cost	653,885	169,775
Less: Accumulated depreciation	(471,568)	(107,348)
Net book value	<u>182,317</u>	<u>62,427</u>

A reconciliation of net book value of intangible assets for the years ended 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Net book value at beginning of years	182,317	243,719	62,427	100,354
Acquisitions of computer software	22,325	53,233	7,505	17,987
Disposals of computer software	(750)	(3,340)	-	(609)
Amortisation	(77,183)	(111,295)	(24,724)	(55,305)
Book value at end of years	<u>126,709</u>	<u>182,317</u>	<u>45,208</u>	<u>62,427</u>

3.13 Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
Receivable from clearing house	136,065	30,682	-	-
Value added tax - net	1,551,171	250,723	6,256	5,867
Accrued interest receivable	31,867	12,147	-	-
Fee and charges receivable	277,240	181,829	88,652	790
Refundable income tax and prepaid				
income tax	367,904	360,300	-	-
Deposits	41,403	38,324	4,080	4,080
Other receivables	594,595	294,965	-	54
Other assets	335,930	347,442	28,000	28,465
Total other assets	3,336,175	1,516,412	126,988	39,256

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2012	2011
Deposits		
Current accounts	2,762,373	3,423,090
Savings accounts	28,140,151	17,082,939
Fixed accounts		
- not over 6 months	14,063,664	1,265,389
- over 6 months and less than 1 year	1,153,580	588,126
- over 1 year	167,791	195,633
Certificates of deposit/negotiable certificates of deposit	173,535,780	15,423,817
Total	219,823,339	37,978,994

3.14.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Not over 1 year*	219,591,744	37,452,777
Over 1 year	231,595	526,217
Total deposits	<u>219,823,339</u>	<u>37,978,994</u>

*Including fully-mature deposit contract

3.14.3 As at 31 December 2012 and 2011, all outstanding deposits are deposits from domestic depositors and in Baht.

3.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	28,857	28,857	-	-	-
Commercial banks	3,401,343	1,723,541	5,124,884	126,287	3,625,088	3,751,375
Specialised financial institutions	-	1,915,131	1,915,131	-	-	-
Other financial institutions	444,380	6,457,356	6,901,736	276,506	10,450,772	10,727,278
Total	<u>3,845,723</u>	<u>10,124,885</u>	<u>13,970,608</u>	<u>402,793</u>	<u>14,075,860</u>	<u>14,478,653</u>

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Other financial institution	-	200,000	200,000	-	-	-
Total	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

3.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
<u>Domestic borrowings</u>				
Subordinated unsecured debentures	8,243,000	6,000,000	-	-
Unsubordinated unsecured debentures	5,828,200	1,076,000	-	-
Bills of exchange	13,805,253	138,319,564	6,311,631	1,808,832
Promissory notes	797	1,034	-	-
Total	27,877,250	145,396,598	6,311,631	1,808,832

3.16.1 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
			2012	2011		2012	2011		
			(Units)	(Units)		(Million Baht)	(Million Baht)		
2009	TISCO Bank	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.50 percent per annum in the first to third years, 6.00 percent per annum in the forth to seventh years and 6.50 percent per annum in the eighth to tenth years.
2009	TISCO Bank	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.00 percent per annum in the first to third years, 5.50 percent per annum in the forth to seventh years and 6.00 percent per annum in the eighth to tenth years.
2010	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2022	4.85 percent per annum.
2012	TISCO Bank	Subordinated and unsecured long-term debentures	1,243,000	-	1,000	1,243	-	2022	4.60 percent per annum.
Total						8,243	6,000		

3.16.2 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
			2012	2011		2012	2011		
			(Unit)	(Unit)		(Million Baht)	(Million Baht)		
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	-	1 million	1,000	-	1,000	2012	4.04 percent per annum
2011	TISCO Bank	Unsubordinated and unsecured long-term debentures	-	76,000	1,000	-	76	2012	3.40 percent per annum
2012	TISCO Bank	Unsubordinated and unsecured short- term debentures	4,324,300	-	1,000	4,324	-	2013	3.50 percent per annum
2012	TISCO Bank	Unsubordinated and unsecured short- term debentures	1 million	-	1,000	1,000	-	2013	3.50 percent per annum
2012	TISCO Bank	Unsubordinated and unsecured short- term debentures	503,900	-	1,000	504	-	2013	3.50 percent per annum
Total						<u>5,828</u>	<u>1,076</u>		

3.16.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2013 to 2015. The interest rates of the fixed interest rates bearing bills of exchange are between 2.50 and 4.25 percent per annum.

3.17 Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2012 and 2011, which are compensations on employee's retirement and other long-term benefits were as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2012	2011
Defined post employment benefit obligation at beginning of year	205,141	158,580
Current service cost	22,468	17,600
Interest cost	8,342	6,848
Benefits paid during the year	(5,218)	(1,445)
Adjustment on actuarial gains (losses)	12,097	23,558
Defined post employment benefit obligation at end of year	242,830	205,141
Other long-term benefits	81,527	-
Total provision for long-term employee benefits at end of year	<u>324,357</u>	<u>205,141</u>

(Unit: Thousand Baht)

Separate financial statements

as at 31 December

	2012	2011
Defined post employment benefit obligation at beginning of year	49,069	39,651
Current service cost	3,866	2,334
Interest cost	1,745	1,679
Benefits paid during the year	-	-
Adjustment on actuarial gains (losses)	5,209	5,405
Defined post employment benefit obligation at end of year	59,889	49,069
Other long-term benefits	11,197	-
Total provision for long-term employee benefits at end of year	71,086	49,069

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2012 and 2011 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements for the year ended 31 December		Separate financial statements for the year ended 31 December	
	2012	2011	2012	2011
	Current service cost	53,284	17,600	8,168
Interest cost	9,373	6,848	1,894	1,679
Total employee benefits expenses	62,657	24,448	10,062	4,013

Principal actuarial assumptions at the valuation date were as follows:

(Unit: Percent per annum)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Discount rate	3.09 - 4.21	3.91 - 4.27	3.09 - 4.20	3.91 - 4.27
Average salary increase rate	4.39	3.27	4.39	3.27
Average inflation rate	3.50	3.27	3.50	3.27

3.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
Payable to clearing housing	852,369	284,430	-	-
Withholding income tax and other				
tax payable	353,942	349,513	61,177	44,278
Accrued insurance premium	885,727	400,555	-	-
Deferred income	550,733	497,524	-	-
Accrued expenses	2,089,089	1,446,100	683,250	566,113
Suspense creditors	579,873	401,343	-	-
Other liabilities	271,850	177,867	60	65,867
Total other liabilities	<u>5,583,583</u>	<u>3,557,332</u>	<u>744,487</u>	<u>676,258</u>

The above accrued expenses included accrued bonus expenses which are remuneration paid to the management and employees based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the Company's share price, paid to employees whose performance impacts on the Company's operation results, as an incentive to work effectively and to build loyalty to the Company. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the Company's shares over the period of five years from grant date to settlement date. As of 31 December 2012 and 2011, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 355 million and Baht 196 million, respectively (the Company only: Baht 206 million and Baht 121 million, respectively)

3.19 Capital funds

3.19.1 The primary objectives of the Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and other in accordance with the regulations of Bank of Thailand or relevant regulatory agencies.

3.19.2 TISCO Bank maintains capital adequacy ratio in comply with Basel II principles which is implementing capital requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets.

Regarding to Capital fund as of 31 December 2012 and 2011 under Basel II framework, TISCO Bank has allocated the additional reserve from classification as part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of TISCO Bank are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,522	7,281,522
Premium on share capital	130,451	130,451
Statutory reserve	846,100	714,600
Retained earnings - unappropriated	6,089,582	4,684,261
Less: Deferred tax assets	-	(104,334)
Deficit provision according to IRB	(279,825)	(447,545)
Total Tier I	14,067,830	12,258,955
<u>Tier II</u>		
Subordinated long-term debentures	6,858,434	5,873,988
Reserve for loans classified as pass	490,337	798,661
Less: Deficit provision according to IRB	(279,825)	(447,545)
Total Tier II	7,068,946	6,225,104
Total capital fund	21,136,776	18,484,059

(Unit: Percent)

Capital ratios	As at 31 December				
	2012			2011	
	TISCO Bank			TISCO Bank	
	Capital ratios as at 31 December 2012	Capital ratios after appropriation of net profit for the year ⁽³⁾ 2012	Requirement	Capital ratios as at 31 December 2011	Requirement
Tier I capital to risk assets	8.51	9.03	4.25	9.88 ⁽¹⁾	4.25
Total capital to risk assets	12.79	13.30	8.50	14.91 ⁽²⁾	8.50

⁽¹⁾ Before Capital Floor⁽²⁾ After Capital Floor⁽³⁾ On 21 December 2012, the Board of Directors of TISCO Bank unanimously approved the appropriation of estimated net profit arising from the year 2012 operations as the interim dividend payment and approved the appropriation of the remaining net profit after the interim dividend payment, as statutory reserve and capital fund.

3.19.3 To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 6/2553 regarding “Consolidated Supervision” dated 18 June 2010, the Company has disclosed capital maintenance information of financial business group as at 30 June 2012 on its website on 31 October 2012.

3.20 Surplus on changes in the value of investments

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2012	2011
Balance - beginning of year	187,851	439,655
Increase (decrease) from changes in the value of securities during the year	174,090	(251,804)
	361,941	187,851
Less: The effect of deferred tax assets / liabilities	(83,534)	(48,716)
Balance - end of year	278,407	139,135

(Unit: Thousand Baht)

Separate financial statements

as at 31 December

	2012	2011
Balance - beginning of year	-	-
Increase from changes in the value of securities during the year	14,464	-
	14,464	-
Less: The effect of deferred tax assets / liabilities	(2,893)	-
Balance - end of year	11,571	-

3.21 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

Consolidated financial statements

For the years ended 31 December

	2012	2011
Interbank and money market items	730,845	627,799
Investments in debt securities	174,956	224,971
Loans to customers	4,477,681	3,221,331
Hire purchase and financial lease	9,827,130	8,294,567
Total interest income	15,210,612	12,368,668

(Unit: Thousand Baht)

Separate financial statements

For the years ended 31 December

	2012	2011
Interbank and money market items	17,662	14,929
Loans to customers	68,385	39,713
Total interest income	86,047	54,642

3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Deposits	3,436,914	866,599
Interbank and money market items	514,431	353,952
Contribution fee to the Deposit Protection Agency and Bank of Thailand	718,198 ⁽¹⁾	163,043 ⁽²⁾
Issued debt instruments		
- Subordinated debentures	365,272	308,000
- Unsubordinated debentures	182,529	40,400
Borrowings	2,948,802	3,729,347
Total interest expenses	8,166,146	5,461,341

⁽¹⁾ Record a rate of 0.40% per year based on outstanding average deposits amount up to 26 January 2012 and after that record at a rate of 0.01% per year based on outstanding average deposits amount and at a rate of 0.46% per year based on outstanding average public funding base including deposits, bill of exchange, and other securities issuing by the commercial bank which were issued starting from 27 January 2012 onwards, excluding outstanding subordinated debentures.

⁽²⁾ Record at a rate of 0.40% per year based on outstanding average deposits amount.

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	675	-
Borrowings	128,914	86,867
Total interest expenses	129,589	86,867

3.23 Fees and services income - net

Fees and service income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		For the years ended 31 December	
		2012	2011
Fees and service income			
- Acceptance, aval and guarantees		13,288	30,604
- Insurance service		1,967,272	1,096,109
- Brokerage fees		786,176	681,849
- Fund management		754,465	560,366
- Financial advisory fees		33,800	29,566
- Others		852,550	668,495
Total fees and service income		4,407,551	3,066,989
Fees and service expenses			
- Information service expenses		(102,933)	(66,908)
- Others		(175,986)	(145,910)
Total fees and service expenses		(278,919)	(212,818)
Fees and service income - net		4,128,632	2,854,171

		(Unit: Thousand Baht)	
		Separate financial statements	
		For the years ended 31 December	
		2012	2011
Fees and service income		-	-
Fees and service expenses		(9,958)	(9,203)
Fees and service income - net		(9,958)	(9,203)

3.24 Gains (losses) on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(15,369)	32,445
- Derivatives on interest rates	39,789	7,774
- Debt securities	15,946	10,237
- Equity securities	26,129	(7,504)
- Others	-	(47)
Gains on cash flow hedges	100,761	-
Total	<u>167,256</u>	<u>42,905</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Losses on trading and foreign exchange transactions		
- Equity securities	(4,847)	-
Total	<u>(4,847)</u>	<u>-</u>

3.25 Gains (losses) on investments - net

Gains (losses) on investments in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Gains on disposal		
- Available-for-sale securities	1,156	70,496
- Held-to-maturity securities	449	189
- General investments	49,287	13,416
Total	50,892	84,101
Reversal (losses) on impairment		
- General investments	69,640	(49,835)
Total	69,640	(49,835)
Gains on investments - net	120,532	34,266
		(Unit: Thousand Baht)
	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Reversal (losses) on impairment		
- Investments in subsidiaries	(7)	962
Gains (losses) on investments - net	(7)	962

3.26 Bad debt, doubtful accounts and impairment loss

Bad debt, doubtful accounts and impairment loss in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	5,000	10,000
Held-to-maturity debt securities	2,744	(5,199)
Loans to customers	1,914,500	1,278,274
Total	1,922,244	1,283,075

3.27 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Gains on disposal of property foreclosed	54,938	69,087
Rental income	22,762	22,915
Others	44,957	51,757
Total	122,657	143,759

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Rental income	63,881	60,106
Others	1,053	21,334
Total	64,934	81,440

3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Mailing expenses	50,106	47,013
Software amortisation expenses	77,182	111,295
Legal expenses	145,668	126,362
Transportation expenses	86,534	90,805
Others	409,840	315,683
Total	769,330	691,158

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2012	2011
Mailing expenses	306	316
Software amortisation expenses	24,723	55,305
Transportation expenses	8,236	7,135
Others	89,828	37,732
Total	123,093	100,488

3.29 Income tax expenses

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Current income tax:				
Income tax expenses for the year	930,872	659,083	141,671	128,905
Adjustment in respect of current income tax of previous year	3,198	1,813	(489)	108
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	146,591	769,608	(37,476)	(14,494)
Effects of changes in the applicable tax rates	-	131,404	-	36,965
Income tax expenses reported in statements of comprehensive income	1,080,661	1,561,908	103,706	151,484

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Decrease (increase) in surplus on change in value of investments	(34,818)	73,925	(2,893)	-
Cash flow hedges	22,515	(37,276)	-	-
Actuarial gains (losses)	12,376	7,076	2,391	1,080
Effects of changes in the applicable tax rates	-	33,488	-	-
Income tax expenses recorded directly to other comprehensive income	73	77,213	(502)	1,080

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Accounting profit before tax	4,813,669	4,854,907	2,248,574	1,857,045
Applicable tax rate	23%	25%, 30%	23%	25%
Accounting profit before tax multiplied by applicable tax rate	1,534,708	1,810,079	517,172	464,261
Adjustment in respect of current income tax of previous year	3,198	1,813	(489)	108
Effects of changes in the applicable tax rates	-	131,404	-	36,965
Effects of:				
Tax effect of net tax-exempt income and net disallowed expenses	(396,620)	(382,806)	(420,502)	(352,144)
Utilisation of loss carry forwards	(24,230)	-	-	-
Effects of tax rate used for deferred tax	(36,395)	1,418	7,525	2,294
Total	(457,245)	(381,388)	(412,977)	(349,850)
Income tax expenses reported in the statement of comprehensive income	1,080,661	1,561,908	103,706	151,484

The following table shows consist of deferred tax assets and deferred tax liabilities.

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2012	2011	2012	2011
Allowance for doubtful accounts	80,742	60,264	20,478	(730,212)
Allowance for impairment of investments	21,742	62,820	(41,078)	(11,986)
Allowance for impairment of property foreclosed	2	9,972	(9,970)	(87,951)
Non-accrual of interest income	11,719	39,097	(27,378)	(155,806)
Depreciation of assets	5,241	12,842	(7,601)	(26,352)
Financial leases	-	8,468	(8,468)	(5,442)
Revaluation surplus on investments	(2,893)	(947)	-	-
Unrealised gain or loss on derivatives	-	(1,652)	1,652	(1,505)
Cash flow hedges	-	(25,655)	-	-
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(12,587)	(243,254)	230,667	63,219
Loss on disposal of property foreclosed	5,762	9,778	(4,016)	(7,424)
Deferred income	-	82,735	(82,735)	15,718
Reduction of subsidiaries' share capital	21,435	21,435	-	(5,359)
Tax loss carried forward	1,496	-	1,496	-
Accrued expenses	141,487	225,113	(83,626)	1,648
Employee benefits	31,386	36,361	(9,848)	4,136
Others	594	58,024	(57,430)	48,458
Deferred tax assets	306,126	355,401	(77,857)	(898,858)

(Unit: Thousand Baht)

Consolidated financial statements				
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2012	2011	2012	2011
	Allowance for doubtful accounts	(882)	(247)	(635)
Allowance for impairment of investments	(28,313)	-	(28,313)	-
Allowance for impairment of property foreclosed	(3,637)	-	(3,637)	-
Allowance for revaluation of other assets	(180)	(180)	-	90
Non-accrual of interest income	(17,541)	(4)	(17,537)	3
Depreciation of assets	(9,610)	(588)	(9,022)	1,005
Financial leases	66,544	76,356	(9,812)	(20,855)
Revaluation surplus on investments	80,641	47,769	-	-
Unrealised gain or loss on derivatives	5,610	-	5,610	-
Cash flow hedges	463	(2,677)	-	-
Gain from revaluation of investments in trading securities	-	3,886	(3,886)	(4,195)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	403,875	-	403,875	-
Unearned interest income on hire purchase	(60,671)	-	(60,671)	-
Tax loss carried forwards	(35,901)	(57,427)	21,526	16,793
Accrued expenses	(139,943)	(6,033)	(133,910)	2,585
Employee benefits	(33,257)	(4,735)	(21,020)	(538)
Others	(68,615)	5,219	(73,834)	7,056
Deferred tax liabilities	158,583	61,339	68,734	2,154

(Unit: Thousand Baht)

Separate financial statements				
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2012	2011	2012	2011
	Allowance for impairment of investments	21,742	21,740	2
Depreciation of assets	4,348	1,153	3,195	(15,438)
Revaluation surplus on investments	(2,893)	-	-	-
Reduction of subsidiaries' share capital	21,435	21,435	-	(5,359)
Accrued expenses	132,097	99,164	32,933	2,969
Employee benefits	14,217	9,813	2,012	801
Others	435	1,101	(666)	232
Deferred tax assets	191,381	154,406	37,476	(22,471)

3.30 Components of other comprehensive income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2012	2011	2012	2011
Other comprehensive income				
Gains (losses) on translation adjustment in foreign operations	(1,467)	2,427	-	-
Available-for-sale securities:				
Gains (losses) arising during the year	175,246	(181,308)	14,464	-
Less: Reclassification adjustments for gains included in profit or loss	(1,156)	(70,496)	-	-
	174,090	(251,804)	14,464	-
Actuarial gains (losses)	(61,777)	(23,558)	(11,955)	(5,405)
Cash flow hedges:				
Gains (losses) arising during the year	(21,208)	108,207	-	-
Add: Reclassification adjustments for losses (gains) included in profit or loss	(91,367)	16,045	-	-
	(112,575)	124,252	-	-
Total other comprehensive income	(1,729)	(148,673)	2,509	(5,405)
Income tax effect	73	77,213	(502)	1,080
Other comprehensive income for the year - net	(1,656)	(71,470)	2,007	(4,325)

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Increase (decrease) in surplus on change in value of investments	174,090	(34,818)	139,272	(251,804)	98,283	(153,521)
Actuarial gains (losses)	(61,777)	12,376	(49,401)	(23,558)	4,717	(18,841)
Cash flow hedges	(112,575)	22,515	(90,060)	124,252	(25,787)	98,465
	<u>(262)</u>	<u>73</u>	<u>(189)</u>	<u>(151,110)</u>	<u>77,213</u>	<u>(73,897)</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Increase (decrease) in surplus on change in value of investments	14,464	(2,893)	11,571	-	-	-
Actuarial gains (losses)	(11,955)	2,391	(9,564)	(5,405)	1,080	(4,325)
	<u>2,509</u>	<u>(502)</u>	<u>2,007</u>	<u>(5,405)</u>	<u>1,080</u>	<u>(4,325)</u>

3.32 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
	Profit attributable to equity holders of the Company (Thousand Baht)	3,705,180	3,266,755	2,144,868
Weighted average number of shares (Thousand shares)	727,912	727,912	727,912	727,912
Basic earnings per share (Baht/share)	5.09	4.49	2.95	2.34

3.33 Related party transactions

	(Unit: Thousand Baht)			
	As at		As at	
	31 December		31 December	
	2011	Increase	Decrease	2012
<u>Outstanding balance</u>				
(Eliminated in consolidated financial statements)				
Subsidiary companies:				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited	169,446	1,333,372	(936,834)	565,984
Loans:				
Hi-Way Co., Ltd.	839,000	620,000	(263,000)	1,196,000
TISCO Leasing Co., Ltd.	105,000	2,540,000	-	2,645,000
Dividend receivable:				
TISCO Bank Public Company Limited	400,418	1,237,656	(400,418)	1,237,656
TISCO Securities Co., Ltd.	150,000	260,000	(150,000)	260,000
TISCO Asset Management Co., Ltd.	184,899	334,998	(184,899)	334,998
TISCO Tokyo Leasing Co., Ltd.	-	2,205	(2,205)	-
Other assets:				
TISCO Bank Public Company Limited	-	113,273	(25,980)	87,293
TISCO Securities Co., Ltd.	-	7,297	(7,297)	-
TISCO Information Technology Co., Ltd.	-	4,412	(4,412)	-
TISCO Learning Center Co., Ltd.	771	1,292	(1,959)	104
Deutsche TISCO Investment Advisory Co., Ltd.	-	1,250	-	1,250
Interbank and money market items (Liability):				
TISCO Securities Co., Ltd.	-	200,000	-	200,000
Borrowings:				
TISCO Information Technology Co., Ltd.	-	80,000	(80,000)	-
Interest payable:				
TISCO Information Technology Co., Ltd.	-	476	(476)	-
TISCO Securities Co., Ltd.	-	107	-	107
Other liabilities:				
TISCO Bank Public Company Limited	54,955	-	(54,955)	-
TISCO Securities Co., Ltd.	7,036	-	(7,036)	-
TISCO Information Technology Co., Ltd.	23,823	-	(23,823)	-
TISCO Learning Center Co., Ltd.	178	828	(918)	88

	Separate financial statements		(Unit: Thousand Baht)
			Terms and pricing policy
	2012	2011	(For the year 2012)
<u>Transactions occurred during the years ended 31 December</u>			
(Eliminated in consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,529,999	1,286,324	Determined on the basis on actual cost
Interest income	85,702	54,467	With reference to the terms and prices as offered to other customers
Rental income	62,913	57,465	With reference to the terms and prices as offered to other customers
Computer system advisory services expenses	160,000	157,000	Determined on the basis on actual cost
Interest expenses	2,308	5,191	With reference to the terms and prices as offered to other customers
Training expenses	3,007	2,146	With reference to the prices as offered from other service providers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2012	2011
Loans ⁽¹⁾	29,927	23,189

⁽¹⁾ Including employee welfare loan and normal business loan

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December 2012	
	2012	2011
Deposits	195,678	115,178
Debt issued and borrowings	-	66,930

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had short-term benefit paid to their directors and management during the year as below:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Short-term benefit	432	335	304	218

3.34 Financial information by segment

3.34.1 Financial position and results of operations classified by domestic and foreign operations, are as follow:

	(Unit: Million Baht)			
	Consolidated financial statements			
	As at 31 December 2012			
	Domestic operations	Foreign operations	Elimination	Total
Total assets	313,780	45	(23,328)	290,497
Interbank and money market items (assets)	33,348	45	(2,197)	31,196
Investments - net	7,016	-	-	7,016
Loans to customers and accrued interest receivables - net	247,588	-	(4,041)	243,547
Deposits	220,634	-	(811)	219,823
Interbank and money market items (liabilities)	15,561	-	(1,590)	13,971
Debt issued and borrowings	31,718	-	(3,841)	27,877

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2011				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Total assets	237,814	57	(17,153)	220,718
Interbank and money market items (assets)	30,957	56	(291)	30,722
Investments - net	3,706	-	-	3,706
Loans to customers and accrued interest				
receivables - net	181,796	-	(944)	180,852
Deposits	38,060	-	(81)	37,979
Interbank and money market items (liabilities)	14,490	-	(11)	14,479
Debt issued and borrowings	146,540	-	(1,143)	145,397

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2012				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Interest income	15,309	-	(99)	15,210
Interest expenses	(8,265)	-	99	(8,166)
Interest income - net	7,044	-	-	7,044
Net fee and service income	4,598	-	(469)	4,129
Other operating income	4,014	-	(3,427)	587
Total operating income	15,656	-	(3,896)	11,760
Other operating expenses	(7,092)	(2)	2,070	(5,024)
Bad debt, doubtful accounts and impairment				
loss	(1,927)	-	5	(1,922)
Income tax expenses	(1,081)	-	-	(1,081)
Non-controlling interest	-	-	(28)	(28)
Profit for the year - equity holders				
of the Company	5,556	(2)	(1,849)	3,705

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2011				
	Domestic	Foreign	Elimination	Total
	operations	operations		
Interest income	12,436	-	(67)	12,369
Interest expenses	(5,528)	-	67	(5,461)
Interest income - net	6,908	-	-	6,908
Net fee and service income	3,258	-	(404)	2,854
Other operating income	4,149	-	(2,838)	1,311
Total operating income	14,315	-	(3,242)	11,073
Other operating expenses	(6,697)	(5)	1,767	(4,935)
Bad debt, doubtful accounts and impairment loss	(1,284)	-	1	(1,283)
Income tax expenses	(1,562)	-	-	(1,562)
Non-controlling interest	-	-	(26)	(26)
Profit for the year - equity holders of the Company	4,772	(5)	(1,500)	3,267

3.34.2 Financial positions and results of operation classified by business type

(Unit: Million Baht)

Consolidated financial statements										
As at 31 December										
	Bank business/financial service business		Securities business		Other business		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Total assets	284,892	216,947	5,620	2,900	23,313	18,024	(23,328)	(17,153)	290,497	220,718
Interbank and money market items (assets)	31,486	30,080	1,251	705	656	228	(2,197)	(291)	31,196	30,722
Investment - net	4,914	2,596	1,289	1,109	813	1	-	-	7,016	3,706
Loans to customers and accrued interest receivable - net	243,547	180,852	200	-	3,841	944	(4,041)	(944)	243,547	180,852
Deposits	220,634	38,060	-	-	-	-	(811)	(81)	219,823	37,979
Interbank and money market items (liabilities)	14,861	14,490	500	-	200	-	(1,590)	(11)	13,971	14,479
Debt issued and borrowings	25,406	144,731	-	-	6,312	1,809	(3,841)	(1,143)	27,877	145,397

Consolidated financial statements										
For the years ended 31 December										
	Bank business/financial service business		Securities business		Other business		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Interest income	15,142	12,320	78	59	89	57	(99)	(67)	15,210	12,369
Interest expenses	(8,091)	(5,416)	(45)	(25)	(129)	(87)	99	67	(8,166)	(5,461)
Interest income - net	7,051	6,904	33	34	(40)	(30)	-	-	7,044	6,908
Net fee and service expense	2,503	1,592	1,677	1,272	418	394	(469)	(404)	4,129	2,854
Other operating income	532	1,294	57	79	3,425	2,776	(3,427)	(2,838)	587	1,311
Total operating income	10,086	9,790	1,767	1,385	3,803	3,140	(3,896)	(3,242)	11,760	11,073
Other operating expenses	(4,551)	(4,531)	(989)	(911)	(1,554)	(1,260)	2,070	1,767	(5,024)	(4,935)
Bad debt, doubtful accounts and impairment loss of debt securities	(1,927)	(1,284)	-	-	-	-	5	1	(1,922)	(1,283)
Income tax expenses	(803)	(1,259)	(176)	(145)	(102)	(158)	-	-	(1,081)	(1,562)
Non-controlling interest	-	-	-	-	-	-	(28)	(26)	(28)	(26)
Profit for the year - equity holders of the Company	<u>2,805</u>	<u>2,716</u>	<u>602</u>	<u>329</u>	<u>2,147</u>	<u>1,722</u>	<u>(1,849)</u>	<u>(1,500)</u>	<u>3,705</u>	<u>3,267</u>

The Company's business operations involve a single industry segment, providing financial service in the form of the holding company, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets reflected in separate financial statements pertain to the aforementioned industry segment and geographic area.

3.35 Provident fund

The Company, its nine subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The provident funds of the Company and its eight subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. During the year 2012 and 2011, the Company and its subsidiaries paid provident fund contributions totaling Baht 113 million and Baht 99 million, respectively (the Company only: Baht 18 million and Baht 17 million, respectively).

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2012	2011
Avals	155,388	5,280
Other guarantees	722,348	4,447,136
Undrawn client overdraft facilities	47,905	30,976
Interest rate swap agreements (Note 3.37.5)	3,032,000	6,054,500
Cross currency swap agreements (Note 3.37.5)	3,702,570	8,151,340
	<u>7,660,211</u>	<u>18,689,232</u>

3.36.2 Litigation

As at 31 December 2012 and 2011, the subsidiary has been sued for compensation totaling approximately Baht 165 million and Baht 136 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the mentioned lawsuits.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 184 million and Baht 190 million as at 31 December 2012 and 2011, respectively). Through a court process, the litigant consented to end the litigation on 25 July 2012 and a consent order was granted by the court on 26 July 2012.

3.36.3 Other commitments

- a) The subsidiary company operating banking business has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally between 3 and 10 years.

As at 31 December 2012 and 2011, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

Payable within:	(Unit: Million Baht)	
	As at 31 December	
	2012	2011
Not over 1 year	110	88
Over 1 to 5 years	128	115

3.37 Financial instruments

3.37.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries (“the Group”) manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. They also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Group therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Group is not exposed to concentrations of credit risk because they have a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the financial statement.

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2012	2011
Neither past due nor impaired		
Very high grade	93,334	76,450
High grade	56,496	37,950
Medium grade	9,642	8,451
Sub total	159,472	122,851
Hire purchase receivable - overdue 31 - 90 days	10,939	10,066
Hire purchase receivable - overdue more than 90 days	2,197	1,699
Total	<u>172,608</u>	<u>134,616</u>

3.37.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices or interest rates, which may affect income or the capital funds of the Group.

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. TISCO Group uses a combination of risk sensitivities, Value-at-Risk and stress testing to manage market risks and establish limits. The Value-at-Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value-at-Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.37.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position at the financial statements date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at 31 December	
	2012	2011
Marketable financial assets		
Equity securities	164	734
Debts securities	4	10
Derivatives	-	31
Foreign currencies	38	11

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2012	2011
Change in interest rate		
Increase 1 percent	(718.38)	(335.13)
Decrease 1 percent	718.38	335.13

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual. The net interest rate sensitivity incurred would be less than those effected in net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities are not included in marketable debt securities, which presented in the market risk - marketable portfolio.

3.37.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

Consolidated financial statements				
as at 31 December 2012				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	1,046	1,046
Interbank and money market items	148	27,440	3,608	31,196
Derivatives assets	-	-	42	42
Investments - net	-	4,527	2,489	7,016
Loans to customers ⁽¹⁾	11,558	235,887	1,224	248,669
Securities and derivative business receivables	-	-	2,224	2,224
Receivable from clearing house	-	-	136	136
	<u>11,706</u>	<u>267,854</u>	<u>10,769</u>	<u>290,329</u>
<u>Financial liabilities</u>				
Deposits	30,686	188,921	216	219,823
Interbank and money market items	672	13,186	113	13,971
Liabilities payable on demand	-	-	652	652
Derivatives liabilities	-	-	1	1
Debts issued and borrowings	-	27,877	-	27,877
Securities and derivative business payables	-	-	1,524	1,524
Payable to clearing house	-	-	852	852
	<u>31,358</u>	<u>229,984</u>	<u>3,358</u>	<u>264,700</u>

⁽¹⁾Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

Consolidated financial statements
as at 31 December 2011

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	96	30,014	612	30,722
Derivatives assets	-	-	45	45
Investments - net	-	2,115	1,591	3,706
Loans to customers ⁽¹⁾	9,120	174,334	1,818	185,272
Securities and derivative business receivables	-	-	725	725
Receivable from clearing house	-	-	31	31
	<u>9,216</u>	<u>206,463</u>	<u>5,725</u>	<u>221,404</u>
<u>Financial liabilities</u>				
Deposits	20,352	17,431	196	37,979
Interbank and money market items	1,878	12,593	7	14,478
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	276	276
Debts issued and borrowings	-	145,397	-	145,397
Securities and derivative business payables	-	-	470	470
Payable to clearing house	-	-	284	284
	<u>22,230</u>	<u>175,421</u>	<u>1,681</u>	<u>199,332</u>

⁽¹⁾Loans to customers with floating rates or fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

Separate financial statements
as at 31 December 2012

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Interbank and money market items	6	560	-	566
Investments - net	-	-	813	813
Investment in subsidiaries	-	-	15,022	15,022
Loans to customers	-	3,841	-	3,841
	<u>6</u>	<u>4,401</u>	<u>15,835</u>	<u>20,242</u>
<u>Financial liabilities</u>				
Interbank and money market items	-	200	-	200
Debts issued and borrowings	-	6,312	-	6,312
	<u>-</u>	<u>6,512</u>	<u>-</u>	<u>6,512</u>

(Unit: Million Baht)

Separate financial statements

as at 31 December 2011

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating	Fixed	Without	Total
	Interest rate	Interest rate	Interest	
Financial assets				
Interbank and money market items	25	144	-	169
Investments - net	-	-	15,022	15,022
Loans to customers	-	944	-	944
	<u>25</u>	<u>1,088</u>	<u>15,022</u>	<u>16,135</u>
Financial liabilities				
Debts issued and borrowings	-	1,809	-	1,809
	<u>-</u>	<u>1,809</u>	<u>-</u>	<u>1,809</u>

Financial instruments which bear interest rate at fixed rates are classified below by the period from the financial statements date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3	3 - 12	1 - 5	Over 5		
		months	months	years	years		
Financial assets							
Interbank and money market items	10	27,430	-	-	-	27,440	2.7424
Investments - net	9	2,739	1,692	87	-	4,527	3.1941
Loans to customers	15,702	25,009	45,629	142,451	7,096	235,887	7.1002
	<u>15,721</u>	<u>55,178</u>	<u>47,321</u>	<u>142,538</u>	<u>7,096</u>	<u>267,854</u>	
Financial liabilities							
Deposits	7,257	135,578	45,855	231	-	188,921	3.1821
Interbank and money market items	3,253	6,352	2,007	1,572	2	13,186	3.2138
Debts issued and borrowings	58	9,247	10,218	111	8,243	27,877	3.9265
	<u>10,568</u>	<u>151,177</u>	<u>58,080</u>	<u>1,914</u>	<u>8,245</u>	<u>229,984</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	65	25,924	4,025	-	-	30,014	2.8016
Investments - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,353	18,574	36,179	104,654	3,574	174,334	7.0373
	<u>11,436</u>	<u>44,550</u>	<u>41,422</u>	<u>105,481</u>	<u>3,574</u>	<u>206,463</u>	
Financial liabilities							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	1,025	2,632	7,029	1,907	-	12,593	3.8297
Debts issued and borrowings	1,462	59,705	72,481	5,749	6,000	145,397	3.8438
	<u>3,156</u>	<u>72,655</u>	<u>85,428</u>	<u>8,182</u>	<u>6,000</u>	<u>175,421</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2012

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	560	-	-	-	-	560	2.5000
Loans to customers	3,841	-	-	-	-	3,841	3.6200
	<u>4,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,401</u>	
Financial liabilities							
Interbank and money market items	-	200	-	-	-	200	2.8000
Debts issued and borrowings	-	3,281	3,031	-	-	6,312	3.4724
	<u>-</u>	<u>3,481</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>6,512</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	144	-	-	-	-	144	2.5000
Loans to customers	944	-	-	-	-	944	4.4200
	<u>1,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088</u>	
Financial liabilities							
Debts issued and borrowings	-	641	1,168	-	-	1,809	4.1355
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>1,809</u>	

The balances of loans to customers (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.37.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the subsidiary operating banking business and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserves and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the subsidiary operating banking business's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserves. The procurement and concentration of funding sources will be well-planned to optimize risk/return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the subsidiary operating banking business set the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios are cover the Bank's specific scenario and Industry based scenario which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposits and bills of exchange. In the past, there is high rollover rate for both matured deposits and bills of exchange. Besides, the subsidiary also issued subordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets as cushion against liquidity risk. Moreover, the subsidiary provides credit line to other companies under TISCO Financial Group to support liquidity position if require.

3.37.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

	As at 31 December 2012			
	Remaining contractual			
	Less than	More than		Total
	3 months	3 - 12 months	1 year	
Liabilities	195,384	54,922	9,614	259,920

(Unit: Million Baht)

	As at 31 December 2011			
	Remaining contractual			
	Less than	More than		Total
	3 months	3 - 12 months	1 year	
Liabilities	99,560	84,192	13,961	197,713

The matured liabilities, both deposit and bill of exchange, are generally rollover with 90% average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit or bill of exchange in term of cash outflow.

3.37.3.2 Volume and composition of highly liquid assets, and internal ratio.

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Composition of highly liquid assets		
Cash	1,046	903
Interbank and money market - net	31,370	29,984
Current investments - net	4,311	1,447
Total liquid assets ⁽¹⁾	36,727	32,334
Liquid asset requirement ⁽¹⁾	14,202	2,289

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2012 and 2011, the subsidiary operating banking business has highly liquid assets, which are daily calculated, at Baht 36,727 million and Baht 32,334 million, respectively, which higher than internal liquid asset requirement, which is daily considered, of Baht 14,202 million and Baht 2,289 million, respectively. In addition, the subsidiary operating banking business has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 Counting from the financial statement date, as at 31 December 2012 and 2011, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non- performing Loans*	Total
<u>Financial assets</u>								
Cash	1,046	-	-	-	-	-	-	1,046
Interbank and money market items	3,767	27,429	-	-	-	-	-	31,196
Derivatives assets	-	15	-	27	-	-	-	42
Investments - net	10	2,739	1,692	86	-	2,489	-	7,016
Loans to customers	21,198	26,357	46,168	143,333	7,839	-	3,774	248,669
Securities and derivatives business								
receivables	-	2,224	-	-	-	-	-	2,224
Receivable from clearing house	-	136	-	-	-	-	-	136
	<u>26,021</u>	<u>58,900</u>	<u>47,860</u>	<u>143,446</u>	<u>7,839</u>	<u>2,489</u>	<u>3,774</u>	<u>290,329</u>
<u>Financial liabilities</u>								
Deposits	38,159	135,578	45,855	231	-	-	-	219,823
Interbank and money market items	3,151	6,508	2,389	1,921	2	-	-	13,971
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivatives liabilities	-	-	-	1	-	-	-	1
Debts issued and borrowings	58	9,247	10,218	111	8,243	-	-	27,877
Securities and derivative business								
payables	-	1,524	-	-	-	-	-	1,524
Payable to clearing house	-	852	-	-	-	-	-	852
	<u>42,020</u>	<u>153,709</u>	<u>58,462</u>	<u>2,264</u>	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>264,700</u>
<u>Contingent liability</u>								
Aval to bills and guarantees of loans	-	4	147	4	-	-	-	155
Other commitments	9	3,080	30	3,605	100	681	-	7,505

* Non-performing loan according to the BOT's guidelines

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans*	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	773	25,924	4,025	-	-	-	-	30,722
Derivatives assets	-	-	-	44	1	-	-	45
Investments - net	18	52	1,218	827	-	1,591	-	3,706
Loans to customers	14,246	18,647	38,058	105,918	5,058	-	3,345	185,272
Securities and derivatives business								
receivables	-	725	-	-	-	-	-	725
Receivable from clearing house	-	31	-	-	-	-	-	31
	<u>15,940</u>	<u>45,379</u>	<u>43,301</u>	<u>106,789</u>	<u>5,059</u>	<u>1,591</u>	<u>3,345</u>	<u>221,404</u>
Financial liabilities								
Deposits	21,176	10,359	5,918	526	-	-	-	37,979
Interbank and money market items	1,299	2,869	7,522	2,788	-	-	-	14,478
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	128	129	1	18	-	-	276
Debts issued and borrowings	1,462	59,705	72,480	5,750	6,000	-	-	145,397
Securities and derivative business								
payables	-	470	-	-	-	-	-	470
Payable to clearing house	-	284	-	-	-	-	-	284
	<u>24,385</u>	<u>73,815</u>	<u>86,049</u>	<u>9,065</u>	<u>6,018</u>	<u>-</u>	<u>-</u>	<u>199,332</u>
Contingent liability								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,514	4,124	4,868	1,750	4,279	-	18,684

* Non-performing loan according to the BOT's guidelines

(Unit: Million Baht)

Separate financial statements as at 31 December 2012

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans	
Financial assets								
Interbank and money market items	566	-	-	-	-	-	-	566
Investments - net	-	-	-	-	-	813	-	813
Investments in subsidiaries - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	3,841	-	-	-	-	-	-	3,841
	<u>4,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,835</u>	<u>-</u>	<u>20,242</u>
Financial liabilities								
Interbank and money market items	-	200	-	-	-	-	-	200
Debts issued and borrowings	-	3,281	3,031	-	-	-	-	6,312
	<u>-</u>	<u>3,481</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,512</u>

Separate financial statements as at 31 December 2011

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-	Total
		months	months	years	years		performing Loans	
Financial assets								
Interbank and money market items	169	-	-	-	-	-	-	169
Investments - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	944	-	-	-	-	-	-	944
	<u>1,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,022</u>	<u>-</u>	<u>16,135</u>
Financial liabilities								
Debts issued and borrowings	-	641	1,168	-	-	-	-	1,809
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,809</u>

3.37.4 Foreign exchange risk

The status of the subsidiaries foreign currency balance as at 31 December 2012 and 2011 are as follows:

TISCO Bank Public Company Limited

- a) Investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (31 December 2011: HKD 20 million) (under the cost method net of allowance for impairment equivalent to Baht 44 million (31 December 2011: 47 million)).
- b) Loans in foreign currency amounting to USD 100 million (31 December 2011: USD 100 million) (equivalent to Baht 3,063 million and Baht 3,169 million as at 31 December 2012 and 2011, respectively), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.
- c) As at 31 December 2011, TISCO Bank has foreign certificates of deposit amounting to CNY 800 million (equivalent to Baht 4,026 million as at 31 December 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 3.37.5 to the financial statements.

TISCO Tokyo Leasing Company Limited

- d) Borrowing in foreign country amounting to USD 21 million (31 December 2011: USD 21 million) (amortised cost amounting to Baht 645 million (31 December 2011: Baht 936 million)), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.

3.37.5 Derivatives

The subsidiaries have a policy to enter into transactions involving financial derivative instruments, for trading and hedging risks.

As at 31 December 2012 and 2011, the subsidiaries have the following financial derivative instruments.

- a) Financial derivative instruments classified as derivatives held for trading

- a.1) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets, as follow:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
2016	3,032	27

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2014	1,000	1
2016	3,032	21
2021	1,650	(15)

- a.2) Cross currency swap agreement

The subsidiary operating banking business entered into cross currency swap agreements to manage risk associated with financial assets, as follow:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
2013	3,063	15

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	3,169	(128)

b) Financial derivative instruments classified as cash flow hedge derivatives

b.1) Cross currency swap agreement

The subsidiary operating banking business entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	4,046	(128)

The subsidiary operating leasing business entered into cross currency swap agreements to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	309	(0.20)
2015	1	61	(0.09)
2016	2	170	(0.30)
2018	1	100	(0.16)

(Unit: Million Baht)

As at 31 December 2011

Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	537	16
2015	1	84	3
2016	2	215	2
2018	1	100	(3)

b.2) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreement to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	300	1

The subsidiary operating leasing business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial liabilities. Such subsidiary has signed contracts to pay interest at a fixed rate and receive interest at a floating rate, as follows:

(Unit: Million Baht)

As at 31 December 2012

Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011

Maturity	Notional amount	Fair value gain (loss)
2012	73	(1)

The hedged cash flows are expected to occur and when they are expected to affect income statements are in the periods as follows:

(Unit: Million Baht)

	For the year ended 31 December			
	2012		2011	
	Less than		Less than	
	1 year	1 - 4 years	1 year	1 - 4 years
Interest expenses	-	-	1	-

The net loss on cash flow hedges transferred from shareholders' equity to profit or loss for the years ended 31 December 2012 and 2011, and arose from interest payment under interest rate swap contracts used to hedge cash flows as follows:

(Unit: Million Baht)

	For the years ended 31 December 2012	
	2012	2011
Interest expenses	1	7

3.37.6 Fair value of financial instruments

The fair values of significant financial instruments of the Company and its subsidiaries, as presented below.

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Cash	1,046	1,046	903	903
Interbank and money market items - net	31,196	31,196	30,722	30,722
Investments - net	7,016	7,016	3,706	3,706
Loan to customers and accrued interest receivables - net	243,547	250,268	180,852	185,273
Securities and derivatives business receivables	2,224	2,224	745	745
Receivable from clearing house	136	136	31	31
<u>Financial liabilities</u>				
Deposits	219,823	219,823	37,979	37,979
Interbank and money market items - net	13,971	13,971	14,479	14,479
Liabilities payable on demand	652	652	448	448
Debt issued and borrowings	27,877	27,790	145,397	145,397

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Securities and derivatives business				
payables	1,524	1,524	470	470
Payable to clearing house	852	852	284	284

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book values of financial instruments are the values net of the full amount of such allowance for doubtful debt, after adjusting for loan loss reserve.

4. Significant events during the year

Change of subsidiary company's name and increase of its registered share capital

A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Investment Advisory Co., Ltd. No. 3/2012, on 17 December 2012, approved the change in that company's name and approved an increase of Baht 99 million in its registered share capital, from Baht 1 million to Baht 100 million, by issuing 9,900,000 new ordinary shares, with the number of ordinary shares therefore to increase from 100,000 shares to 10,000,000 shares of Baht 10 each. The shares are to be 100% paid up. The meeting also approved the amendment of items No.1 and No.5 (capital) in the memorandum of association, to state that the company's name is "Deutsche TISCO Investment Advisory Co., Ltd." and that its issued and fully paid-up registered capital is Baht 100 million, consisting of 10,000,000 ordinary shares of Baht 10 each. On 17 December 2012, the subsidiary company registered the increase in its registered share capital and the amendment of its memorandum of association with the Ministry of Commerce.

5. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend payment
		Preference	Ordinary	dividend paid	period
		share	share		
		(Baht per share)	(Baht per share)	(Million Baht)	
Final dividends for 2010	The 2011 Annual General Meeting of the Shareholders on 21 April 2011	2.25	2.25	1,638	May 2011
Total dividend payment in year 2011				<u>1,638</u>	
Annual dividends for 2011	The 2012 Annual General Meeting of the Shareholders on 26 April 2012	2.35	2.35	1,711	May 2012
Total dividend payment in year 2012				<u>1,711</u>	

6. Approval of financial statements

These financial statements were approved by the Company's Audit Committee on 11 February 2013.