



TISCO Bank Public Company Limited

Annual Registration Statements 2010 (Form 56-1)

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Executive Summary

Despite several internal and external disruptions in 2010, including the violent political demonstration in Bangkok, severe floods in the central and southern region, and sovereign debt crisis in Europe, the Thai economy was able to withstand all disturbances and continued to demonstrate strong growth in GDP of over 7%. This was attributable to the strong fundamental of the Thai economic structure, particularly in the banking and private sector. The capital market responded positively with significant increase in the SET Index of more than 40% over the year, driven by large foreign capital inflow.

Along with the economic growth, TISCO Bank reported an exceptional performance in 2010, with a net profit after tax of 1,993 million Baht, or 46.9% increase from the previous year. The asset base of the Bank also strongly expanded to reach 162 billion baht, driven by record high loan growth of 33%. While the growth and profitability was strong, the asset quality was well controlled through highly effective risk management system, as reflected in the continually declining NPL ratio to the industry lowest level of 1.6%. TISCO Bank's Returns on Equity (ROE) of 17%, also one of the highest in the banking industry, was well driven by sustainable core businesses. With banking platform fully operational and integrated with well-rounded financial services, TISCO Bank has now emerged as full-service bank with a strong market position.

Along with business achievements and transformation, the Bank has also completed the final stage of organizational restructuring to become a full client focused organization as well as redefined the Vision to emphasize more on wealth creation for all stakeholders. The Bank's businesses are also fully transformed into 3 groups – Retail Banking, Corporate & SME Banking, and Wealth & Deposit Service, in order to synergize group resources to maximize value for all clients and stakeholders.

The **Retail Banking** group constitutes all retail finance businesses of the group, with hire purchase as the core asset portfolio accounting for 89.5% of the total retail loans. Hire purchase business continued to exhibit an impressive loan growth of 22.9% over the year, contributed by strong surge of domestic car sales and successful business partnerships with Ford, Mazda, and Chevrolet groups. In addition to the core hire purchase business, TISCO also successfully promoted "TISCO Auto Cash", a secured consumer loan product with car pledged as collateral, which has substantially gained popularity among retail clients over the past years, due to its convenience, flexibility, and fairness of terms and conditions. Auto Cash portfolio thus successfully demonstrated strong growth of 104.6% over the year. In addition, bancassurance business continued its leading position in credit life and auto-related insurance with exceptional fee income growth of 74.6% over the year.

The **Corporate & SME Banking** group combined together the TISCO resources in corporate banking, and SME banking to provide top notch financial solutions to corporate clients. With the strong recovery of corporate loan demand following investment up cycle, TISCO corporate loan portfolio grew sharply by 50.8% in 2010, through numerous loan syndication and credit facilities granted to leading corporations in various industries. In addition, an impressive SME loan growth of 101.8% was also achieved through the success of inventory financing for car dealers and strong expansion in logistic and transportation sectors.

The **Wealth & Deposit Service** group covers Private Banking service and Retail Deposit Banking service. With an integrated wealth management service, TISCO Bank provides clients with one-stop services with full-shelved investment and saving products, including deposits, financial instruments, as well as effective advice on asset allocation strategies. Wealth relationship managers are dedicated to each particular client to offer best service and maximized satisfaction and all key accounts will be serviced with one on one investment adviser.

TISCO has adopted the highest ethical standards and good corporate governance best practices throughout the organization. It was another year of several years in row that Thai Institute of Directors Association's Corporate Governance Report 2010 ranked TISCO group as "Excellent CG Scoring" for overall performance. On Risk Management practice, TISCO Bank continued to be at the forefront of the industry peers for its internal best-practice risk management system, which not only ensure prudent business practice and excellent asset quality, but also enable the Bank to achieve a phenomenally strong loan growth. Year 2010 was also the first full year the Bank has adopted the Basel II - IRB (Internal Rating-Based) approach in capital adequacy calculation with satisfactory result. With the fully risk-adjusted capital adequacy framework, the Bank capital adequacy ratio continued to be very strong with a BIS ratio of 15.2%.

Going forward, the overall economy is expected to do well in the coming year. However, uncertainties are high and several unresolved internal and external problems are still ongoing, while the competition in the banking industry is likely to severely continue. It will therefore be another challenging year for TISCO Bank to sustain our success story in this highly demanding environment. The Board, is however, confident that with TISCO Bank's solid infrastructure, effective core value and capability, TISCO Bank will continue to thrive well, along with the Thai society.

The Board is highly grateful for the long-term support from our customers, business partners, and shareholders, and would like to express sincere appreciation to management and staff for their dedication, diligence, and commitments that have made these achievements possible for TISCO Bank.

Part 1

The Company

1. General Information

Company Name	: TISCO Bank Public Company Limited (hereafter "TISCO Bank" or "the Bank")
Type of Business	: Banking Business
Address	: Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	: 0107539000171
Total registered capital	: 11,002,000,000 Baht
Paid-up Capital	: 7,281,522,500 Baht comprised of 728,152,146 common shares and 104 preferred shares, both with par value of 10 Baht per share.
Home Page	: www.tisco.co.th
Telephone	: (66) 2633 6000
Fax	: (66) 2633 6800
Reference:	
Share Registrar	: Thailand Securities Depository Co., Ltd. Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
Debenture Holder Representative	: CIMB Thai Public Company Limited 44 Langsuan Road Lumpini, Patumwan, Bangkok 10330 Tel. 0 2626 7000, 0 2657 3000, 0 2638 8000 Fax. 0 2657 3333
Debenture Registrar	: TMB Bank Public Company Limited 3000 Phaholyothin Road Latyao, Chatu Chak, Bangkok 10900 Tel. 0 2299 1111 Fax. 0 2273 7121
Subordinated Bond Representative	: TMB Bank Public Company Limited 3000 Phaholyothin Road Latyao, Chatu Chak, Bangkok 10900 Tel. 0 2299 1111 Fax. 0 2273 7121

Subordinated Bond Registrar : **TMB Bank Public Company Limited**
3000 Phaholyothin Road
Latyao, Chatu Chak, Bangkok 10900
Tel. 0 2299 1111 Fax. 0 2273 7121

Auditor : **Ms. Rungnapa Lertsuwankul**
Certified Public Accountant (Thailand) Registration No.3516
Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road, Bangkok 10110
Tel. 0 2264 0777 Fax. 0 2264 0789-90

TISCO Bank held more than 10% of issued shares in 2 companies namely, TISCO Leasing Co., Ltd. and TISCO Securities Hong Kong Limited. Currently, TISCO Securities Hong Kong Limited is in process of liquidation. In addition, TISCO Bank Plc. 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 3.2.4.

2. Risk Factors

Overview of Risk Management

Risk management of TISCO Group is centralized by consolidating all risk exposure to TISCO Financial Group as a parent company. All risk exposures are controlled and managed under the consolidated supervision principle. By maximizing the effectiveness of risk management, overall risk exposures of TISCO Bank are managed within the policy and guideline adopted from the parent company.

Following the risk management policy of TISCO Group, TISCO Bank 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 Bank 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 Bank aims to maximize sustainable risk-adjusted returns over the long run.

Risk Management Policy

Overall risk management policy of TISCO Bank, based on the risk management policy of TISCO Group, encompasses the following structures:

1. Consolidated and centralized risk management
Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries under TISCO Financial Group 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 the 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 Modelling 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

The 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 the 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 the 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 TISCO Financial Group also including the Board of Directors of TISCO Bank with the delegation to the Executive Board of Directors of TISCO Bank. 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 Bank. 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 in the parent company. Risk Management Committee, supported by risk management and operational risk management functions in the parent company, is 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 and Operation Control Committee. These mechanisms are in turn supported by the Office of the Credit Committee and other supporting functions governing compliance and internal control and legal office in the parent company. 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 Audit Committee of TISCO Financial Group.

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

- Board of Directors

The Board of Directors of TISCO Bank shall ensure the institution of effective risk management system of the Bank and ensure that the Bank 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.

- Risk Management Committee

The Risk Management Committee of TISCO Bank, comprising the senior managements from the TISCO Bank, has been delegated from the Board of Directors of TISCO Bank 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. Risk management and operational risk management functions in the parent company support the Risk Management Committee in setting up and monitoring risk management policies and guidelines and performing enterprise-wide risk management activities through a risk research 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 TISCO Financial Group. Under consolidated supervision principle of the Bank of Thailand, Risk Management Committee of TISCO Bank directly reports to the Risk Management Committee of TISCO Financial Group.

- 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 TISCO Financial Group on a monthly basis.

Risk Types

Additional details are shown in Part 1 Section 11: Financial Status and Performance and notes to financial statements item 3.27

2.1 Credit Risk

Credit Risk is defined as the possibility of an obligor's failure to meet the terms of any contract with TISCO Bank as agreed or by defaulting on a loan agreement. Credit risk, if it occurs without pledged assets, requires the Bank to maintain higher provisions for loan losses, which will then adversely affect net income and TISCO Bank's capital.

- 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.

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. 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. Problem Loan Committee was set up to monitor and follow up overdue payment and problem loan accounts. The committee provides criteria for classifying loans as problem loans in addition to developing problem loan guidelines and procedures in handling any single problem loan account.

Sound credit risk assessments are key risk practices at TISCO Bank such as 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 Bank uses credit risk management guidelines and limits that are comprehensively applied to all credit-related functions both at the portfolio and transaction levels. Credit risk factors are explained in detail as follows:

2.1.1 Default Risk

In 2010, NPL ratio of TISCO Bank was decreased from 2.3% at year end of 2009 to 1.6% mainly due to improving economic conditions along with effective credit process and prudently managed non-performing loans (NPLs) including advanced risk management tools and stringent practice of loan collection, debt restructuring and write-off process. Additionally, NPL ratio of retail loan and commercial loan was 1.3% and 1.9%, respectively with total NPLs of 2,359.00 million baht which decreased by 4.1% or 102.08 million baht during the period.

TISCO Bank has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Bank of Thailand framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based historical loss data incorporating with adjustment for the forecasted economic condition. As of December 31, 2010, loan loss reserve of TISCO Bank was 3,859.41 million baht or 163.6% of NPLs with specific reserve for classified loan of 1,508.58 million baht and general reserve of 2,350.83 million baht. Total reserve was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,485.07 million baht, reflecting the prudent provisioning policy to mitigate potential risk.

2.1.2 Concentration Risk

As of December 31, 2010, hire purchase and commercial loans represented 69.8% and 21.9% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 101,404.99 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 81.50 million baht or 0.08% 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, 10,996.33 million baht; real estate and construction, 6,374.43 million baht; public utilities and services, 4,905.58 million baht; and agricultural and mining, 155.24 million baht. Lending to the above industrial sectors represented 49.0%, 28.4%, 21.9% and 0.7% of the total commercial loan portfolio, and 7.6%, 4.4%, 3.4%, and 0.1% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 14,206.89 million baht or accounted for 9.8% of the total credit portfolio, there is slight concentration in real estate sector which has been managed under risk management procedure. However, 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. Additionally, 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

As of December 31, 2010, 90.3% of the total lending portfolio in TISCO Bank was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO Bank. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Bank 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 Bank. Market prices for used cars depend on such diverse factors as market demand, type, brand, oil price and tax regulations.

However, judging by 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 Bank has attempted to minimize credit risk by regularly updating its information regarding trends in the used car market, requiring high-value collateral, sufficient 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 International Accounting Standard No. 39 from BoT rules and regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 64.2% of the total outstanding NPLs.

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 Bank 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 Bank as of

December 31, 2010 were worth 17.96 million baht, or 0.01% of total assets. Allowances for impairment stood at 94.8% of total foreclosed assets, which decreased from 47.24 million baht as of December 31, 2009 a result of an increase in provision for impairment and also partial liquidation in order to decrease risk from impairment of foreclosed assets.

2.2 Market Risk

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

▪ 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 Bank 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. Important market risk factors are provided as follows:

2.2.1 Equity Price Volatility

As of December 31, 2010, the equity portfolio stood at 620.82 million baht which totally was non-listed equity in book value. In addition, the investment in subsidiaries represented 135.31 million baht.

(1) Listed Equity Risk

For listed equity investment portfolio, the volatile price of stock market would impact the TISCO Bank's equity risk. Although as of December 31, 2010 TISCO Bank had no listed equity investment. However, TISCO Bank 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. 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 620.82 million baht, decreased from 630.01 million baht in December 31, 2009. Additionally, the investment in subsidiaries was accounted for 135.31 million baht increasing from 60.06 million baht at the end of 2009.

Presently, our investment strategy is not to increase the size of the non-listed equity portfolio. TISCO Bank is instead seeking opportunities to liquidate them, while at the same time closely monitoring portfolio quality on a regular basis.

2.2.2 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 Bank'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 Bank's interest-bearing assets and liabilities structure, as of December 31, 2010, 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	31,053.55	42,156.44	33,142.89	46,831.28	153,184.16
Liabilities	(71,626.47)	(51,444.31)	(6,295.52)	(13,232.78)	(142,599.09)
Net Gap	(40,572.92)	(9,287.88)	26,847.37	33,598.50	11,585.07

Under the change of interest rate within 1 month, TISCO Bank had liabilities over assets cause the net gap to stand at 40,572.92 million baht. The negative gap shown was mainly from the portion of short-term deposit specifically saving and current account of 42.13% 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.

(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 Bank's fixed-income portfolio as of December 31, 2010 stood at 2,463.19 million baht, an increase of 226.81 million baht compared to the end of 2009. Average duration of the bond portfolio and debenture portfolio in TISCO Bank were 0.11 years and 2.11 years, respectively. The average duration of bond and debenture portfolio decreased from 0.21 years and 2.96 years, respectively, compared to the end of 2009 mainly due to the longer maturity investment portfolio in the year. 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.

2.3 Liquidity Risk

Liquidity risk is the possibility that TISCO Bank 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.

▪ 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.

As of December 31, 2010, the value of liquid assets was 16,137.69 million baht; comprised of cash at 826.53 million baht compared to 826.10 million baht in December 31, 2009, net transactions with banks and money market at 12,847.97 million baht compared to 12,074.64 million baht as of December 31, 2009 and net current investment at 2,463.19 million baht compared to 2,537.85 million baht in December 31, 2009.

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 24,341.40 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.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, in December 31, 2010, the Bank reported the outstanding debentures of 7,000 million baht, and bill of exchange amounted of 72,513.37 million baht.

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, compliance, and service level to customers. In the year 2010, TISCO Bank expanded the business into various aspects in both extending the existing businesses as well as setting up the new businesses, therefore, operational risk increased accordingly following the business expansion. Nevertheless, the new business was analyzed for inherent risk in compliance with TISCO new business guideline to ensure risk-return approach. In addition, the operations were reviewed periodically to ensure that prudent control processes are in place and appropriate for the risk incurred.

- Operational Risk Management Framework

Since TISCO Bank 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 Bank 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 Bank. 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 Audit Committee which directly reports to Board of Directors following Basel II and requirements of 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 is required. Operational Risk Management function is accountable to be the center and 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 proper level. Key Risk Indicators shall be collected and analyzed into the risk profile in terms of likelihood and impact. The acceptable level of operational risk in key operations shall be defined and triggered for attention when over-limited. The operations and implementation of measures shall then be monitored and followed up in ensure alignment with the plan.

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

Moreover, TISCO Bank 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.

With the varieties of business in TISCO Bank, which are under supervision of various governance authorities including the Bank of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand. The changing of compliance regulatory is a significant factor impact to the bank operation such as Capital reserve of Basel II requirement, International Accounting Standards (IAS39), Consolidated Supervision as well as Deposit Protection Act. These directly impact to the capital reservation, and financial statement. However, Legal office, Compliance & Internal Control, Risk Management and Operational Risk Management function have evaluated the impact that caused from regulation alteration, and established for assessing and managing all firm-wide risk exposures by corporation of internal parties to ensure the financial soundness and safety of TISCO Bank.

2.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO 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 finance status; however, impact can be contained within limit area. Also, TISCO Bank 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 the business line aspect, Retail Banking Business has highest likelihood level, followed by Payment & Settlement Business. This likelihood level shall increase in line with the high number of transaction. Regarding the operations in 2010, the proportion of number of loss to number of transaction in each business is low; for instance, the number of loss in banking counter service is less than 0.1% of the number of transactions. In view of likelihood and impact for the top 2 main business are considered as;

Operational 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. 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, they can impact to financial loss or business sustainability, the risks can be coped as much as the effectiveness of loss management.

Operational risks in Payment & Settlement are distributed in fairly low likelihood with low to moderate impact area and low likelihood with fairly high to high impact area. In the first area, operational risks mostly involve with error in cheque issuance, cheque clearing, and transactional money transfer, normally reversible. Operational risks also include ATM unavailability. For the area of low likelihood, fairly high to high impact, operational risks incur in high value customer transaction. Any error, although reversible, could impact TISCO 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, as well as Treasury and Investment.

From the aspect of risk factors, most operational risks are caused by human error, followed by process, IT system, and external factors. Considering the business line, human error is key risk factor in Retail Banking Business and Payment & Settlement Business. In 2009, TISCO Bank focused on operational risks in Retail Banking Business specifically in Counter Service area. Human error as risk factor can be categorized into 2 types including the factor from the environment with large number of transactions and limited processing time together with the complexity of the job which requires staff expertise. Therefore, TISCO Bank reprocessed operations at counter to be simple and capable to handle with large number of transactions. The reprocess was implemented incorporate with improved staff training program which shall decrease operational risks. Nevertheless, for fairly high to high impact operational risks, TISCO Bank periodically reviewed management methods including business continuity management, fraud risk management, and high value customer management.

2.5 Strategic Risk

Strategic Risk is a form of uncertainty stemming from the possibility that TISCO Bank might make an adverse business decision, or improper implementation of a decision in relation to the external business and regulatory environment that may affect TISCO Bank's earnings and capital.

- **Strategic Risk Management Framework**

The Executive Board and Senior Management directly oversee strategic risks of TISCO Bank, 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 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 Bank 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.

2.5.1 Risk from Economic Conditions and Business Competition

Although TISCO Bank 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 Bank, and vice-versa. Strong market share and competitive advantage, however, make TISCO Bank less vulnerable to negative economic factors.

2.5.2 Risk from Capital Adequacy

As of December 31, 2010, as the bank's capital requirement based on Basel II Internal Rating Based Approach (IRB) where the IRB capital requirement is more appropriate in reflecting the inherited risk profiles of assets than the capital requirement based on Standardized Approach (SA). The regulatory capital adequacy ratio (BIS ratio) after an adjustment of capital floor stood at 15.23%

remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II adequacy ratio before an adjustment of capital floor stood at 11.29% and 6.56%, respectively, Tier-I adequacy ratio also remained higher than the minimum requirement at 4.25%. In addition to regulatory capital requirement, TISCO Bank also adopts IRB Basel II approach in risk management and capital requirements. As an internal risk measurement of capital adequacy, the risk-based capital requirement stood at 5,917.76 million baht, accounting for 36.5% of the total capital base under IRB Basel II of 16,226.78 million baht. Additionally, the Bank maintained provisions against potential loan losses 62.6% higher than BoT requirements.

3. Overview of TISCO Business

3.1 History and major developments

TISCO Bank was upgraded from TISCO Finance Public Company Limited ("the Company"), which in turn was co-founded in 1969 by three firms: (1) Banker Trust New York Corporation, with a holding of 60%; (2) Bancor Development Corporation, 20%; and (3) Kasikornbank, 20%. In 1969 the Company's finance and securities operations provided the first investment banking service in Thailand. Major shareholders changed in 1972, when Dai Ichi Kangyo Bank Ltd, (later called Mizuho Corporate Bank Ltd) bought out Bancor Development Corporation. In 1974, the Company established a subsidiary called Thai Securities Company Limited (TSC) to provide securities brokerage services. The Company was listed on the SET in 1983. In 1996, TSC was merged with the Company, putting securities operations under the management of a single company. The new company was named TISCO Finance and Securities Public Company Limited. In 1998, responding to new rules issued by the BoT, the two businesses and licenses were separated to create two companies: TISCO Finance Public Company Limited, which operates financial services, and TISCO Securities Company Limited which handles securities.

In 1999, the Ministry of Finance approved participation of the Company in the Tier 1 Capital Program, for which 600 million preferred shares of the Company worth a total of 6,000 million baht were issued at 10 baht each. Of the total, 300 million preferred shares worth a total of 3,000 million baht were sold to the Ministry of Finance, and the remaining 300 million shares worth another 3,000 million baht were sold to investors. This operation reduced the proportion of Banker's Trust shareholding from 52% to 7.44%, while raising the Finance Ministry's shareholding to 42.84%. Meanwhile, the Ministry of Finance issued 3-year warrants to investors, with an option to purchase its preferred shares. Upon maturity of these warrants on May 31, 2002, a warrant exercise reduced the Ministry of Finance's holding to 319,000 shares or 0.05%.

In 2005, after the Financial Sector Master Plan undertaken by the Bank of Thailand was implemented with the aim of reforming the finance and banking industry in October 2004, the company was the first financial institution granted approval from the Ministry of Finance for upgrading to a full service bank. The company changed its name to TISCO Bank Public Company Limited ("TISCO Bank" or "the Bank") and TISCO Bank commenced its banking business operation on July 1, 2005 onward.

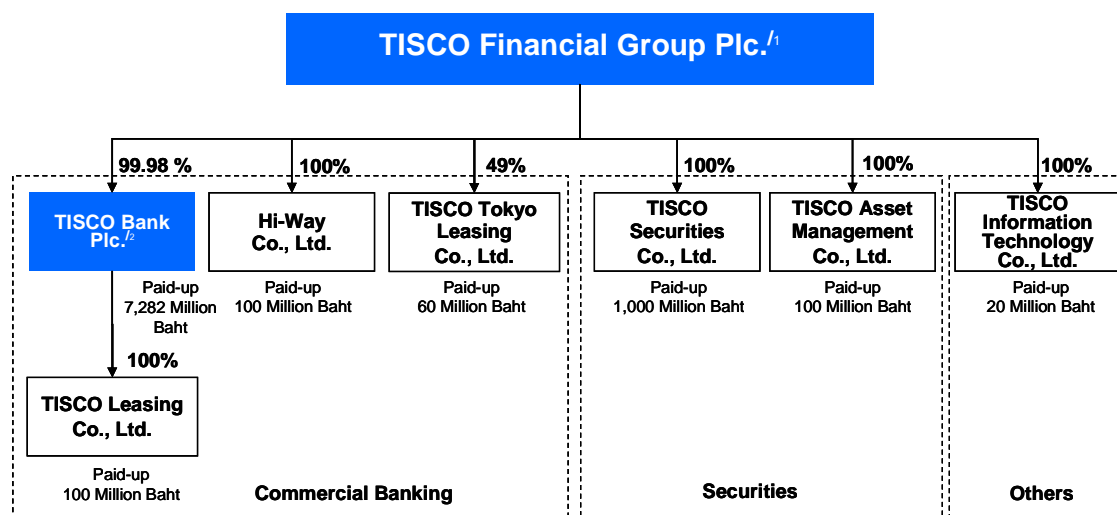
In 2007, TISCO Bank established TISCO Financial Group under the Consolidated Supervision regulation undertaken by the Bank of Thailand with TISCO Bank as the parent company on August 9, 2007. Furthermore, the establishment of TISCO Financial Group Plc. would enhance risk diversification and capital efficiency. The dividend policy, business strategies and operations would be in harmony with the Bank's policy as planned.

After the enactment of Financial Institution Business Act B.E. 2551 on August 3, 2008, TISCO Bank submitted application to establish the Financial Group to the Bank of Thailand by set up a new company, TISCO Financial Group Plc., a non-bank public company limited to be a holding company and parent company of the Group in place of TISCO Bank on August 22, 2008 as approved by the Bank of Thailand. Under the Holding Company Restructuring Plan, TISCO Bank sold all shares in subsidiary companies and Tokyo Leasing (Thailand) Co., Ltd. to TISCO Financial Group Plc. and TISCO Bank would operate only banking business and hold no shares in any subsidiary companies in TISCO Financial Group.

In 2009, the Holding Company Restructuring Plan with TISCO Financial Group Plc. as the parent company of TISCO Group was completed. TISCO Financial Group Plc. acquired 99.51 % of securities of TISCO Bank and listing in the Stock Exchange of Thailand in place of TISCO Bank on January 15, 2009. Simultaneously, TISCO Bank had delisted its common share and preferred share from listed securities in the Stock Exchange of Thailand. In November 2009, the Company has been 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% stake in TISCO Bank as well as protecting the benefit of the shareholders who did not swap securities into the Company's securities. The offering period totaled 12 months from November 25, 2009 to November 19, 2010. As of January 5, 2011, the Company held 99.98% of TISCO Bank's total issued securities.

3.2 Businesses of the Bank and subsidiaries

After the completion of shareholding restructuring, TISCO Bank has become a subsidiary company of TISCO Group with TISCO Financial Group Plc. as the parent company of the Group. The investment structure of TISCO Group as of January 5, 2011 is as follows:



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

^{2/} Delisted from the Stock Exchange of Thailand

3.3 Revenue structure

The revenue structure of the Bank is as follows.

(Unit: Million baht)

	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
Total Interest and Dividend Income	7,588	210.3	7,792	135.1	8,772	126.9
Total Expenses on Borrowings	(3,324)	(92.1)	(2,333)	(40.4)	(2,159)	(31.2)
Net Interest and Dividend Income	4,264	118.2	5,459	94.6	6,613	95.7
Bad debts and doubtful accounts (Reversal)	707	19.6	(1,196)	(20.7)	(1,759)	(25.4)
Net interest and dividend income after bad debt and doubtful accounts	3,557	98.6	4,263	73.9	4,854	(70.2)
Total Non-interest Income	51	1.4	1,505	26.1	2,059	29.8
Total interest and dividend income after bad debt and doubtful accounts and Non-interest income	3,608	100.0	5,768	100.0	6,913	100.0

3.4 TISCO Group Business Strategy

To align the Bank's strategy and business plan in the same direction of TISCO Group, the Bank will adopt strategic and business planning process as directed by TISCO Financial Group Plc., the parent company of TISCO Group.

Vision, and Values for business operations

To align the goals and direction of business units to match those of TISCO Group, the Bank has put in writing clearly defined statements outlining its Vision 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, "Wealth creation for all stakeholders", also represents our ultimate measure of success as a leading financial institution.

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.

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 and Mission.

To implement strategic planning successfully, the Bank 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 sessions.

Strategic action for the organization

To achieve the organization's goals, within the Vision and Mission framework, the Bank 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, the Bank 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 Bank'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 Bank Public Company Limited ("The Bank") offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank's headquarters, its subsidiaries, as of December 31, 2010, the Bank had 44 branches in every regions of Thailand. The locations of bank branches separated by region are shown as follows;

Region	Location
Bangkok	: Sathorn, Rattathibet, Srinakarin, Rangsit, New Phetchburi Road, Central World, Fashion Island, The Old Siam, Pakin Building, Central Chaeng Watthana, Rachadaphisek-Huai Khwang, Seacon Square, Yaowarat, Homework Rachapruek, Siam Paragon, Central Rama III, The Mall Bangkhae, Worachak, Central Pinklao, The Mall Thapra and Central Bangna.
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.

4.1 Area of Services

After the completion of shareholding restructuring, TISCO Bank operated only banking business which divided into six business areas namely (1) Retail Banking, (2) Private Banking, (3) Corporate Banking, (4) SME Banking, (5) Cash Management Services and (6) Corporate Investment. Details for each service operations are as follows:

1. Retail Banking

Retail Banking provides 3 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 either personal consumption or business operations. This segment can be classified by loan purpose as follows:

- **Hire-Purchase Financing**

Hire-purchase financing allows 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 one to six years. A fixed interest rate is charged in line with the market rate on the contract date.

The Bank provides hire-purchase loans for all types and models of new and used automobiles. This includes passenger cars, multipurpose vehicles, and commercial vehicles such as sedans, trucks, and trailers. In addition, hire-purchase financing also offers loans for buying machinery and equipment for commercial purposes such as printing machines, computers and film-developing equipments.

Hire-purchase, one of the Bank's major businesses, has experienced continuous growth for years. It recorded 22.9% growth as of December 31, 2010, with 101,404.99 million baht in loans in the hire-purchase portfolio, up from 82,450.98 million baht at the end of 2009.

Table shows details of car hire purchase loans

Hire Purchase	December 31, 2008 (Million baht)	December 31, 2009 (Million baht)	December 31, 2010 (Million baht)	Growth rate (%)
Car	73,109.19	82,450.98	101,404.99	22.9

In 2010, TISCO Bank provided car hire purchase loan, ranked by car brands which are Toyota 24%, Isuzu 16%, Honda 15%, Mazda 14% and other brands 31% of total car hire purchase loan. The proportion of hire purchase loan between new car and used car were at 83% and 17% in 2010. 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, 2010, mortgage loans was 1,422.29 million baht, decreased by 3.6% from 1,475.83 million baht in 2009 partly due to early principal repayment and stringent credit policy.

Consumption Loans are operated by TISCO Bank, 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. In addition, TISCO Bank has provided TISCO Auto Cash more than 10 years and continually develop the product to meet customer's needs. The strengths of TISCO Auto Cash are convenient, speedy, and competitive interest rate compared with general consumer loan.

Consumption loans as of December 31, 2010 was 10,504.29 million baht, increased by 86.7% from 5,627.40 million baht in 2009 as illustrated in the following table:

Table shows details of retail loans

Retail Finance	December 31, 2008		December 31, 2009		December 31, 2010		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	73,109.19	89.1	82,450.98	92.1	101,404.99	89.5	22.9
Mortgage loans	1,706.03	2.1	1,475.83	1.6	1,422.29	1.2	(3.6)
Consumption loans	7,227.64	3.8	5,627.40	6.3	10,504.29	9.3	86.7
Total	82,042.86	100.0	89,554.21	100.0	113,331.56	100.0	26.3

Customer and Distribution Channels

For retail banking business, the Bank service's channels operate through the Bank's headquarters and branch network. The Bank possesses solid customer base through strong relationship with dealers. Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment record

For consumption loans which are operated by the Bank, targets existing hire-purchase clients with good performance and adequate earning ability.

1.2 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 2010, the Bank has developed deposit products in order to response customer's benefits align with their needs. This can be seen from a variety of deposit products such as "Super Savings Deposit" our highlight product, which characterized as savings account but offer interest rate as high as fixed deposit account. The customer is able to withdraw money from their super savings account without withdrawal fee via every banks' ATM. The Bank also launched "24 or 36 months Tax-Free Saving Account" and "Friend get Friends Campaign" which customer can gain extra interest rate from introduce their friend to be our customer.

TISCO Bank has expanded number of e-Money ATM (ETM) in both Bangkok and vicinity areas. Furthermore, ETM's function was upgraded to present the real time movement of savings accounts together with detail of hire purchase contract. In 2010, the Bank offered the tax payment service through ETM system for the taxpayer who submitted tax form via the internet. This service will increase convenience of the taxpayers who use the services of the bank. In addition, the Bank has expanded new branches by focusing on community area, especially department store in order to increase service coverage. Furthermore, with an aim to improvement of customer service, the Bank introduced smart queuing system at branch channel. The smart queuing system will reduce paper process as well as customer's transaction time. As the result, customer receives convenience and faster service at TISCO Bank.

1.3 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. In order to protect risks in both life and property of customer as well as to provide full-shelved financial service for customer, TISCO Bank has partnered with strong financial stability and well-know insurance company in developing products that meet customer's needs as well as obtain highest benefit from the protection. For non-life insurance, the service includes motor insurance, fire insurance, accidental insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. Moreover, the Bank continued focus on Auto Loan Protection insurance (ALP) for hire purchase and loan against auto license customers. For the year 2010, in addition to causality and accidental protection, the protection coverage of ALP insurance has improved by covering cost of medical treatment from the accident up to 15,000 baht/time with unlimited times or emergency road service whereby the customer can use hotline service over 24 hrs. As of December 31, 2010, there were more than 200,000 hire-purchase customers who held ALP

2. Private Banking

Private Banking is responsible for high networth 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.

3. Corporate Banking

Corporate Lending service is operated by the 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.

4. SME Banking

SME loans provide 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, printing and packaging, construction material, etc.

As of December 31, 2010, the Bank had a commercial lending portfolio of 22,431.58 million baht, which accounted for 15.4% of total loans, increased by 50.8% from 14,878.78 million baht in 2009. While SME loans was 9,425.41 million baht, significantly increased by 101.8% from 4,669.58 million baht in 2009 due to the increase in loans for car-dealers and logistics segment. The details loan portfolio are shown as follows:

Type of Business	December 31, 2008		December 31, 2009		December 31, 2010		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	6,593.01	6.5	6,811.98	6.2	10,996.33	7.6	61.4
Real estate and construction	8,754.45	8.6	6,167.64	5.7	6,374.43	4.4	3.4
Public utilities and services	2,388.05	2.4	1,781.04	1.6	4,905.58	3.4	175.4
Agriculture and mining	101.08	0.1	118.13	0.1	155.24	0.1	31.4
Commercial Lending	17,836.58	17.6	14,878.78	13.6	22,431.58	15.4	50.8
SME loans	1,750.50	1.7	4,669.58	4.3	9,425.41	6.29	101.8
Retail loans and other loans	81,943.85	80.7	89,554.21	82.1	113,331.56	78.1	38.3
Total Bank Loan	101,530.93	100.0	109,102.57	100.0	145,188.55	100.0	33.1

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.

5. 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.

6. Corporate Investment

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.

The Bank invests in both short-term and long-term debt instruments. In addition, the Bank invests in equity securities in both listed and non-listed companies. The investment policy is to invest long term in good fundamental securities at a reasonable price for both dividend income and capital gains.

The investment portfolio of debt and equity instruments as of December 31, 2010, was 4,964.60 million baht, decreased by 40.5 % from 8,349.57 million baht in 2009.

4.2 Market and Competition

• Market

As of December 31, 2010, there were 32 banks, composed of 17 Thai commercial banks and 15 branched of foreign banks. The conditions of deposits and loans market are detailed as follows;

Deposits

As of December 31, 2010, deposits in Thai commercial bank industry¹ was at 6,830,773 million baht, up by 5.0% from 2009 due to market interest rates increased continuously and the higher degree of deposit raising competition in order to maintain cost of capital in rising interest rate environment. At the end of 2010, average 3-month deposit interest rate at the top five large banks was at 1.13%, up from 0.71 % at the end of year 2009 following continuously increased of policy rate by the Bank of Thailand according to the economy and growing inflation.

Table showing movement of average interest rates of Thai commercial banks

(unit: % per year)

	2008	2009	2010
Minimum Lending Rate (MLR) ¹	6.90	5.94	6.20
3-month fixed deposit rate ¹	1.58	0.71	1.13

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

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

In 2010, the Bank's deposit¹ was 121,122.12 million baht, up by 13.1% YoY, composed of 48,608.75 million baht of deposits and 72,513.37 million baht of short-term borrowings.

Loans

As of December 31, 2010, loan in commercial bank industry was 6,504,410 million baht, up by 12.4% (YoY) following domestic economic growth. The Bank's loan was 145,188.55 million baht, up by 33.1% (YoY). At the end of 2010, the average MLR at the top five large banks was at 6.20% increased from 5.94 % at the end of year 2009.

Table showing comparison of assets, deposits and loans as of December 31, 2010

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Bangkok Bank Plc.	1,915,986	19.3	1,368,493	20.0	1,140,425	17.5
2. Krung Thai Bank Plc.	1,756,064	17.7	1,248,192	18.3	1,205,868	18.5
3. Siam Commercial Bank Plc.	1,465,949	14.7	1,090,524	16.0	1,003,483	15.4
4. Kasikorn Bank Plc.	1,454,540	14.6	1,102,229	16.1	1,032,122	15.9
5. Bank of Ayudhya Plc.	828,727	8.3	581,241	8.5	567,970	8.7
6. Thai Military Bank Plc.	589,426	5.9	413,236	6.0	342,037	5.3
7. Thanachart Bank Plc.	481,974	4.8	242,791	3.6	319,080	4.9
8. Siam City Bank Plc.	400,482	4.0	290,183	4.2	259,540	4.0
9. Standard Charter Bank(Thai) Plc.	281,071	2.8	96,239	1.4	93,062	1.4
10. UOB Bank Plc.	248,113	2.5	152,139	2.2	156,700	2.4
11. TISCO Bank Plc.	162,346	1.6	48,609	0.7	141,329	2.2
12. Kiatnakin Bank Plc.	143,949	1.4	75,933	1.1	102,744	1.6
13. CIMB Thai Bank Plc.	139,210	1.4	93,944	1.4	89,729	1.4
14. ICBC (Thai) Plc.	72,221	0.7	27,020	0.4	50,322	0.8
Total	9,940,059	100.0	6,830,773	100.0	6,504,410	100.0

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

Moreover, car hire-purchase business, the major business of the Bank, expanded in line with automobile industry growth which was recovered in 2010 after the continual slowdown since 2006. For the year 2010, industry-wide new car sales was 800,357 cars, up by 45.8% (YoY). The proportion of new passenger car sales to commercial car sales in 2010 was 43.3% to 56.7%. As of December 2010, the car penetration rate of TISCO was 11.2%.

¹ Deposit includes the short-term borrowings

Table showing car sales in Thailand during 2006-2010

Unit : cars	2006	2007	2008	2009	2010
Passenger cars	195,458	182,767	238,990	235,169	346,644
Commercial cars	486,705	448,484	375,088	313,703	453,713
Total	682,163	631,251	614,078	548,872	800,357

Source : Automobile Institute

- **Competition**

Although Thai commercial banks have been affected by political conflict in the country during the first half of year 2010, they continued to grow with stability. With supporting factors from the government's economy stimulus plan, the economic recovery of trading partners and the growth of domestic consumption and investment sectors, the demand for loans has significantly increased during the year particularly in private and consumer sectors. In 2010, the competition in deposit market was more severe compared to the previous year following the growth in credit demand. Furthermore, most of s commercial banks have begun to raise interest rates according to rising interest rates policy and maintain their customer base. The commercial banks also emphasized on raising funds through fixed deposit in order to lock-up low cost funding base in order to support credit expansion as well as increasing trend in interest rate policy. For commercial finance, the Bank's strategy focuses on improving loan quality and reducing NPLs by accelerating the loan restructuring process and preparing for uncertainty in the market . Amidst the high market competition, the Bank has focused 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. As of December 31, 2010, the Bank was ranked at 11th place compared with the industry. The market share of assets, deposits and loans were 1.6%, 0.7% and 2.2% respectively.

Auto hire purchase market significantly increased in 2010 resulting from the increase of domestic car sales by almost 50% from previous year following the continual domestic economic recovery. Consequently, the competition of auto hire purchase market was still in a state of intense competition. The lenders would emphasize on offering low interest rate, lower down payment proportion and longer installment period to attract the customer. In addition, the competitors in auto hire purchase can be divided into two major groups: 1) leasing companies and financial institutions and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). The key market competitors are commercial banks and leasing company-owned subsidiaries of commercial bank who enjoy funding cost advantage. Amidst declining hire purchase interest rate environment for both new car and used car, some competitors include the Bank turned attention to loans against car registration which its return higher than hire purchase loan for new car.

TISCO Bank focuses on providing efficient and high standards of service, and maintaining long-term relationships with agents and dealers. It will decrease prices as necessary to maintain its client base. In 2010, the Bank expanded loan against car registration client while maintained used car portion in hire-purchase portfolio in order to increase average portfolio yield. Furthermore, TISCO 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, the Bank is highly confident that it can maintain its status as one of the top three in the market given the long-term experience of the Bank, good connections with dealers, effective cost and risk management and an extensive customer database.

4.3 Resources

1) Source of Funds

Apart from the Bank's capital, most of the Bank's funds are sourced from deposits, the 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	2008	2009	2010
Deposit	58,875.78	56,930.95	48,608.75
Short-term Borrowings	40,028.19	50,117.25	72,513.38
Long-term Borrowings	4,899.30	5,429.75	15,460.40
Interbank and Money Market Items	3,951.72	4,321.44	8,867.30
Other Liabilities	2,463.04	2,609.93	4,685.12
Total Source of Funds from Liabilities	110,218.03	119,409.32	150,134.94
Capital	11,334.12	11,231.40	12,211.39
Total Source of Funds	121,552.15	130,640.72	162,346.33

As of December 31, 2010, 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	903	-	-	-	-	-	-	903
Interbank and money market items	989	11,371	-	-	-	-	-	12,360
Investment – net	41	1,476	480	2,335	5	763	-	5,100
Receivable from clearing house	8,266	11,905	31,068	86,327	4,120	-	3,618	145,304
Loans and receivable	10,199	24,752	31,548	88,662	4,125	763	3,618	163,667
Financial liabilities								
Deposits	32,311	12,245	3,844	309	-	-	-	48,609
Interbank and money market items	873	4,219	37	3,738	-	-	-	8,867
Liabilities payable on demand	532	-	-	-	-	-	-	532
Borrowings	1,921	52,185	18,407	9,461	6,000	-	-	87,974
	35,357	68,649	22,288	13,508	6,000	-	-	145,982
Off-balance sheet items								
Aval to bills and guarantees of loans	-	182	12	-	-	-	-	194
Other commitments	33	5	259	481	-	625	-	1,403

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

2) Lending

- **Credit granting policy**

Commercial loans

The Bank 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. The Bank focuses on expanding business into markets with acceptable risks/returns in which it has sufficient expertise. The Bank 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, the Bank 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. The Bank's Appraisal Committee is responsible for approving the appraisal value proposed by the internal unit and independent appraisers under the Bank's guidelines in compliance with the regulations of the BOT.

The Bank 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. The Bank 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. The Bank 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 2009 was moderate following sluggish economy, the Bank has a policy to competitively expand while still maintaining good loan quality and market share.

In addition, the Bank 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, the Bank 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.

The Bank 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, 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. In addition, Risk Management Committee will report risk management activities to the Risk Management Committee of TISCO Financial Group 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, the Bank 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, the Bank complies with the regulations of BoT concerning single lending limits.

- **Credit Collection**

The Bank 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 restructuring cases on a regular basis.

For the retail credit portfolio, the Bank 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 the Bank'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 the Bank 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 Bank has a policy to maintain capital that is adequate to safeguard against the Bank's 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 2009 and 2010 have been maintained above the regulatory requirements with details as follows:

(unit: percentage)

Capital Adequacy Ratio	2008 ¹	2009 ²	2010 ²	Regulatory Requirement
Tier-I Capital to Risk Assets	11.23	14.46	11.29	4.25
Total Capital to Risk Assets	11.71	16.96	15.23	8.50

¹Use calculation method under Basel II SA approach

²Use calculation method under Basel II IRB

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: and total foreign borrowings, which shall mature within one year.
 - The sum of all types of deposits.
 - 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.
- The liquid assets must consist of deposits with the BoT of no less than 0.5%, unencumbered securities of no less than 4.5%, and deposits at commercial banks residing in Thailand.

5) Asset Classification, Provisions and Write-offs

The Bank 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 Bank has a conservative provisioning policy. As of December 31, 2010, the Bank's reserves were 3,859.41 million baht, or 259.8 % 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

5. Operating Assets

5.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment to TISCO Bank as of December 31, 2008-2010 are as follows: These assets are free from any obligations.

(Unit: Million baht)

Type of Assets	2008	2009	2010
Land and buildings_(net)			
Office of TISCO Financial Group Plc. at TISCO Tower	368	347	327
Office furniture and improvements (net)	157	168	136
Total office furniture (net)	158	125	87
Others	18	9	25
Total (net)	701	649	575

Long-term contract

1. Contract

The Bank has entered into several lease agreements in respect of the lease office building and branch office in which terms of the agreements are approximately 3 years. The details are shown in notes to financial statement item 3.25.3

5.2 Loans

Classification of assets under BoT guidelines

Asset classification in TISCO Bank consists of loans and receivables, investments in securities and property foreclosed. Asset classification policies are in compliance with those set by the BOT and the SEC. The details of asset classification as of December 31, 2010, are shown below:

(Unit: Million baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	139,279	-	-	-	139,279	93.9
Special mention	6,611	-	-	-	6,611	4.4
Substandard	788	-	-	-	788	0.5
Doubtful	267	-	-	-	267	0.2
Bad debts	1,304	87	61	-	1,452	1.0
Total	148,249	87	61	-	148,397	100.0

Provision for Loan Loss Policy

TISCO Bank'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 Bank 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 Bank will prudently set provision level based on estimation of historical loss.

Provision of Asset Impairment Policy

The Bank 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

The Bank has a more conservative policy for recognition of interest income than the requirements of the BoT. The Bank 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 Bank 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.

The Bank 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, 3.2 Investments.

Risk Management of Investment Portfolio

The Bank 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 Bank 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 Part1, Section 2: Risk Factors.

Allowance for Impairment of Securities

The Bank 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 reclassifies 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.

6. Legal Disputes

As of December 31, 2010, the Bank had 20 unresolved cases from its regular business operations, all of them were civil cases, involving an estimated total amount of 151.95 million baht, which was less than five percent (5%) of its shareholders' equity. Of all cases, there were 11 cases involving total amount of 6.38 million baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 5 cases, with a total value of 87.37 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. There were 2 cases, with a total amount of 0.8 million baht, that the Bank appealed the cases to the Court. Apart from the said case, there were 2 cases which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 57.40 million baht in which the Bank had an indemnification for any damages suffered (if any). Moreover, in June 2009, a foreign subsidiary has been sued in amounting to 46.6 million HKD (equivalent to 181 million baht as of December 31, 2010) and the case is in the tribunal process and not yet reach judgment. Additional details on legal disputes are presented in Notes to Financial Statements; 3.26.2 Litigation. The management of the Bank believes that the Bank will not suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Bank by the directors, managements or any related persons of the Bank.

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, 2010

Total registered capital	:	11,002,000,000 baht
Total paid-up capital	:	7,281,522,500 baht comprised of 728,152,146 common shares and 104 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 Debentures

As of December 31, 2010, the details of outstanding debentures of the Bank are as follows:

1. TISCO Bank Public Company Limited 1/2007 Tranche 2 debenture with maturity date in 2012

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	:	5 years
Issuing Date	:	May 24, 2007
Maturity Date	:	May 24, 2012
Security	:	None
Coupon Rate	:	Fixed rate 4.04% per annum
Payment Date	:	Every 24 th of May 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.
Rating	:	A(th) from Fitch Ratings (Thailand) Limited on December 24, 2009
Debenture holder	:	
Representative	:	CIMB Thai Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

2. 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 BOT after the redemption; or
 - (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
- Rating : A-(tha) from Fitch Ratings (Thailand) Limited on December 24, 2009
- Debenture holder Representative : TMB Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited

3. 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 BoT after the redemption; or
 - (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
- Rating : A-(tha) from Fitch Ratings (Thailand) Limited on December 24, 2009
- Debenture holder
- Representative : TMB Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited

4. 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 BoT after the redemption; or
 - (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
- Rating : A-(tha) from Fitch Ratings (Thailand) Limited on April 19, 2010
- Debenture holder
- Representative : TMB Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited

5. 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. The first payment will be on March 13, 2011. 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 BoT after the redemption; or</p> <p>(e) Any cases or conditions to be specified by the Bank of Thailand in the future.</p>
Rating	:	A-(tha) from Fitch Ratings (Thailand) Limited on November 23, 2010
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

7.1.3 Bills of Exchange

As of December 31, 2010, TISCO Bank had outstanding short-term bills, all in forms of Bills of Exchange totaled 72,513.37 million baht with coupon rate ranging from 0.75 – 2.50 % and average of 68 days to maturity.

7.1.4 Major shareholder agreements regarding share issuance or Bank management

None

7.2 Shareholders

The list of the top 10 major shareholder groups whose names appeared in the share registration book on January 5, 2011 is as follows:

	Shareholder Name	Total Shareholding			
		Common Shares	Preferred Shares	Total	Percent
1	TISCO Financial Group Public Company Limited	728,032,730	-	728,032,730	99.984
2	Mr. Kittichai Kraikorkit	23,900	-	23,900	0.003
3	Ms. Pornsuk Pornprapa	8,100	-	8,100	0.001
4	Ms. Supavadee Piyamongkolvong	6,000	-	6,000	0.001
5	Ms. Rachit Kowattanakul	6,000	-	6,000	0.001
6	Mr. Suchart Tangkvivij	5,000	-	5,000	0.001
7	MERRILL LYNCH, PIERCE, FENNER & SMITH INC.	4,800	-	4,800	0.001
8	Mr. Jeeraboon Sermvasuchai	4,000	-	4,000	0.001
9	Mr. Pracha Leelaprachakul	3,624	-	3,624	0.000
10	Ms. Ratchaneeboon Jomwinya	3,000	-	3,000	0.000
Total shareholdings of top 10 major shareholders		728,097,154	-	728,097,154	99.992
Other Minority Shareholders		54,992	104	55,096	0.008
TOTAL		728,152,146	104	728,152,250	100.000

By virtue of the provisions of Section 18 of the Financial Institutions Business Act B.E. 2551 was imposed that no person shall hold either directly or indirectly more than 10% of the total amount of a financial institution's shares sold except in the case where an exemption was granted by the Bank of Thailand or compliance with criteria prescribed by the Bank of Thailand. Such shareholding must include the shares of related persons to the shares of the aforementioned person. However, this excludes preferred shares which have no voting rights. On November 13, 2008, TISCO Financial Group Public Company Limited, the parent company of TISCO Group, was approved by the Bank of Thailand to hold 100% of TISCO Bank's total paid-up shares, not exceeding 728,152,250 shares.

7.3 Dividend Policy

TISCO bank will consider the annual dividend payment to the parent company subject to operating performance which dividend payout ratio at least 50% in order to ensure that the parent company has sufficient income to pay dividend for its shareholders. The dividend payment will be subject to operating performance, business strategy, future investment and suitability, and long-term capital adequacy as well as competitive environment and economic condition.

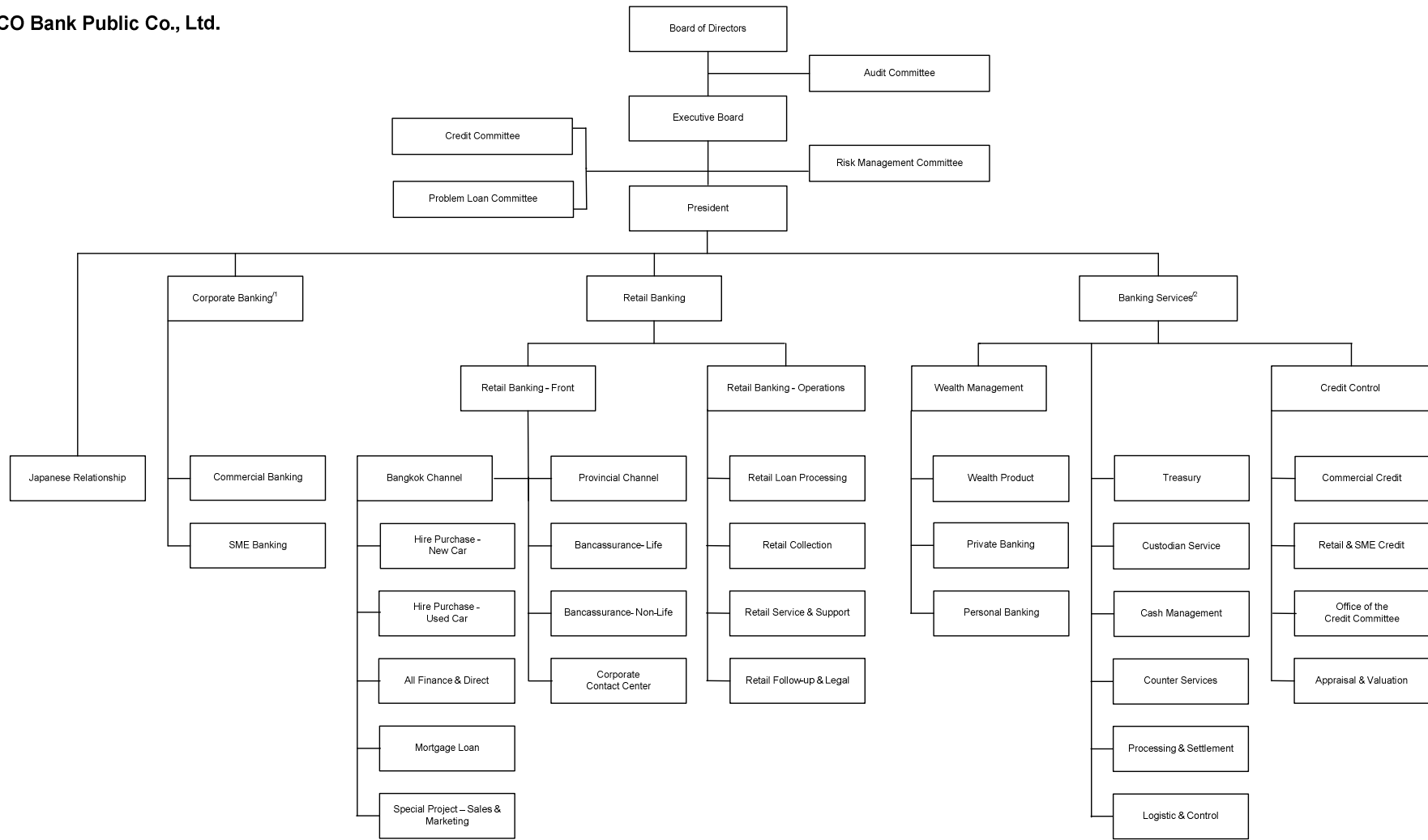
The Board of Directors of the Bank may from time to time pay interim dividends when it is clear that the Bank has sufficient profit to do so and they shall report in the next shareholders' meeting.

8. Management

8.1 Management Structure

As of December 31, 2010, the Board Structure is comprised of 3 boards/committees: (1) Board of Directors (2) Executive Board and (3) Audit Committee. The Nomination and Compensation Committee is centralized at TISCO Financial Group Public Company Limited, the Parent Company.

TISCO Bank Public Co., Ltd.



¹ Renamed to Corporate & SME Banking

² Renamed to Wealth & Deposit Service

8.1.1 Board of Directors

As of December 31, 2010, the Board of Directors consisted of 9 directors as follows:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman of the Board
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) ^{/1}	Vice Chairman of the Board and Member of the Executive Board
3. Assoc. Prof. Dr. Angkarat Priebjriwat	Independent Director and Chairperson of the Audit Committee
4. Ms. Panada Kanokwat	Independent Director and Member of the Audit Committee
5. Prof. Dr. Pranee Tinakorn	Independent Director and Member of the Audit Committee
6. Mr. Hirohiko Nomura	Director and Member of the Executive Board
7. Mr. Pichai Chanvirachart	Director
8. Ms. Oranuch Apisaksirikul ^{/1}	Director and Chairperson of the Executive Board
9. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

Remark: Qualifications of independent directors were prescribed in section 8.3

^{/1} In accordance with the Bank's Article of Association, the whole board of directors was retired at the Shareholders Ordinary General Meeting for the Year 2010 on April 29, 2010. Consequently, all delegated committees namely Executive Board and the Audit Committee, were automatically retired. The Board of Directors' Meeting No. 3/2010 convened on June 11, 2010, with recommendation from the NCC of the Parent Company, reappointed all members of those two committees. In addition to directorship in the Board of Directors, the Board also appointed Mr. Hon Kit Shing to be the Vice Chairman of the Board and Member of Executive Committee and Ms. Oranuch Apisaksirikul to be the Chairperson of Executive Board.

Authorized Signatory:

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

Authority and Responsibilities of the Board of Directors:

Under consolidated supervision framework, the Board shall ensure that the Bank adopt and adhere to TISCO Corporate Governance Policy approved by the Board of Directors of the parent company. 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 carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

1. Define the Bank business strategies, and approve business & operating plan of the Bank, as directed by TISCO group's business strategies and action plan.
2. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
3. Continuously review the Bank's operations to ensure that its directors, management, and employees conduct the Bank's businesses in compliance with TISCO Corporate Governance Policy as well as related laws and regulations.
4. Ensure competent management of the Bank including appointing senior management.
5. Ensure the institution of effective systems for internal control and audit.
6. Ensure that the Bank's management refers significant issues to the Board.
7. Ensure that the Bank's management has in place risk management policies, processes and controls of all risk types. The Board shall be responsible for approval of adoption and ongoing implementation of such risk management policies and guidelines.
8. 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.
9. Ensure that the Bank has policies, guidelines and controls procedures for granting credit and investment transactions with related parties.

10. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the Board.
11. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the Bank, in particular, the proportion or the number of independent directors on the Board.
12. Ensure that the Board and the parent company receive sufficient information to effectively discharge its authorities, duties, and responsibilities.
13. Report business activities and financial performance to the shareholders.
14. Report business 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.

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

Corporate Secretary:

The Board of Directors' Meeting No. 5/2010 convened on October 22, 2010 resolved to appoint Ms. Teerin Suvarnatemiya as the Corporate Secretary effective from November 1, 2010 in replacement of Ms. Pakaporn Punyashthiti, who resigned. The Corporate Secretary is 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.

8.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors of the Bank and were endorsed by the Executive Board of TISCO Financial Group Public Company Limited, the "Parent Company". As of December 31, 2010, the Executive Board comprised the following directors:

Name	Position
1. Ms. Oranuch Apisaksirikul ^{/1}	Chairperson of the Executive Board
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) ^{/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} In accordance with the Bank's Article of Association, the whole board of directors was retired at the Shareholders Ordinary General Meeting for the Year 2010 on April 29, 2010. Consequently, all delegated committees namely Executive Board and the Audit Committee, were automatically retired. The Board of Directors' Meeting No. 3/2010 convened on June 11, 2010, with recommendation from the NCC of the Parent Company, reappointed all members of those two committees. In addition to directorship in the Board of Directors, the Board also appointed Mr. Hon Kit Shing to be the Vice Chairman of the Board and Member of Executive Committee and Ms. Oranuch Apisaksirikul to be the Chairperson of Executive Board.

Authority and responsibilities of Executive Board:

Under consolidated supervision framework, the Executive Board shall ensure that the Bank adopt and adhere to TISCO Corporate Governance Policy approved by the Board of Directors of the Parent Company. 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 carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

1. Oversee the Bank's operation in accordance with TISCO Corporate Governance Policy as well as related laws and regulations.
2. Approve transactions involving high risk, or exceeding authority of the Bank's management.
3. 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.
4. 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 of the Bank and were endorsed by the Parent Company. As of December 31, 2010, the Audit Committee comprised the following independent directors:

Name	Position
1. Assoc. Prof. Dr. Angkarat Priebjriwat	Chairperson of the Audit Committee
2. Ms. Panada Kanokwat	Member of the Audit Committee
3. Prof. Dr. Pranee Tinakorn	Member of the Audit Committee

Remark:

- All 3 members of the Audit Committee have sufficient knowledge and experience to review the trustworthiness of financial statements.
- Members of the Audit Committee of TISCO Bank are the same as that of TISCO Financial Group Public Company Limited (the "Parent Company")

Authority and responsibilities of Audit Committee:

Under consolidated supervision framework, the Audit Committee shall review to ensure that the Bank's operations are in compliance with TISCO Corporate Governance Policy approved by the Board of Directors of the parent company, as well as related laws and regulations. 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, and corporate affairs, and public and customer communications. The Audit Committee shall carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

1. Review the Bank's financial report to ensure accuracy and adequacy.
2. Review and evaluate that the Bank has suitable and efficient internal control system and internal audit.
3. Nominate the independent person to be the external auditor of the Bank and recommend remuneration of such auditor as determined by the Audit Committee of the parent company as well as meet with the external auditor at least once a year without participation of management.
4. Ensure the accuracy and completeness of the disclosure of the Bank, especially the connected transaction or the transaction that may cause conflict of interest.
5. Prepare and disclose the Audit Committee report signed by the Chairperson of the Audit Committee in an annual report.
6. Report to the Board of Directors of the Bank and Audit Committee of the parent company 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 Bank'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 and regulations of related regulatory agencies. 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
7. Conduct the businesses as assigned by the Board in agreement of the Audit Committee.
8. Report audit activities to the Board of Directors on a regular basis.
9. Report audit activities to the Audit Committee of the Parent Company on a regular basis in compliance with Consolidated Supervision Principle of the Bank of Thailand.

The details of meeting attendance of directors in 2010 are as follows:

Name	No. of Attendance		
	Board of Directors	Executive Board	Audit Committee
<i>No. of Meetings (times)</i>	<i>6</i>	<i>11</i>	<i>12</i>
1. Mr. Pliu Mangkornkanok	6	-	-
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) ^{/1}	5	8	
3. Assoc. Prof. Dr. Angkarat Priebjivat	6	-	12
4. Ms. Panada Kanokwat	6	-	12
5. Prof. Dr. Pranee Tinakorn	6	-	12
6. Mr. Hirohiko Nomura	6	11	-
7. Mr. Pichai Chanvirachart	5	-	-
8. Ms. Oranuch Apisaksirikul	6	11	-
9. Mr. Suthas Ruangmanamongkol	5	10	-

^{/1} Mr. Hon Kit Shing (Alexander H. Shing) did not attend three Executive Board meetings in person but participated via conference calls

8.1.4 Management

As of December 31, 2010, the Management of the Bank comprised of the following members:

Name	Position
Mr. Suthas Ruangmanamongkol ^{1, 2}	President
Mr. Sakchai Peechapat ^{1, 2}	Senior Executive Vice President – Retail Banking
Mr. Chalit Silpsrikul ^{1, 2}	Executive Vice President – Retail Banking - Front
	and Acting Head of Provincial Channel
Mr. Rungroj Jarasvijitkul	First Senior Vice President, Deputy Head of Retail Banking - Front
	and Head of Bangkok Channel
	and Acting Head of Special Project – Sales & Marketing
Mr. Suthep Trivannakij	Head of Hire Purchase – New Car
Mr. Somsak Wongwachirawanich	Head of Hire Purchase – Used Car
Ms. Wipa Mettaviharee	Head of All Finance & Direct
Mr. Prakrit Shoonhasriwong	Head of Mortgage Loan
Mr. Sathian Leowarin	Head of Bancassurance – Life
Ms. Charupree Chinapongpaisal	Head of Bancassurance – Non-Life
Mr. Nattanan Ananpreeyavit	Head of Corporate Contact Center
Mr. Dejphinun Suthadsanasoung	First Senior Vice President – Retail Banking - Operations
	and Acting Head of Retail Loan Processing
Mr. Worapoth Tirakaroon	Head of Retail Collection
Mr. Sukit Sakulwongyai	Head of Retail Service & Support
Mr. Songsak Niltiean	Head of Retail Follow-up & Legal
Mr. Pitada Vatcharasiritham ^{1, 2, 3}	Senior Executive Vice President – Corporate Banking
Ms. Nipa Mekara	First Senior Vice President and Head of Commercial Banking
Mr. Sommai Ung	Head of SME Banking
Mr. Metha Pingsuthiwong ^{1, 2, 4}	First Executive Vice President – Banking Services
Mr. Picha Ratanatam	Head of Wealth Management
Mr. Thanom Chairondeekul	Deputy Head of Wealth Management
ML. Waraporn Worawarn	Head of Wealth Product
Ms. Mallee Peravanichkul	Head of Private Banking
Ms. Saranya Weeramahawong	Acting Head of Personal Banking
Ms. Karantar Vongsa	Head of Treasury
Ms. Ladda Kulchatchai	Head of Custodian Service
Ms. Suwadee Khaolaorr	Head of Cash Management
Mr. Kittichai Tonnajarn	Head of Counter Services
Ms. Preeyarat Poomdontri	Head of Processing & Settlement
Ms. Saranya Ket-Udom	Head of Logistic & Control

Name	Position
Ms. Suthinee Muangman	Head of Credit Control
Ms. Prapatsorn Arthachinta	Head of Commercial Credit
Ms. Penthip Laoboontharoen	Head of Retail & SME Credit
Ms. Nalinvadee Nainsomboon	Head of Office of Credit Committee
Ms. Chantana Srisuwanvilai	Head of Appraisal & Valuation
Mr. Hiroshi Kato	Head of Japanese Relationship

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

^{/2} Management of TISCO Financial Group Public Company Limited, the Parent Company of TISCO Group, seconded to manage the Bank

^{/3} Renamed to Corporate & SME Banking

^{/4} Renamed to Wealth & Deposit Service

Remark: Both Executive Vice President of Risk & Financial Control, Mr. Chatri Chandrangam, and Head of Corporate Accounting, Ms. Chutintorn Vigasi, are employed under TISCO Financial Group Public Company Limited.

Authority and Responsibilities of President:

Under consolidated supervision framework, the President shall ensure adoption and implementation of TISCO Corporate Governance Policy approved by the Board of Directors of the parent company in the day-to-day management and decision making of the Bank. The President shall carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

1. Formulate business strategies and action plan for the Bank as directed by TISCO group's corporate strategies.
2. Ensure strategic alignment of the Bank to TISCO group's direction and ensure effective implementations of the Bank's business plan.
3. Direct, control, and monitor day-to-day operations of the Bank according to TISCO group's policies and guidelines.
4. Oversee the Bank's services, operations, risk management & control systems.
5. Monitor the Bank business activities and operating performance.
6. Control the Bank's financial budgets and manage the Bank's allocated resources.
7. Ensure that the Bank business conducts are in accordance with related laws and regulations.

8.2 Directors and Management Selection Guidelines

8.2.1 Director Nomination

Following the holding company restructure in early 2010, Nomination and Compensation Committee is centralized at TISCO Financial Group Public Company Limited, the Parent Company. The Parent Company's Nomination and Compensation Committee, upon contemplating the Bank's need and good corporate governance, is in charge of formulating policy, criteria, and method for nominating candidates for directors of all subsidiary companies in TISCO Group, including the Bank, by identifying and proposing qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance, economics, law or any other fields deem appropriate. To nominate independent directors, such qualified nominees shall have qualifications in compliance to rules and regulations set by the Securities and Exchange Commission, the Stock Exchange of Thailand, and corporate governance policy as specified under Section 8.3 below.

Nomination and Compensation Committee shall propose the Bank Board of Directors to consider the appointment of new director for replacement of any vacancy occurring otherwise than by rotation, or propose to shareholders the appointment of directors to replace those who retire by rotation or additional directors. The 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 9, provided that not less than one half of the directors 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 in accordance with rules and procedures as follows.
 - (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 order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the remaining appointments 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 by the remaining directors, unless the term of the original director was 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 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 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 the total shares held by the shareholders who attend the meeting and have right to vote.

8.2.2 Management Selection

Subsequent to the completion of the holding company restructure, the Nomination and Compensation Committee of the Parent Company is in charge of formulating policy, criteria, and method for nominating candidates for senior management of subsidiary companies in TISCO Group, including the Bank.

Nomination and Compensation Committee of the Parent Company 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 Bank'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 management positions, Top Management shall identify and propose qualified nominees for the Nomination and Compensation Committee's consideration and further recommendation to the Executive Board of the Bank and the Parent Company for approval.

8.3 Qualifications of Independent Director

The Bank, as stated in the Article of Association, follows Corporate Governance Policy and Guideline of TISCO Group in determining the following qualifications of an independent director. These qualifications are stricter than those of the Securities and Exchange Commission.

- 1 Holding not exceeding 0.25 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, its parent 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

TISCO Financial Group Public Company Limited, the Parent Company of TISCO Group, is the only company in TISCO Group which pays remunerations to directors. All other subsidiary companies, including the Bank, shall not pay any director remuneration.

8.4.2 Financial Remuneration

The Bank shall not pay any remuneration to its directors. In 2010, total remunerations for the Bank management (total of 31 persons, excluded 5 persons which are the Parent Company's management and seconded to manage the Bank, was 101,529,738.96 baht. This was paid in form of monthly compensation, salaries, provident funds, and bonuses which varied according to the Bank performance.

8.5 Corporate Governance

As a subsidiary company in TISCO Group, the Bank's Articles of Association clearly states that the Bank shall strictly follow corporate governance policy of TISCO Group formulated and overseen by TISCO Financial Group Public Company Limited. Thus, this topic will briefly summarize TISCO Group 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.

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).

TISCO Group Corporate Governance Principles formulated by TISCO Financial Group Public Company Limited and being used across companies in TISCO Group is outlined as follows:

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 Investor Relations function for direct communication with investors, and facilitating attendance in shareholders' meetings.

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:

- Notification of Meeting Details and Meeting 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 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. 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. The order of the annual general meeting agenda shall be in accordance with the Company's Articles of Association. 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.

- 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. 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. 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 independent director together with director profiles for the shareholders' selection. 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.

- Shareholders' opportunity for query and comment

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.

- 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 shares sold 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 or 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. For the director appointment agenda, the voting form for such agenda shall allow shareholders to cast their votes to each of the 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.

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. For shareholders who prefer to appoint a proxy, TISCO shall propose independent directors for shareholders' selection and provide opportunity to express their opinions and raise queries in the meeting. For director appointment agenda, TISCO has introduced a Cumulative Voting process, which allows minority shareholders to take part in nominating and appointing Independent Directors. To ensure transparency and equitable treatment, shareholders are allowed to cast their votes for individual director.

The Company shall 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 keep the original at the office.

Regarding measures taken to prevent conflict of interest, TISCO Group has set code of conduct for employees to ensure that they 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/Finance department managers must firstly file with the Company a report on securities holding in the Parent Company 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 TISCO Securities Company Limited, a company in TISCO Group. Also, employees are required to seek the approval of their supervisors and the Compliance Unit before executing trades. Moreover, it also prohibits management 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.

Each director, Top Management, or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth management, including those holding management level in accounting or finance at the level of the department manager or higher, or equivalent must report their securities holdings in TISCO, as well as the securities holding of their spouse and any minor children, to the SEC. 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.

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 Securities and Exchange Commission.

TISCO prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and accessibility. 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 subsidiary companies 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 (Form 56-1) 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 Function 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 SEC, and disclosed on 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. In addition, activities to provide information and responses to inquiries from investors were normally participated by senior management.

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. 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. 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 roles of the Board of Directors, managers and person with controlling power in devoting time and effort to managing the company, 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 three business groups in compliance with Bank of Thailand regulations. Directors and management should avoid other positions or jobs that may lead to conflicts of interest.

To achieve high standards of performance, the Board may delegate other committees to take on tasks that require in-depth consideration, such as the Executive Board and the Audit 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.

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 rolling 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 the 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 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 regular reports 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, changes within the industry, or political 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 senior 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, the Board of Directors set up committees to take on tasks that require detailed review or in-depth consideration. Such committees as the Executive Board, the Audit 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 in Topic 8.1 of this Section.

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 executives to attend the Board of Directors Meeting to present additional information relevant to their responsibilities. 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 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.

5.6 Succession Planning

To ensure stability and continuity of TISCO Group in future circumstances, successor of all key positions has been determined. The Nomination and Compensation Committee of the Parent Company was assigned to oversee the preparation of Top Management's succession plan. Said plan shall be regularly reviewed as appropriate. For other management positions, senior management and Human Resources function shall consider and evaluate the successors.

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 the bank, stakeholders and the public, the 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 the 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, 2010, the total number of employees at TISCO Bank was 1,874 (excluding senior management) of which 1,748 were permanent employees and 126 contract staff.

Unit: employees	December 31, 2009	December 31, 2010
TISCO Bank	1,741	1,874

After the completion of group restructuring plan, TISCO Bank transferred the employees under governance and corporate support functions to centralize at TISCO Financial Group Plc. As the result, TISCO Bank has only employees under marketing & customer relationship and transaction processing & credit control functions. In addition, TISCO Bank total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 791,712,245.72 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

After launched employee's choice for TISCO Group Provident Fund's members for years, in 2010, 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. In addition, the TISCO Group Master Fund Committee allows members to switch their investment policies once year in the month of July.

As of December 31, 2010, The total fund size of "TISCO Asset Management Co., Ltd. Registered Provident Fund" was 568,353,003.94 baht with 1,704 members.

8.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality in 2009, 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 four human behaviors that accommodate the journey of the organization towards success.

- Customer Priority
- Integrity
- Reliability
- Mastery

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, ie Organizational Core Competency, Functional Competencies, 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.

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 facilities for aerobic exercise, yoga, badminton, football, golf, and other activities, for the use of its employees. Regarding employee safety, TISCO Group provides life and travel insurance for each employee as well as arranging fire drills annually under the Workplace Safety Committee's supervision. Additionally, TISCO Group has also set up the Employee Welfare Committee to be responsible for monitoring, attending to and recommending policies regarding employee welfare.

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 the broad banding system specifically to facilitate the implementation of a flat organizational structure. The system is flexible so as to be able to adapt to the evolution of market conditions. The broad banding 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

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 organisation competencies, including performance and competency development, productivity improvement, leadership and developmental effectiveness. In 2010, TISCO Group continued to implement various development programs as follows;

1. The Teller academy and Relationship Managers Development program

As a next step of Branded Customer Service Project, a unique Teller Academy Program has been designed to equip 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 to ensure that desired level of expertise can be maintained.

2. Performance and Competency Development Project

To sustain excellent service levels to clients and being a critical element to transform to fully customer centric organization, the Branded Customer Service Project was continued for the year. It includes an assortment of activities such as the Customer Service Research and Survey in order to assess the needs, expectations, and satisfaction of our customers as well as service staff. The research results are taken into consideration as the groundwork of this project to identify the standard of customer service attitudes and behaviors of all frontlines staff at all TISCO Bank branches. Customer experiences were constantly monitored to ensure that the service model designed was correctly implemented and yielded desired results.

As a part of this development plan, Performance and Competency Development Project has been implemented. Under the philosophy of Customer Centric, training and development activities aimed to enhance quality, effectiveness and risk protection. Working guidelines and procedures had developed to ensure the delivery of standard service. The target group were all employees in particular to Relationship Manager, Sales, Customer Service and Tellers.

3. Managerial Training

TISCO provided full training according to business and technical requirements, business plan, leadership, risk assessment and protection, Receiving Performance Feedback skill and etc. These programs were regularly organized.

4. TISCO Executive Trainee Development Program

In 2010, TISCO Group continued the implementation of its Executive Trainee Development Program. The participants are employees with high performance potential, as well as experienced TISCO staff with exceptional leadership qualities. Executive trainees learned all of the group's business strategies and key success factors, were given an overview of the need for good governance, and benefited from lectures aimed at sharing expertise delivered by top managers in TISCO Group, as well as some external resources. This program, which grooms fresh prospects to become exemplary "TISCO Officers" capable of becoming TISCO executives in the future, encourages staff to initiate, analyze, and be knowledgeable in all aspects of the business.

5. TISCO Culture and Value enhancement

Our mission is TISCO is a financial institution with exemplary governance. We are dedicated to creating sustainable values for our customers, shareholders, people and society. TISCO places the importance on the corporate value i.e. Mastery, Reliability, Integrity and Customer Focus. Culture and Value enhancement has been continuously designed and embedded into many trainings and activities

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 Public Company Limited ("the Company") oversees all of the internal control system through the Executive Board and the Audit Committee, with the following organizational structure: Under TISCO Group, corporate governance and internal controls is centralized at the parent company, the Company, and in compliance with the consolidated supervision principle of the Bank of Thailand with the TISCO Group governance structure as show in page 8-2

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. The Company 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 the Company

- 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 Risk Management function supports 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. The Compliance and Internal Control division, which is comprised of Compliance and Internal Control functions of TISCO Bank, TISCO Securities, and TISCO Asset Management, supports the committee and is responsible for reviewing and monitoring the internal controls system at the transaction level and reporting to the Head of Compliance and Internal Control. The Head of Compliance and Internal Control regularly reviews the internal controls system of all business operations, while ensuring good compliance with the internal guidelines and related laws and 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 the Company risk management policy to ensure effective managements in the bank's various business units. The Risk Management function supports 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 Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.

2. The Audit Committee of the Company 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 the Company 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 the Company, whilst internal audit and control process in other companies shall also be reported directly to the Audit Committee of the Company.

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

All members of the Audit Committee attended 12 meetings in Year 2010. Major activities performed by the Committee were as follows:

- **Financial Statements:** Meeting with the external auditor on a quarterly basis to review quarterly, semi-annual and annual financial statements with consideration for the appropriateness of the Bank's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors. Assessing the appropriateness of reserve to prepare for the effects of fluctuations in the business cycles.
- **Internal Control and Audit:** Reviewing 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.
- **Regulatory Compliance:** Endorsing annual compliance plan and the Compliance Charter, and acknowledging the compliance activities. Meeting with management to acknowledge the status of regulatory compliance with all necessary rules and regulations, litigation, annual compliance reports and non-compliance issues.
- **External Auditor:** Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. The Committee proposed the appointment of Ms. Rungnapa Lertsuwankul of Ernst & Young Office Limited as the auditor of the Bank for the Year 2010. The Committee viewed that Ernst & Young Office Limited is a qualified audit firm with good credentials and proven track records together with a reasonable audit fee.
- **Transactions with Related Parties and Conflicts of Interests:** Meeting with management and the external auditor to review and acknowledge 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 viewed that those transactions were either conducted in a normal course of business operation or justified for the best interests of the Bank. 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, and fraud risk management.
- **Others:** Acknowledging the results of external assessment and examinations by related regulators such as the Bank of Thailand and the Securities and Exchange Commission-Thailand, and assessing the Bank's corrective actions.

The Audit Committee performed self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices, and opines that the Committee has carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee and as delegated by the Board of Directors.

The Audit Committee has agreed with the external auditor that the Bank's financial statements and the disclosure of relevant information are adequate and fairly presented in accordance with generally accepted accounting principles. The Audit Committee also opines that the Bank's internal control system is appropriate and efficient and the Bank properly follows all necessary rules and regulations imposed by regulatory authorities. See the Report of the Audit Committee in Attachment 3.

9.2 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2011 on February 4, 2011, where all Audit Committee members and independent directors were present, the Board assessed the Bank's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Bank'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 4.

9.3 Independent Auditor's Comment on Internal Control System

In year 2010, Ernst & Young Office Limited as independent auditor of the bank had no comments on the internal control system.

10. Related Party Transactions

In 2010, the Bank had business transactions only with the companies in TISCO Group. 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 3.23.

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 Bank 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 Auditor's Report

The Separate Financial Statements of the Bank for the Year Ended December 31, 2008 and 2009

The independent auditor for the Bank's separate financial statements for the year ended December 31, 2008 and 2009 was Mr. Supachai Phanyawattano, Certified Public Accountant (Thailand) No. 3930, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements for the year ended December 31, 2008 and 2009 presented fairly, in all material respects, the financial position of the Bank as of December 31, 2008 and 2009, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

The Separate Financial Statements of the Bank for the Year Ended December 31, 2009 and 2010

The independent auditor for the Bank's separate financial statements for the year ended December 31, 2009 and 2010 was Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements for the year ended December 31, 2009 and 2010 presented fairly, in all material respects, the financial position of the Bank as of December 31, 2009 and 2010, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

Table Depicting the Financial Statements of the Bank

TISCO BANK PUBLIC COMPANY LIMITED			
BALANCE SHEETS			
AS AT DECEMBER 31			
	(Unit : Baht)		
	2008	2009	2010
ASSETS			
CASH	595,120,161	826,095,960	902,815,741
INTERBANK AND MONEY MARKET ITEMS - Domestic			
Interest bearing	13,113,647,326	9,900,793,589	11,371,117,353
Non-interest bearing	34,692,996	2,173,850,384	989,373,393
INTERBANK AND MONEY MARKET ITEMS - Foreign			
Interest bearing	-	-	-
Non-interest bearing	-	-	-
Total Interbank and money market items – net	13,148,340,322	12,074,643,973	12,360,490,747
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	-	
INVESTMENT IN SECURITIES			
Current investment – net	2,521,088,917	2,537,845,421	2,463,186,236
Long-term investment – net	1,841,528,286	5,811,725,391	2,501,416,159
Investment in Subsidiaries	96,063,931	60,055,638	135,312,317
Net investments	4,458,681,134	8,409,626,450	5,099,914,713
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Loans and receivable	101,530,926,903	109,102,566,701	145,188,545,195
Total loans and receivable	101,530,926,903	109,102,566,701	145,188,545,195
Accrued interest receivable	110,754,580	97,471,206	115,566,800
Total loans, receivable and accrued interest receivable	101,641,681,483	109,200,037,907	145,304,111,995
Less : Allowance for doubtful accounts	(1,604,457,372)	(2,088,416,132)	(3,859,411,530)
Less : Allowance for loss on debt restructuring	(18,258)	(18,258)	(2,967)
Net Loans, receivable and accrued interest receivable	100,037,205,853	107,111,603,517	141,444,697,498
PROPERTY FORECLOSED – net	1,003,254,030	47,241,840	17,962,840
LAND, PREMISES AND EQUIPMENT – Net	701,210,952	649,626,633	575,272,056
DEFERRED TAX ASSETS	182,534,215	479,399,809	954,833,209
OTHER ASSETS	1,425,798,806	1,042,483,541	990,349,636
TOTAL ASSETS	121,552,145,473	130,640,721,723	162,346,336,439

TISCO BANK PUBLIC COMPANY LIMITED

BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31

(Unit : Baht)

	2008	2009	2010
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS IN BAHT	58,875,780,866	56,930,949,089	48,608,753,759
INTERBANK AND MONEY MARKET ITEMS			
Domestic – interest bearing	3,951,717,928	4,321,444,855	8,867,298,839
LIABILITY PAYABLE ON DEMAND	496,740,597	345,170,135	532,447,850
BORROWINGS			
Short-term borrowings	40,028,191,682	50,117,254,545	72,513,367,910
Long-term borrowings	4,899,301,740	5,429,750,030	15,460,403,568
Total borrowings	44,927,493,422	55,547,004,575	87,973,771,478
ACCRUED INTEREST PAYABLE	868,991,067	250,447,376	445,504,777
OTHER LIABILITIES	1,097,305,714	2,014,309,628	3,707,166,340
TOTAL LIABILITIES	110,218,029,594	119,409,325,658	150,134,943,042
SHAREHOLDERS' EQUITY			
Share capital			
Registered	11,002,000,000	11,002,000,000	11,002,000,000
Issued and paid up			
104 preferred shares of Baht 10 each			
(2009: 73,204 preferred shares of Baht 10 each)	1,835,004,300	732,040	1,040
728,152,146 ordinary shares of Baht 10 each			
(2009: 728,079,046 ordinary shares of Baht 10 each)	5,446,518,200	7,280,790,460	7,281,521,460
Share premium			
Share premium of preference shares	93,951,250	37,480	53
Share premium of ordinary shares	36,500,000	130,413,770	130,451,197
Revaluation surplus on changes in the value of investment	5,575,057	7,927,052	14,310,659
Retained earnings			
Appropriated – statutory reserve	547,000,000	614,900,000	714,600,000
Unappropriated	3,369,567,072	3,196,595,263	4,070,508,988
TOTAL SHAREHOLDERS' EQUITY	11,334,115,879	11,231,396,065	12,211,393,396
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	121,552,145,473	130,640,721,723	162,346,336,439

TISCO BANK PUBLIC COMPANY LIMITED
STATEMENT OF EARNINGS
FOR THE YEARS ENDED 31 DECEMBER

	2008	2009	2010
Interest and dividend Income			
Loans	1,215,475,030	1,332,375,203	1,632,743,084
Interbank and money market items	284,769,504	133,781,609	178,321,866
Hire purchase and financial lease income	4,982,758,508	5,773,453,963	6,465,099,512
Investments	1,104,696,119	552,461,773	495,399,857
Total interest and dividend income	7,587,699,161	7,792,072,548	8,771,564,318
Interest expenses			
Deposits	1,776,545,685	1,090,078,579	802,984,232
Interbank and money market items	150,864,971	113,300,341	116,736,050
Short-term borrowings	1,201,737,752	851,599,459	835,134,112
Long-term borrowings	194,655,549	278,011,984	403,732,674
Total interest expenses	3,323,803,957	2,332,990,363	2,158,587,068
Net interest and dividend income	4,263,895,204	5,459,082,185	6,612,980,250
Bad debts and doubtful accounts	(706,730,835)	(1,195,853,909)	(1,759,031,947)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	3,557,164,369	4,263,228,276	4,853,945,303
Non-interest income			
Gain (loss) on investments	(1,157,527,839)	71,239,230	165,026,408
Fees and service income			
Acceptances, aval and guarantees	10,201,047	9,850,231	10,428,089
Insurance services	673,001,138	613,151,987	613,151,987
Others	154,858,748	137,488,033	633,933,718
Gain (loss) on exchange	(9,805,581)	9,228,971	(2,262,312)
Other income	380,164,026	664,126,275	638,757,102
Total non-interest income	50,891,539	1,505,084,727	2,059,034,993
Total Net Income	3,608,055,908	5,768,313,003	6,912,980,296
Non-interest expenses			
Personnel expenses	952,793,212	1,002,452,622	1,339,253,608
Premises and equipment expenses	567,667,381	623,495,416	673,164,587
Taxes and duties	105,991,556	111,310,282	146,022,517
Fees and service expenses	178,385,885	997,242,782	1,114,812,213
Directors' remuneration	7,550,000	-	-
Other expenses	444,456,405	1,092,718,158	802,076,353
Total non-interest expenses	2,256,844,439	3,827,219,260	4,075,329,279
Earnings before income tax and minority interest	1,351,211,469	1,941,093,743	2,837,651,017
Corporate income tax	(147,504,191)	(584,030,422)	(844,626,886)
NET EARNINGS FOR THE YEAR	1,203,707,278	1,357,063,321	1,993,024,131
Diluted earnings per share	1.40	1.74	2.74

**TISCO BANK PUBLIC COMPANY LIMITED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER**

	Unit: Baht		
	2008	2009	2010
Cash flows from operating activities			
Income before corporate income tax	1,351,211,469	1,941,093,743	2,837,651,017
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities:			
Depreciation and amortization	195,879,588	195,203,426	197,501,928
Bad debt and doubtful accounts	1,115,338,253	1,731,543,371	2,385,184,827
Allowance for impairment of investment (reversal)	44,329,201	(17,821,461)	22,289,894
Allowance for impairment of property foreclosed	14,953,680	494,780,383	257,000
Loss (gain) on disposal of investments	1,113,198,638	(53,417,769)	(187,316,302)
Unrealized loss on exchange rate (reversal)	9,805,581	(9,228,971)	2,262,312
Gain on sales of property, plant and equipment	(47,952,462)	(5,399,300)	(10,539,611)
Loss on sales of equipment	-	-	48,791
Gain from disposal of property foreclosed	(27,885,032)	(171,351,141)	(195,053,181)
Decrease (increase) in other accrued income	10,174,609	70,316,532	(9,785,986)
Increase in accrued expenses	1,201,094	134,560,023	445,933,544
Income from operating activities before changes in operating assets and liabilities	3,780,254,619	4,310,278,836	5,488,434,233
Decrease (increase) in operating assets			
Interbank and money market items	(12,498,004,809)	1,073,696,349	(285,846,773)
Securities purchased under resale agreements	2,400,000,000	-	-
Loans and receivable	(22,679,069,458)	(10,007,055,007)	(37,594,012,862)
Property foreclosed	1,314,014,974	2,082,417,269	1,516,520,502
Other assets	(257,642,076)	(676,421,908)	(30,651,689)

TISCO BANK PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED 31 DECEMBER

	(Unit : Baht)		
	2008	2009	2010
Increase (decrease) in operating liabilities			
Deposits	23,146,972,339	(1,944,831,777)	(8,322,195,330)
Interbank and money market items	(2,460,375,435)	376,851,669	4,547,275,198
Liabilities payable on demand	21,672,981	(151,570,462)	187,277,715
Borrowings	6,981,022,056	6,939,715,953	25,394,645,925
Other liabilities	(99,030,992)	(225,670,013)	247,693,954
	(152,123,817)	1,799,410,909	(8,550,859,127)
Net interest and dividend income	(4,263,895,204)	(5,459,082,185)	(6,612,977,251)
Cash received from interest income	6,895,895,784	8,073,861,613	8,355,284,208
Cash paid for interest expense	(3,237,932,569)	(2,951,326,950)	(1,963,949,407)
Cash paid for corporate income tax	(277,885,230)	(310,923,340)	(1,207,819,491)
Net cash flows from (used in) operating activities	(1,035,941,036)	1,129,940,047	(9,980,321,068)
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(9,887,024,735)	(8,037,111,985)	(5,369,372,987)
Cash received from disposal of investment in securities held for investment	8,762,827,476	4,339,649,586	8,926,161,104
Cash received from dividend	895,918,439	49,977,208	61,631,882
Cash paid for purchase of equipment	(249,548,824)	(111,346,914)	11,000,678
Cash received from disposal of property, plant and equipment	486,921,839	6,101,920	(80,146,329)
Cash received from capital return from subsidiaries	667,370,466	210,010,000	-
Cash received from disposal of investment in subsidiaries	1,981,546,810	-	(85,997,547)
Net cash flows from (used in) investing activities	2,665,011,471	(3,542,720,185)	3,463,276,801
Cash flows from financing activities			
Dividend paid	(1,489,771,452)	(1,025,244,063)	(436,889,490)
Cash paid for redemption of long-term debentures and debt instruments	-	(331,000,000)	(3,000,000,000)
Cash received from issue of long-term debentures and debt instruments	-	4,000,000,000	2,000,000,000
Cash received from exchange of warrants to purchase preference shares	16,623,330	-	-
Net cash flows from (used in) financing activities	1,473,148,122)	2,643,755,937	6,593,764,048
Translation adjustment			
Net increase in cash	155,922,313	230,975,799	76,719,781
Cash at beginning of the year	439,197,848	595,120,161	826,095,960
Cash at the end of the year	595,120,161	826,095,960	902,815,741

11.1.2 Important Financial Ratios

		2008	2009	2010
Profitability Ratio				
Gross Profit Margin	(%)	51.8	61.4	67.9
Net Profit Margin	(%)	33.4	23.5	28.8
Return on Average Shareholders' Equity	(%)	10.5	12.0	17.0
Interest Income Ratio	(%)	6.4	6.1	5.9
Interest Expense Ratio	(%)	3.5	2.1	1.6
Interest Spread	(%)	2.9	4.0	4.3
Return on Investment	(%)	(0.9)	9.7	9.8
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.0	4.3	4.5
Return on Average Assets	(%)	1.1	1.1	1.4
Total Asset Turnover	(times)	0.0	0.0	0.0
Financial Ratio				
Debt to Equity Ratio	(times)	9.7	10.6	12.3
Total Loans to Total Borrowing and Deposits	(%)	94.2	93.4	99.8
Total Loans to Public Borrowing	(%)	172.4	191.6	298.7
Public Borrowing to Total Liabilities	(%)	53.4	47.7	32.4
Dividend Payout Ratio	(%)	54.6	59.3	51.1
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	1.6	1.9	2.7
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	1.9	1.1	0.6
Non-accrued loans ¹ to Total Loans	(%)	3.4	3.9	2.7
Loan loss provision to Non-Performing Loans	(%)	62.5	84.9	163.6
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.1
Other Ratios				
Capital Funds to Risk Weighted Asset (BIS)	(%)	11.7	17.0	15.2

¹ according to the Bank of Thailand's definition

11.2 Explanation and Analysis of Financial Status and Performance

The Management Discussion and Analysis compares operating performance and financial position of TISCO Bank Public Company Limited for the year 2010 and year 2009

Movement of Money Market and Capital Market

In 2010, the domestic economy showed strong recovery resulting from the government's economic stimulus measures, expansion in export sector and continual growth in domestic consumption. The Bank of Thailand (BOT) raised the policy rate 3 times from 1.25% at the end of 2009 to 1.50% and 1.75% during the third quarter of 2010 and increased to 2.00% in the fourth quarter of 2010 driven by economic expansion and upward inflationary pressure. Meanwhile, average 3-Month fixed deposit rates of Top 5 commercial banks increased from 0.71% at the end of 2009 to 1.13 % at the end of 2010 while the average minimum lending rate of Top 5 commercial banks increased from 5.94% to 6.20% at the end of 2010.

The SET index was continually increased following domestic economic recovery as well as improved political atmosphere. The SET index improved from the last year ending at 1,032.76 points, increased by 298.22 points. In terms of the trading activity, average daily turnover dramatically increased from 17,852.52 million baht to 28,668.95 million baht driven by reviving in local investors' confidence and massive fund inflow of foreign investors.

11.2.1 Operating Results

In 2010, TISCO Bank recorded net income of 1,993.02 million baht, increased by 653.96 million baht (46.9% YoY) resulting from an increase by 21.1% (YoY) of net interest and dividend income following strong growth in all businesses of 33.1% (YoY), together with an ability to maintain average loan spread at 4.7% which was the same level as year 2009. Meanwhile, non-interest income was reported at 2,059.03 million baht, increased by 553.95 million baht (36.8% YoY) mainly due to increase in fee income by 131.7% together with an increase in other income by 131.7% (YoY).

Diluted earnings per share for the year 2010 were 2.74 baht compared with those in 2009 of 1.74 baht. The average return on equity (ROAE) for the year 2010 was 17.0% compared with that in 2009 of 12.0%.

(1) The Bank's Revenue Structure

The Bank's revenue structure in 2009 and 2010 is illustrated in Table1.

Table 1: Revenue Structure

Type of Revenue	2009		2010		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest and dividend income					
Interest on loans	1,332.38	19.1	1,632.74	18.8	22.5
Interest on interbank and money market items.	133.78	1.9	178.32	2.1	33.3
Hire purchase and financial lease income	5,773.45	82.9	6,465.10	74.6	12.0
Investments	552.46	7.9	495.40	5.7	(10.3)
Total interest and dividend income	7,792.07	111.9	8,771.56	101.1	12.6
Interest expenses	(2,332.99)	(33.5)	(2,158.59)	(24.9)	(7.5)
Net interest and dividend income	5,459.08	78.4	6,612.98	76.3	21.1
Non-interest income					
Gain on securities	71.24	1.0	165.03	1.9	131.7
Fees and services income	760.49	10.9	1,257.51	14.5	65.4
Others	673.36	9.7	636.49	7.3	(5.5)
Total non-interest income	1,505.08	21.6	2,059.03	23.7	36.8
Total income before bad debts and doubtful accounts	6,964.17	100.0	8,672.01	100.0	24.5
Bad debt and doubtful accounts	(1,195.85)		(1,759.03)		
Bad debt written back revenue	-		-		
Total income – net of bad debts and doubtful accounts	5,768.31		6,912.98		
Non-interest expenses	(3,827.22)		(4,075.33)		
Profit before income tax	1,941.09		2,837.65		
Corporate income tax	(584.03)		(844.63)		
Net Profit	1,357.06		1,993.02		

(2) Net Interest and Dividend Income

Net interest and dividend income for the year 2010 was 6,612.98 million baht, increased by 1,153.90 million baht (21.1% YoY), while interest and dividend income was 8,771.56 million baht, increased by 979.49 million baht (12.6% YoY) following strong loan growth. Meanwhile, interest expense decreased by 174.40 million baht (7.5% YoY) to 2,158.59 million baht following the interest rate environment and increase in retail deposit base. Moreover, TISCO Bank was able to maintain loan spread at 4.7% which was the same level as the year 2009 through its ability to manage assets and liabilities mix and strong growth in retail deposit base. In addition, TISCO Bank reported net interest and dividend income before bad debts and doubtful account of 8,672.01 million baht, increased by 1,707.85 million baht (24.5% YoY), compared with 6,964.17 million baht at the end of 2009.

Table 2: Interest spread 2009 -2010

%	2009	2010
Yield on Loans	6.7	6.4
Cost of fund	2.1	1.6
Loan spread	4.7	4.7

(3) Non-interest Income

Non-interest income of TISCO Bank recorded at 2,059.03 million baht, increased by 553.95 million baht (36.8% YoY) contributed by a gain from investment amounting to 165.03 million baht (131.7% YoY). The other income increased by 497.02 million (65.4% YoY) In addition, TISCO Bank recorded gain from disposal of property foreclosed by 129.39 million baht.

(4) Non-interest Expenses

Non-interest expenses for 2010 were 4,075.33 million baht, increased by 248.11 million baht (6.5% YoY) mainly resulted from higher variable expenses associated with higher revenue. In addition, the cost-to-income ratio improved to 55.0%, compared to 47.0% in 2009.

(5) Bad Debt and Doubtful Accounts

In 2010, the asset quality significantly improved with NPL ratio decreased to 1.6%, compared to 2.3% at the end of 2009. However, to protect against future volatility and systematic risk, TISCO Bank set up provision for bad debts and doubtful accounts totaling 1,759.03 million baht which accounted for 1.3% of total average loan portfolio. Consequently, TISCO Bank recorded increase in general reserve of 1,622.98 million baht in 2010, compared to the reserve required according to the best estimate of expected credit losses from the portfolio over the next 12 months. At the end of 2010, TISCO Group had general reserve totaling 2,350.83 million baht.

(6) Corporate Income Tax

In 2010, the corporate income tax was 844.63 million baht, equivalent to the effective tax rate of 29.8%, compared to 30.1% in 2009.

11.2.2 Financial Position**(1) Assets**

TISCO Bank's total assets as of December 31, 2010 were 162,346.33 million baht, increased by 31,731.52 million baht (24.3% YoY) following strong loan growth from 109,102.57 million baht to 145,188.55 million baht (33.1% YoY).

Table 3: Assets Breakdown as of December 31, 2009 and 2010

Assets	December 31, 2009		December 31, 2010		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	826.10	0.6	902.82	0.6	9.3
Interbank and Money Market Items	12,074.64	9.2	12,360.49	7.6	2.4
Securities purchased under resale agreements	0.00	0.0	2,563.17	1.6	0.0
Fixed income	3,336.37	2.6	2,401.43	1.5	(23.2)
Equity	5,013.20	3.8	135.3	0.1	(52.1)
Investment in Subsidiaries	60.1	0.0	31,463.06	19.4	125.3
Corporate Loans	14,878.78	11.4	22,431.58	13.8	50.8
SME Loans	4,669.58	3.6	9,425.41	5.8	101.8
Retail Loans	83,926.81	64.3	102,827.27	63.3	22.5
Other Loans	5,627.40	4.3	10,504.29	6.5	86.7
Allowance for doubtful accounts and for loss on debt restructuring	(2,088.43)	(1.6)	(3,859.41)	(2.4)	84.8
Other Assets	2,316.22	1.8	2,653.98	1.6	15.9
Total – The Bank Only	130,614.81	100.0	162,346.33	100.0	24.3

(a) Investments

At the end of 2010, total investment was 5,099.91 million baht, decreased by 3,309.71 million baht or 39.4% (YoY) partly due to a decrease in hire purchase portfolio from Primus Leasing Company Limited and GMAC (Thailand) Limited.

(b) Loans and Receivables Breakdown

Total Bank's loans and receivables were 145,188.55 million baht, up by 36,085.98 million baht (33.1% YoY), following growth in all businesses. The composition of loan portfolio was 70.8% of retail loans, 15.4% of corporate loans, 6.3% of SME loans and 7.2% of other loans. In addition, loans and receivables breakdown is displayed in the following table.

Table 4: Loans and Receivables Breakdown as of December 31, 2009 and 2010

Type of Business	December 31, 2009		December 31, 2010		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	6,811.98	6.2	10,996.33	7.6	61.4
Real estate and construction	6,167.64	5.7	6,374.43	4.4	3.4
Public utilities and services	1,781.04	1.6	4,905.58	3.4	175.4
Agriculture and mining	118.13	0.1	155.24	0.1	31.4
Commercial Loans	14,878.78	13.6	22,431.58	15.4	50.8
SME Loans	4,669.58	4.3	9,425.41	6.29	101.8
Hire purchase	82,450.98	75.6	101,404.99	69.8	23.0
Housing	1,475.83	1.4	1,422.29	1.0	(3.6)
Retail Loans	83,926.81	77.0	102,827.27	70.8	22.5
Others	5,627.40	5.2	10,504.29	7.2	86.7
Total – The Bank Only	109,102.57	100.0	145,188.55	100.0	33.1

(c) Non-performing Loans

TISCO Bank has prudently managed non-performing loans (NPLs) with effective risk management tools and stringent practice of loan collection, debt restructuring and write-off process. In which, the percentage of total NPLs declined from 2.3% at year-end 2009 to 1.6% as of December 31, 2010. Additionally, the percentage of NPLs of retail loan, corporate loan and SME loan were 1.3%, 2.4%, and 0.8%, respectively with total NPLs of 2,359.00 million baht, decreased by 102.08 million baht (4.1% YoY).

Table 5: NPLs Breakdown by Area as of December 31, 2009 and 2010

Type of Business	December 31, 2009			December 31, 2010			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	1.8	122.15	5.0	0.9	99.65	4.2	(18.4)
Real estate and construction	6.8	422.31	17.2	5.5	352.90	15.0	(16.4)
Public utilities and services	3.0	52.64	2.1	1.6	76.76	3.3	45.8
Agriculture and mining	2.6	3.10	0.1	4.0	6.24	0.3	101.0
Total NPL - Commercial Loans	4.0	600.21	24.4	2.4	535.55	22.7	(10.8)
NPL - SME Loans	1.6	72.65	3.0	0.8	76.64	3.2	5.5
Hire purchase	1.4	1,153.25	46.9	1.2	1,202.45	51.0	4.3
Housing	11.6	170.50	6.9	8.7	123.98	5.3	(27.3)
Total NPL - Retail Loans	1.6	1,323.76	53.8	1.3	1,326.42	56.2	0.2
Others	8.3	464.47	18.9	4.0	420.38	17.8	(9.5)
Total – The Bank Only	2.3	2,461.08	100.0	1.6	2,359.00	100.0	(4.1)

(d) Allowance for Doubtful Accounts and Losses on Debt Restructuring

TISCO Bank 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 historical loss data incorporating with adjustment for the recent market situation. As of December 31, 2010, loan loss reserve of TISCO Bank was 3,859.41 million baht or 163.6% of NPLs. Total loan loss reserve of the Bank was 3,859.41 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,485.07 million baht, reflecting the prudent

provisioning policy to mitigate potential risk. In addition, total loan loss reserve comprised of specific reserve for classified loan of 1,508.59 million baht and general reserve of 2,350.83 million baht.

Table 6: Allowance for doubtful accounts – classified by the receivables classification as of December 31, 2009 and 2010

Type of receivables classification	December 31, 2009 (Bt. million)	%	December 31, 2010 (Bt. million)	%	% Change
Pass	594.91	28.5	794.42	20.6	33.5
Special mentioned	60.64	2.9	59.21	1.5	(2.4)
Substandard	162.26	7.8	177.96	4.6	9.7
Doubtful	71.47	3.4	51.12	1.3	(28.5)
Doubtful of loss	471.29	22.6	425.88	11.0	(9.6)
General reserve	727.85	34.9	2,350.82	60.9	223.0
Total	2,088.42	100.0	3,859.41	100.0	84.8

(2) Liabilities

Total liabilities as of December 31, 2010 were 150,134.93 million baht, increased by 30,751.53 million baht (25.8% YoY). The liabilities mix comprised of 80.7% total deposit including short-term borrowing, 5.9% interbank and money market items, 10.3% long-term borrowings, and 3.1% other liabilities due to fund raising for supporting business growth. In addition, the bank issued additional subordinated debenture during the current year amounting 2,000 million baht, which will be counted as Tier II capital. These subordinated debentures will be matured in 2020.

Table 7: Liabilities Breakdown by Area as of December 31, 2009 and 2010

Type of Borrowings	December 31, 2009		December 31, 2010		%
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits and short-term borrowings	107,048.20	89.7	121,122.11	80.7	13.1
Interbank and money market items	4,321.44	3.6	8,867.30	5.9	105.2
Long-term borrowings	5,429.75	4.5	15,460.40	10.3	184.7
Others	2,584.02	2.2	4,685.12	3.1	81.3
Total – The Bank Only	119,383.41	100.0	150,134.94	100.0	25.8

(3) Shareholders' Equity

Shareholder's equity and unappropriated retained earnings as of December 31, 2010 were 12,211.39 million baht and 4,070.50 million baht, respectively, increased by 979.99 million baht (8.7% YoY) and 873.91 million baht (27.3% YoY) respectively. Moreover, TISCO Bank paid interim dividend amounting 1,019.41 million baht with dividend payout ratio of 51.1%. As of December 31, 2010, the Bank's book value was at 16.72 baht per share slightly increased from 15.42 baht per share as of December 31, 2009. As at December 31, 2010, TISCO Bank had paid-up shares amounting 728.15 million shares, comprising 728.15 million common shares and 104 million preference shares.

(4) Commitments and contingent liabilities

TISCO Bank's commitments and contingent liabilities included Avals, Guarantees of loans, and other obligations in 2010 amounting to 194.14 million baht and 1,402.57 million baht, respectively. A decrease mainly arose from interest rate swap contract.

11.2.3 Business Segment Performances

Loans

Total consolidated loans and receivables were 145,188.55 million baht, up by 36,085.98 million baht (33.1% YoY), following growth in loan businesses. The composition of loan portfolio was 71.8% of retail loans, 15.0% of corporate loans, 6.3% of SME loans and 6.9% of other loans.

Corporate lending

As of December 31, 2010, corporate loan portfolio of the Bank totaled 22,431.58 million baht, significantly increased by 7,552.79 million baht (50.8% YoY), mainly due to an increase in loans to utilities and services as well as manufacturing & commerce.

SME lending

As of December 31, 2010, SME loan portfolio of the Bank totaled 9,425.41 million baht, up by 4,755.83 million baht (101.8% YoY), mainly due to the floor plan financing and logistics business.

Retail lending

As of December 31, 2010, retail loan portfolio consisted of 98.6% car, motorcycle, and other hire purchase and 1.4% mortgage loans. The outstanding hire purchase loans totaled 101,404.99 million baht, rose by 18,954.01 million baht (23.0% YoY) due partly to the successful in captive leasing business for Fords, Mazda, and Chevrolet. Car hire purchase new business volume amounted 57,101.43 million baht, increased by 15,126.17 million baht (36.0% YoY), while the domestic car sales in 2010 reported at 800,357 units increased from 548,872 units (45.8% YoY). The car penetration rate for the year 2010 was at 11.2% which was slightly decreased when compared to 12.0% in 2009.

Other loan

As of December 31, 2010, other loan portfolio totaled 10,504.29 million baht, increased by 4,876.89 million baht (86.7 % YoY), mainly due to an increase in loan to other corporate businesses (referring to the Bank of Thailand's loan definition). In addition, TISCO Auto Cash loan increased for 2,744.18 million baht (104.6% YoY), from 2,624.24 million baht at the end of 2009 to 5,368.42 million baht.

Deposit

As of December 31, 2010, Total deposit totaled 121,122.21 million baht, increased by 14,073.92 million baht (13.1% YoY). The portion of saving accounts and current accounts to total deposits increased from 21.9% to 21.9% (YoY).

Table 8: Deposits Structure as of December 31, 2009 and 2010

Type of Deposits	December 31, 2009		December 31, 2010		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	7,552.99	7.1	4,933.15	4.1	(34.7)
Saving accounts	17,920.36	16.7	25,671.55	21.2	43.3
Fixed accounts	1,939.79	1.8	1,169.53	1.0	(39.7)
Negotiate certificate deposit	29,515.42	27.6	16,832.16	13.9	(43.0)
Promissory notes and Bill of exchange	2.38	0.0	2.38	0.0	0.0
Short-term borrowings	50,117.25	46.8	72,513.37	59.9	44.7
Total	107,048.20	100.0	121,122.12	100.0	13.1

11.2.4 Liquidity

As of December 31, 2010, the Bank's cash was 902.82 million baht, an increase of 76.72 million baht (9.29% YoY). This balance mainly comprised of 9,980.32 million baht of net cash generated from operating activities following increases in loans and receivables. Likewise, net cash flows from financing activities amounted to 6,593.76 million baht mainly due to an of long-term debenture and debt instruments. However, there was a net cash flow from investing activities amounted to 3,463.28 million baht mainly arising from an increase in disposal of investment in securities held for investment.

11.2.5 Sources and Uses of Funds

As the end of 2010, the funding structure as shown in the Bank's financial statement comprised of 150,134.94 million baht in liabilities and 12,211.39 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 12.8. The major source of funds on

liabilities side was deposits, which accounted for 74.6% of total source of funds. Other sources of funds included interbank and money market items and borrowing, accounted for 5.5% and 12.4% of total source of funds, respectively.

The Bank major use of funds was loans, amounting 145,188.55 million baht, resulting in a loan-to-deposit ratio¹ of 119.9%. 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, 2010, TISCO Bank's capital based on Internal Rating Based Approach (IRB) stood at 16,226.78 million baht comprising of Tier-I, Tier-II capital and adjustment from reserve. The integrated risk capital increased by 1,064.18 million baht or 21.9% from year 2009 to 5,917.76 million baht at the end of year 2010, following the expansion of the business and income together with improving credit quality over the year. In addition, the capital surplus was remarkably strong at 63.5% of the capital.

Comparing to the end of 2009, The market risk capital in 2010 decreased by 125.38 million baht from 1,396.51 million baht to 1,099.99 million baht due mainly to a decrease in interest rate risk in banking book together with a lower risk of fixed income portfolio. Meanwhile, the credit risk capital rose by 875.06 million baht to 3,880.85 million baht following the expansion of retail lending business by 22.47% from 83,962.59 million baht in 2009 to 102,827.27 million baht at the end of 2010. In addition, credit risk profile of loan portfolio has gradually improved over the second half of 2010 with a drop in the portion of non-performing loan in retail lending business from 1.6% in 2009 to 1.3% in 2010.

In the meantime, the interest rate risk in banking book decreased as a result of shorten interest rate duration gap during 2010. Assets duration was shorten from 1.63 years to 1.59 years following an expansion of commercial loan with floating interest rate and an increase in short-term fixed income securities. On the other hand, liabilities duration increased from 0.64 year to 0.87 year following issuances of long-term subordinated debentures during the year. Therefore, the duration gap of assets and liabilities decreased from 0.99 year to 0.72 year and was still manageable in the range of 8.5 months.

In terms of regulatory capital requirement of the Bank, the position was still in strong and sufficient level to cushion for the expansion of asset in the future. At the end of 2010, the regulatory capital adequacy ratio (BIS ratio) based on Basel II IRB after an adjustment of capital floor stood at 15.23% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 11.29% and 6.56%, respectively, Tier-I capital adequacy ratio also remained higher than the minimum requirement at 4.25%.

Table 9: Capital Adequacy Ratio as of December 31, 2009 and 2010

Capital Adequacy Ratio	December 31, 2009	December 31, 2010
Tier-I Capital	14.48	11.29
Total Capital	16.96	15.23

Table 10: 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)	
	2009	2010	2009	2010
	Assets	1.63	1.59	425.88
Liabilities	0.64	0.87	(705.68)	(770.60)
Net Gap	0.99	0.72	(279.80)	(258.13)

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

11.2.7 Auditor's Fee

(1) Audit Fee

The Bank paid the audit fee for the year 2010 of 3,070,000.00 baht to Ernst & Young Office Limited.

(2) Non-audit Fee

The Bank paid non-audit fees in 2010 amounted to 818,500.00 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

On December 21 2010 Fitch Ratings (Thailand) Ltd. has affirmed TISCO Bank National ratings at Long-term 'A(thai)' with a Stable Outlook and National Short-term ratings at 'F1(thai)'. The rating reflect TISCO's strong asset quality, capital and profitability, as well as, its conservative management track record. Details of Credit Rating by Fitch Ratings are shown in the following table.

Credit Rating (Unsolicited Rating)	Credit Rating Announcement Date		
	October 20, 2008	December 24, 2009	December 24 2010
Long – Term National Rating	A (tha)	A (tha)	A (tha)
Short – Term National Rating	F1 (tha)	F1 (tha)	F1 (tha)
Rating Outlook	Stable	Stable	Stable

In addition, Fitch Ratings (Thailand) Ltd. has affirmed the ratings of TISCO Bank's senior debentures of up to 1 million baht due 2012 with a stable outlook. Fitch Ratings (Thailand) Ltd. has affirmed a National Long-Term rating of 'A'-(tha)' (A minus (tha)) to TISCO Bank's subordinated and unsecured debentured of up to 4 billion baht due 2019 with a stable outlook. In 2010, Fitch Ratings (Thailand) Ltd. has affirmed a National Long-Term rating of 'A'-(tha)' (A minus (tha)) to TISCO Bank's subordinated and unsecured debentured of up to 2 billion baht due 2020 with a stable outlook.

Credit Rating	Credit Rating Announcement Date		
	December 9, 2008	December 24, 2009	December 21, 2010
Rating by (Unsecured Debenture)	Fitch Ratings (Thailand) Ltd,	Fitch Ratings (Thailand) Ltd,	Fitch Ratings (Thailand) Ltd,
TISCO125A: Bt 1,000 million senior debenture due 2012 ¹	A-(tha)	A-(tha)	A-(tha)
TISCO192A: Bt 2,000 million subordinated debenture due 2019 ² The issuer may set the call option to redeem the debentures before maturity.	-	A-(tha)	A-(tha)
TISCO195A: Bt 2,000 million subordinated debenture due 2019 ² The issuer may set the call option to redeem the debentures before maturity.	-	A-(tha)	A-(tha)
TISCO205A: Bt 1,000 million subordinated debenture due 2020 ³ The issuer may set the call option to redeem the debentures before maturity.	-	-	A-(tha)
TISCO20DA: Bt 21000 million subordinated debenture due 2020 ³ The issuer may set the call option to redeem the debentures before maturity.	-	-	A-(tha)

¹ Issued in 2008

² Issued in 2009

³ Issued in 2010

12. Others 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. The Bank recognizes that building a society with a solid foundation is a critical factor for sustainable development, and therefore conducts its 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 activities with the recommendations given by the board of directors and to evaluate whether the project's desired outcome has been attained. The activities are followed up by the board of directors and reported at the board's meeting annually. The board also encourages TISCO's local branches to participate in community development activities, all of which are undertaken as long-term projects and closely monitored from year to year.

In 2010, TISCO Group sets up a Corporate Social Responsibility unit (CSR) to emphasize the group's intention in being responsible for society. The unit oversees all social activities including youth development, quality of life improvement, environmental preservation, etc. which lead to sustainable development of society and the nation. The activities will be performed in accordance with TISCO Group's core values.

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. Responsibility on Consumers
4. Community and Social Development
5. Respect on Human Rights and Labor Justice
6. Environmental Conservation
7. Innovation from Social Works
8. 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 employees 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. 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, four pillars of focused business areas serving key clients and all stakeholders have been identified, comprising Corporate Banking, Retail Banking, Wealth & Asset Management, and Corporate Office.

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.

4. 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.

For community development, TISCO voluntary group initiated "Rak Rian Ru Su Chumchon" project to provide better opportunity for the community by arranging a renovation of school libraries in Bangkok and upcountry so that youths and local people can use the library as a learning center for knowledge sharing.

5. 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 a recreational activities.

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.

In 2010, the Human Resource & Organization Development department has continually arranged several training programs for TISCO employees throughout the year. TISCO held 214 in-house courses with 2,633 training hours, and 212 outside training programs of 3,001 training hours. In total the company provided 426 training programs using 5,634 training hours.

In 2010, TISCO Group set up 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 helping to increase organization competency. (see more details in Section 9.8 Personnel Development, Part 9 Management)

6. 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 be a part of United Nations' environmental services in 1992. Since 1991, TISCO started its first reforestation project and continued to do so as an annual activity for almost 20 years with management and staffs joining the activity.

7. 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-Money ATM machine, also called e-TM machine, a new financial innovation for complete electronic transactions including deposits, withdrawals, money transfers, and payments to increase convenience for customers. TISCO e-TM customers can use card to pay for goods and service instead of cash. As the Bank foresees that electronic channel will play more important role in performing financial transactions, the e-TM innovation thus is a new financial innovation that the Bank developed to respond more to customers' needs.

Another innovation to combat the global warming was the establishment of a new unit in TISCO, the "Clean Development Mechanism (CDM) Division" to provide a Certified Emission Reductions (CERs) brokerage service to work with project owners in identifying the most suitable buyers of CDM credits, such as buyers with strong credit ratings and those which are well recognized internationally.

8. 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. However, since 2006, the special report on social responsibilities written in both Thai and English version has been issued separately. 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 2010

TISCO group always gives emphasis to a long-term project to achieve sustainable development. Through the TISCO Foundation for Charity, the group has handed out many scholarships for needy students, provide medical funding assistance for destitute patients, helped underprivileged people get back on their feet with business start-up funds, and supported a wide array of important social and community activities as follow;

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:

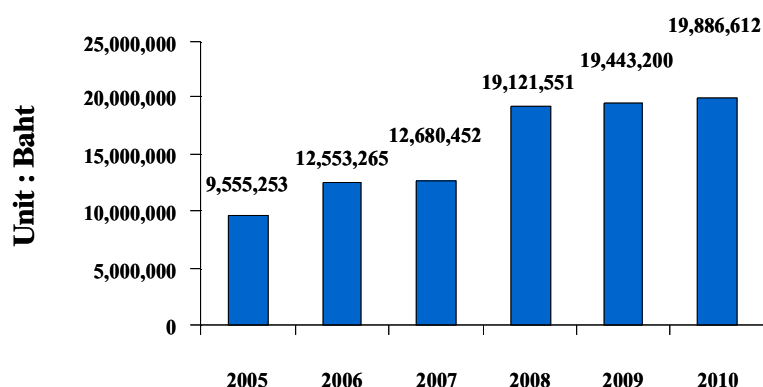
- 1) Providing nationwide educational scholarships for needy students,
- 2) Providing medical funding for destitute patients including donation of artificial organs and prosthesis
- 3) Providing business start-up funds for underprivileged people to promote self-reliance
- 4) Providing support for social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

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 2010, TISCO mainly contributed to the TISCO Foundation at the total amount of 19,886,612 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

TISCO Foundation's Education Support



In 2010, TISCO Foundation provided 6,054 scholarships at the total amount of 19,715,000 baht to needy students at every level throughout the country i.e., 545 scholarships to primary school students, 4,560 scholarships to secondary school students, 485 scholarships to vocational school students, 390 scholarships to university students and 74 scholarships to other levels. Among these scholarships, 3,191 scholarships have been continuously granted, and 2,864 to the new recipients.

Moreover, TISCO Foundation has provided medical support and start-up fund for the underprivileged both in Bangkok and local areas. During the year contributions were 128,274 baht for medical support and 43,338 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 2010, TISCO Foundation's staff went on field trips to follow up scholarships performance in various provinces, including Bangkok and its vicinity, Angthong, Kanchanaburi, Sakonnakhon, Kalasin, Roi-et, Buriram, Nakhon Ratchasima and Sa-kaeo provinces

1.2 Special Continuous Project

Rak Rian Ru Su Chumchon

The project was initiated in 2009 aiming to provide learning opportunities for children and people living in rural areas by building/renovating school libraries and donating books to 40 villages near TISCO's branches around the country. In 2010, 13 libraries were renovated. In following years, libraries to be renovated will be selected as appropriate to continue encourage learning in communities.

Blood Donation

TISCO Group and The Thai Red Cross Society have organized blood donation for over 26 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 2010, the donation was held 19 times and we received 2,840 units of blood or 1,136,200 cc.

1.3 Other Social Support Activities

A part from continuous social support activities through TISCO Foundation, TISCO Group also supports other social and community development including supporting UNICEF Thailand's activities, supporting Community Development and Social Welfare Project of Bangrak Area Office to exhibit strength of people living in the communities and stimulate tourism to generate revenue in Bangkok, sponsoring National Special Olympic Competition to encourage people with intellectual disabilities to play sports and develop their quality of life, supporting charitable activities of Thai Airways International Public Company Limited, etc.

2. Environmental Conservation

Reforestation Project

In 2010, TISCO Group organized "Poh Kla, Na Rian Ru" (Let's Learn about the Origination of Saplings) activity at The Saplings Center in Nakhon Ratchasima, one of the fourth largest saplings distribution center in Thailand to support reforestation projects of government and private sector. The center is able to produce at least 10 million saplings per year. Since the Center has a problem of budget insufficiency, TISCO has supported the Center's operating cost of 10,000 saplings which include significant plants such as Pradoo, Intanil, Yang Na, Koon, Ma kha Mong, Pa Yoong, Dang, Teng, Khee Lek, Sa Dao, Ma Room, etc.

In addition, to emphasize our intention in helping to preserve environment TISCO Group supported an activity of United Nations Environment Program Finance Initiative to express our realization of the relationship between society, environment, performance, and sustainability. We do not only focus on making profit but also pay attention to social issues such as education, social development, and health. Other environmental/global warming related activity is our continued effort in promoting green concept of reduce, reuse, recycle by producing recycled/reusable daily-use items such as diary and clothe bag for our customers.

In addition, TISCO Group's environmental conservations also include resource management policy. TISCO Group places great importance on creating mindset for energy and environmental conservation among TISCO employees, i.e. 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 consistently supported a number of initiatives and collected more than 300 Thai contemporary and modern arts. 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.

Special Art Works Creation to Celebrate HM The King's 84th Birthday

In 2010, TISCO initiated the creation of art works to remark the special occasion of HM the King's 84th birthday including a sculpture representing "the 7th cycle of HM' the King's birthday" and a painting called "Tarn Baramee". TISCO also produced the 7th cycle of HM the King's birthday calendars, with timeline of special milestone during each cycle of his life. The work was created by The Rama IX Art Museum Foundation to celebrate HM the King's 84th birthday on 5 December 2011.

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 Katin ceremonies were organized annually to provide support to designated temples. In 2010, TISCO Group hosted the Kathin ceremony at Wat Nong Ngu Leum in [Chonburi](#) province. The contribution was intended to support the construction of ubosot (Buddhist temple). In addition, TISCO also hosted a religious Papha ceremony for Wat Hua Khuang in Nan to support the renovation of the temple's sermon hall aged over 400 years.

4. Special activities to relieve flood victims

In 2010, the severe floods in many areas across the nation have caused damages to many people. Apart from helping employees and customers, TISCO also supported the public and gave an opportunity for employees to participate in social activities. We focused on helping to restore the damages by donating money to the victims through the fund of The Prime Minister's Office, providing necessity supplies, and opening an account for employees and the public to donate their money. In addition, we cooperated with The Thai Bankers' Association to assist Panich Song Kroh Foundation to relieve the victims.

As for other relieve projects in 2010, TISCO joined the CSR Club of Thai Listed Companies Association to donate blankets to needy people who suffer from the cold weather in the northern part of the country. We also donated fund to help support the earthquake victims in Heiti.

Summary of Corporate Social Responsibility Donations and Supports in 2010

1. Social support

1.1 TISCO Foundation for Charity

Date/Month	Activities	Objectives	Amount (Baht)
All Year	Educational Support	To provide nationwide educational scholarships for needy students	19,715,000
All Year	Medical Support	To provide medical funding for destitute patients	128,274
All Year	Start-Up Fund	To provide business start-up funds for underprivileged people to promote self- reliance	43,338
	Total		19,886,612

1.2 TISCO's special continuous activities

Date/Month	Activities	Objectives	Amount (Baht)
All Year	Rak Rian Ru Su Chumchon	To provide opportunities for children and people living in underprivileged areas through renovating/improving community libraries to be a better place for learning	560,000
All Year	Blood Donation for the Thai Red Cross Society	To save life by expands this activity to branch network around the country	75,000

Date/Month	Activities	Objectives	Amount (Baht)
Jan 10	Supported Community Development and Social Welfare Project of Bangrak Area Office	To help people in the area have a better quality of life and stimulate tourism	50,000
Nov 10	Donated to UNICEF	To support the operation of UNICEF	100,000
Nov 10	Sponsored National Special Olympic Competition	To encourage people with intellectual disabilities to play sports and develop their quality of life	50,000
Nov 10	Supported charitable activities of Thai Airways International Public Company Limited	To support special flight of His Royal Highness Crown Prince Maha Vajiralongkorn	200,000
Dec 10	Supported TISCO Foundation's activities	To support the operation of the foundation which is a charitable organization of TISCO Group established specifically for social development activities	1,000,000
	Total		1,400,000

2. Environmental Conservation

Date/Month	Activities	Objectives	Amount (Baht)
All Year	Give away diary and clothes bags	To raise awareness for global warming and encourage effective use of natural resources	1,800,000
Date/Month	Activities	Objectives	Amount (Baht)
Nov 10	Supported United Nation Environment Programme Finance Initiative	To show that TISCO not only places importance on performance but also society and environment	100,000
Dec 10	Planted saplings at The Saplings Center in Nakhon Ratchasima	To support reforestation projects of government and private sectors	85,000
	Total		1,985,000

3. Support for the Arts and Cultures

Date/Month	Activities	Objectives	Amount (Baht)
All Year	Supported TISCO Art Collection	To support Thai artists by collecting contemporary artworks	224,000
All Year	Sponsored an activity of Rama IX Art Museum	To support an activity of Rama IX Art Museum Foundation	1,000,000
Oct 10	Hosted a religious papha ceremony at Wat Hua Khuang in Nan	To support the renovation of the temple's sermon hall	400,000
Nov 10	Hosted the kathin ceremony at Wat Nong Ngu Leum in <u>Cholburi</u>	To support the construction of ubosot	519,999
Date/Month	Activities	Objectives	Amount (Baht)
Dec 10	Produced HM the King's 84 th calendar	To commemorate HM the King's 84 th birthday anniversary on 5 December 2011	1,700,000

Date/Month	Activities	Objectives	Amount (Baht)
Dec 10	Built a sculpture representing "the 7 th cycle of HM' the King's birthday" and created a painting called "Tarn Baramee"	To commemorate HM the King's 84 th birthday anniversary on 5 December 2011	2,350,000
	Total		6,193,999

4. Relief Projects and Disaster Recovery

Date/Month	Activities	Objectives	Amount (Baht)
Feb 10	Donated fund to support earthquake victims in Heiti	To help relieve the victims	1,000,000
Nov-Dec 10	<ul style="list-style-type: none"> Opened the account "Ruam Jai Chuy Pai Nam Tuam" to collect fund for donation Provided necessity supplies and set up a center to receive donation Joined The Thai Bankers' Association to support Panich Song Kroh Foundation 	To help relieve the flooding victims	1,852,000
	<ul style="list-style-type: none"> Provided office equipments to support school administrative works for Wat Kok School in Pathum Thani Joined CSR Club of Thai Listed Companies Association to donate blankets to needy people who suffer from the cold weather 		
	Total		2,852,000
Total			32,952,611

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, 20 TISCO employees volunteered to assist the Foundation's staff as a working group each year, such as 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 in 2010, as one of communication tools of TISCO's social responsibility ideas and activities to our stakeholders and the public.

12.5 Honors & Awards in 2010

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 2010, the awards received include:

Excellent Corporate Governance of Thai Listed Companies in 2010

TISCO Financial Group Public Company Limited received "excellent" rating from the survey of corporate governance of Thai listed companies in 2010 under the Corporate Governance Report of Thai Listed Companies 2010 project by Thai Institute of Directors Association: IOD. The result was considered from the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and responsibilities of the board of directors. This reflects TISCO's good capability in management and corporate governance.

Best Corporate Bond House 2010

TISCO Bank Public Company Limited won Best Bank in Thai Baht Corporate Bond 2010 from The Asset's 10th Annual Asian Currency Bond Benchmark Survey for the fifth consecutive year since 2006. The result of the survey was considered from TISCO Bank's good relationship with institutional customers, ability to provide debt instruments that suit customers' needs at suitable prices, and highly experienced and trained teams.

The Asian Currency Bond Benchmark Survey was conducted by The Asset Benchmark Research, a unit under The Asset Magazine which ranks Asian currency bond annually by surveying from almost 300 institutional investors across nine markets in Asia. The result was considered from the service quality, trade volume, relationship with investors, and research quality.

Best Equity Fund Group Over Three Years

TISCO Asset Management Company Limited was granted Best Equity Fund Group over Three Years from Lipper Fund Awards 2010 to honor its best funds and management by considering from 3 major factors including risk-adjusted performance, consistent return, and preservation of capital.

Best Asset Management Company

TISCO Asset Management Company Limited was granted Best Asset Management Company Award from SET Awards 2010. The award was given to the only asset company with best performance. SET Awards 2010 has been held for 7 consecutive year by The Stock Exchange of Thailand, Thai Investors Association, Thai Listed Companies Association, Thai Investor Relation Club, and Money & Banking Magazine to honor listed companies, securities companies, and asset companies with best performance and management. This also includes listed companies with good corporate governance and responsibilities towards all stakeholders, society, environment.

Best Domestic Equities House in Thailand 2010

TISCO Securities Company Limited was granted Best Domestic Equity House in Thailand 2010 from Asiamoney Awards 2010 based on its strength in research, combined with robust trading and the capabilities in investment banking and financial advisory in the capital market. The award was voted by investors across the region.

Part 2

Certification of the Accuracy of Information

The Bank has examined the information contained in this annual registration statement and hereby certifies that the information contained herein is neither false nor misleading nor are there any factual omissions. The Bank further certifies that:

- (1) The financial statements and financial summary in this annual registration statement present fairly, in all material respects, the financial position, the results of the operations and cash flows of the Bank and subsidiary companies.
- (2) The Bank shall be responsible for providing sound information disclosure systems to ensure that the Bank has accurately disclosed all the Bank's and subsidiary companies' material information and that all the procedures of the said systems were followed properly.
- (3) The Bank shall be responsible for providing reliable internal control system and ensure that the Bank has comprehensively complied with the said system. Moreover, the Bank has reported the internal control assessment on January 20, 2011 to the auditor and the Audit Committee. The information 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 Bank's and subsidiary companies' financial statements.

In order to ensure the authenticity and the wholeness of the said documents, the Bank authorizes Ms. Teerin Suvarnatemiya or Mr. Nipon Wongchotiwat to sign every page of each document. If any document does not contain the signature of Ms. Teerin Suvarnatemiya or Mr. Nipon Wongchotiwat, the Bank 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 Group Chief Executive Officer (Group CEO)Oranuch Apisaksirikul.....

Name	Position	Signature
Authorized Signatory Ms. Teerin Suvarnatemiya	Corporate Secretary	...Teerin Suvarnatemiya ..
Authorized Signatory Mr. Nipon Wongchotiwat	Head of Planning & Budgeting (TISCO Financial Group Plc.) Mr. Nipon Wongchotiwat

1.1 Details of Directors, Management and Controlling Persons as of December 31, 2010

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
1. Mr. Pliu Mangkornkanok Chairman of the Board of Directors	62	Common - Preferred -	-	Master of Business Administration (Finance) University of California at Los Angeles, USA Master of Science (Industrial Engineering) Stanford University, USA Bachelor of Engineering (Industrial Engineering) Chulalongkorn University - Directors Certification Program - Chairman 2000 Program Thai Institute of Directors Association	2010-Present 2009-2010 2008-2010 2009-Present 2005-2008 2005-2006 1990-Present 2002-2005 Oct 2010-Present Oct 2010-Present 2004-Present 1973-Present 2006-2010 1994-May 2010 1994-May 2010 2007-Present 2008-2010 2003-2006	<i>TISCO Group</i> Chairman of the Board of Directors Chairman of the Executive Board Group Chief Executive Officer Director Chairman of the Board of Directors Director Chairman of the Executive Board Chief Executive Officer Secretary to the Nomination Committee Director Director Chairman of the Executive Board Member of the Nomination Committee Chief Executive Officer <i>Others</i> Director Director Councillor Director Director Director Director Director Director Director Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Foundation TISCO Finance Public Company Limited Solido Co., Ltd. Design 103 International Ltd. Thai Management Association Rama Textile Industry Co., Ltd. Amata Spring Development Co., Ltd. Phelps Dodge International (Thailand) Co., Ltd. P D T L Trading Co., Ltd. Thai Institute of Directors Association The Thai Bankers' Association Thai Agro Exchange Co., Ltd.	Holding Company Bank Foundation Finance Restaurant Architect Consultant type of Business Manufacturer of Yarn Golf Course Manufacture of wire and cable products Distributor of electric wires and cable Association Association Fruits & Vegetables Wholesale
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) Vice Chairman of the Board of Directors Member of the Executive Board (Authorized Signatory)	33	Common - Preferred -	-	Bachelor of Science (Economics) Massachusetts Institute of Technology, USA	2010-Present 2008-Present 2008-2010 2009-2010 2010-Present 2009-2010 2007-2010 2007-2008 2008-Present 2005-Present 2005-2008 2005-2008	<i>TISCO Group</i> Vice Chairman of the Board of Directors Member of the Executive Board Member of the Nomination and Compensation Committee Director Vice Chairman of the Executive Board Vice Chairman of the Board of Directors Member of the Executive Board Chairman of the Executive Board Director Member of the Executive Board Member of the Nomination and Compensation Committee <i>Others</i> Senior Advisor Managing Director Director Senior Vice President	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDIB & Partners Investment Holding Corporation Quintus Capital Group Ltd. CDIB & Partners Asset Management Holding Ltd. CDIB & Partners Investment Holding Corporation	Holding Company Bank Investment Investment Asset Management Investment
3. Assoc.Prof.Dr. Angkarat Priebjivat Independent Director Chairperson of the Audit Committee	55	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 - Role of Chairman Program - Audit Committee Program - Monitoring the Internal Audit Function - Monitoring the System of Internal Control and Risk Management - Monitoring Fraud Risk Management Thai Institute of Directors Association	2008-Present 2007-Present 2005-Present 2005-2007 2009-Present 2008-Present 2006-Present 2004-Present 2002-Present 1997-Present 1992-Present 2004-2009 2002-2009	<i>TISCO Group</i> Chairperson of the Audit Committee Independent Director Chairperson of the Audit Committee Independent Director Member of the Audit Committee <i>Others</i> Member, Accounting and Corporate Governance Steering Group Independent Director Chairperson of the Audit Committee Chairman, Supervisory Committee Independent Director (Accounting Specialist) Advisor to the Audit Committee Associate Professor Advisor to the Listing and Disclosure Department Member of the Consultative Subcommittee on Cost Accounting Development Project Advisor	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited The Securities and Exchange Commission Office Mate Public Company Limited The ABF Thailand Bond Index Fund Association of Investment Management Companies TOT Corporation Public Co., Ltd. National Institute of Development Administration (NIDA) The Stock Exchange of Thailand Commission on Higher Education The Comptroller General's Department, Ministry of Finance	Holding Company Bank Independent State Agency Supplier of full line office products Fund Association Communication Educational Institute Stock Exchange Commission on Higher Education 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
4. Ms. Panada Kanokwat Independent Director Member of the Audit Committee	61	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 Thai Institute of Directors Association	2008-Present	TISCO Group Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Member of the Audit Committee Independent Director Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2009	Director	Thai Fatty Alcohols Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International Pte. Ltd. (Asia Pacific ROH)	Petrochemical and Chemical
					2008-2009	Director	Thai Oleochemicals Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International Pte. Ltd.	Petrochemical and Chemical
					2008-2009	Director	TOC Glycol Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	Thai Choline Chloride Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	Thai Ethanolamines Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	PTT Polyethylene Co., Ltd.	Petrochemical and Chemical
					2005-2009	Senior Executive Vice President, Chief Corporate Finance & Accounting	PTT Chemical Public Co., Ltd.	Petrochemical and Chemical
2004-2009	Executive Vice President	PTT Public Co., Ltd.	Oil and Gas					
2008	Director	Bangkok Polyethylene Public Co., Ltd.	Petrochemical and Chemical					
2006	Director	Star Petroleum Refining Co., Ltd.	Refinery					
5. Prof. Dr. Pranee Tinakorn Independent Director Member of the Audit Committee	61	Common - Preferred -	-	Doctor of Philosophy (Economics) University of Pennsylvania, USA Master in Economics University of Pennsylvania, USA Bachelor of Art in Economics Swarthmore College, USA - Directors Certification Program - Directors Accreditation Program - Audit Committee Program - Monitoring the System of Internal Audit Function - Monitoring the System of Internal Control and Risk Management - Monitoring the Quality of Financial Reporting - Monitoring Fraud Risk Management Thai Institute of Directors Association	2008-Present	TISCO Group Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	Member of the Audit Committee Independent Director Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2010-Present	Director	National Reform Committee	Independent State Agency
					2009-Present	University Council Director	Krik University	Academic Institute
					2008-Present	Executive Director of TDRI	Thailand Development Research Foundation	Foundation
					2005-Present	Member of TDRI Council of Trustees	Institute Foundation (TDRI)	Academic Institute
					1979-Present	Professor of Economics	Thammasat University	Academic Institute
					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		
					2007-2008	Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions	National Council of Legislation	Government Office
					2007-2008	Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Co., Ltd. and True Move Company Limited and Digital Phone Company	CAT Telecom Public Co., Ltd.	Communication
					2007-2008	Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association
					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		
2003-2006	Member	Puey Ungphakorn Institute Committee	Institute					
2003-2006	Member of the Research Committee	Secretariate of the House of Representatives	Government Office					
2004-2005	Member of the Committee on Adjustment of the State Enterprise Capital Act B.E. 2542	Ministry of Finance	Government Office					
2003-2006	Dean, Faculty of Economics	Thammasat University	Academic Institute					
6. Mr. Hirohiko Nomura Director Member of the Executive Board (Authorized Signatory)	46	Common - Preferred -	-	Bachelor of Economics The University of Tokyo, Japan	2009-Present	TISCO Group Director	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Member of the Executive Board		
					2008-Present	Member of the Nomination and Compensation Committee	TISCO Bank Public Company Limited	Bank
					2008	Director		
					2008	Member of the Executive Board Member of the Nomination and Compensation Committee		Bank
2008-Present	Managing Director	MHCB Consulting (Thailand) Co., Ltd.	Consultant					
2002-2008	Senior Manager, International Credit Division	Mizuho Corporate Bank, Ltd., Head Office	Bank					
7. Mr. Pichai Chanvirachart Director	60	Common - Preferred -	-	Bachelor of Business Administration (Finance) Marshall University, USA - Directors Certification Program Thai Institute of Directors Association	2009-2010	TISCO Group Advisor	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	Director	TISCO Information Technology Company Limited	Information Technology
					2005-Present	Director	TISCO Bank Public Company Limited	Bank
					2005-2008	Member of the Executive Board		
					2001-2005	President Director	TISCO Finance Public Company Limited	Finance
					2001-2005	Member of the Executive Board President		
					1993-2008	Director	Mizuho Corporate Leasing (Thailand) Company Limited	Leasing
2003-2007	Director	AXA Insurance Public Company Limited	Insurance					

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. Ms. Oranuch Apisaksirikul Director Chairman of the Executive Board (Authorized Signatory)	52	Common - Preferred -			Master of Business Administration (Finance) Thammasat University Bachelor of Law Bachelor of Accountancy (Accounting & Commerce) Thammasat University - Directors Certification Program Thai Institute of Directors Association	2010-Present	<i>TISCO Group</i> Chairman of the Executive Board Group Chief Executive Officer	TISCO Financial Group Public Company Limited	Holding Company
						2009-2010	Member of the Executive Board President		
						2008-Present	Director	TISCO Bank Public Company Limited	Bank
						2010-Present	Chairman of the Executive Board		
						2008-2009	Member of the Executive Board		
						2005-Present	Director		
						2005-2008	Senior Executive Vice President		
						2010-2011 ¹	Chairman of the Board	TISCO Securities Company Limited	Securities
						2009-2011	Director		
						2010-2011 ¹	Chairman of the Board	TISCO Asset Management Company Limited	Asset Management
						2009-2011	Director		
						2010-Present	Chairman of the Board	TISCO Information Technology Company Limited	Information Technology
						2009-Present	Director		
						2000-2007	Director	TISCO Global Securities Ltd.	Securities
						2000-2007	Director	TISCO Securities Hong Kong Ltd.	Securities
						2005	Director	TISCO Finance Public Company Limited	Finance
2002-2005	Chief Financial Officer, Planning and Risk Management								
	<i>Others</i>								
2010-Present	Advisor, Member of Risk Management Sub-Committee	Government Pension Fund	Asset Management						
2004-2010	Member of Risk Management Committee	Small Industry Credit Guarantee Corporation	Specialized Financial Institution						
2004-2010	Member of Risk Management Sub-Committee	The Stock Exchange of Thailand	The Stock Exchange of Thailand						
9. Mr. Suthas Ruangmanamongkol Director Member of the Executive Board (Authorized Signatory) President	49	Common - Preferred -			Master of Science (Finance & Banking) 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	<i>TISCO Group</i> President	TISCO Financial Group Public Company Limited	Holding Company
						2009-Present	Member of the Executive Board		
						2008-Present	Director	TISCO Bank Public Company Limited	Bank
						2009-Present	Director		
						2009-Present	Member of the Executive Board President		
						2009-Present	Director	TISCO Information Technology Company Limited	Information Technology
						2005-Present	Director	TISCO Asset Management Company Limited	Asset Management
						2005-2008	Managing Director		
						2002-2005	Head of Commercial Finance Treasury and Funding	TISCO Finance Public Company Limited	Finance
						2000-2001	Director	TISCO Securities Company Limited	Securities
						1998-2001	Assistant Managing Director - Securities Investment and Trading		
							<i>Others</i>		
2010-Present	Director	The Thai Bankers' Association	Association						
2010-Present	Director	Phelps Dodge International (Thailand) Company Limited	Manufacture of wire and cable products						
2010-Present	Director	P D T L Trading Company Limited	Distributor of electric wires and cable						
10. Mr. Sakchai Peechapat Senior Executive Vice President - Retail Banking	43	Common 60,000 Preferred -			Master of Business Administration (International Business) University of Hawaii at Manoa, USA Bachelor of Engineering (Civil Engineering) (Honour) Kasetsart University - Director Certification Program - Director Accreditation Program Thai Institute of Directors Association - Japan-focused Management Program Japan-America Institute of Management Science, USA - Executive Management Program Faculty of Commerce and Accountancy, Thammasat University	2010-Present	<i>TISCO Group</i> Senior Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
						2010-Present	Executive Vice President-Marketing & Customer Relations	TISCO Bank Public Company Limited	Bank
						2009-Present	Director	TISCO Securities Company Limited	Securities
						2009-Present	Director	TISCO Asset Management Company Limited	Asset Management
						2010-Present	Chairman of the Board	Hi-Way Company Limited	Leasing
						2009-Present	Director	Hi-Way Company Limited	Leasing
						2009-Present	Chairman of the Board	TISCO Tokyo Leasing Company Limited	Leasing
						2009	Executive Vice President-Marketing & Customer Relations	TISCO Bank Public Company Limited	Bank
						2008	Executive Vice President-Retail Banking	TISCO Bank Public Company Limited	Bank
						2006-2008	Executive Vice President-Retail Banking and Human Resources and Organization Development (Acting)	TISCO Bank Public Company Limited	Bank
						2005-2006	Executive Vice President-Human Resources and Organization Development	TISCO Bank Public Company Limited	Bank
						2004-2005	Head of Human Resources and Organization Development	TISCO Finance Public Company Limited	Finance
						2002-2004	Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting)	TISCO Finance Public Company Limited	Finance
	<i>Others</i>								
2006-Present	Director	AXA Insurance Public Company Limited	Insurance						

^{1/}Ms.Oranuch Apisaksirikul has resigned from Chairman of the Board of TISCO Securities Company Limited and TISCO Asset Management Company Limited since January 28, 2011.

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
11. Mr. Pitada Vatcharasiritham Senior Executive Vice President - Corporate Banking ²	46	Common - Preferred -	-	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University	2010-Present 2010-Present 2010 2010 2009-2010 2006-2010 2002-2010 2002-2010 2000-2010 2006-2009	<u>TISCO Group</u> First Executive Vice President Senior Executive Vice President - Corporate Banking ² <u>Others</u> Director Executive Director President Executive Director Director Executive Director Director President - Investment Banking	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Finansa Public Company Limited Finansa Public Company Limited Finansa Securities Company Limited Finansa Securities Company Limited Finansa Capital Company Limited Finansa Capital Company Limited Finansa Securities Company Limited Finansa Securities Company Limited	Holding Company Bank Finance Finance Securities Securities General Management Business General Management Business Securities Securities
12. Mr. Metha Pingsuthiwong First Executive Vice President - Banking Services ³	43	Common - Preferred -	-	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 2010-Present 2010-Present 2009 2005-2008 2005 2002-2005 1999-Present	<u>TISCO Group</u> First Executive Vice President First Executive Vice President- Banking Service ³ Director Executive Vice President-Treasury and Banking Operation Executive Vice President- Treasury and Private Banking Executive Vice President- Treasury and Funding Head of Securities Investment and Trading <u>Others</u> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited TISCO Securities Company Limited K-Line (Thailand) Company Limited	Holding Company Bank Securities Bank Bank Finance Securities Transportation
13. Mr. Chalit Silpsrikul Executive Vice President - Retail Banking - Front Acting Head of Provincial Channel	49	Common - Preferred -	-	Master of Business Administration Thammasat University Bachelor of Accountancy (Accounting) Thammasat University Crestcom Bullet Proof Manager (Management Skill Development Course) Ra Khang Associates Limited Financial Executive Development Program (FINEX 14) The Thai Institute of Banking and Finance Association	2010-Present 2010-Present 2010-Present 2010 2009 2005-2008	<u>TISCO Group</u> Executive Vice President Executive Vice President - Retail Banking - Front Acting Head of Provincial Channel Executive Vice President - Retail Banking Head of Retail Banking Deputy Head of Retail Banking <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank Bank Bank Bank Bank Bank
14. Mr. Dejphinun Suthadsanasoung First Senior Vice President - Retail Banking - Operations Acting Head of Retail Loan Processing	41	Common - Preferred -	-	Master of Business Administration Eastern Michigan university, USA Bachelor of Business Administration (Finance) Assumption University	2010-Present 2010-Present 2009-2010 2006-2008 2005-2006 2004-2005	<u>TISCO Group</u> Executive Vice President - Retail Banking - Operations Acting Head of Retail Loan Processing Deputy Head of Credit Control Deputy Head of Retail Credit & Collection Acting Head of Retail Banking Head of Corporate Lending <u>Other</u> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank Bank Bank Bank
15. Ms. Nipa Mekara First Senior Vice President Head of Commercial Banking	50	Common - Preferred -	-	Master of Business Administration (Management) Thammasat University Bachelor of Accountancy Assumption University	2006-Present 2006-2010 2005-2006	<u>TISCO Group</u> First Senior Vice President - Head of Commercial Banking Head of Commercial Lending Acting Head of Commercial Banking <u>Other</u> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank
16. Mr. Rungroj Jarasvijitkul First Senior Vice President Deputy Head of Retail Banking - Front Head of Bangkok Channel - Sales & Marketing	44	Common - Preferred -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Chulalongkorn University	2009-Present 2009-Present 2005-2008	<u>TISCO Group</u> First Senior Vice President, Deputy Head of Retail Banking - Front Head of Bangkok Channel Acting Head of Special Project - Sales & Marketing Head of Bangkok Channel Acting Head of Hire Purchase - Commercial Product <u>Other</u> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank Bank Bank
17. Ms. Karantarat Vongsa Head of Treasury	49	Common - Preferred -	-	Master of Business Administration Texas A&M University, USA Bachelor of Business Administration Chulalongkorn University	1993-Present	<u>TISCO Group</u> Head of Treasury <u>Other</u> -	TISCO Bank Public Company Limited	Bank
18. Mr. Kittichai Tonnajarn Head of Counter Services	41	Common - Preferred -	-	Master of Business Administration (General Business) University of Central Arkansas, USA Bachelor of Accountancy Chulalongkorn University	2010-Present 2009-2010 2006-2007 2004-2006	<u>TISCO Group</u> Head of Counter Services Head of Logistic & Control Head of Branch System & Control Head of Electronic Banking <u>Other</u> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank Bank

^{2/} Renamed to Corporate & SME Banking^{3/} Renamed to Wealth & Deposit Service

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
19. Ms. Charupee Chinapongpaisal Head of Bancassurance - Non-Life	54	Common - Preferred -	-	Master of Business Administration (Management) Sukhothai Thammathirat Open University	2000-Present	<i>TISCO Group</i> Head Of Bancassurance - Non-life <i>Other</i> -	TISCO Bank Public Company Limited	Bank
20. Ms. Chantana Srisuwanvilai Head of Appraisal & Valuation	55	Common - Preferred -	-	Bachelor of Economics Thammasat University	1998-Present	<i>TISCO Group</i> Head of Appraisal & Valuation <i>Other</i> -	TISCO Bank Public Company Limited	Bank
21. Mr. Nattanan Ananpreeyavit Head of Corporate Contact Center	41	Common - Preferred -	-	Master of Business Administration (Corporate Finance) University of Dallas, USA Bachelor of Economics Thammasat University	2008-Present 2007-2008 2005-2006	<i>TISCO Group</i> Head of Corporate Contact Center Head of E - Channel Head of Internet Trading <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Securities Company Limited	Bank Bank Securities
22. Mr. Thanom Chairaondeekul Deputy Head of Wealth Management	52	Common - Preferred -	-	Bachelor of Business Administration (Finance and Banking) University of the Thai Chamber of Commerce	2010-Present 2007-2010 1994-2006	<i>TISCO Group</i> Deputy Head of Wealth Management Head of Private Banking Deputy Head of Funding <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank
23. Mr. Songsak Nitiean Head of Retail Follow-up & Legal	53	Common - Preferred -	-	Bachelor of Laws Ramkhamhaeng University	2004-Present	<i>TISCO Group</i> Head of Retail Follow Up & Legal <i>Other</i> -	TISCO Bank Public Company Limited	Bank
24. Ms. Nalinvaadee Nainsomboon Head of Office of the Credit Committee	39	Common - Preferred -	-	Master of Business Administration Suffolk University, USA Bachelor of Economics University of the Thai Chamber of Commerce	2009-Present 2003-2008	<i>TISCO Group</i> Head of Office of the Credit Committee Head of Credit Administrative <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
25. Mr. Prakrit Shoonhasriwong Head of Mortgage Loan	37	Common - Preferred -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	2009-Present 2003-2008	<i>TISCO Group</i> Head of Mortgage Loan Head of Marketing <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
26. Ms. Prapatsorn Arthachinta Head of Commercial Credit	47	Common - Preferred -	-	Master of Business Administration Oklahoma City University, USA Bachelor of Accountancy Chulalongkorn University	2005-Present 2003-2004	<i>TISCO Group</i> Head of Commercial Credit Acting Head of Commercial Credit <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
27. Ms. Preeyarat Poondontri Head of Processing & Settlement	55	Common - Preferred -	-	Master Degree of Public and Private Management National Institute of Development Administration Master of Business Administration Sripratum University Bachelor of Business Administration Ramkhamhaeng University	2009-Present 2004-2008	<i>TISCO Group</i> Head of Processing & Settlement Head of Banking & Operation <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
28. Mr. Picha Ratanatam Head of Wealth Management	39	Common - Preferred -	-	Master of Business Administration (Finance) California State University at San Diego, USA Bachelor of Science (Statistics) Chulalongkorn University	2010-Present 2009 2006-2008 2003-2006 2009-2010	<i>TISCO Group</i> Head of Wealth Management Deputy Head of Mutual Fund and Private Fund Business Head of Asset Management Head of Asset Management - Private Fund <i>Other</i> Head of Private Banking	TISCO Bank Public Company Limited TISCO Asset Management Company Limited TISCO Asset Management Company Limited TISCO Asset Management Company Limited The Siam Commercial Bank Public Company Limited	Bank Asset Management Asset Management Asset Management Bank
29. Ms. Penthip Laobooncharoen Head of Retail & SME Credit	44	Common - Preferred -	-	Master of Business Administration (Finance) Thammasat University Bachelor of Business Administration (Finance) Assumption University	2010-Present 2002-2010	<i>TISCO Group</i> Head of Retail & SME Credit Head of Retail Credit Processing <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
30. Ms. Mallee Peravanichkul Head of Private Banking	56	Common - Preferred -	-	Diploma (Finance) Kititi Commercial College	2010-Present 2007-2010 2003-2006	<i>TISCO Group</i> Head of Private Banking Deputy Head of Private Banking Co-Head of Marketing <i>Other</i> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank
31. Ms. Ladda Kulchatchai Head of Custodian Service	53	Common - Preferred -	-	Bachelor of Laws Thammasat University	2003-Present	<i>TISCO Group</i> Head of Custodian Service <i>Other</i> -	TISCO Bank Public Company Limited	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
32. Mr. Worapoth Tirakaroorn Head of Retail Collection	43	Common - Preferred -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) University of the Thai Chamber of Commerce	2005-Present 2001-2004	TISCO Group Head of Retail Collection Head of Collection Services Other -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
33. ML. Waroporn Worawarn Head of Wealth Product	50	Common - Preferred -	-	Master of Economics Dhurakijjundit University Bachelor of Business Administration (Marketing) Bangkok University	2010-Present 2007-2009 2005-2007	TISCO Group Head of Wealth Product Head of Investment Consultant Other Deputy Head of Savings/Fund	TISCO Bank Public Company Limited TISCO Asset Management Company Limited Standard Chartered Bank (Thai) Public Company Limited	Bank Asset Management Bank
34. Ms. Wipa Mettaviharee Head of All Finance & Direct	40	Common - Preferred -	-	Bachelor of Business Administration (Accounting) Rajamangala Institute of Technology	2002-Present	TISCO Group Head of All Finance & Direct Other -	TISCO Bank Public Company Limited	Bank
35. Ms. Saranya Weeramahawong Acting Head of Personal Banking	37	Common - Preferred -	-	Master of Business Administration Srinakharinwirot University Bachelor of Arts (French) Srinakharinwirot University	2007-Present 2006-2008 2005-2006	TISCO Group Acting Head of Personal Banking Other Customer Relationship Manager Sales Training Manager	TISCO Bank Public Company Limited Standard Chartered Bank (Thai) Public Company Limited Citibank Company Limited	Bank Bank Bank
36. Mr. Somsak Wongwachirawanich Head of Hire Purchase - Used Car	49	Common - Preferred -	-	Bachelor of Business Administration (Finance and Banking) Ramkhamhaeng University	2002-Present	TISCO Group Head of Hire Purchase (Used Car) Other -	TISCO Bank Public Company Limited	Bank
37. Mr. Sommai Ung Head of SME Banking	40	Common - Preferred -	-	Master of Business Administration University of the Thai Chamber of Commerce Bachelor of Business Administration University of the Thai Chamber of Commerce	2010-Present 2007-2010 2006-2007 2002-2005	TISCO Group Head of SME Banking Head of SME Banking Head of Marketing - 1 Head of Special Asset Management - Asset Sale Other -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited TISCO Finance Public Company Limited	Bank Bank Finance Finance
38. Ms. Saranya Ket-Udom Head of Logistic & Control	50	Common - Preferred -	-	Master of Business Administration (Finance) National Institute of Development Administration Bachelor of Accountancy Thammasat University	2010-Present 2010 2009-2010 2007-2008 2004-2006	TISCO Group Head of Logistic & Control Head of Counter Services Head of Banking Services Head of Branch System & Control Deputy Head of Banking & Operation Other -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank Bank Bank
39. Mr. Sukit Sakulwongyai Head of Retail Service & Support	41	Common - Preferred -	-	Master of Business Administration Thammasat University Bachelor of Business Administration (Management) Assumption University	2006-Present 2002-2004	TISCO Group Head of Retail Service & Support Head of Special Asset Management - Asset Enforcement Other -	TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Bank Finance
40. Ms. Suthinee Muangman Head of Credit Control	57	Common - Preferred -	-	Bachelor of Business Administration (Finance and Banking) Thammasat University	2010-Present 2008-2009 2001-2007	TISCO Group Head of Credit Control Deputy Head of Credit Control Head of Office of the Credit Committee Other -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank
41. Mr. Suthep Trivannakij Head of Hire Purchase - New Car	48	Common - Preferred -	-	Bachelor of Arts (Human Resource Management) Bansomdej Rajamangkala Institution	2005-Present 2003-2004	TISCO Group Head of Hire Purchase (New Car) Head of Marketing & Business Development Other -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank
42. Ms. Suwandee Khaolaorr Head of Cash Management	45	Common - Preferred -	-	Master of Business Administration (Management) Thammasat University Bachelor of Science (Statistics) Thammasat University	2010-Present 2002-2009	TISCO Group Head of Cash Management Head of Payroll Processing Other -	TISCO Bank Public Company Limited TISCO Securities Company Limited	Bank Securities
43. Mr. Sathian Leowarin Head of Bancassurance - Life	46	Common - Preferred -	-	Master of Business Administration Prince of Songkhla University Bachelor of Business Administration (Marketing) Ramkhamhaeng University	2006-Present 2005-2006 2004-2005	TISCO Group Head of Bancassurance - Life Head of Retail Marketing Support Head of Marketing Other -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Bank Bank Bank

Remark: ^{1/} Including spouse and minor children

Details of Directors of Subsidiaries as of December 31, 2010

Name	TISCO LEASING
Mr. Chatri Chandrangam	D
Mr. Ekkapol Apinun	D
Mr. Supachai Boonsiri	D, MD
Mr. Wittaya Mettaviharee	D
Mr. Teerayuth Prasertattanadecho	D

Abbreviations :

D = Director
MD = Managing Director
TISCO LEASING = TISCO Leasing Co., Ltd.

Changes in TISCO Bank Shareholdings by Directors and Management^{/1}

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of December 31, 2010	Increase (Decrease) During the Year	As of December 31, 2010
1	Mr. Pliu Mangkornkanok	0	0	0	0
2	Mr. Hon Kit Shing (Mr. Alexander H. Shing)	0	0	0	0
3	Assoc.Prof.Dr.Angkarat Priebjivat	0	0	0	0
4	Ms. Panada Kanokwat	0	0	0	0
5	Prof. Dr. Pranee Tinakorn	0	0	0	0
6	Mr. Hirohiko Nomura	0	0	0	0
7	Mr. Pichai Chanvirachart	0	0	0	0
8	Ms. Oranuch Apisaksirikul	0	0	0	0
9	Mr. Suthas Ruangmanamongkol	0	0	0	0
10	Mr. Sakchai Peechapat	0	0	0	0
11	Mr. Pitada Vatcharasiritham	0	0	0	0
12	Mr. Metha Pingsuthiwong	0	0	0	0
13	Mr. Chalit Silpsrikul	0	0	0	0

Remark: ^{/1} Including spouse and minor children

Report of the Audit Committee

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

1. Assoc. Prof. Dr. Angkarat Priebjrivat	Chairperson
2. Miss Panada Kanokwat	Director
3. Prof. Dr. Pranee Tinakorn	Director

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 Bank's good corporate governance in accountability, transparency, fairness, integrity, and check & balance, which will serve the best interests of not only shareholders but also employees and other stakeholders.

All members of the Audit Committee attended 12 meetings in Year 2010. Major activities performed by the Committee were as follows:

- **Financial Statements:** Meeting with the external auditor on a quarterly basis to review quarterly, semi-annual and annual financial statements with consideration for the appropriateness of the Bank's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors. Assessing the appropriateness of reserve to prepare for the effects of fluctuations in the business cycles.
- **Internal Control and Audit:** Reviewing 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.
- **Regulatory Compliance:** Endorsing annual compliance plan and the Compliance Charter, and acknowledging the compliance activities. Meeting with management to acknowledge the status of regulatory compliance with all necessary rules and regulations, litigation, annual compliance reports and non-compliance issues.
- **External Auditor:** Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. The Committee proposed the appointment of Ms. Rungnapa Lertsuwankul of Ernst & Young Office Limited as the auditor of the Bank for the Year 2010. The Committee viewed that Ernst & Young Office Limited is a qualified audit firm with good credentials and proven track records together with a reasonable audit fee.
- **Transactions with Related Parties and Conflicts of Interests:** Meeting with management and the external auditor to review and acknowledge 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 viewed that those transactions were either conducted in a normal course of business operation or justified for the best interests of the Bank. 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, and fraud risk management.
- **Others:** Acknowledging the results of external assessment and examinations by related regulators such as the Bank of Thailand and the Securities and Exchange Commission-Thailand, and assessing the Bank's corrective actions.

The Audit Committee performed self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices, and opines that the Committee has carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee and as delegated by the Board of Directors.

The Audit Committee has agreed with the external auditor that the Bank's financial statements and the disclosure of relevant information are adequate and fairly presented in accordance with generally accepted accounting principles. The Audit Committee also opines that the Bank's internal control system is appropriate and efficient and the Bank properly follows all necessary rules and regulations imposed by regulatory authorities.

Assoc. Prof. Dr. Angkarat Priebjrivat
(Assoc. Prof. Dr. Angkarat Priebjrivat)
Chairperson of the Audit Committee
January 14, 2011

Internal Control System Assessment Questionnaire

TISCO Bank Public Company Limited

January 20, 2011

This questionnaire was completed by the Bank's Board of Directors. It reflects the Board's opinion on the adequacy of the Bank'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

The Board defines the Company business strategies, and approves business & operating plan, as directed by TISCO Group's business strategies and action plan. The business plan also includes key performance indicators and business targets of the Company 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. The business performance analysis is also reported to the Board of the parent company on regular basis.

- 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. The Company also implements incentive system that will reward employees in form of annual bonus based on their performance under the policy as set by the parent company.

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

Yes No

The Company's structure has been well defined according to the Group's client-centric business strategies. The Company's business functions have well aligned business directions, which are formulated and implemented for each client segment focus group. This enables different functions to operate their diversified business activities independently in the most effective way, while also remaining focused in the Group 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 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 of the parent company proposes operational risk management policies to the Risk Management Committee of the parent company 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 of the parent company who will ensure the appropriateness in operational efficiency and internal control. Meanwhile, the Compliance function of the parent company 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 Company emphasizes in customer and business partner's 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 Company strictly follows related customer protection law and ensures that product and service information has been adequately provided to customers through well-trained staff. In monitoring process, the parent company will set up incident and complaint management system, so that the Company can resolve any complaints in timely manners. These complaints will be submitted to Compliance & Operation Control Committee of the parent company for determining the root cause of the problems. Moreover, preventive measures will be developed to reduce any further complaints.

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

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 of the Company and the Risk Management Committee of the parent company to 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 by the Risk Management function of the parent company, with the objective to receive returns that is justified 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, set forth by the parent company which are distributed to relevant employees for acknowledgement and compliance. Employee awareness to comply with the policies is regularly reinforced with key risk information regularly communicated to relevant employees.

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 as set by the parent company on a daily basis. Compliance to the guidelines is also regularly assessed by independent internal auditors of the parent company 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 of the parent company and processing & settlement function, respectively. Moreover there are specific committees to control risk in any aspects, e.g. Risk Management Committee, Credit Committee and Problem Loan Committee, in separation of business function.

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 Company'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 are. The Company 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

- 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 Compliance function of the parent company ensures that the Company fully complies with related law and regulations, with emphasis on communication with business and operation units together with ongoing review of business operations. The Compliance & Operation Control Committee of the parent company has been appointed 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 of the parent company will monitor the corrective actions and report progress to the Compliance & Operation Control Committee and the Audit Committee of the parent company respectively. If the Board of Directors or the management does not take remedial action within the time that the Audit Committee proposed, the Audit Committee of the parent company shall disclose such infringement in annual report and report to the Bank of Thailand, the Securities and Exchange Commission or the Stock Exchange 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 put before 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 Company. The Executive Board will then assign Management to perform part of the Executive Board's responsibilities. 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 and also report business activities to the Executive Board of the parent company.

- 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 Board members for consideration not 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 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 emphasize that the Company 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 Company'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. The business performance and financial results also report to the Executive Board of the parent company on a regular 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 Management on a monthly basis. In addition, the Group's Business Committee Meeting is organized on a monthly basis among the Management and business line managers. The meeting helps monitor, evaluate and respond to business performance in timely and proactive manners. 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 of the parent company 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 function of the parent company, an independent function, performs audit activities and reports audit results directly to the Audit Committee of the Company and parent company. The Audit Committee will then consider the matters and recommend on corrective action to management as well as follow up the disposition and report to the Board of Directors and the Audit Committee of the parent company 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 of the parent company 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 of the Company and parent company 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 of the Company and parent company continuously and systematically. The Audit Committee, in turn, will present report summaries to the Board continuously.

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 Company will report the significant cases of fraud or suspected fraud, lawsuit filed on the Company and other concerns related to the business operation to Compliance & Operation Control Committee of the parent company for immediate corrections. The Senior Management shall assist in making decision on corrective actions with support from operational risk management, compliance, legal, audit, and human resource functions of the parent company.

Statement of TISCO Bank's Board of Directors' Responsibility for Financial Statements

The Board of Directors of TISCO Bank Public Company Limited ("TISCO Bank") is responsible for TISCO Bank's financial statements 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 and the Office of the Securities and Exchange Commission. 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 TISCO Bank'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 TISCO Bank's internal control systems are satisfactory and provide reasonable assurance as to the reliability of TISCO Bank's financial statements as of December 31, 2010.

Pliu Mangkornkanok
(Mr. Pliu Mangkornkanok)
Chairman of the Board

Suthas Ruangmanamongkol
(Mr. Suthas Ruangmanamongkol)
President

TISCO Bank Public Company Limited
Report and financial statements
For the years ended 31 December 2010 and 2009

Report of Independent Auditor

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying balance sheet of TISCO Bank Public Company Limited as at 31 December 2010, the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of TISCO Bank Public Company Limited as at 31 December 2009 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 8 February 2010, expressed an unqualified audit opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2010, and the results of its operation and cash flows for the year then ended in accordance with generally accepted accounting principles.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 4 February 2011

TISCO Bank Public Company Limited

Balance sheets

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Assets			
Cash		902,815,741	826,095,960
Interbank and money market items	3.1		
Domestic			
Interest bearing		11,371,117,353	9,900,793,589
Non-interest bearing		989,373,393	2,173,850,384
Total interbank and money market items - net		12,360,490,746	12,074,643,973
Investments	3.2, 3.3, 3.6		
Current investment - net		2,463,186,236	2,537,845,421
Long-term investment - net		2,501,416,159	5,811,725,391
Investment in subsidiaries - net		135,312,317	60,055,638
Net investments		5,099,914,712	8,409,626,450
Loans, receivables and accrued interest receivable	3.4, 3.6		
Loans and receivables		145,188,545,195	109,102,566,701
Accrued interest receivable		115,566,800	97,471,206
Total loans, receivables and accrued interest receivable		145,304,111,995	109,200,037,907
Less: Allowance for doubtful accounts	3.5	(3,859,411,530)	(2,088,416,132)
Less: Allowance for loss on debt restructuring		(2,967)	(18,258)
Net loans, receivables and accrued interest receivable		141,444,697,498	107,111,603,517
Property foreclosed - net	3.7	17,962,840	47,241,840
Land, premises and equipment - net	3.8	575,272,056	649,626,633
Deferred tax assets	3.20	954,833,209	479,399,809
Other assets	3.9	990,349,637	1,042,483,541
Total assets		162,346,336,439	130,640,721,723

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Liabilities and shareholders' equity			
Deposits in baht	3.10	48,608,753,759	56,930,949,089
Interbank and money market items			
Domestic - Interest bearing	3.11	8,867,298,839	4,321,444,855
Liability payable on demand		532,447,850	345,170,135
Borrowings	3.12		
Short-term borrowings		72,513,367,910	50,117,254,545
Long-term borrowings		15,460,403,568	5,429,750,030
Total borrowings		87,973,771,478	55,547,004,575
Accrued interest payable		445,504,777	250,447,376
Corporate income tax payables		686,196,718	571,218,915
Dividend payable		1,019,409,230	436,889,490
Other liabilities	3.13	2,001,560,391	1,006,201,223
Total liabilities		150,134,943,042	119,409,325,658

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Shareholders' equity			
Share capital			
Registered	2.2	<u>11,002,000,000</u>	<u>11,002,000,000</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each			
(2009: 73,204 preference shares of Baht 10 each)		1,040	732,040
728,152,146 ordinary shares of Baht 10 each			
(2009: 728,079,046 ordinary shares of Baht 10 each)		<u>7,281,521,460</u>	<u>7,280,790,460</u>
		7,281,522,500	7,281,522,500
Share premium			
Share premium of preference shares		53	37,480
Share premium of ordinary shares		130,451,197	130,413,770
Revaluation surplus on investments	3.16	14,310,659	7,927,052
Retained earnings			
Appropriated-statutory reserve	2.3	714,600,000	614,900,000
Unappropriated		<u>4,070,508,988</u>	<u>3,196,595,263</u>
Total shareholders' equity		<u>12,211,393,397</u>	<u>11,231,396,065</u>
Total liabilities and shareholders' equity		<u>162,346,336,439</u>	<u>130,640,721,723</u>
		-	-
<u>Off-balance sheet items - contingencies</u>	3.25		
Aval to bills and guarantees of loans		194,136,067	21,651,000
Other commitments		1,402,566,527	1,616,936,304

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

.....
 Mrs. Oranuch Apisaksirikul
 (Chairman of the Executive Board)

.....
 Mr. Suthas Ruangmanamongkol
 (President)

TISCO Bank Public Company Limited

Income statements

For the years ended 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Interest and dividend income			
Loans		1,632,743,084	1,332,375,203
Interbank and money market items		178,321,866	133,781,609
Hire purchase and financial lease income		6,465,099,512	5,773,453,963
Investments		<u>495,399,857</u>	<u>552,461,773</u>
Total interest and dividend income		8,771,564,319	7,792,072,548
Interest expenses			
Deposits		802,984,232	1,090,078,579
Interbank and money market items		116,736,050	113,300,341
Short-term borrowings		835,134,112	851,599,459
Long-term borrowings		<u>403,732,674</u>	<u>278,011,984</u>
Total interest expenses		<u>2,158,587,068</u>	<u>2,332,990,363</u>
Net interest and dividend income		6,612,977,251	5,459,082,185
Bad debts and doubtful accounts		<u>(1,759,031,947)</u>	<u>(1,195,853,909)</u>
Net interest and dividend income after bad debts and doubtful accounts		4,853,945,304	4,263,228,276
Non-interest income			
Gain on investments	3.17	165,026,408	71,239,230
Fees and service income			
Acceptances, aval and guarantees		10,428,089	9,850,231
Insurance services		820,610,935	613,151,987
Others		426,474,770	369,062,028
Gain (loss) on exchange		(2,262,312)	9,228,971
Other income	3.18	638,757,102	432,552,280
Total non-interest income		<u>2,059,034,992</u>	<u>1,505,084,727</u>
Total net income		<u>6,912,980,296</u>	<u>5,768,313,003</u>

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

TISCO Bank Public Company Limited**Income statements (continued)**

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Non-interest expenses			
Personnel expenses		1,339,253,608	1,002,452,622
Premises and equipment expenses		673,164,587	623,495,416
Taxes and duties		146,022,517	111,310,282
Fees and service expenses		1,114,812,213	997,242,782
Contribution to Deposit Protection Agency		255,951,764	228,752,550
Advertising and promotion expenses		324,252,454	135,233,871
Other expenses	3.19	221,872,136	728,731,737
Total non-interest expenses		<u>4,075,329,279</u>	<u>3,827,219,260</u>
Income before income tax		<u>2,837,651,017</u>	<u>1,941,093,743</u>
Income tax expenses	3.20	<u>(844,626,886)</u>	<u>(584,030,422)</u>
Net income for the year		<u><u>1,993,024,131</u></u>	<u><u>1,357,063,321</u></u>
Earnings per share	3.22		
Basic earnings per share		<u><u>2.74</u></u>	<u><u>1.74</u></u>

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

TISCO Bank Public Company Limited**Cash flow statements****For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Income before income tax expenses	2,837,651,017	1,941,093,743
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	197,501,928	195,203,426
Bad debts and doubtful accounts	2,385,184,827	1,731,543,371
Allowance for impairment of investment (reversal)	22,289,894	(17,821,461)
Allowance for impairment of property foreclosed	257,000	494,780,383
Gain on disposal of investments	(187,316,302)	(53,417,769)
Unrealised loss on exchange (reversal)	2,262,312	(9,228,971)
Gain on disposal of equipment	(10,539,611)	(5,399,300)
Loss on written-off of equipment	48,791	-
Gain on disposal of property foreclosed	(195,053,181)	(171,351,141)
Decrease (increase) in other accrued income	(9,785,986)	70,316,532
Increase in accrued expenses	<u>445,933,544</u>	<u>134,560,023</u>
Income from operating activities before changes in operating assets and liabilities	5,488,434,233	4,310,278,836
Decrease (increase) in operating assets		
Interbank and money market items	(285,846,773)	1,073,696,349
Loans and receivables	(37,594,012,862)	(10,007,055,007)
Property foreclosed	1,516,520,502	2,082,417,269
Other assets	(30,651,689)	(676,421,908)

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

TISCO Bank Public Company Limited

Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Increase (decrease) in operating liabilities		
Deposits	(8,322,195,330)	(1,944,831,777)
Interbank and money market items	4,547,275,198	376,851,669
Liability payable on demand	187,277,715	(151,570,462)
Short-term borrowings	25,394,645,925	6,420,965,923
Other liabilities	<u>547,693,954</u>	<u>(225,670,013)</u>
	(8,550,859,127)	1,258,660,879
Net interest and dividend income	(6,612,977,251)	(5,459,082,185)
Cash received from interest income	8,355,284,208	8,073,861,613
Cash paid for interest expenses	(1,963,949,407)	(2,951,326,950)
Cash paid for income tax expenses	<u>(1,207,819,491)</u>	<u>(310,923,340)</u>
Net cash flows from (used in) operating activities	<u>(9,980,321,068)</u>	<u>611,190,017</u>
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(5,369,372,987)	(8,037,111,985)
Cash received from disposal of investment in securities held for investment	8,926,161,104	4,339,649,586
Cash received from dividend	61,631,882	49,977,208
Cash paid for purchase of equipment	(80,146,329)	(111,346,914)
Cash received from disposal of equipment	11,000,678	6,101,920
Cash received from capital returned from subsidiaries	-	210,010,000
Cash paid in respect of capital increases of subsidiaries	<u>(85,997,547)</u>	<u>-</u>
Net cash flows from (used in) investing activities	<u>3,463,276,801</u>	<u>(3,542,720,185)</u>
Cash flows from financing activities		
Dividend paid	(436,889,490)	(1,025,244,063)
Long-term borrowings	8,030,653,538	518,750,030
Cash paid for the redemption of long-term debentures and debt instruments	(3,000,000,000)	(331,000,000)
Cash received from issue long-term debentures and debt instruments	<u>2,000,000,000</u>	<u>4,000,000,000</u>
Net cash flows from financing activities	<u>6,593,764,048</u>	<u>3,162,505,967</u>
Net increase in cash	76,719,781	230,975,799
Cash at beginning of year	<u>826,095,960</u>	<u>595,120,161</u>
Cash at end of year	<u>902,815,741</u>	<u>826,095,960</u>
	-	-
Supplemental cash flows information		
Non-cash transactions		
Conversion of preference shares to ordinary shares	768,427	1,834,272,260

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	<u>Issued and fully paid-up share capital</u>		<u>Share premium</u>		<u>Revaluation surplus</u>	<u>Statutory reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total</u>
	<u>Preference shares</u>	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Ordinary shares</u>	<u>on investments</u>			
Balance as at 31 December 2008	1,835,004,300	5,446,518,200	93,951,250	36,500,000	5,575,057	547,000,000	3,369,567,072	11,334,115,879
Income (expenses) recognised in equity:								
Increase in fair value of investments	-	-	-	-	3,359,993	-	-	3,359,993
Deferred tax transferred out from shareholders' equity	-	-	-	-	(1,007,998)	-	-	(1,007,998)
Income (expenses) recognised in equity	-	-	-	-	2,351,995	-	-	2,351,995
Net income for the year	-	-	-	-	-	-	1,357,063,321	1,357,063,321
Total income (expenses) for the year	-	-	-	-	2,351,995	-	1,357,063,321	1,359,415,316
Dividend paid (Note 4.3)	-	-	-	-	-	-	(1,462,133,553)	(1,462,133,553)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,577)	(1,577)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	67,900,000	(67,900,000)	-
Preference shares converted to ordinary shares	(1,834,272,260)	1,834,272,260	(93,913,770)	93,913,770	-	-	-	-
Balance as at 31 December 2009	<u>732,040</u>	<u>7,280,790,460</u>	<u>37,480</u>	<u>130,413,770</u>	<u>7,927,052</u>	<u>614,900,000</u>	<u>3,196,595,263</u>	<u>11,231,396,065</u>
								-

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

TISCO Bank Public Company Limited

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Issued and fully paid-up share capital		Share premium		Revaluation	Statutory	Unappropriated	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	surplus on investments	reserve	retained earnings	
Balance as at 31 December 2009	732,040	7,280,790,460	37,480	130,413,770	7,927,052	614,900,000	3,196,595,263	11,231,396,065
Income (expenses) recognised in equity:								
Increase in fair value of investments	-	-	-	-	9,119,439	-	-	9,119,439
Deferred tax transferred out from shareholders' equity	-	-	-	-	(2,735,832)	-	-	(2,735,832)
Income (expenses) recognised in equity	-	-	-	-	6,383,607	-	-	6,383,607
Net income for the year	-	-	-	-	-	-	1,993,024,131	1,993,024,131
Total income (expenses) for the year	-	-	-	-	6,383,607	-	1,993,024,131	1,999,407,738
Dividend paid (Note 4.3)	-	-	-	-	-	-	(1,019,409,230)	(1,019,409,230)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,176)	(1,176)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	99,700,000	(99,700,000)	-
Preference shares converted to ordinary shares	(731,000)	731,000	(37,427)	37,427	-	-	-	-
Balance as at 31 December 2010	<u>1,040</u>	<u>7,281,521,460</u>	<u>53</u>	<u>130,451,197</u>	<u>14,310,659</u>	<u>714,600,000</u>	<u>4,070,508,988</u>	<u>12,211,393,397</u>

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

TISCO Bank Public Company Limited

Notes to financial statements

For the years ended 31 December 2010 and 2009

1. Basis of preparation and presentation of financial statements and significant accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and also have been prepared in accordance with the principles stipulated by the Office of the Securities and Exchange Commission and the Bank of Thailand (“BOT”).

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Bank of Thailand dated 3 August 2008 “Preparation and presentation of a commercial bank and a holding company which is the parent company of the financial business group”.

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

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

No consolidated financial statements of the Bank and its subsidiaries (TISCO Leasing Company Limited and TISCO Securities Hong Kong Limited) have been prepared since TISCO Financial Group Public Company Limited, a parent company with registered office located at 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok, has already presented the consolidated financial statements. Therefore, the Bank presented only the separate financial statements.

1.2 Adoption of new accounting standards

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

- a) Accounting standards that will become effective in fiscal years beginning on or after 1 January 2011 (except for the Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Accounting standards relevant to the Bank:

Framework for the Preparation and Presentation of Financial Statements

(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations

Accounting standards not relevant to the Bank:

TAS 2 (revised 2009)	Inventories
TAS 11 (revised 2009)	Construction Contracts
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TFRS 2	Share-Based Payment
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

- b) Accounting standards which are effective in fiscal years beginning on or after 1 January 2013:

Accounting standards relevant to the Bank:

TAS 12	Income Taxes
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting standards not relevant to the Bank:

TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
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The management of the Bank has assessed the effect of the accounting standards and financial reporting standards and believes that those standards that are relevant to the Bank will not have any significant impact on the financial statements for the year in which they are initially applied.

TAS 19: Employee Benefits, (as discussed in the next paragraph) will impact the financial statements in the year when it is adopted. In addition, for TAS 12: Income Taxes, in line with its accounting policies, the Bank has recorded income tax transactions in compliance with this accounting standard before the effective date.

TAS 19 Employee Benefits

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

The management of the Bank has assessed the effect from adopting such standard in 2011 and chosen to record all employee benefit liabilities as an adjusting to the beginning balance of retained earnings of the year 2011. As a result, the transactions will have the effect of decreasing the beginning balance of retained earnings for the year 2011 by Baht 63 million.

1.3 Significant accounting policies

1.3.1 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 and financial lease income are recognised over the installment period, using the effective interest rate.

The Bank has policies for loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank to cease accruing income. For hire purchase and financial lease 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.

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 is recognised as income on an accrual basis. Dividends from securities are recognised as income when the right to receive the dividend is established.

c) Gain (loss) on trading in securities

Gains (losses) on trading of investments in securities are recognised as income/expenses on the transaction dates.

d) Fees and service income

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

1.3.2 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 Bank 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 unearned income 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.

Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.3.3 Investments in securities

- a) 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 income.
- b) 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, when the changes are then included in determining income.
- c) Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised 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 (if any).
- e) Investments in subsidiaries which present in the separate financial statements are determined at cost net of allowance for impairment (if any).
- f) The Bank does not record investments which the Bank 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 Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

- g) 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 is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate 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.
- h) The Bank will record losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.
- i) The moving average method is used for computation of the cost of investments.
- j) In the event the Bank reclassifies its investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

1.3.4 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in determining income.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans and receivables 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 and receivables.

1.3.5 Securities purchased under resale agreements according to private repurchase transactions

The Bank 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 balance sheet and the securities purchased are used as collateral.

Under securities purchase under resale agreements according to private repurchase transactions, the Bank 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.

1.3.6 Loans and receivables

Loans are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred income/discounts on loans are deducted from loans.

Hire purchase and financial lease receivables are stated at outstanding balance, net of unearned interest income. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of hire purchase contract and advances received from financial lease receivable.

1.3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

- a) The Bank 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 and receivables classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the Bank 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 and receivables which are classified as substandard, doubtful and doubtful of loss (except for non-performing hire purchase receivables), the Bank 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 Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

The Bank has already set provision for all loans and receivables in accordance with the BOT's guidelines issued on 3 August 2008.

- b) 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 balance sheet date.
- c) 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 recorded as income in the period of recovery.

1.3.8 Troubled debt restructuring

The Bank 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 Bank records the assets or equities transferred to the Bank 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 Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

1.3.9 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 Bank is required to record the additional general reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates.

Loss on impairment is recognised in the income statement. Gains or losses from disposal of property foreclosed are recognised upon disposal.

1.3.10 Depreciation and amortisation

- a) Land and land right from office condominium ownership is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation.

Depreciation of buildings and equipment is calculated by reference to their cost on the straight-line basis (except for the depreciation of computer and communications equipment, which is 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	years
Furniture, fixtures and equipment	-	5	years
Motor vehicles	-	5	years

No depreciation is provided on land and land right from office condominium ownership.

Depreciation is included in determining income.

- b) Software license fees are deferred and 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

1.3.11 Income tax

- a) Current tax

The Bank calculates corporate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

- b) Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date. 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.

Deferred tax assets are recognised for deductible temporary differences if it is highly probable that the Bank will generate sufficient taxable profits from its future operations to utilise these assets. Deferred tax liabilities are recognised for all payable temporary differences.

Deferred tax assets and 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 balance sheet date.

The Bank records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At each balance sheet date, the Bank reviews and reduces 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.

1.3.12 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that based on information available, reflects the amount that the Bank could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Impairment losses are recognised in the income statement.

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

1.3.13 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 Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues 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.

1.3.14 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 outstanding at the balance sheet date and off-balance sheets transactions are translated into Baht at the average exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

1.3.15 Employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund and provident fund as expenses on an accrual basis.

1.3.16 Provisions

Provisions are recognised when the Bank has 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.

1.3.17 Derivatives

The recording of derivatives is in accordance with the principles for recording derivatives under IAS 39 “Financial Instruments: Recognition and Measurement”.

The Bank has recorded derivatives in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated net of interest income or expense in the income statement. 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.

1.3.18 Financial instruments

a) Financial risk management

The Bank’s financial instruments, as defined under Thai Accounting Standard No.107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash, interbank and money market items (assets), investments, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.26 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 and maturities could be issued as of the balance sheet date.

The methods and assumptions used by the Bank 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), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the balance sheet 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 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 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 debentures 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 based on the market price, or a formula which is generally accepted in cases where there is no market price.

The fair value of the other off balance sheet items cannot be reasonably determined and thus it has not been disclosed.

1.3.19 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

1.3.20 Significant accounting judgments and estimates

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

Allowance for doubtful accounts for loans and receivables

Allowances for loan losses are intended to adjust the value of loans and receivables 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 exercise 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 Bank treats 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.

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences 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 profits.

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.

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2010, the Bank has 44 branches in Thailand.

2.2 Share capital

The Bank has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

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 Bank 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 Bank does not declare dividend payment to the ordinary shareholders, the Bank 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 Bank 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 Bank 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 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank 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 fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules.

2.5 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

The Bank 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 Bank and those related parties, which are reference to the terms and price as charged to other customers.

The Bank has neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management-level employees, with the exception of loans to parent company and loans to employees under the employee welfare scheme, as mentioned in Note 3.23 to the financial statements.

The Bank has neither provided any credit nor made any commitments to companies which have directors in common with the Bank in cases where such credit is unsecured or not fully collateralised and therefore would require approval from the Bank of Thailand.

The Bank has no investments in related companies which are related by way of members of the management of the Bank being shareholders and/or authorised directors.

3. Details of financial statements

3.1 Interbank and money market items (assets)

(Unit: Baht)

	As at					
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	871,205,637	8,310,000,000	9,181,205,637	1,911,185,276	700,000,000	2,611,185,276
Commercial banks	118,167,756	3,060,000,000	3,178,167,756	262,665,108	9,200,000,000	9,462,665,108
Total	989,373,393	11,370,000,000	12,359,373,393	2,173,850,384	9,900,000,000	12,073,850,384
Add: Accrued interest	-	1,117,353	1,117,353	-	793,589	793,589
Total	989,373,393	11,371,117,353	12,360,490,746	2,173,850,384	9,900,793,589	12,074,643,973

The Bank 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 2010	31 December 2009
Commercial Bank	3,060	9,200

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
Fair value of securities received as collateral	3,093	9,325

3.2 Investments

(Unit: Baht)

	As at			
	31 December 2010		31 December 2009	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Current investments</u>				
Available-for-sales securities				
Debt securities:				
Government and state enterprise securities	1,419,764,628	1,419,686,362	849,831,531	850,762,275
Debt securities of private sector	841,460,000	849,928,528	1,678,119,515	1,687,053,131
Foreign debt securities	196,430,528	193,571,346	-	-
Total	2,457,655,156	2,463,186,236	2,527,951,046	2,537,815,406
Add (less): Allowance for changes in value	20,443,798		11,324,360	
Exchange difference	(13,452,718)		-	
Less: Allowance for impairment	(1,460,000)		(1,460,000)	
Debt securities - net	2,463,186,236		2,537,815,406	
Equity securities:				
Domestic marketable equity securities	-	-	30,015	30,015
Net equity securities	-		30,015	
Total available-for-sales securities	2,463,186,236		2,537,845,421	
Net current investments	2,463,186,236		2,537,845,421	
<u>Long-term investments</u>				
Held-to-maturity debt securities				
Debt securities:				
Debt securities of private sector	-		698,561,388	
Debt securities - net	-		698,561,388	
Other investments				
Equity securities:				
Domestic non-marketable equity securities	688,369,019		696,654,733	
Investment in receivables	1,903,199,259		4,495,182,363	
Total	2,591,568,278		5,191,837,096	
Less: Allowance for impairment	(90,152,119)		(78,673,093)	
Total other investments	2,501,416,159		5,113,164,003	
Net long-term investments	2,501,416,159		5,811,725,391	
<u>Investment in subsidiaries</u>				
Investments in subsidiaries (cost method)	152,480,502		66,482,955	
Less: Allowance for impairment	(17,168,185)		(6,427,317)	
Total investments in subsidiaries	135,312,317		60,055,638	
Net investments	5,099,914,712		8,409,626,450	

3.2.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	31 December 2010	31 December 2009	
Government debt securities	2	1	Pledged for electricity usage

3.2.2 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

	As at 31 December 2010			
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
Available-for-sale securities				
Government and state enterprise securities	1,416,537,509	1,063,020	2,164,099	1,419,764,628
Debt securities of private sector	1,460,000	840,000,000	-	841,460,000
Foreign debt securities	-	196,430,528	-	196,430,528
Total	1,417,997,509	1,037,493,548	2,164,099	2,457,655,156
Add (less): Allowance for changes in value	(122,968)	20,526,760	40,006	20,443,798
Exchange difference	-	(13,452,718)	-	(13,452,718)
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,416,414,541	1,044,567,590	2,204,105	2,463,186,236
Total debt securities	1,416,414,541	1,044,567,590	2,204,105	2,463,186,236

(Unit: Baht)

	As at 31 December 2009			
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
Available-for-sale securities				
Government and state enterprise securities	848,750,995	1,080,536	-	849,831,531
Debt securities of private sector	228,856,056	1,184,142,421	265,121,038	1,678,119,515
Total	1,077,607,051	1,185,222,957	265,121,038	2,527,951,046
Add (less): Allowance for changes in value	1,577,410	3,279,988	6,466,962	11,324,360
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,077,724,461	1,188,502,945	271,588,000	2,537,815,406
Held-to-maturities debt securities				
Government and state enterprise securities	-	-	698,561,388	698,561,388
Total	-	-	698,561,388	698,561,388
Total debt securities	1,077,724,461	1,188,502,945	970,149,388	3,236,376,794

3.2.3 Investments in companies with weak financial positions and poor operating results

(Unit: Baht)

	As at 31 December 2010		
	Cost	Fair value	Allowance for
			changes in
			value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

3.2.4 Investments where the Bank hold not less than 10 percent of the equity of the investees

(Unit: Baht)

Securities' name	As at					
	31 December 2010			31 December 2009		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid Amounts	Percentage of holding
			%			%
<u>Insurance:</u>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<u>Services:</u>						
TISCO Securities Hong Kong Limited (in the process of liquidation)	49,314,771	-	100	60,055,638	-	100
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
<u>Leasing and hire purchase:</u>						
TISCO Leasing Co., Ltd.	85,997,547	-	99.99	-	-	99.99
<u>Trading import and export:</u>						
Shin Thai Enterprises Co., Ltd.	4,591,920	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	3,957,300	-	10	3,796,500	-	10
<u>Real estate:</u>						
Prosperity Industrial Estate Co., Ltd.	45,094,838	-	10	45,156,456	-	10
UMI Property Co.,Ltd.	7,453,500	-	10	8,085,000	-	10
<u>Industrial:</u>						
Siam Art Ceramic Co., Ltd.	16,588,000	-	10	16,753,000	-	10

3.3 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Paid-up share capital		Cost		Dividend received	
		as at		as at		for the years ended	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
<u>Subsidiaries directly held by the Bank:</u>							
TISCO Leasing Co., Ltd.	Leasing	100	14	86	-	-	-
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	HKD 20 million	HKD 20 million	66	66	-	-
Less: Allowance for impairment				(17)	(6)	-	-
				49	60	-	-
Investments in subsidiaries - net				135	60	-	-

On 28 November 2003, the Bank received approval from the Bank of Thailand to accept the transfer of business from Tru-Way Company Limited (which is a subsidiary company), in accordance with the resolutions of the Annual General Meeting of the Bank's shareholders held on 24 April 2003. Tru-Way Company Limited was deregistered with the Ministry of Commerce on 29 December 2003 and is currently in the process of liquidation.

On 12 April 2007, Thai Commercial Auto Company Limited (a subsidiary company) and VLT Leasing Company Limited (the subsidiary of Thai Commercial Auto Company Limited) were deregistered with the Ministry of Commerce, and they are currently in the process of liquidation.

On 26 June 2008, TISCO Securities Hong Kong Limited (a subsidiary company) was deregistered and is currently in the process of liquidation.

In year 2009, TISCO Leasing Company Limited decreased the company's registered share capital and the capital returned to the Bank exceeded the value of investment under the cost method. As a result, the book value of investment in that company is nil.

In year 2010, TISCO Leasing Company Limited increased the company's registered share capital amounting to Baht 86 million, as mentioned in Note 4.5 to the financial statements.

3.4 Loans, receivables and accrued interest receivable

3.4.1 Classified by type of loan and receivable

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Loans and receivables		
Loans	32,697,489,317	18,352,648,847
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	126,565,851,336	103,027,009,909
Add (less): Unearned income	(15,043,788,510)	(13,035,821,506)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	987,960,107	758,729,451
: Advances received from financial lease receivables	(18,967,055)	-
Net hire purchase and financial lease receivables	112,491,055,878	90,749,917,854
Total loans and receivables	145,188,545,195	109,102,566,701
Add: Accrued interest receivable	115,566,800	97,471,206
Less: Allowance for doubtful accounts	(3,859,411,530)	(2,088,416,132)
Less: Allowance for loss on debt restructuring	(2,967)	(18,258)
Net loans, receivables and accrued interest receivable	141,444,697,498	107,111,603,517

3.4.2 Classified by remaining periods of contracts

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Loans and receivables		
Not over 1 year (included contract which are due)	10,418,496,413	9,454,190,076
Over 1 year	134,770,048,782	99,648,376,625
Total loans and receivables	145,188,545,195	109,102,566,701
Add: Accrued interest receivable	115,566,800	97,471,206
Total loans, receivables and accrued interest receivable	145,304,111,995	109,200,037,907

3.4.3 Classified by type of business

(Unit: Baht)

As at 31 December 2010						
	Pass	Special- mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	159,152,237	2,518,812	4,404,645	512,828	1,323,067	167,911,589
Manufacturing and commerce	17,441,496,836	141,008,284	25,054,851	28,871,197	61,961,968	17,698,393,136
Real estate and construction	5,955,550,423	87,192,110	4,520,708	5,438,179	362,967,670	6,415,669,090
Public utilities and services	6,911,821,652	152,127,931	28,132,834	26,980,740	62,020,852	7,181,084,009
Personal use						
Hire purchase	94,354,794,832	5,968,775,582	687,177,317	183,336,926	331,931,049	101,526,015,706
Housing loans	1,243,597,953	54,708,809	19,930,543	12,587,916	91,460,833	1,422,286,054
Others	10,152,518,495	204,279,783	18,770,594	9,552,214	392,064,525	10,777,185,611
Total loans and receivables	136,218,932,428	6,610,611,311	787,991,492	267,280,000	1,303,729,964	145,188,545,195
Add: Accrued interest receivable	33,534,653	82,032,147	-	-	-	115,566,800
Total loans, receivables and accrued interest receivable	136,252,467,081	6,692,643,458	787,991,492	267,280,000	1,303,729,964	145,304,111,995

(Unit: Baht)

As at 31 December 2009						
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	128,555,081	3,414,844	1,448,917	1,106,412	549,595	135,074,849
Manufacturing and commerce	9,931,122,109	114,860,479	22,438,973	40,336,878	77,028,736	10,185,787,175
Real estate and construction	5,678,583,780	112,068,418	40,469,174	11,655,378	394,867,319	6,237,644,069
Public utilities and services	2,521,037,258	229,168,643	22,700,325	35,896,574	24,353,920	2,833,156,720
Personal use						
Hire purchase	75,355,889,115	5,977,623,129	648,963,840	235,929,306	268,361,588	82,486,766,978
Housing loans	1,269,250,322	36,073,885	22,448,055	20,627,110	127,428,441	1,475,827,813
Others	5,141,978,159	141,861,245	15,557,997	8,131,865	440,779,831	5,748,309,097
Total loans and receivables	100,026,415,824	6,615,070,643	774,027,281	353,683,523	1,333,369,430	109,102,566,701
Add: Accrued interest receivable	14,922,739	82,548,467	-	-	-	97,471,206
Total loans, receivables and accrued interest receivable	100,041,338,563	6,697,619,110	774,027,281	353,683,523	1,333,369,430	109,200,037,907

3.4.4 Hire purchase and financial lease receivables

As at 31 December 2010, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 112,491 million (2009: Baht 90,750 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)

As at 31 December 2010					
Amounts of installments due under the long-term lease agreements					
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Hire purchase and financial lease receivables	39,912	81,746	2,318	2,590	126,566
Unearned income*	(5,676)	(7,194)	(56)	(1,130)	(14,056)
Advances received from financial lease receivables	-	(19)	-	-	(19)
Hire purchase and financial lease receivables - net	<u>34,236</u>	<u>74,533</u>	<u>2,262</u>	<u>1,460</u>	<u>112,491</u>
Allowance for doubtful accounts					<u>963</u>

* Net of commissions and direct expenses incurred at the initiation of hire purchase.

(Unit: Million Baht)

As at 31 December 2009					
Amounts of installments due under the long-term lease agreements					
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Hire purchase receivables	33,269	66,158	1,364	2,236	103,027
Unearned income*	(5,089)	(6,306)	(33)	(849)	(12,277)
Hire purchase receivables - net	<u>28,180</u>	<u>59,852</u>	<u>1,331</u>	<u>1,387</u>	<u>90,750</u>
Allowance for doubtful accounts					<u>853</u>

* Net of commissions and direct expenses incurred at the initiation of hire purchase.

3.4.5 Loans and receivables for which the recognition of interest income has ceased

(Unit: Million Baht)

The Bank	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Loans and receivables for which the recognition of interest income has ceased ⁽¹⁾	3,618	4,084	3,941	4,262

⁽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.

3.4.6 Unearned interest income which is presented as a deduction against loans and receivables

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
	Unearned interest income ⁽¹⁾	14,239

⁽¹⁾ These amounts included unearned interest income of hire purchase contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.4.7 Outstanding balances (net of collateral) of restructured loans and receivables and receivables which are being restructured

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
Restructured loans and receivables ⁽¹⁾	267	330
Loans and receivables which are being restructured	-	-

⁽¹⁾ As a result of restructuring, the due date for the first repayment of these restructured loans and receivables has been rescheduled.

3.4.8 Troubled debt restructuring

- Debt restructuring during the year

	For the years ended 31 December	
	2010	2009
Debtors restructured during the year:		
Number of debtors restructured by modified of terms (number)	527	949
Loan balances before restructuring (million Baht)	574	1,082
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	10
Corporate loan receivables	9	2
Interest income on restructured receivables (million Baht)	61	48
Receipt of principal and interest (million Baht)	382	256

- The balance of the restructured debts

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
The balance of the restructured debts	1,711	1,733

3.5 Allowance for doubtful accounts / allowance for loss on debt restructuring

3.5.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Baht)

	As at 31 December 2010						Total
	Pass	Special-Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	
Balance - beginning of year	594,905,417	60,642,487	162,254,472	71,474,814	471,291,392	727,847,550	2,088,416,132
Increase (decrease) in allowance for doubtful accounts during the year	199,918,877	2,879,262	292,376,528	449,407,651	28,288,221	1,411,875,703	2,384,746,242
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125,000	211,125,000
Bad debt written-off	(405,691)	(4,313,851)	(276,673,491)	(469,760,270)	(73,699,541)	(23,000)	(824,875,844)
Balance - end of year	794,418,603	59,207,898	177,957,509	51,122,195	425,880,072	2,350,825,253	3,859,411,530

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

(Unit: Baht)

As at 31 December 2009

	Pass	Special- Mentioned	Sub-standard	Doubtful	Doubtful of loss	Reserve for counter cyclical business factors*	Total
Balance - beginning of year	396,655,603	29,591,085	146,883,527	138,905,074	625,833,199	266,588,884	1,604,457,372
Increase (decrease) in allowance for doubtful accounts during the year	198,854,663	48,760,693	449,209,694	601,266,448	(72,594,076)	503,328,658	1,728,826,080
Bad debt written-off	(604,849)	(17,709,291)	(433,838,749)	(668,696,708)	(81,947,731)	(42,069,992)	(1,244,867,320)
Balance - end of year	594,905,417	60,642,487	162,254,472	71,474,814	471,291,392	727,847,550	2,088,416,132

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

3.5.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Baht)

As at 31 December 2010

	Individual impairment	Collective impairment	Reserve for counter cyclical business factors*	Total
Balance - beginning of year	507,902,120	852,666,462	727,847,550	2,088,416,132
Increase (decrease) in allowance for doubtful accounts during the year	78,972,346	893,898,193	1,411,875,703	2,384,746,242
Transfer from allowance for declining in value of property foreclosed	-	-	211,125,000	211,125,000
Bad debt written-off	(39,803,269)	(785,049,575)	(23,000)	(824,875,844)
Balance - end of year	547,071,197	961,515,080	2,350,825,253	3,859,411,530

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

(Unit: Baht)

	As at 31 December 2009			
	Individual impairment	Collective impairment	Reserve for	Total
			counter cyclical business factors*	
Balance - beginning of year	515,366,089	822,502,399	266,588,884	1,604,457,372
Increase (decrease) in allowance for doubtful accounts during the year	24,522,676	1,200,974,746	503,328,658	1,728,826,080
Bad debt written-off	(31,986,645)	(1,170,810,683)	(42,069,992)	(1,244,867,320)
Balance - end of year	507,902,120	852,666,462	727,847,550	2,088,416,132

* Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

3.5.3 Allowance for doubtful accounts / allowance for loss on debt restructuring

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring ⁽¹⁾	As at	
	31 December 2010	31 December 2009
Amount to be provided under BOT's guidelines	1,485	1,327
Amount already recorded by the Bank	3,859	2,088
Amount in excess of the required amount under BOT's guidelines	2,374	761

⁽¹⁾ Include allowance for doubtful accounts for credit granted to financial institutions (which is presented as part of interbank and money market items (asset) in the balance sheet).

3.5.4 Non-performing loans and receivables

(Unit: Million Baht)

	As at	
	31 December	31 December
	2010	2009
Non-performing loans and receivables	2,359	2,461
Allowance for doubtful accounts	655	704

3.6 Classification of assets

3.6.1 Investments in companies with weak financial position and poor operating results

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at		as at		as at	
	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

⁽¹⁾ Allowance for possible losses 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.

3.6.2 Classification of assets under the Bank of Thailand's guidelines

(Unit: Million Baht)

	Debt balance		Debt balance after		Allowance for doubtful accounts			
	as at		net of collateral		Amounts to be provided under		Amounts already set up	
					BOT's guidelines		by the Bank	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
Loans and receivables ⁽¹⁾⁽²⁾⁽³⁾								
Pass	139,279	109,926	122,958	89,825	794	594	794	595
Special mentioned	6,611	6,615	6,547	6,560	58	59	59	61
Substandard	788	774	768	745	178	162	178	162
Doubtful	267	354	239	309	51	71	51	71
Doubtful of loss	1,304	1,333	789	736	404	441	426	471
Total	148,249	119,002	131,301	98,175	1,485	1,327	1,508	1,360
Reserve for counter cyclical business factors ⁽⁴⁾							2,351	728
Total							3,859	2,088
Investments in securities								
Doubtful of loss								
Debt instruments	2	2	2	2	2	2	2	2
Equity instruments	85	67	85	67	85	67	85	67
Total	87	69	87	69	87	69	87	69
Investments in receivables								
Doubtful of loss	23	12	23	12	23	12	23	12
Property foreclosed								
Doubtful of loss	61	61	61	61	61	61	326	537
Total classified assets	148,420	119,144	131,472	98,317	1,656	1,469	4,295	2,706

⁽¹⁾ Allowance for doubtful accounts for loans and receivables 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 Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ Interest receivables are not included in the pass and special mentioned debt balances.

⁽³⁾ Loans and receivables include investment in debt securities under resale agreements of BOT and other commercial banks, and loans to financial institutions (which presented as part of interbank and money market items (assets) in the balance sheet).

⁽⁴⁾ Allowance for doubtful accounts is determined based on long-term average value of business risk in order to provide a reserve for counter cyclical business factors including economic factors, and other risk that may affect the quality of assets.

3.6.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which the Bank sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up ⁽²⁾		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
Hire purchase receivables⁽¹⁾								
Pass	104,568	82,924	104,568	82,924	0.60	0.65	610	525
Special mentioned	6,360	6,440	6,360	6,440	0.60	0.65	55	57
Substandard	747	730	747	730	20.31	19.57	157	147
Doubtful	234	294	234	294	20.31	19.57	46	57
Doubtful of loss	479	362	479	362	20.31	19.57	94	67
Total	112,388	90,750	112,388	90,750			962	853

⁽¹⁾ The Bank does not deduct the collateral value from the outstanding loan balance for calculation 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.

3.6.4 Loans and receivables includes debts due from companies with weak financial position and operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts as at	
	as at		as at		as at		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
		Million Baht	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	1	2	254	274	148	156	127	144
3. Listed companies under rehabilitation	-	1	-	78	-	10	-	72
4. Companies which have loan settlement problems or have defaulted on payment of debts	2	1	349	3	269	-	80	3
5. Companies whose auditor's report cited going concern issues	3	-	506	-	453	-	53	-
Total	6	4	1,109	355	870	166	260	219

3.7 Property foreclosed

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	479,140,250	941,864,907
Additions	-	-
Disposals	(211,125,000)	(462,724,657)
Balance - end of year	268,015,250	479,140,250
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	33,860,125	44,863,376
Additions	-	-
Disposals	-	(11,003,251)
Balance - end of year	33,860,125	33,860,125
Total property foreclosed - Immovable assets	301,875,375	513,000,375
Movable assets		
Balance - beginning of year	71,506,816	60,013,965
Additions	1,434,738,496	2,521,211,796
Disposals	(1,463,760,497)	(2,509,718,945)
Balance - end of year	42,484,815	71,506,816
Total property foreclosed	344,360,190	584,507,191
Less: Allowance for impairment		
Balance - beginning of year	31,672,751	14,539,402
Increase	329,228	18,136,609
Decrease	-	(1,003,260)
Balance - end of year	32,001,979	31,672,751
Property foreclosed - net	312,358,211	552,834,440
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(294,395,371)	(505,592,600)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	17,962,840	47,241,840

3.9 Other assets

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Value added tax - net	343,016,953	291,148,574
Accrued interest and dividend receivable from investments	18,370,356	44,178,360
Fee and charges receivable	31,394,773	21,608,787
Deferred computer system development cost - net	121,278,862	136,807,263
Deposits	28,494,925	23,423,377
Other receivables	221,786,582	413,534,370
Financial derivatives assets	12,799,881	1,143,509
Other assets	213,207,305	110,639,301
Total other assets	990,349,637	1,042,483,541

3.10 Deposits

3.10.1 Classified by type of deposits

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Promissory notes	2,375,650	2,375,650
Deposits		
Current accounts	4,933,146,548	7,552,992,425
Saving accounts	25,671,550,462	17,920,363,064
Fixed accounts		
- not over 6 months	778,329,348	619,774,357
- over 6 months and less than 1 year	142,760,786	671,524,768
- over 1 year	248,435,623	648,494,664
Certificates of deposit/negotiable certificates of deposit	16,832,155,342	29,515,424,161
Total	48,608,753,759	56,930,949,089

3.10.2 Classified by the remaining period of contract

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
Not over 1 year*	48,299,625,857	56,434,314,467
Over 1 year	309,127,902	496,634,622
Total deposits	48,608,753,759	56,930,949,089

*Including fully-mature deposit contract

3.11 Interbank and money market items (liabilities)

(Unit: Baht)

	As at					
	31 December 2010			31 December 2009		
	At call	Term	Total	At call	Term	Total
Commercial banks	151,710,664	56,000,000	207,710,664	2,041,611	-	2,041,611
Other banks and financial institutions	721,207,918	7,938,380,257	8,659,588,175	661,389,735	3,658,013,509	4,319,403,244
Total	872,918,582	7,994,380,257	8,867,298,839	663,431,346	3,658,013,509	4,321,444,855

The Bank has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange with a local financial institution for a fixed interest rate, as mentioned in Note 3.26.5 to the financial statements.

3.12 Borrowings

(Unit: Baht)

	As at	
	31 December 2010	31 December 2009
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,000,000,000	4,000,000,000
Unsubordinated unsecured debentures	1,000,000,000	4,000,000,000
Bills of exchange	80,973,771,478	47,547,004,575
Total	87,973,771,478	55,547,004,575

3.12.1 Subordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate
		31 December 2010	31 December 2009		31 December 2010	31 December 2009		
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.5 percent per annum in the first to third years, 6.0 percent per annum in the fourth to seventh years and 6.5 percent per annum in the eighth to tenth years.
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.0 percent per annum in the first to third years, 5.5 percent per annum in the fourth to seventh years and 6.0 percent per annum in the eighth to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2020	5.0 percent per annum in the first to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2020	4.8 percent per annum in the first to tenth years.
Total					6,000	4,000		

3.12.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value	Balance as at		Maturity in the year	Interest rate
		31 December	31 December	per unit	(Million Baht)			
		2010	2009	(Baht)	31 December	31 December		
				2010	2009			
2007	Unsubordinated and unsecured long - term debentures	-	3 million	1,000	-	3,000	2010	3.75 percent per annum.
2007	Unsubordinated and unsecured long - term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total					1,000	4,000		

3.12.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2011 to 2013. The interest rates of the fixed interest rates bearing bills of exchange are between 0.75 and 3.00 percent per annum.

3.13 Other liabilities

	(Unit: Baht)	
	As at	
	31 December 2010	31 December 2009
Withholding income tax and other tax payable	77,297,972	160,841,225
Accrued insurance premium	370,211,731	279,017,740
Deferred income	233,225,846	172,065,462
Accrued expenses	651,748,775	122,271,978
Other liabilities	669,076,067	272,004,818
Total other liabilities	2,001,560,391	1,006,201,223

3.14 Preference shares converted to ordinary shares

Up to 31 December 2010, 627,952,146 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2010, there are 104 preference shares which are convertible to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.15 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of Bank of Thailand.

The 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, at the end of 2009.

Regarding to Capital fund as of 31 December 2010 and 2009 under Basel II framework, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on pro rata method under BOT's regulation.

Capital funds of the Bank are as follows:

	(Unit: Thousand Baht)	
	As at	
	31 December 2010	31 December 2009
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,281,523
Premium on share capital	130,451	130,451
Statutory reserve	614,900	547,000
Retained earnings - unappropriated	3,196,595	3,050,225
Less : Deferred tax assets	(960,966)	(482,797)
Shortage provision according to IRB	-	(420,199)
Total Tier I	10,262,503	10,106,203
<u>Tier II</u>		
Subordinated debentures	5,131,251	4,000,000
Reserve for loans classified as pass	552,695	71,892
Add (less) : Excess (shortage) provision according to IRB	280,332	(420,199)
Total Tier II	5,964,278	3,651,693
Total capital fund	16,226,781	13,757,896

Capital ratios	As at			
	31 December 2010		31 December 2009	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	11.29% ⁽¹⁾	4.25%	12.46% ⁽¹⁾	4.25%
Total capital to risk assets	15.23% ⁽²⁾	8.50%	16.96% ⁽²⁾	8.50%

⁽¹⁾ Before Capital Floor

⁽²⁾ After Capital Floor

To comply with the Notification of the Bank of Thailand No. SorNorSor. 25/2553 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank will disclose capital maintenance information as at 31 December 2010 on its website in April 2011. The Bank disclosed its latest capital maintenance information as at 30 June 2010, on its website on 28 October 2010.

3.16 Revaluation surplus on investments

	(Unit: Baht)	
	As at 31 December	
	2010	2009
Balance - beginning of year	11,324,360	7,964,366
Increase from changes in the value of securities during the year	9,119,439	3,359,994
	20,443,799	11,324,360
Less: The effect of deferred tax assets / liabilities	(6,133,140)	(3,397,308)
Balance - end of year	14,310,659	7,927,052

3.17 Gain on investments

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Allowance for impairment of investments (reversal)	(22,289,894)	17,821,461
Realised gain on investments	187,316,302	53,417,769
Total	165,026,408	71,239,230

3.18 Other income

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Penalty fee income from loans	185,758,969	178,787,490
Gains on disposal of property foreclosed	195,053,181	182,327,141
Income from business promotion relating to business	212,213,779	-
Rental income	1,896,928	5,539,237
Others	43,834,245	65,898,412
Total	638,757,102	432,552,280

3.19 Other expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Allowance for impairment of property foreclosed	257,000	505,756,383
Mailing expenses	34,493,162	33,344,918
Software amortisation expenses	43,206,837	33,108,215
Loan losses from court - ordered executions	14,517,646	19,763,680
Transportation expenses	67,007,097	55,955,435
Others	62,390,394	80,803,106
Total	<u>221,872,136</u>	<u>728,731,737</u>

3.20 Corporate income tax

Income tax expenses of the Bank of the year ended 31 December 2010 and 2009 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2010	2009
Income tax payable on taxable profit for the year	1,322,778,120	882,045,050
Add (less): Net increase in deferred tax on temporary differences	(478,169,231)	(297,873,592)
Adjustment in respect of current income tax of prior year	17,997	(141,036)
Income tax expenses	<u>844,626,886</u>	<u>584,030,422</u>

Deferred tax is recorded directly to equity during the years ended 31 December 2010 and 2009 as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2010	2009
Deferred tax on revaluation surplus (deficit) on investments	<u>2,736</u>	<u>1,008</u>

A reconciliation between the tax expense and the accounting profit multiplied by the applicable tax rate is presented as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2010	2009
Accounting profit before income tax expenses	2,837,651	1,941,094
Income tax rate of 30%	851,295	582,328
Tax effect of tax-exempt net income and net expense that are disallowed	(6,686)	1,693
Written-off deferred tax assets	-	150
Adjustment in respect of current income tax of prior period	18	(141)
Income tax expense reported in the income statements	<u>844,627</u>	<u>584,030</u>

The following table shows consist of deferred tax assets.

(Unit: Thousand Baht)

	Change in deferred tax assets/deferred tax liabilities reported in the income statements for the years ended 31 December			
	As at		for the years ended 31 December	
	2010	2009	2010	2009
Allowance for doubtful debts - reserve for counter cyclical business factors	705,247	218,354	486,893	138,378
Allowance for impairment of investments	47,390	40,680	6,710	(5,351)
Allowance for impairment of property foreclosed	97,919	161,180	(63,261)	148,133
Non-accrual of interest income	177,497	181,181	(3,684)	(805)
Depreciation of assets	21,521	21,294	227	(2,406)
Financial leases	13,910	19,559	(5,649)	8,553
Revaluation surplus on investments	(6,133)	(3,397)	-	-
Unrealised gain on derivatives	(146)	(20)	(126)	239
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(296,388)	(227,619)	(68,769)	(41,192)
Deferred subsidized income	67,017	42,144	24,873	26,462
Accrued expenses	118,405	25,912	92,493	25,912
Others	8,594	132	8,462	(49)
Deferred tax assets	<u>954,833</u>	<u>479,400</u>	<u>478,169</u>	<u>297,874</u>

3.21 Provident fund

	For the years ended	
	31 December 2010	31 December 2009
Amounts contributed to the provident fund (Million Baht)	41	37

3.22 Earnings per share

Basic earnings per share is calculated by dividing net income for the year after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year.

In determining earnings per share for the year, the amount of preferential dividends as referred to above was arrived at on a time proportion basis.

The computation of basic earnings per share is listed below.

	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2010	2009	2010	2009	2010	2009
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income	1,993,024	1,357,063				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year ⁽¹⁾	-	(91,750)				
	<u>1,993,024</u>	<u>1,265,313</u>	<u>728,152</u>	<u>728,152</u>	<u>2.74</u>	<u>1.74</u>

⁽¹⁾ Dividend paid to preference shares in preference to the ordinary shares for the year is calculated from the rights and benefits that the holders of preference shares receive dividend for each of the year that the Bank pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.23 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2009	Increase	Decrease	As at 31 December 2010
<u>Outstanding balance</u>				
Parent company: TISCO Financial Group Plc.				
Other assets	-	2,344	-	2,344
Deposits in Baht	66,384	373,212	(433,135)	6,461
Accrued interest payable	21	214	(142)	93
Borrowings	360,000	219,849	(192,849)	387,000
Dividend payable	436,196	1,019,246	(436,196)	1,019,246
Other liabilities	-	188,922	(114,334)	74,588
Subsidiary company				
TISCO Leasing Co., Ltd.				
Deposits in Baht	5,560	236	(1,871)	3,925
Borrowings	47,708	-	(37,708)	10,000
Accrued interest payable	84	452	(535)	1
Related companies				
Loans:				
TISCO Information Technology Co., Ltd.	15,000	-	(15,000)	-
TISCO Tokyo Leasing Co., Ltd.	-	100,000	-	100,000
Other assets:				
TISCO Securities Co., Ltd.	1,350	-	(1,350)	-
Primus Leasing Co.,Ltd.	60	-	(60)	-
Deposits in Baht:				
Hi-Way Co., Ltd.	12,391	17,978	(8,376)	21,993
TISCO Information Technology Co., Ltd.	8,053	6,821	(7,820)	7,054
Primus Leasing Co.,Ltd.	29,630	4,114	(45)	33,699
TISCO Tokyo Leasing Co., Ltd.	464	-	(441)	23
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	2,072	513,629	-	515,701
TISCO Asset Management Co., Ltd.	55,308	63,378	(64,547)	54,139
Borrowings:				
TISCO Information Technology Co., Ltd.	-	49,000	(19,000)	30,000
Accrued interest payable:				
TISCO Securities Co., Ltd.	-	51	-	51
TISCO Asset Management Co., Ltd.	57	41	-	98
TISCO Information Technology Co., Ltd.	-	65	(58)	7

(Unit Thousand Baht)

	2010	2009	Terms and pricing policy
			(For the year 2010)
<u>Transactions occurred during the years ended</u>			
<u>31 December</u>			
Parent company			
Interest income	-	68,254	With reference to the terms and prices as offered to other customers
Risk and financial management fee income, human resources management fee income and office administration fee income	920,979	800,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	3,774	4,067	With reference to the terms and prices as offered to other customers
Others expenses	8,150	-	With reference to the terms and prices as offered to other customers
Subsidiary companies and related companies			
Interest income	1,429	2,080	With reference to the terms and prices as offered to other customers
Other income	1,691	1,259	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	211,000	170,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Underwriting fee for issuing subordinate debentures	4,000	8,000	With reference to the terms and prices as offered to other customers
Interest expenses	2,533	2,436	With reference to the terms and prices as offered to other customers
Others expenses	2,556	2,797	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 December 2010	31 December 2009
Loans	196	1,949

Besides the above transactions, the Bank has additional related party transactions with its related companies, which are presented in Note 4.4 to the financial statements.

Directors and management's remuneration

In 2010, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 102 million (2009: Baht 151 million).

3.24 Financial information by segment

The Bank's business operations involve a single industry segment, providing financial service in the form of commercial banking business, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

3.25 Commitments and contingent liabilities

3.25.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	31 December 2010	31 December 2009
Avals	194,136	21,651
Other guarantees	888,386	928,884
Undrawn client overdraft facilities	33,273	8,052
Obligations covering principal under interest rate swap agreements (Note 3.26.5)	300,000	680,000
Obligations for cross currency swap agreements (Note 3.26.5)	180,908	-
	<u>1,596,703</u>	<u>1,638,587</u>

3.25.2 Litigation

As at 31 December 2010, the Bank has been sued for compensation totaling approximately Baht 152 million. Final judgments have not yet been reached in respect of these cases.

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 181 million as at 31 December 2010). During the current year, this case is currently under consideration of the court.

The management of the Bank and its subsidiary believes that no material losses to the financial statements will be incurred as a result of the above mentioned lawsuits and damages claims.

3.25.3 Other commitments

- a) The Bank 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 Bank has entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3 years.

As at 31 December 2010, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	70
1 to 3 years	37

3.26 Financial instruments

3.26.1 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 Bank on the due date or to intentionally fail to make payments to the Bank in accordance with the agreement.

The Bank is exposed to credit risk primarily with respect to loans and receivables and guarantees of loans and others.

The Bank has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Bank manages 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 Bank has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. The Bank 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 Bank therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank is not exposed to concentrations of credit risk because it has 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 balance sheet.

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank that operates a 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 follow:

(Unit: Million Baht)

	As at	
	31 December 2010	31 December 2009
Neither past due nor impaired		
Very high grade	70,228	57,448
High grade	30,510	22,443
Medium grade	3,830	3,033
Sub total	104,568	82,924
Hire purchase receivable - overdue 31 - 90 days	6,360	6,440
Hire purchase receivable - overdue more than 90 days	1,460	1,386
Total	<u>112,388</u>	<u>90,750</u>

3.26.2 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 Bank.

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank 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.

3.26.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the balance sheet date. The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the 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	
	2010	2009
Marketable financial assets		
Debts securities	23	95
Foreign currencies	7	10

3.26.2.2 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 Bank at the balance sheet 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	
	2010	2009
Change in interest rate		
Increase 1 percent	(258.13)	(279.80)
Decrease 1 percent	258.13	279.80

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 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.

3.26.2.3 Interest rate risk

The Bank has the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2010			
	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	-	11,371	989	12,360
Investment - net	-	4,337	763	5,100
Loans and receivables ⁽¹⁾	8,523	135,335	1,446	145,304
	<u>8,523</u>	<u>151,043</u>	<u>4,101</u>	<u>163,667</u>
<u>Financial liabilities</u>				
Deposits	30,386	18,004	219	48,609
Interbank and money market items	97	8,770	-	8,867
Liabilities payable on demand	-	-	532	532
Borrowings	-	87,974	-	87,974
	<u>30,483</u>	<u>114,748</u>	<u>751</u>	<u>145,982</u>

⁽¹⁾ Loans and receivables with floating rates and fixed interest rates include non-performing loans and receivables on accrual basis.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2009			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	826	826
Interbank and money market items	-	9,901	2,174	12,075
Investment - net	101	7,612	697	8,410
Loans and receivables ⁽¹⁾	8,341	100,279	580	109,200
	<u>8,442</u>	<u>117,792</u>	<u>4,277</u>	<u>130,511</u>
<u>Financial liabilities</u>				
Deposits	25,227	31,458	246	56,931
Interbank and money market items	21	4,300	-	4,321
Liabilities payable on demand	-	-	345	345
Borrowings	-	55,547	-	55,547
	<u>25,248</u>	<u>91,305</u>	<u>591</u>	<u>117,144</u>

⁽¹⁾ Loans and receivables with floating rates and fixed interest rates include non-performing loans and receivables on accrual basis.

Financial instruments which bear interest rate at fixed rates are classified below by the period from the balance sheet date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

As at 31 December 2010							
<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	-	11,371	-	-	-	11,371	1.6209
Investment - net	41	1,476	480	2,335	5	4,337	5.3206
Loans and receivables	6,021	13,061	30,425	83,256	2,572	135,335	6.5396
	<u>6,062</u>	<u>25,908</u>	<u>30,905</u>	<u>85,591</u>	<u>2,577</u>	<u>151,043</u>	
Financial liabilities							
Deposits	1,606	12,245	3,844	309	-	18,004	1.7824
Interbank and money market items	776	4,219	37	3,738	-	8,770	2.4955
Borrowings	1,921	52,185	18,408	9,460	6,000	87,974	2.2507
	<u>4,303</u>	<u>68,649</u>	<u>22,289</u>	<u>13,507</u>	<u>6,000</u>	<u>114,748</u>	

(Unit: Million Baht)

As at 31 December 2009							
<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	-	9,901	-	-	-	9,901	1.2154
Investment - net	59	522	1,483	4,572	976	7,612	4.2859
Loans and receivables	1,017	9,571	23,642	64,584	1,465	100,279	7.1677
	<u>1,076</u>	<u>19,994</u>	<u>25,125</u>	<u>69,156</u>	<u>2,441</u>	<u>117,792</u>	
Financial liabilities							
Deposits	3,497	21,244	6,220	497	-	31,458	1.4297
Interbank and money market items	642	2,773	127	758	-	4,300	2.4168
Borrowings	2,870	34,764	12,483	1,430	4,000	55,547	1.9599
	<u>7,009</u>	<u>58,781</u>	<u>18,830</u>	<u>2,685</u>	<u>4,000</u>	<u>91,305</u>	

The balances of loans and receivables (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.26.3 Liquidity risk

Liquidity risk is uncertainty that the Bank 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 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 Bank'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 Bank 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 Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios which cause unusual cash outflow from the Bank.

The main sources of fund came from deposits and bills of exchange. In the past, there was high rollover rate for both matured deposits and bills of exchange. Besides, the Bank also issued certain 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 to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Financial Group to support liquidity position if required.

3.26.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

As at 31 December 2010					
Remaining days					
	Less than 3 months	3 - 6 months	6 - 12 months	More than 1 year	Total
Liabilities	108,339	17,359	4,929	19,508	150,135

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 at 28% of total liabilities with remaining maturity less than three months. Both current deposit and saving deposit are considered to be more stable than term deposit or bill of exchange in term of cash outflow.

3.26.3.2 Volume and composition of highly liquid assets and internal ratio.

(Unit: Million Baht)

As at	
31 December 2010	
Composition of highly liquid assets	
Cash	903
Interbank and money market - net	12,360
Current investment - net	2,463
Total liquid assets ⁽¹⁾	15,726
Liquid asset requirement ⁽¹⁾	3,103

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2010, the Bank has highly liquid assets at Baht 15,726 million, which higher than internal liquid asset requirement of Baht 3,103 million. In addition of liquid assets, the Bank 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.

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

(Unit: Million Baht)

As at 31 December 2010								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	Total
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	989	11,371	-	-	-	-	-	12,360
Investments - net	41	1,476	480	2,335	5	763	-	5,100
Loans and receivables	8,266	11,905	31,068	86,327	4,120	-	3,618	145,304
	<u>10,199</u>	<u>24,752</u>	<u>31,548</u>	<u>88,662</u>	<u>4,125</u>	<u>763</u>	<u>3,618</u>	<u>163,667</u>
Financial liabilities								
Deposits	32,211	12,245	3,844	309	-	-	-	48,609
Interbank and money market items	873	4,219	37	3,738	-	-	-	8,867
Liabilities payable on demand	532	-	-	-	-	-	-	532
Borrowings	1,921	52,185	18,407	9,461	6,000	-	-	87,974
	<u>35,537</u>	<u>68,649</u>	<u>22,288</u>	<u>13,508</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>145,982</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	182	12	-	-	-	-	194
Other commitments	33	5	259	481	-	625	-	1,403

* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

As at 31 December 2009								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing Loans*	Total
Financial assets								
Cash	826	-	-	-	-	-	-	826
Interbank and money market items	2,174	9,901	-	-	-	-	-	12,075
Investments - net	689	522	1,584	4,572	976	67	-	8,410
Loans and receivables	1,629	8,001	24,309	69,055	2,122	-	4,084	109,200
	<u>5,318</u>	<u>18,424</u>	<u>25,893</u>	<u>73,627</u>	<u>3,098</u>	<u>67</u>	<u>4,084</u>	<u>130,511</u>
Financial liabilities								
Deposits	28,970	21,244	6,220	497	-	-	-	56,931
Interbank and money market items	663	2,773	127	758	-	-	-	4,321
Liabilities payable on demand	345	-	-	-	-	-	-	345
Borrowings	2,870	34,764	12,483	1,430	4,000	-	-	55,547
	<u>32,848</u>	<u>58,781</u>	<u>18,830</u>	<u>2,685</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>117,144</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	-	22	-	-	-	-	22
Other commitments	31	385	457	300	-	444	-	1,617

* Non performing loans according to the BOT's guidelines

3.26.4 Foreign exchange risk

- a) As at 31 December 2010, the Bank had the significant financial instruments in foreign currencies which are investment in a subsidiary company amounting to HKD 20 million (under the cost method net allowance for impairment equivalent to Baht 49 million).
- b) Investment in foreign debt securities amounting to USD 6 million (amortised cost amounting to Baht 197 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.26.5 to the financial statements.

3.26.5 Derivatives

The Bank has a policy to enter into transactions involving financial derivative instruments, for trading and hedging risks.

- a) Financial derivative instruments classified as derivatives held for trading

- a.1) Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial liabilities. The Bank has signed contracts to pay interest at a fixed rate and receive interest at a floating rate, as follow:

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	300	2

- a.2) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with investments in foreign debt securities, as follow:

(Unit: Million Baht)

Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2013	4	181	11

3.26.6 Fair value of financial instruments

As at 31 December 2010 and 2009, the fair values of significant financial instruments of the Bank, as presented below.

(Units: Million Baht)

<u>Transactions</u>	As at			
	31 December 2010		31 December 2009	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Interbank and money market items	12,360	12,360	12,075	12,075
Investments - net	5,100	5,100	8,410	8,410
Loans and receivables	141,445	145,253	107,112	110,444
<u>Financial liabilities</u>				
Deposits	48,609	48,609	56,931	56,931
Interbank and money market items	8,867	8,867	4,321	4,321
Liabilities payable on demand	532	532	345	345
Borrowings	87,974	88,061	55,547	55,488

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book value 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 and other information

4.1 Holding restructuring

On 24 April 2009, the 2009 Annual General Meeting of Shareholders of TISCO Financial Group Public Company Limited passed the resolution to approve the acquisition of the remaining 0.49 percent of shares in the Bank from the minority shareholders after the completion of shareholding restructuring plan of TISCO Group in January 2009. The shareholders delegated the authority to the company's Board of Directors to determine the share swap process as appropriate. However, the swap price or the cash purchase price are not to exceed the book value of the Bank as at 31 December 2008 adjusted with the dividend payment from the operation results of year 2008 and are not to exceed the previous swap price.

During year 2010, TISCO Financial Group Public Company Limited undertook to issue the company's ordinary shares in exchange of the remaining 1,039,099 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 15 million, from the minority shareholders. In addition, the company acquired the remaining 24 ordinary shares of the Bank at a price of Baht 14.66 per share, totaling Baht 352, from the minority shareholders. As a result, the company's shareholding in the Bank increased to 99.98 percent of the Bank's paid up shares and there are 119,520 shares of the Bank held by minority shareholders (119,416 ordinary shares and 104 preference shares), which is equivalent to 0.02 percent of the Bank's shares in issue.

4.2 Investment in securities

During year 2010, the Bank disposed of all of its held-to-maturity debt securities, with gains on the disposals amounting to Baht 68 million.

4.3 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid	Dividend payment period
		Preference share	Ordinary share		
		Baht per share	Baht per share	Million Baht	
Final dividends for 2008	The 2009 Annual General Meeting of the Shareholders on 24 April 2009	1.65	0.65	657	April 2009
Interim dividend for 2009	The Board of Directors' Meeting of TISCO Bank No.4/2009 on 19 June 2009	0.88	0.38	368	July 2009
Interim dividend for 2009	The Board of Directors' Meeting of TISCO Bank No.7/2009 on 18 December 2009	0.60	0.60	437	January 2010
Total dividend payment in year 2009				<u>1,462</u>	
Interim dividend for 2010	The Board of Directors' Meeting of TISCO Bank No.6/2010 on 17 December 2010	1.40	1.40	1,019	January 2011
Total dividend payment in year 2010				<u>1,019</u>	

4.4 Related party transactions

Besides the related party transactions as described in Note 3.23 to the financial statements, the Bank had additional related party transactions with its related companies during the years, as presented below.

Year 2009

On 2 March 2009, the Bank entered into an assignment agreement to acquire rights of claim over hire purchase receivables, lease receivables and property foreclosed of Primus Leasing Company Limited for a total consideration of approximately Baht 5,144 million, which was at fair value. The fair value of receivables was calculated by discounting cash flow projections under the hire purchase and lease contracts. The discount rate applied was the current new business (new car) rate. The fair value of property foreclosed was reference from market price. The purchase price was paid to that company on 24 April 2009. Primus Leasing Company Limited recorded a gain from the sale of Baht 102 million.

4.5 Increase of a subsidiary's registered share capital

A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.1/2010, on 27 October 2010, approved an increase in that company's registered share capital from Baht 14 million (140,000 ordinary shares of Baht 100 each) to Baht 100 million (1,000,000 ordinary shares of Baht 100 each). On 29 October 2010, the company registered the increase in its registered share capital with the Ministry of Commerce.

5. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 4 February 2011.