TISCO Bank Public Company Limited

Annual Registration Statements 2011 (Form 56-1)

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Executive Summary

The year 2011 began optimistically with domestic and global economic expansion in perspective. As the year proceeded, the Thai economy experienced unforeseen adverse events, beginning by the Tsunami disaster in Japan, which triggered global supply shortages. This was exacerbated by the resurgence of European sovereign debt crisis, and finally the prolonged flood disaster that greatly affected the economy and social well being of the people. As a consequence, after a period of hiking interest rates, the Bank of Thailand began to stimulate the economic recovery by easing monetary policy along with flood-relief stimulus packages introduced by the government. Preceded by domestic and global uncertainties, the SET Index ended the year relatively flat.

Amidst various economic and societal turmoil, TISCO Bank Public Company Limited ("TISCO Bank") managed to sustain a strong operating performance with reported profit of 2,630 million Baht for the year 2011, up by 30.3% from the previous year. The asset base of TISCO Bank strongly surpassed 210 billion Baht following continued loan growth despite intense competitions in several core businesses. The growth was partly contributed by completion of banking platform integration, which successfully promoted cross selling among all business units. It was also due to adoption of the right focused strategies to leverage on core strengths and penetrate into new markets. With strengthening market position, TISCO Bank continued to outperform several leading indicators versus industry peers, with Return on Equity (ROE) of 19.6% and the lowest NPL ratio in the banking industry.

Despite strong performance, TISCO Bank and our stakeholders have, nonetheless, been affected by the severe flood crisis in the last quarter of 2011, a crisis which have deeply affected the nation across a mass number of individuals, business and industrial enterprises. 10 TISCO Bank branches have been closed down during the crisis, 3 of which received physical damages. However, TISCO Bank managed to continue servicing our customers through alternative branches throughout the period without stop, and all the affected branches have been quickly renovated and reopened to services since the start of 2012.

Importantly, a number of our value clients have also been impacted by the flood crisis in various forms. Some have their houses or cars inundated while many who worked in the flooded areas lose their income from halted or discontinued jobs or businesses. It is our sincere condolences and strong intention to provide our clients the best assistance to all those who were affected by these unfortunate events. To relief flood burdens, TISCO has carried out various measures including suspended installment, waving transaction fee, and other loan restructuring arrangements to clients who have been contacted and confirmed to receive impact from the flood. Meanwhile, TISCO Bank also provides internal assistance in forms of financial and non-financial aids to almost a thousand of our employees who have also been impacted by the flood.

Year 2011 was the year TISCO Bank's core business groups fully operated with integrated business platform that maximized synergies from resources within the group. This has been demonstrated in successful achievements of key milestones across all the business groups that can be elaborated.

The **Retail Banking** group, although having been through long periods of stiff competitions and directly affected by the flood situation, continued to achieve robust growth. Amidst the intense competitions and supply shortages of major car manufacturers, the core HP portfolio continued to grow strongly at 18%, due to TISCO Bank dynamic ability to adapt to market changes. The Bank also successfully penetrated more into consumer finance business, offering short-term to medium term financing products to retail clients for consumption purpose. Our service channels for retail banking also expanded through opening of branch network in the provincial areas throughout the country.

Riding the continued investment cycle in Thailand, the **Corporate Banking** group enjoyed another year of exceptionally strong growth in 2011, with portfolio grew sharply by 44%, following a broader coverage of our expanded exposures in various industries ranging from industrial manufacturing, power & energy, logistics & transportation, to property & real estate. Broad base expansion not only show TISCO Bank increasing client base, but also reflecting good business and risk diversification of exposures into several business sectors. In addition, SME loan portfolio managed to show an impressive loan growth of 45% despite experiencing sluggish demand in inventory for car financing in the final quarter. This was due to TISCO Bank ability to fulfill increased demand in the first half of the year. During the year, the Bank also progressively expanded SMEs clients base and broadened the scope of financial services, reflected in a strong expansion in auto & parts and logistic and transportation sectors. The success of Corporate Banking business can be thanked to our strong committed highly-professional team, who strive to deliver the best solutions to our clients.

The **Wealth & Deposit Service** group continued to provide full-service to our high net worth wealth clients with emphasis on quality financial advice and services. Although competition was intense, TISCO Wealth thrived through the year by offerings of various attractive investment and saving products combining with quality services, and managed to grow the wealth portfolio by almost 35%.

TISCO Bank as a banking subsidiary of TISCO Group, consistently developed strong business platform and adhered to good governance through the increasingly more dynamic economic and social cycles. TISCO Bank's core values were deeply grounded on good corporate governance, prudent risk management, and a strong sense of social responsibility in accordance with TISCO Group's policy. Such commitment yielded TISCO "Top Corporate Governance Report Awards" from SET Awards in 2011, an award to honor listed companies with outstanding corporate governance recognition in selected category. To ensure that business growth was well-controlled by established risk management framework, TISCO Bank adopted Basel II – IRB (Internal Rating – Based) approach whereby growth opportunity and credit risk profile were truly reflected in capital adequacy calculation. With globally-recognized approach fully operational, TISCO Bank has become fully dynamic in managing risks while continuing to sustain strong capital adequacy ratio with the BIS ratio of 15%.

In 2012, although the economy is experiencing the aftermath of the great flood, it is expected gradually recovered through to post-flood rehabilitation policies and developments, as well as returns of pent-up demand for consumptions and investments. However, the pace of economic recovery is still subject to several key internal and external risks, from unresolved foreign sovereign debt crisis, to new domestic regulations for financial service industry. TISCO Bank will therefore strive to sail through the challenging year with care through well-aligned business strategies, solid infrastructure, and prudent business practices.

The Board wishes to convey a deep gratitude to all clients, business partners, and shareholders for their long-term support, and would like to extend special thanks to management and staff for their dedication, diligence, and commitments that have brought TISCO Bank through the challenging time.

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	:	**TMB Bank Public Company Limited** 3000 Phaholyothin Road Latyao, Chatu Chak, Bangkok 10900 Tel. 0 2299 1111 Fax. 0 2273 7121
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. Ratana Jala** Certified Public Accountant (Thailand) Registration No.3734 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

As of December 31, 2011, TISCO Bank held more than 10% of issued shares in 1 company namely, 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 5.3.3

2. Risk Factors

Overview of Risk Management

Risk management of TISCO Group is centralized by consolidating all risk exposure to TISCO Financial Group Plc. 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 Modeling and Validation

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

10. Regulatory best practice

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 the parent company (TISCO Financial Group Plc.) 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 enterprise risk management, risk research, 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. his 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. Enterprise risk management, risk research, 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 research, assessment, and reporting process. Moreover, Risk Management Committee of TISCO Bank has also been established in effective management and control of risks in various business units of the bank by adopting the risk management policy from 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

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

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

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

2.1 Credit Risk

Credit Risk is defined as the possibility of 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.

2.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2011, NPL ratio of TISCO Bank decreased from 1.6% at year end of 2010 to 1.3% mainly due to 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 was 1.3% , increasing from 1.2% in the end of 2010, while NPL ratio of commercial loan was 1.2%,which decreased from 2.4% in the end of 2010. Total NPLs of 2,215.13 million baht which decreased by 6.1% or 143.87 million baht during the period.

The nationwide flood during the last quarter of 2011 has affected client's ability to repay, especially for retail clients in which the NPL ratio of retail loan rose from 1.0% in the third quarter to 1.3% at the end of 2011.

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, 2011, loan loss

reserve of the Bank was 4,098.96 million baht or 185.0% of NPLs. In addition, as of December 31, 2011, TISCO Bank has provision in excess of BoT's minimum requirement totaling 2,057 million baht. In this regard, the Bank has assigned these excess provisions totaling 2,053 million baht to specific provision for an individual debtor. The total provision according to BoT requirement after including the minimum provision of 2,042 million baht required by BoT are then be 4,095 million baht. These provision set up are in compliance with the BoT's guideline.

2.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2011, TISCO Bank had total loans of 179,613.21 million baht. Hire purchase and commercial loans represented 66.5% and 18.0% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 119,516.90 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 93.01 million baht or 0.07% of the total hire purchase portfolio, or equal to 0.05% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into four different sectors: manufacturing and commerce, 16,368.35 million baht; real estate and construction, 8,789.92 million baht; public utilities and services, 6,862.20 million baht; and agricultural and mining, 328.26 million baht. Lending to the above industrial sectors represented 50.6%, 27.2%, 21.2% and 1.0% of the total commercial loan portfolio, and 9.1%, 4.9%, 3.8%, and 0.2% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 22,953.87 million baht or accounted for 12.41% of the total credit portfolio, there is slight concentration in manufacturing and commerce 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

Collateral risk occurs from borrower defaults and the value after selling collaterals in the debt collection process cannot cover the original debt amount. As of December 31, 2011, 81.5% 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.

In 2011, car tax reduction policy for first car from government has affected resale car price especially among new car which received benefit from this policy. However, the flooding crisis still has also reduced supply of new cars and supported resale car price in the market. Besides, damages of cars used as collaterals of TISCO group during the flooding period were insignificant and had insurance coverage in case of new car.

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 BoT rules and regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 60.7% of the total outstanding NPLs of commercial and mortgage loans.

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, 2011 were 257.74 million baht, or 0.1% of total assets. Allowances for impairment stood at 16.2% of total foreclosed assets, which decreased from 94.8% as of December 31, 2010.

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

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

2.2 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.

As of December 31, 2011, the value of liquid assets was 32,333.75 million baht, comprised of cash at 903.07 million baht compared to 902.82 million baht as of December 31, 2010, net transactions with banks and money market at 29,983.89 million baht compared to 12,360.49 million baht as of December 31, 2010 and net current investment at 1,446.79 million baht compared to 2,463.19 million baht in December 31, 2010.

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 35,806.08 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, 2011, the Bank reported the outstanding long-term debentures (both subordinated and unsubordinated) of 7,000.00 million baht and short-term debentures of 76.00 million baht, and bill of exchange amounted of 136,710.77 million baht.

- **Liquidity Risk Management Framework**

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

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

2.3 Market Risk

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

2.3.1 Equity Price Volatility

As of December 31, 2011, the equity portfolio stood at 1,049.17 million baht which totally was non-listed equity in book value. In addition, the investment in subsidiaries represented 46.91 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, 2011 TISCO Bank had no listed equity investment. However, TISCO Group calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. 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 1,049.17 million baht, decreased from 2,401.43 million baht in December 31, 2010. Additionally, the investment in subsidiaries decreased from 135.31 million baht at the end of 2010 to 46.91 million baht.

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.

2.3.2 Interest Rate Risk

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

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

Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. A movement in the level of interest rates may lead to higher borrowing costs when compared to earnings, resulting in lower interest rate income, which in turn influences TISCO 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, 2011, 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	54,977.38	49,920.20	38,372.00	56,907.35	200,176.94
Liabilities	(56,425.66)	(122,729.47)	(6,813.07)	(7,132.43)	(193,100.64)
Net Gap	(1,448.28)	(78,714.10)	31,558.93	49,774.92	7,076.30

Under the change of interest rate within 1 month, TISCO Bank had liabilities over assets cause the net gap to stand at 1,448.28 million baht. The negative gap shown was mainly from the portion of short-term deposit specifically saving and current account 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, 2011 stood at 1,546.78 million baht, decreased by 1,016.39 million baht compared to the end of 2010. Average duration of the bond portfolio in TISCO Bank was 0.83 year, increasing from 0.11 year at the end of 2010 mainly due to the longer maturity investment portfolio in the year. Meanwhile, average duration of the debenture portfolio was 1.08 years, decreasing from 2.11 years at the end of 2010. However, Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

- **Market Risk Management Framework**

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

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

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

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. 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 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.

2.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO Bank's operational risks mostly incur in low to moderate impact area (financial loss is less than 0.05% of annual net profit, and does not impact the business in the long term). These operational risks generally impact reputation than financial status; however, impact can be contained. Regarding to the operations in 2011, error rate was less than 0.1% of total number of transaction. Most loss events are erroneous data entry, late transaction execution and system unavailability. Also, TISCO 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 business line aspect, Retail Banking Business has highest likelihood level, in line with the high number of transaction. The risks in Retail Banking Business are generally classified as high likelihood, low to moderate impact, e.g. error in transactional data entry and late transaction execution to customers. These operational risks typically do not impact financial loss because the erroneous transaction can be reversed, excluding some loan transactions that the recipients have taken cash out of the system. From cause perspective, human error is a key risk factor in the business. Therefore, TISCO Bank focuses on staff training and communication program. In addition, TISCO Bank continuously simplifies process which leads to lower error rate. However, there are some operational risks in low likelihood, fairly high to high impact area including risks in cash handling, fraudulent risks, and critical reputational risks. These groups of operational risks, once occurring, can impact to financial loss or business sustainability. Additional prudent controls are combined in the processes to prevent and able to responsively detect any loss

Operational risk in Payment & Settlement is mainly fairly low likelihood with low to moderate impact area, mostly incurred in cheque issuance, cheque clearing, and transactional money transfer, which are normally reversible. For the area of low likelihood, fairly high to high impact, operational risks incur in high value customer transactions. Any error, although reversible, could impact TISCO Bank image and following business opportunities. Operational risk 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. The operations is, therefore, embedded with extensive controlling process and set to performed by experienced staffs.

Regarding business disruption risk, TISCO Group was impacted by the floods situation late last year, leading to temporary closure of 10 branches. Nevertheless, TISCO could still provide key services from the Head Office and main operating hub in accordance with the business continuity plan. The situation was closely monitored in order that risk prevention and damage remediation can be employed effectively to all stakeholders, whereby the decisions would be rather conservative during the crisis. Alternate site and operations were prepared and rehearsed to ensure continuous customer service for each risk level. Customers and counterparties were communicated of alternate operations and remediation programs. In addition, employee aid programs were developed continually to the critical degree of crisis.

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

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

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

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

2.5 Strategic Risk

Strategic Risk is a form of uncertainty stemming from the possibility that TISCO 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.

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, 2011, 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 14.91% 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 9.88% and 5.02%, 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 10,309.99 million baht, accounting for 55.8% of the total capital base under Basel II - IRB of 18,492.57 million baht.

- **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.

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) Bancom 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 Bancom 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.

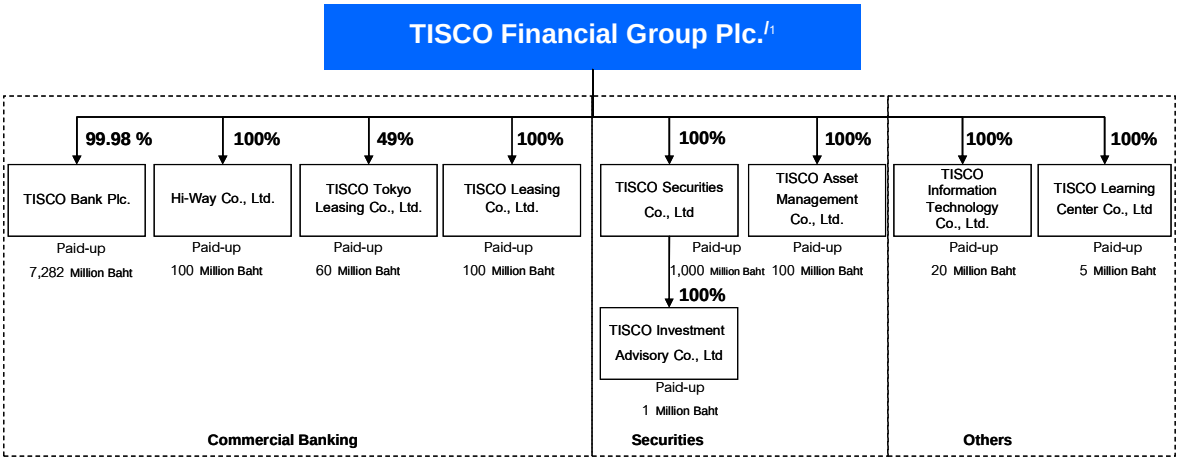
In 2007, TISCO Bank established TISCO Financial Group under the Consolidated Supervision regulation undertaken by the Bank of Thailand with TISCO Bank as the parent company on August 9, 2007. Furthermore, the establishment of TISCO Financial Group Plc. would enhance risk diversification and capital efficiency. 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, TISCO financial Group Plc. 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, 2012 is as follows:



/1 Listed on the Stock Exchange of Thailand

3.3 Revenue structure

The revenue structure of the Bank is as follows.

(Unit: Million baht)

	2009		2010		2011	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Total Interest	7,742	116.6	8,710	104.2	11,557	127.4
Total Expenses on Borrowings	(2,562)	38.6	(2,415)	(28.9)	(5,261)	(58.0)
Net Interest	**5,180**	**78.0**	**6,295**	**75.3**	**6,296**	**69.4**
Fee and Service Income	761	11.5	1,258	15.0	1,614	17.8
Fees and Service Expenses	(74)	(1.1)	(66)	(0.8)	(61)	(0.7)
Net Fees and Service Income	**686**	**10.3**	**1,192**	**14.3**	**1,553**	**17.1**
Other Operating Income	770	11.6	874	10.5	1,224	13.5
Total Operating Income	**6,637**	**100.0**	**8,361**	**100.0**	**9,073**	**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, Mission 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 is "TISCO always provides a wealth of possibilities to its clients for the realization of their goals.", through TISCO's financial knowledge, as a House of Financial Expertise, we create and provide wealth of possibilities to our customers and all stakeholders by helping them define, create and achieve their own wealth. TISCO believes that their lives will be better when they could engage a wealth of possibilities.

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

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

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

Strategic Plan and Strategy Map

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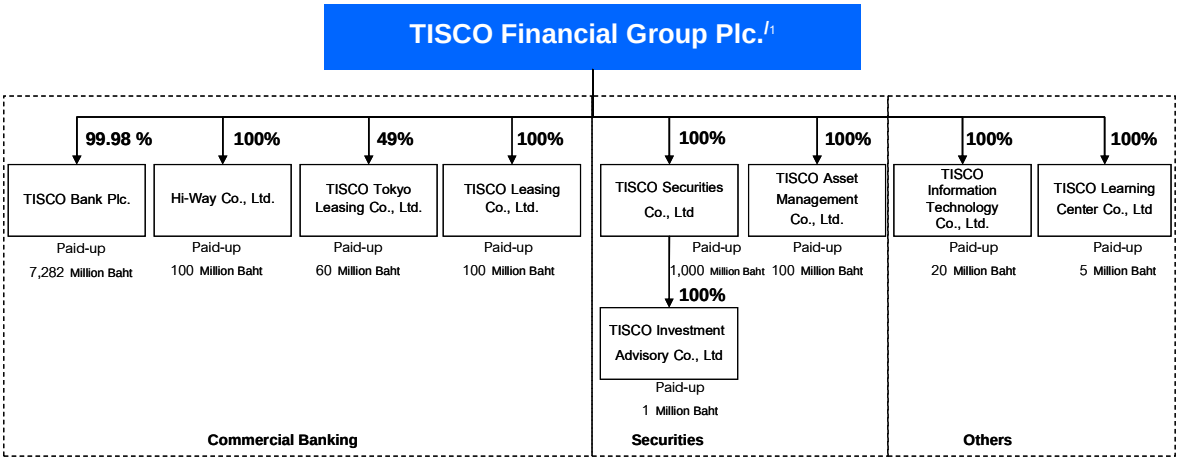

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4. Mastery : Serving our customers by constantly and progressively improving our abilities through a sustained passion for knowledge. Our people are trained to demonstrate exceptional skills and show the ability to lead others.
5. Creativity : Our expertise not only comes from our in-depth knowledge, experience and know-how, but also comes from our creativity. To manage their financial lives, we believe that our customers needs accurate, various and creative advisory, which helps customers to determine and achieve their financial goals through meaningful solutions.
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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, 2011, the Bank had 47 branches in every regions of Thailand. The locations of bank branches separated by region are shown as follows;

Region		Location
Bangkok	:	Sathorn, Rattanathibet, Srinakarin, Rangsit, New Phetchburi Road, Central World, Fashion Island, The Old Siam, Pakin Building, Central Chaeng Watthana, Seacon Square, Yaowarat, Homework Rachapruek, Siam Paragon, Central Rama III, The Mall Bangkhae, Worachak, Central Pinklao, The Mall Thapra, Central Bangna, The Mall Bangkapi, Future Park Rangsit, Central Ram Indra and Central Ladprao
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) Commercial 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 who 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 17.9% growth as of December 31, 2011, with 119,516.90 million baht in loans in the hire-purchase portfolio, up from 101,404.99 million baht at the end of 2010.

Table shows details of car hire purchase loans

Hire Purchase	December 31, 2009 (Million baht)	December 31, 2010 (Million baht)	December 31, 2011 (Million baht)	Growth rate (%)
Car	82,450.98	101,404.99	119,516.90	17.9

In 2011, TISCO Bank provided car hire purchase loan, ranked by car brands which are Toyota 22%, Isuzu 16%, Honda 11%, Mazda 15% and other brands 36% of total car hire purchase loan. The proportion of hire purchase loan between new car and used car were at 78% and 22% in 2011. 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, 2011, mortgage loans were 1,366.69 million baht, decreased by 3.9% from 1,422.29 million baht in 2010, partly due to early principal repayment as well as contraction in mortgage loans demand resulting from flood crisis.

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. Moreover, TISCO Bank has developed new distribution channel via www.tiscoautocash.com to help the customer access the services easier and more convenience.

Consumption loans as of December 31, 2011 were 12,752.49 million baht, increased by 21.4% from 10,504.29 million baht in 2010 as illustrated in the following table:

Table shows details of retail loans

Retail Finance	December 31, 2009		December 31, 2010		December 31, 2011		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	82,450.98	92.1	101,404.99	89.5	119,516.90	89.4	17.9
Mortgage loans	1,475.83	1.6	1,422.29	1.2	1,366.69	1.1	(3.9)
Consumption loans	5,627.40	6.3	10,504.29	9.3	12,752.49	9.5	21.4
Total	**89,554.21**	**100.0**	**113,331.56**	**100.0**	**133,636.08**	**100.0**	**17.9**

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 2011, the Bank has launched deposit account namely "Diamond Savings", a savings account with high return for both individuals and corporate customers. The key benefits of Diamond Savings includes withdrawal money with unlimited times, exemption for card issuing fee and annual fee for TISCO Purse card together with fee exemption for automatic money transferring between Diamond Savings and TISCO Bank's savings or current account. Furthermore, Diamond Savings could be used in clearing transaction for securities/fund trading transaction via TISCO Securities Co., Ltd. or TISCO Asset Management Co., Ltd., which received a well feedback from customers.

In addition, TISCO Bank also opened 4 new branches with focused at downtown areas. The new bank branches includes The Mall Bang Kapi branch, Future Park Rangsit branch, Central Ladprao branch and Central Ram Indra branch. These new branches has covered all type of financial & investment products of TISCO group.

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, critical illness insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. Moreover, the Bank has continually focused on Auto Loan Protection insurance (ALP) for hire purchase and loan against auto license customers. For the year 2011, in addition to causality and accidental protection, the protection coverage of ALP insurance improved by covering cost of medical treatment from the accident up to 15,000 baht/time with unlimited claims, which was a value added benefit over general protection. As of December 31, 2011, there were more than 360,000 hire-purchase customers who held ALP insurance.

2. Private Banking

Private Banking is responsible for high net worth clients who are ready to invest a minimum of 20 million baht. The services offered include bank deposits, cash management services, professional financial and investment advisory as well as fund management services.

In 2011, TISCO Bank developed prominent financial products and services in response to customer's diversified needs. At the early of 2011, TISCO Bank introduced full-shelf financial & investment advisory service namely "TISCO Wealth" whereby banking, securities, and asset management services are consolidated in one place, to satisfying various type of saving and investment demand. TISCO Wealth categorizes the customer into 2 groups which are TISCO Platinum and TISCO Private. TISCO Platinum is defined as group of customer who have total saving, fund, and securities portfolio of 5 – 20 million baht while TISCO Private is defined as group of customer who have total saving, fund, and securities portfolio more than 20 million baht.

For the customer benefit, TISCO Wealth will focus on exclusive privilege for a variety of activities including sports, travels, health, and various complimentary such as fee exemption for emergency medical service (International SOS), updating investment news as well as investment & financial seminars that will be conducted throughout the year together with special accommodation & service at TISCO headquarter for the highest satisfaction and privacy of the customer. Moreover, TISCO Wealth has provided monthly economic and investment report "Expert View", which focused on invest trends of asset classes such as savings, debt instrument, domestic and foreign stock market and commodities. This information has published on www.tiscowealth.com. At the end of the year, TISCO launched telephone baking service namely "Wealth on Demand" for TISCO Wealth customer in which the customer can carry out banking transaction via telephone. This service will enhance customer's convenience with solid security system.

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. Commercial Lending

Commercial Lending 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, 2011, the Bank had a commercial lending portfolio of 32,348.73 million baht, which accounted for 18.0% of total loans, increased by 44.2% from 22,431.58 million baht in 2010. While Commercial loans was 13,628.40 million baht, significantly increased by 44.6% from 9,425.41 million baht in 2010 due to an increase in loans for car-dealers and logistics segment. The details loan portfolio is shown as follows:

Type of Business	December 31, 2009		December 31, 2010		December 31, 2011		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	6,811.98	6.0	10,996.33	7.6	16,368.35	9.1	48.9
Real estate and construction	6,167.64	5.4	6,374.43	4.4	8,789.92	4.9	37.9
Public utilities and services	1,781.04	1.6	4,905.58	3.4	6,862.20	3.8	39.9
Agriculture and mining	118.13	0.1	155.24	0.1	328.26	0.2	111.5
Corporate Loans	**14,878.78**	**13.1**	**22,431.58**	**15.4**	**32,348.73**	**18.0**	**44.2**
Commercial loans	4,669.58	4.1	9,425.41	6.5	13,628.40	7.6	44.6
Retail loans and other loans	93,684.62	82.7	113,331.56	78.1	133,636.08	74.4	17.9
Total Bank Loan	**113,232.98**	**100.0**	**145,188.55**	**100.0**	**179,613.21**	**100.0**	**23.7**

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, 2011, was 2,595.95 million baht, decreased by 47.7% from 4,964.60 million baht in 2010.

4.2 Market and Competition

- **Market**

As of December 31, 2011, there were 31 banks, composed of 16 Thai commercial banks and 15 branches of foreign banks. The conditions of deposits and loans market are detailed as follows;

Deposits

As of December 31, 2011, deposits in Thai commercial bank[1] industry was at 7,216,405 million baht, up by 5.6% from 2010 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 2011, average 3-month deposit interest rate at the top four large banks was at 2.08%, up from 1.10% at the end of 2010 following continuously increased of policy rate by the Bank of Thailand. However, in the last quarter 2011, the Bank of Thailand has decreased the policy rate by 0.25% in order to stimulate economy which was affected by flood crisis.

Table showing movement of average interest rates of Thai commercial banks

(unit: % per year)

	2009	2010	2011
Minimum Lending Rate (MLR) /1	5.86	6.12	7.25
3-month fixed deposit rate/1	0.70	1.10	2.08

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

In 2011, the Bank's deposit[2] was 170,096.75 million baht, up by 40.4% YoY, composed of 38,059.89 million baht of deposits and 132,036.87 million baht of short-term borrowings.

Loans

As of December 31, 2011, loan in Thai commercial bank industry was 7,479,437 million baht, up by 13.0% (YoY) following domestic economic growth. The Bank's loan was 179,613.21 million baht, up by 23.7% (YoY). At the end of 2011, the average MLR at the top four large banks was at 7.25% increased from 6.12% at the end of 2010.

Table showing comparison of assets, deposits and loans as of December 31, 2011

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Bangkok Bank Plc.	2,034,002	18.3	1,524,796	21.1	1,345,544	18.0
2. Krung Thai Bank Plc.	1,959,121	17.7	1,285,760	17.8	1,383,352	18.5
3. Siam Commercial Bank Plc.	1,767,987	15.9	1,179,458	16.3	1,228,479	16.4
4. Kasikorn Bank Plc.	1,604,567	14.5	1,243,860	17.2	1,162,019	15.5
5. Bank of Ayudhya Plc.	886,823	8.0	564,179	7.8	621,990	8.3
6. Thanachart Bank Plc.	877,731	7.9	471,618	6.5	603,845	8.1
7. Thai Military Bank Plc.	718,330	6.5	452,445	6.3	374,810	5.0
8. UOB Bank Plc.	298,571	2.7	166,359	2.3	183,362	2.5
9. Standard Charter Bank(Thai) Plc.	284,062	2.6	98,215	1.4	93,992	1.3
10. TISCO Bank Plc.	211,489	1.9	38,060	0.5	175,506	2.3
11. Kiatnakin Bank Plc.	192,009	1.7	69,531	1.0	130,189	1.7
12. CIMB Thai Bank Plc.	166,551	1.5	101,291	1.4	113,842	1.5
13. ICBC (Thai) Plc.	89,938	0.8	20,834	0.3	62,506	0.8
Total	**11,091,183**	**100.0**	**7,216,405**	**100.0**	**7,479,437**	**100.0**

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

[1] Summary of Assets and Liabilities Form (C.B. 1.1) Bank of Thailand
[2] Deposit includes the short-term borrowings

Moreover, car hire-purchase business, the major business of the Bank, is generally expanded in line with automobile industry growth. For the year 2011, industry-wide new car sales were 794,081 cars, down by 0.8% (YoY). The proportion of new passenger car sales to commercial car sales in 2011 was 45.4% to 54.6%. As of December 31, 2011, the car penetration rate of TISCO was 11.0%.

Table showing car sales in Thailand during 2007-2011

Unit: cars

	2007	2008	2009	2010	2011
Passenger cars	182,767	238,990	235,169	346,644	360,711
Commercial cars	448,484	375,088	313,703	453,713	433,370
Total	**631,251**	**614,078**	**548,872**	**800,357**	**794,081**

Source: Automobile Institute

- **Competition**

Although Thai commercial banks showed stabilizing growth during the first half of year 2011, however, the impact of flood crisis affected the whole economy resulting in contraction in loan demand during 2011. In 2011, the competition in deposit market remained intense along with the growth in credit market. Furthermore, most of commercial banks rose interest rates in line with the policy rate which increased during the first nine month of 2011. Meanwhile, some commercial banks focused on fund raising through an issuance of bill of exchange (B/E) which provides higher return in order to retain their customer base and preserve the proper cost of fund. For corporate lending, 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, 2011, the Bank was ranked at 10th place compared with the industry. The market share of assets, deposits and loans were 1.9%, 0.5% and 2.3% respectively.

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). In 2011, the competition in auto hire purchase market remained intense due to the key market player, who has funding cost advantage and aiming to be the market leader, offered low interest rate to attract the customer. As the result, the auto hire purchase loan providers including TISCO Bank Plc. shifted the focus to expand loan against car registration rather than hire purchase loan for new car due to its better return. However, TISCO Bank focuses on providing efficient and high standards of service, and maintaining long-term relationships with agents and dealers. TISCO Bank will decrease prices as necessary to maintain its client base. TISCO Bank also expanded loan against car registration client while maintained used car portion in hire-purchase portfolio in order to increase average portfolio yield. Furthermore, TISCO Bank has also gained competitive advantage after becoming the key strategic partner with car manufacturers and car dealers of Ford, Mazda, Volvo, and Chevrolet. In addition, TISCO Bank is highly confident that it can maintain long term competitive position given the long-term experience of TISCO 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	2009	2010	2011
Deposit	56,930.95	48,606.38	38,059.89
Short-term Borrowings	50,117.25	72,515.74	132,036.87
Long-term Borrowings	5,429.75	15,460.40	11,749.90
Interbank and Money Market Items	4,321.44	8,867.30	10,857.98
Other Liabilities	2,609.93	4,685.12	5,009.07
Total Source of Funds from Liabilities	**119,409.32**	**150,134.94**	**197,713.71**
Capital	11,231.40	12,211.39	13,804.06
Total Source of Funds	**130,640.72**	**162,346.33**	**211,517.77**

As of December 31, 2011, 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	601	25,359	4,024	-	-	-	-	29,984
Derivative Asset	-	-	-	22	-	-	-	22
Investment – net	18	52	1,218	827	-	481	-	2,596
Investment in subsidiaries - net	-	-	-	-	-	47	-	47
Loans and receivable	14,134	18,255	36,370	103,070	5,058	-	2,949	179,836
	15,656	43,666	41,612	103,919	5,058	528	2,949	213,388
Financial liabilities								
Deposits	21,256	10,360	5,918	526	-	-	-	38,060
Interbank and money market items	407	1,947	6,834	1,670	-	-	-	10,858
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivative Liability	-	127	128	-	15	-	-	270
Borrowings	1,661	59,064	71,312	5,750	6,000	-	-	143,787
	23,772	71,498	84,192	7,946	6,015	-	-	193,423
Off-balance sheet items								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,474	4,092	4,032	1,650	4,279	-	17,676

*Following Bank of Thailand's rule

A detail 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 aggressive expand its hire-purchase business in this market with justified risk-adjusted returns. Despite the growth of automobile hire-purchase in 2010 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 are 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 2010 and 2011 has been maintained above the regulatory requirements with details as follows:

(Unit: percentage)

Capital Adequacy Ratio	2009/1	2010/1	2011/1	Regulatory Requirement
Tier-I Capital to Risk Assets	14.48	11.29	9.88	4.25
Total Capital to Risk Assets	16.96	15.23	14.91	8.50

/1Use 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, 2011, the Bank's reserves were 4,098.96 million baht, or 185.0% 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, 2009-2011 are as follows: These assets are free from any obligations.

(Unit: Million baht)

Type of Assets	2009	2010	2011
Land and buildings (net)			
Office of TISCO Financial Group Plc. at TISCO Tower	347	327	317
Office furniture and improvements (net)	168	136	115
Total office furniture (net)	125	87	67
Others	9	25	19
Total (net)	649	575	518

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 5.35.3

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, 2011, are shown below:

(Unit: Million baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	191,868	-	-	-	191,868	93.5
Special mention	10,880	-	-	-	10,880	5.3
Substandard	1,517	-	-	-	1,517	0.7
Doubtful	254	-	-	-	254	0.1
Bad debts	443	119	18	50	630	0.3
Total	204,962	119	18	50	205,149	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[1]. 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, 5.3 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.

[1] Source: Announcement of the Bank of Thailand SorNorSor 67/2551, Category 5: Revenue recognition from loan and hire purchase loan: Financial will recognize income according to the amount of payment, in which interest payment are overdue less than 3 month.

6. Legal Disputes

As of December 31, 2011, the Bank had 19 unresolved cases from its regular business operations that the Bank being sued, consisting of:

(1) 1 administrative case which the plaintiff who claimed that he was an owner of the disputed car, filed lawsuit with the Central Administrative Court against the Department of Land Transport, petition for cancellation of car registration book that show the Bank's name as the car owner and issue new one showing the plaintiff's name as car owner instead. The Central Administrative had taken the view that the Bank had an interest in this case, and for the benefit of the Court's consideration of the case thus the Court named the Bank as co-defendant. Currently, the case is under the consideration of the Central Administrative Court;

(2) 1 criminal case which the plaintiff filed a lawsuit against used car dealer for forging documents and use of forged documents and also against the Bank, in capacity of the hire purchaser, for receiving stolen property. The case was dismissed by the Court of First Instance but the plaintiff appealed the cases to the Court; and

(3) 17 civil cases involving an estimated total amount of 136.09 million baht, which was less than five percent (5%) of its shareholders' equity. Of all civil cases, there were 7 cases involving total amount of 9.25 million baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 2 cases, with a total amount of 0.84 million baht, that already reach judgment but the Bank appealed the cases to the Court. There were 8 cases, with a total value of 126 million baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiff still appealed to the Appeal Court or Supreme (Dika) Court. Apart form the said case, there was 1 case which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 40.24 million baht in which the Bank had an indemnification for any damages suffered (if any). Moreover, in June 2009, a foreign subsidiary has been sued in amounting to 46.6 million HKD (equivalent to 190 million baht as of December 31, 2011) 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; 5.35.2 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 January 1, 2012

Total registered capital	:	11,002,000,000 baht comprised of 728,152,146 common shares and 372,047,854 preferred shares.
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 January 1, 2012, 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 24th 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 from TRIS Rating Company Limited on May 13, 2011
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 Year1st - Year3rd, started from issuance date (2) 6.0% per annum for Year4th – Year7th, started from issuance date (3) 6.5% per annum for Year8th – 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- from TRIS Rating Company Limited on May 13, 2011
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- from TRIS Rating Company Limited on May 13, 2011
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- from TRIS Rating Company Limited on May 13, 2011
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 Year1st - Year10th, started from issuance date
Payment Date	:	Every 13th 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	:	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- from TRIS Rating Company Limited on May 13, 2011
Debenture holder Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

6. TISCO Bank Public Company Limited short-term debenture Issue 1, Series 1 with maturity date on July 5, 2012

Type of Offering	:	Offering to Individual Investors and Institutional Investors
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	76,000 units
Outstanding	:	76,000 units
Tenor	:	Up to 270 days from the issue date
Issuing Date	:	December 29, 2011
Maturity Date	:	July 5, 2012
Security	:	None
Coupon Rate	:	3.4% per annum started from issuance date
Payment Date	:	Repayment full amount of the principal on the maturity date.
Issuer Rating	:	A from TRIS Rating Company Limited on May 13, 2011 with positive rating outlook
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, 2011, TISCO Bank had outstanding bill of exchange, all in forms of bill of exchange, worth 136,710.77 million baht with coupon rate ranging from 1.75% - 4.50% and average of 68 days to maturity for short-term bill of exchange and 732 days to maturity for long-term bill of exchange.

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 4, 2012 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	99.98
2 Mr. Kittichai Kraikorkit	23,900	-	23,900	0.00
3 Ms. Pornsuk Pornprapa	8,100	-	8,100	0.00
4 Ms. Supavadee Piyamongkolvong	6,000	-	6,000	0.00
5 Ms. Rachit Kowattanakul	6,000	-	6,000	0.00
6 Mr. Suchart Tangkvivij	5,000	-	5,000	0.00
7 MERRILL LYNCH,PIERCE,FENNER & SMITH INC.	4,800	-	4,800	0.00
8 Mr. Jeeraboon Sermvasuchai	4,000	-	4,000	0.00
9 Mr. Pracha Leelaprachakul	3,624	-	3,624	0.00
10 Mr. Songrit Kongpipatchaisiri	3,000	-	3,000	0.00
Total shareholdings of top 10 major shareholders	728,097,154	-	728,097,154	99.99
Other Minority Shareholders	54,992	104	55,096	0.01
TOTAL	728,152,146	104	728,152,250	100.00

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

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

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

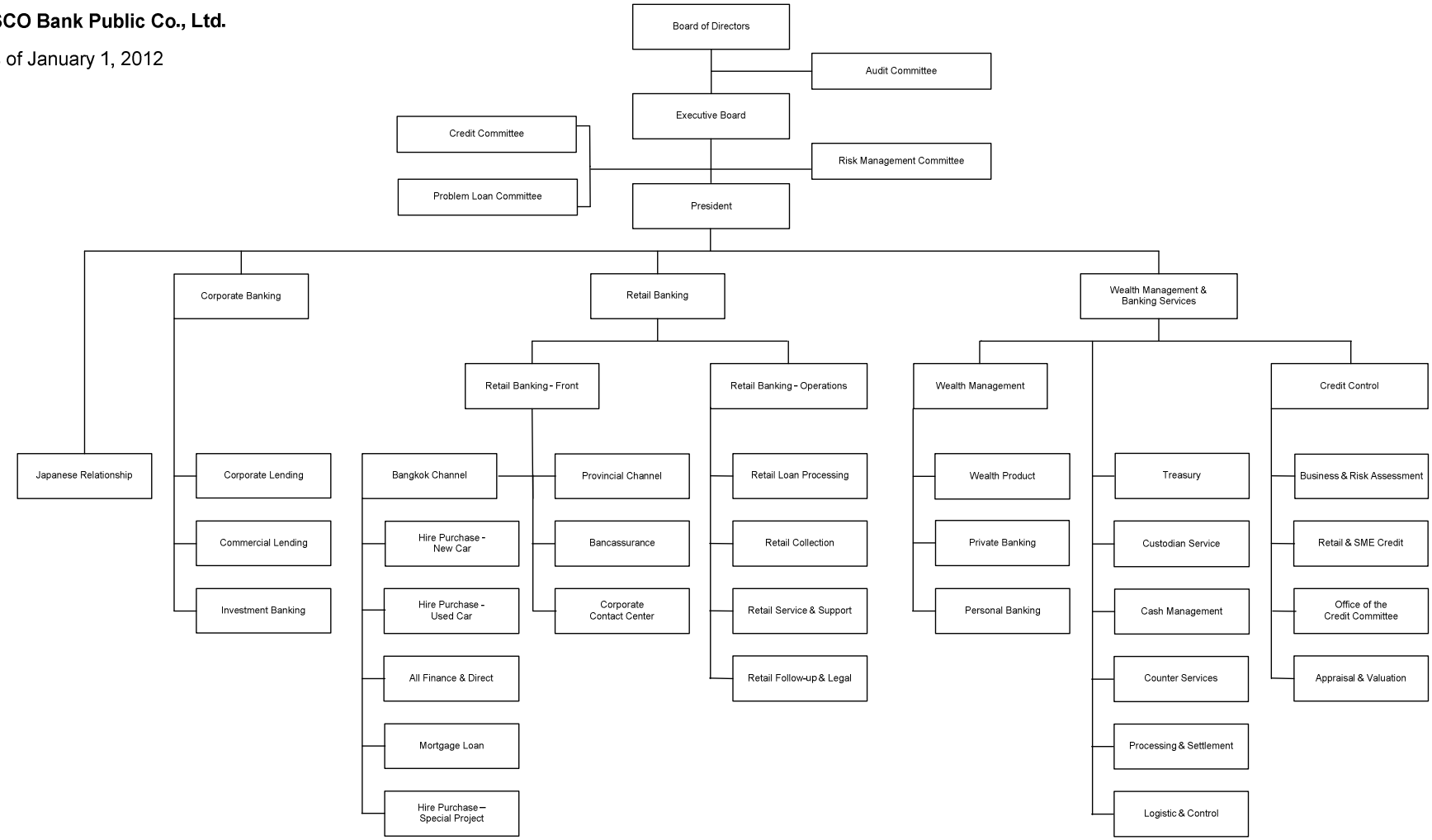
8. Management

8.1 Management Structure

As of January 1, 2012, 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.

As of January 1, 2012



8.1.1 Board of Directors

As of January 1, 2012, 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)	Vice Chairman of the Board and Member of the Executive Board
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Ms. Panada Kanokwat [/1]	Independent Director and Chairperson of the Audit Committee
5. Prof. Dr. Pranee Tinakorn	Independent Director and Member of the Audit Committee
6. Ms.Patareeya Benjapolchai [/1]	Independent Director and Member of the Audit Committee
7. Mr. Hirohiko Nomura	Director and Member of the Executive Board
8. Mr. Pichai Chanvirachart	Director
9. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

Remark: Qualifications of independent directors were prescribed in section 8.3

[/1] At the Board of Directors' Meeting No. 4/2011 convened on April 22, 2011, the Meeting acknowledged the resignation of Assoc. Prof. Dr. Angkarat Priebjrivat, Independent Director and Chairperson of the Audit Committee and appointed Ms. Patareeya Benjapolchai to be Independent Director and Member of the Audit Committee and Ms. Panada Kanokwat to be Chairperson of the Audit Committee in replacement of Assoc. Prof. Dr. Angkarat Priebjrivat. The Company processed for her registration to be director with the Ministry of Commerce on April 26, 2011.

Authorized Signatory:

Number and names of directors who can sign on behalf of the Company are Ms. Oranuch Apisaksirikul, Chairperson of the Executive Board, singly sign with the seal of the company affixed or any two of the following directors sign jointly with the seal of the company affixed namely Mr. Hon Kit Shing or Mr. Hirohiko Nomura or Mr. Suthas Ruangmanamongkol

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. The Board of Directors has authority and responsibilities as detailed below;

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. 5/2011 convened on June 28, 2011 resolved to appoint Mr. Ekkapol Apinun as the Corporate Secretary effective from July 1, 2011 in replacement of Ms. Teerin Suvarnatemiya, 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 TISCO Financial Group Public Company Limited, the "Parent Company". As of January 1, 2012, the Executive Board comprised the following directors:

Name	Position
1. Ms. Oranuch Apisaksirikul	Chairperson of the Executive Board
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Member of the Executive Board
3. Mr. Hirohiko Nomura	Member of the Executive Board
4. Mr. Suthas Ruangmanamongkol	Member of the 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. The Executive Board has authority and responsibilities as detailed below;

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 TISCO Financial Group Public Company Limited, the "Parent Company". As of January 1, 2012, the Audit Committee comprised the following independent directors:

Name	Position
1. Ms. Panada Kanokwat[/1]	Chairperson of the Audit Committee
2. Prof. Dr. Pranee Tinakorn	Member of the Audit Committee
3. Ms. Patareeya Benjapolchai[/1]	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")

[/1] At the Board of Directors' Meeting No. 4/2011 convened on April 22, 2011, the Meeting acknowledged the resignation of Assoc. Prof. Dr. Angkarat Priebjrivat, Independent Director and Chairperson of the Audit Committee and appointed Ms. Patareeya Benjapolchai to be Independent Director and Member of the Audit Committee and Ms. Panada Kanokwat to be Chairperson of the Audit Committee in replacement of Assoc. Prof. Dr. Angkarat Priebjrivat. The Company processed for her registration to be director with the Ministry of Commerce on April 26, 2011.

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. The Audit Committee has authority and responsibilities as detailed below;

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 2011 are as follows:

Name	**No. of Attendance**		
	Board of Directors	**Executive Board**	**Audit Committee**
No. of Meetings (times)	*8*	*12*	*13*
1. Mr. Pliu Mangkornkanok	8	-	-
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	7	10/2	-
3. Ms. Oranuch Apisaksirikul	8	12	-
4. Ms. Panada Kanokwat /1	8	-	13
5. Prof. Dr. Pranee Tinakorn	8	-	12
6. Ms. Patareeya Benjapolchai /1	4 (out of 4 time)	-	7 (out of 8 times)
7. Mr. Hirohiko Nomura	7	11	-
8. Mr. Pichai Chanvirachart	8	-	-
9. Mr. Suthas Ruangmanamongkol	8	12	-

/1 At the Board of Directors' Meeting No. 4/2011 convened on April 22, 2011, the Meeting acknowledged the resignation of Assoc. Prof. Dr. Angkarat Priebjrivat, Independent Director and Chairperson of the Audit Committee and appointed Ms. Patareeya Benjapolchai to be Independent Director and Member of the Audit Committee and Ms. Panada Kanokwat to be Chairperson of the Audit Committee in replacement of Assoc. Prof. Dr. Angkarat Priebjrivat. The Company processed for her registration to be director with the Ministry of Commerce on April 26, 2011.

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

8.1.4 Management

As of January 1, 2012, 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. 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. Chalit Silpsrikul[1, 2]	Executive Vice President – Retail Banking - Front
Mr. Rungroj Jarasvijitkul	First Senior Vice President, Deputy Head of Retail Banking – Front, Head of Bangkok Channel and Acting Head of Hire Purchase - Special Project
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. Yuttpong Sriwongjanya	First Senior Vice President, Deputy Head of Retail Banking – Front and Acting Head of Provincial Channel
Mr. Sathian Leowarin	Head of Bancassurance
Mr. Nattanan Ananpreeyavit	Head of Corporate Contact Center
Mr. Pitada Vatcharasiritham[1, 2]	Senior Executive Vice President – Corporate Banking
Ms. Nipa Mekara	First Senior Vice President and Head of Corporate Lending
Mr. Sommai Ung	Head of Commercial Lending
Mr. Tanachai Bunditvorapoom	Head of Investment Banking
Mr. Metha Pingsuthiwong[1, 2]	First Executive Vice President – Wealth Management and Banking Services
Mr. Picha Ratanatam	Head of Wealth Management
Mr. Thanom Chaiaroondeekul	Deputy Head of Wealth Management
ML. Waraporn Worawarn	Head of Wealth Product
Ms. Mallee Peravanichkul	Head of Private Banking
Ms. Saranya Weeramahawong	Head of Personal Banking
Ms. Karantarat Vongsa	Head of Treasury
Ms. Ladda Kulchatchai	Head of Custodian Service
Ms. Suwandee 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
Ms. Suthinee Muangman	Head of Credit Control
Ms. Prapatsorn Arthachinta	Head of Business & Risk Assessment

Name	Position
Ms. Penthip Laobooncharoen	Head of Retail & SME Credit
Ms. Surang Techarungnirun	Head of Office of the Credit Committee
Mr. Pichit Treethephasumphan	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

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. The President has authority and responsibilities as detailed below;

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, Independent Directors and Management Selection Guidelines

8.2.1 Director and Independent 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 and/or independent director for replacement of any vacancy occurring otherwise than by rotation, or propose to shareholders the appointment of directors and/or independent directors to replace those who retire by rotation or additional directors and/or independent 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 Group shall pay remuneration to all TISCO Financial Group Public Company Limited directors and directors of subsidiary companies, including TISCO Bank, who are non-executive director(s), that do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO group of companies, in the same form and amount as members of the Board of Directors of TISCO Financial Group Public Company Limited.

8.4.2 Financial Remuneration

The Company's shareholders, at the Shareholders Ordinary General Meeting for the year 2011, approved the annual directors' remuneration to be paid only to non-executive director(s) who do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO group of companies, in the form of reward, meeting fee, monthly fee and bonus at the amount of not greater than 500,000 baht each, to be valid until amended. The Board of Directors, under the authority delegated by the shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors. Thereafter, the Board of Directors, at the Board Meeting No. 3/2011 on February 25, 2011 determined the remuneration for a director, who do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO group of companies, in the form of monthly fee at 40,000 baht per month per director. In 2011,TISCO Bank pay remuneration to one director namely Mr. Pichai Chanvirachart in the amount of 480,000 baht.

In 2011, Total remunerations for one director and the Bank management total of 32 persons, excluded 5 persons which are the Parent Company's management and seconded to manage the Bank, was 116,334,785.00 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.

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

Corporate Governance Code of Conduct is set up to provide guiding principles of good corporate governance to the directors, management, and employees of TISCO Group in order to ensure that the Group complies with all relevant laws and regulations and carries out duties with maximum accountability, transparency, and equitable treatment to all stakeholders so as to promote managerial integrity, effectiveness, and efficiency across the group. The Corporate Governance Principle covers 5 main areas, namely, the Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board (details of Corporate Governance Code of Conduct are presented on www.tisco.co.th).

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. **<u>Rights of Shareholders</u>**

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 Office and Investor Relations Function to represent the company in communications with shareholders, investors, analysts, credit rating agencies, and related regulatory bodies. The company's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the 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. In determining the agendas to be proposed in each meeting, the Chairman of the Board and Top Management shall jointly determine the authority, level of importance and subjects to be proposed as the meeting agendas. 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.

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, 2011, the total number of employees at TISCO Bank was 2,133 (excluding senior management) of which 1,946 were permanent employees and 187 contract staff.

Unit: employees	**December 31, 2010**	**December 31, 2010**
TISCO Bank	1,874	2,133

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 806,695,311.76 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.

8.8.2 General Human Resources Policies

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

1. <u>Principles of Dealing with People at TISCO Group</u>

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. <u>Hiring</u>

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. <u>Employment at TISCO Group</u>

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 be 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. <u>Human Resources Administration</u>

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. <u>Succession Planning</u>

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 2011, 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

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.

<u>Specific-Area Committee of the Company</u>

- 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.

<u>Specific-Area Committee of TISCO Bank and other subsidiaries</u>

- 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

The Audit Committee convened 13 meetings in Year 2011 (11 meetings with full attendance and 2 meetings with two-thirds attendance). Major activities performed by the Committee were as follows:

- **Financial Statements:** Meeting with the external auditor on a quarterly basis to review quarterly 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 the Bank's adoption of new accounting standards, the impacts from the reduction of corporate income tax rate towards the Bank's deferred tax positions, and the disclosure of financial impact from flood situation in Thailand in notes to the financial statements.

- **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:** Meeting with management to acknowledge annual compliance plan and reports, compliance activities and status of legal cases and litigations.

- **External Auditor:** Assessing the independence of the external auditor and acknowledging the audit partner rotation policy. 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. Ratana Jala of Ernst & Young Office Limited as the auditor of the Bank for the Year 2011. 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 examination by the Bank of 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. 1/2012 on February 17, 2012, 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 2011, Ernst & Young Office Limited as independent auditor of the bank had no comments on the internal control system.

10. Related Party Transactions

In 2011, 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 5.32.

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 Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2009 and 2010

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2009 was Mr. Supachai Phanyawattano, Certified Public Accountant (Thailand) No. 3930 and in 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 presented fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2009 and 2010, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

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

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

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

Table Depicting the Financial Statements of the Bank

TISCO Bank Public Company Limited

Statement of Financial Position

As of

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Assets			
Cash	826,096	902,816	903,069
Interbank and money market items - net	12,074,644	12,360,491	29,983,895
Derivatives assets	1,144	12,800	22,450
Investments - net	8,349,571	4,964,602	2,595,951
Investments in subsidiaries - net	60,056	135,312	46,911
Loans to customers and accrued interest receivables - net			
Loans to customers	121,627,536	159,427,815	196,934,575
Accrued interest receivable	97,471	115,567	222,666
Total loans to customers and accrued interest receivables	121,725,007	159,543,382	197,157,241
Less: Deferred revenue	(12,524,970)	(14,239,270)	(17,321,366)
Less: Allowance for doubtful accounts	(2,088,416)	(3,859,412)	(4,098,963)
Less: Allowance for loss on debt restructuring	(18)	(3)	(3)
Loans to customers and accrued interest receivables - net	107,111,603	141,444,697	175,736,909
Property foreclosed - net	47,242	17,963	257,736
Premises and equipment - net	649,627	575,272	518,331
Intangible assets - net	136,807	121,279	100,304
Deferred tax assets	479,400	954,833	103,387
Other assets	904,532	856,271	1,248,831
Total assets	**130,640,722**	**162,346,336**	**211,517,774**

TISCO Bank Public Company Limited

Statement of Financial Position (Continued)

As of

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Liabilities and shareholders' equity			
Liabilities			
Deposits	56,930,949	48,606,378	38,059,886
Interbank and money market items - net	4,321,445	8,867,299	10,857,981
Liability payable on demand	345,170	532,448	448,049
Derivatives liabilities	-	-	270,360
Debts issued and borrowings	55,547,005	87,976,147	143,786,767
Provision for long-term employee benefits	-	-	83,767
Accrued interest payable	250,447	445,505	1,380,677
Income tax payable	-	686,197	-
Dividend payable	436,889	1,019,409	400,484
Other liabilities	1,577,421	2,001,560	2,425,738
Total liabilities	**119,409,326**	**150,134,943**	**197,713,709**
Shareholders' equity			
Share capital			
Registered	11,002,000	11,002,000	11,002,000
Issued and fully paid-up			-
104 preference shares of Baht 10 each	731	1	1
728,152,146 ordinary shares of Baht 10 each	7,280,791	7,281,521	7,281,521
	7,281,522	7,281,522	7,281,522
Share premium			
Share premium of preference shares	37	-	-
Share premium of ordinary shares	130,414	130,451	130,451
Other components of shareholders' equity	7,927	14,311	106,410
Retained earnings	-	-	-
Appropriated-statutory reserve	614,900	714,600	846,100
Unappropriated	3,196,595	4,070,509	5,439,582
Total shareholders' equity	**11,231,396**	**12,211,393**	**13,804,065**
Total liabilities and shareholders' equity	**130,640,722**	**162,346,336**	**211,517,774**

TISCO Bank Public Company Limited

Statement of Earnings

For the years ended

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Interest income	7,742,095	8,709,932	11,556,819
Interest expenses	(2,561,743)	(2,414,959)	(5,260,491)
Net interest income	**5,180,352**	**6,294,973**	**6,296,328**
Fees and service income	760,490	1,257,514	1,614,351
Fees and service expenses	(73,917)	(65,637)	(61,577)
Net fees and service income	**686,573**	**1,191,877**	**1,552,774**
Gain (loss) on trading & foreign exchange transaction	9,229	7,753	58,599
Gain (loss) on investments	47,205	166,080	24,637
Penalty fee income from loans	178,787	185,759	192,900
Income from business promotion relating to the business	160,145	212,214	538,092
Revesal allowance for impairment of property foreclosed	-	-	248,232
Other operating incomes	375,171	302,416	161,151
Total operating income	**6,637,463**	**8,361,072**	**9,072,713**
Other operarting expenses			
Employee's expenses	1,002,453	1,339,254	1,472,728
Directors' remuneration*	-	-	480
Premises and equipment expenses	623,495	673,165	660,357
Taxes and duties	111,310	146,023	217,382
Supporting service expenses	800,000	920,979	802,810
Expenses to business promotion relating to the business	110,822	296,385	598,701
Others	876,469	377,934	448,172
Total operating expense	**3,524,550**	**3,753,740**	**4,200,630**
Bad debt and doubtful accounts and impairment loss of debt securities	(1,171,820)	(1,769,681)	(1,065,609)
Profit (loss) from operating before tax	**1,941,094**	**2,837,651**	**3,806,474**
Income tax expense	(584,030)	(844,627)	(1,176,565)
Profit (loss) for the period	**1,357,063**	**1,993,024**	**2,629,909**
Basic earning per share	1.74	2.74	3.61

* In 2009-2010, after shareholders restructuring in TISCO Financial group, TISCO Bank had no directors' remuneration expense.

In 2011, the shareholder's meeting approved the remuneration paid to the director, who has no director position in the parent company and/or who has management position in parent company of TISCO group, in the amount up to 500,000 million baht per year. Accordingly, there is a one director received the remuneration in amount of 40,000 baht per month.

TISCO Bank public company limited

Cash flow statements

For the years ended

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Cash flows from operating activities			
Profit from operating before income tax expenses	1,941,094	2,837,651	3,806,474
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities			
Depreciation and amortisation	195,203	197,502	168,093
Bad debts and doubtful accounts	1,731,543	2,385,185	1,729,230
Allowance for impairment of investment (reversal)	(17,821)	22,290	(56,897)
Allowance for impairment of property foreclosed (reversal)	494,780	257	(248,232)
Gain (loss) on sale of investments	(53,418)	(177,721)	(76,876)
Unrealised (gain) loss on tradings and foreign exchange transactions	(9,229)	1,842	(48,362)
Gain on disposal of equipment	(5,399)	(10,540)	(6,518)
Loss on written-off of equipment	-	49	-
Gain on disposal of property foreclosed	(171,351)	(195,053)	(63,074)
Provision for long-term employee benefits	-	-	10,727
Decrease (increase) in other accrued income	70,317	(9,786)	(5,729)
Increase in accrued expenses	134,560	445,934	678,701
Net interest income	(5,409,105)	(6,294,973)	(6,296,328)
Dividend income	(49,977)	(61,632)	(75,135)
Interest received	8,073,862	8,355,284	11,220,356
Interest paid	(2,951,327)	(1,963,949)	(4,162,767)
Dividend received	49,977	61,632	75,135
Income tax paid	(310,923)	(1,207,819)	(1,365,190)
Profit from operating activities before changes in operating assets and liabilities	**3,712,785**	**4,386,153**	**5,283,608**

TISCO Bank public company limited

Cash flow statements (Continued)

For the years ended

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Operating assets (increase) decrease			
Interbank and money market items	1,073,696	(285,847)	(17,332,883)
Loans to customers	(10,007,055)	(37,594,013)	(36,675,652)
Property foreclosed	2,082,417	1,516,520	862,018
Intangible assets	(25,077)	(27,678)	(27,145)
Other assets	(651,345)	(2,973)	77,993
Operating liabilities increase (decrease)			
Deposits	(1,944,832)	(8,322,195)	(10,546,492)
Interbank and money market items	376,852	4,547,275	1,991,803
Liability payable on demand	(151,570)	187,278	(84,399)
Other liabilities	(225,670)	291,741	201,180
Net cash flows from (used in) operating activities	**(5,759,799)**	**(35,303,739)**	**(56,249,969)**
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(8,037,112)	(5,378,968)	(2,058,398)
Cash received from disposal of investment in securities held for investment	4,339,650	8,926,161	4,505,733
Cash paid for purchase of equipment	(111,347)	(80,146)	(61,012)
Cash received from disposal of equipment	6,102	11,001	6,418
Cash received from share capital reduction of a subsidiaries	210,010	-	136,655
Cash paid for capital increases of subsidiaries	-	(85,998)	-
Net cash flows from investing activities	**(3,592,697)**	**3,392,050**	**2,529,396**
Cash flows from financing activities			
Borrowings	6,939,716	33,425,299	55,734,619
Cash received from issuance long-term debentures	4,000,000	2,000,000	76,000
Cash paid for redemption of long-term debenture	(331,000)	(3,000,000)	-
Dividend paid	(1,025,244)	(436,890)	(2,089,793)
Net cash flows used in financing activities	**9,583,472**	**31,988,409**	**53,720,826**
Translation adjustment			
Net increase in cash	230,976	76,720	253
Cash at beginning of the year	595,120	826,096	902,816
Cash at end of the period	**826,096**	**902,816**	**903,069**

11.1.2 Important Financial Ratios

		2009	2010	2011
Profitability Ratio				
Gross Profit Margin	(%)	70.3	75.8	60.1
Net Profit Margin	(%)	26.1	31.8	37.1
Return on Average Shareholders' Equity	(%)	12.0	17.0	20.2
Interest Income Ratio	(%)	6.2	5.9	6.1
Interest Expense Ratio	(%)	2.3	1.8	3.1
Interest Spread	(%)	3.9	4.1	3.0
Return on Investment	(%)	8.8	9.1	8.2
Efficeincy Ratio				
Net Interest Income to Total Assets	(%)	4.1	4.3	3.4
Return on Average Assets	(%)	1.1	1.4	1.4
Total Asset Turnover	(times)	0.1	0.1	0.0
Financial Ratio				
Debt to Equity Ratio	(times)	10.6	12.3	14.3
Total Loans to Total Borrowing and Deposits	(%)	96.7	105.9	98.5
Total Loans to Public Borrowing	(%)	191.6	298.7	471.9
Public Borrowing to Total Liabilities	(%)	47.7	32.4	19.2
Dividend Payout Ratio	(%)	59.3	51.1	40.7
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	1.9	2.7	2.3
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	1.1	0.6	0.8
Non-accrued loans[1] to Total Loans	(%)	3.9	2.7	1.8
Loan loss provision to Non-performing loans	(%)	84.9	163.6	185.0
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.1
Other Ratios				
Capital Funds to Risk Weighted Asset (BIS)	(%)	16.96	15.23	14.91

[1] according to the Bank of Thailand's definition

11.2 Explanation and Analysis of Financial Position and Performance

The Management Discussion and Analysis compares operating performance and financial position of TISCO Bank Public Company Limited for the year 2011 and year 2010

Movement of Money Market and Capital Market

For the year 2011, overall Thailand domestic economy demonstrated slight growth momentum following expansion in domestic consumption from various governments' economic stimulus packages and increase in exports. Nevertheless, major Thai flood crisis during the fourth quarter of 2011 has caused widespread damages to Thai economy particularly in agricultural and industrial sectors. Although, the flooding impact was more severe than anticipated, Thai domestic economy is expected to be able to resume normal level of business in the first half of the year 2012.

The Bank of Thailand (BoT) adjusted the policy rate 7 times from 2.00% at the end of 2010 to 2.25% and 2.50% during the first quarter of 2011. Subsequently, in the second quarter of 2011, BoT increased the policy rate to 2.75% and 3.00% and then to 3.25% and 3.50% in the third quarter of 2011, driven by improving economic condition and continual rising inflationary pressure. Nonetheless, the rate was reduced to 3.25% in the final quarter of 2011 to support the recovery of domestic economy from the effects of flood crisis. Meanwhile, average 3-month fixed deposit rates of Top 4 commercial banks increased from 1.10% at the end of 2010 to 2.08 % at the end of 2011, while the average minimum lending rate of Top 4 commercial banks increased from 6.12% at the end of 2010 to 7.25% at the end of 2011.

In 2011, the capital market was at the same level in 2010 amid concerns over European debt crisis and contraction in overall global economy. The SET index decreased from the same period last year to close at 1,025.32 points, a decline by 7.44 points. The average daily turnover slightly improved from 28,668.97 million baht in 2010 to 28,854.34 million baht.

Impacts from flood crisis

The severe flood crisis during the fourth quarter of 2011 was seriously devastated both people and economy. However, TISCO Bank's operating asset was slightly impacted by the flood crisis whereby 10 bank branches were temporary halted during the crisis. These bank branches were reopened by the end of 2011 with minor maintenance expenses.

For the impact on loan business, the majorities of affected customers are the customer of auto hire-purchase and loan against auto license businesses whereby their income were temporary impaired resulting in deterioration in repayment ability. Meanwhile, the customer's damaged assets due to the flood crisis (e.g. car, motorcycle) were relatively small, accounted for 5% – 10% of total affected customers. Furthermore, more than 50% of damaged assets were covered by insurance company. In addition, the customers who agreeing on debt moratorium were accounted for 2% – 3% compared to total loan portfolio.

To remedy for flood affected customers, TISCO Bank has been carrying out various measures to help ease debt repayment burden of customers, for instance, 3-month principal and interest moratorium, waving or canceling of transaction fees, and other loan restructuring arrangement. The expected credit losses was approximately 300-500 million baht, accounted for in the general reserve of TISCO Bank. In addition, TISCO Bank has continued to closely monitor loan portfolio to maintain good level of loan quality. Nonetheless, TISCO Bank anticipated that most affected customers will resume normal repayment in the first quarter of 2012.

11.2.1 Operating Results

Net profit of TISCO Bank was 2,629.91 million baht, increased by 636.87 million baht (32.0% YoY), contributed by an increase in net interest income of 32.7% (YOY), following strong growth in all businesses of 23.7% (YoY). However, loan spread declined from 4.5% in 2010 to 3.5% in 2011 mainly due to higher cost of funds, following upward rising interest rate environment. Meanwhile, non-interest income was reported at 2,837.97 million baht, increased by 706.24 million baht (33.1% YoY) mainly due to increase in fee income.

Basic earnings per share for the year 2011 were 3.61 baht compared with those in 2010 of 2.74 baht. The average return on equity (ROAE) for the year 2011 was at 20.2% compared with 17.0% in 2010.

(1) The Bank's Revenue Structure

The Bank's revenue structure in 2010 and 2011 is illustrated in Table1.

Table 1: Revenue Structure

Type of Revenue	2010		2011		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest income					
Interest on loans	1,632.74	19.5	3,216.64	35.5	97.0
Interest on interbank and money market items.	178.32	2.1	572.25	6.3	220.9
Hire purchase and financial lease income	6,465.10	77.3	7,542.90	83.1	16.7
Investments	433.77	5.2	225.03	2.5	(48.1)
Total interest income	***8,709.93***	***104.2***	***11,556.82***	***127.4***	***32.7***
Interest expenses	(2,414.96)	(28.9)	(5,260.49)	(58.0)	117.8
Net interest income	***6,294.97***	***75.3***	***6,296.33***	***69.4***	***0.0***
Fee Income	1,257.51	*15.0*	1,614.35	*17.8*	*28.4*
Fee Expenses	(65.64)	*(0.8)*	(61.58)	*(0.7)*	*(6.2)*
Net Fee Income	***1,191.88***	***14.3***	***1,552.77***	***17.1***	***30.3***
Gain on investment and foreign exchange transaction	173.83	*2.1*	83.24	*0.9*	*(52.1)*
Other Income	700.39	*8.4*	1,140.38	*12.6*	*62.8*
Net Operating Income	***8,361.07***	***100.0***	***9,072.71***	***100.0***	***8.5***
Non-interest expenses	(3,753.74)		(4,200.63)		
Bad debt and doubtful account and impairment loss of debt securities	(1,769.68)		(1,065.61)		
Profit before income tax	**2,837.65**		**3,806.47**		
Corporate income tax	(844.63)		(1,176.56)		
Net Profit	**1,993.02**		**2,629.91**		

(2) Net Interest

In 2011, total interest income was 11,556.82 million baht, increased by 2,846.89 million baht (32.7% YoY) following the growth in all loan businesses. Furthermore, net interest income was 6,296.33 million baht, which was at the same level as in 2010. Meanwhile, interest expense increased by 2,845.53 million baht (117.8% YoY) to 5,260.49 million baht following upward interest rate environment.

Yield on loan improved from 6.4% in 2010 to 6.6% (YoY) amid upward interest rate cycle. Meanwhile, TISCO Bank's cost of fund increased from 1.8% in 2010 to 3.1% driven by upward interest rate cycle and intensifying deposit competition. As a result, loan spread declined from 4.5% to 3.5% (YoY) in 2011 amid intensifying deposit competition, together with the deferred portion of interest income from flood affected clients during the fourth quarter of 2011. Nonetheless, TISCO Bank anticipated that loan spread will continue to improve in the following quarters from stabilizing interest rate environment.

TISCO Bank reported net interest income after impairment loss of loans and debt securities for the year 2011 of 5,230.72 million baht, increased by 705.43 million baht (15.6% YoY) compared to 4,525.25 million baht in 2010.

Table 2: Interest spread 2010-2011

%	2010	2011
Yield on Loans	6.4	6.6
Cost of fund	1.8	3.1
Loan spread	**4.5**	**3.5**

(3) Non-interest Income

Non-interest income of TISCO Bank recorded at 2,837.97 million baht increased by 706.24 million baht (33.1% YoY) mainly from an increase in banking fee following the growth of hire purchase loan and bancassurance businesses. Meanwhile, net profit from investment, trading and foreign exchange decreased by 90.59 million baht due to a fluctuation of world economy.

(4) Operating Expenses

Operating expenses for the year 2011 was 4,200.63 million baht, increased by 446.89 million baht (11.9% YoY). The increase was due to higher variable expenses associated with higher business volume and revenue. Meanwhile, the cost to income ratio was 46.3 % in 2011, comparing to 44.9% in 2010.

(5) Bad Debt and Doubtful Accounts and Impairment loss of debt securities

In 2011, TISCO Bank recorded bad debt and doubtful accounts and impairment loss of debt securities of 1,065.61 million baht, decreased by 704.07 million baht (39.8%), comparing to 1,769.68 million baht in 2010, following improvement in asset quality.

(6) Corporate Income Tax

The corporate income tax in 2011 was 1,176.56 million baht, equivalent to the effective tax rate of 30.9 %, compared to 29.8% (YoY) in 2010. For the year 2011, TISCO Bank has made full impairment to net deferred tax asset in respond to the decrease in corporate income tax rates to 23.0% and 20.0% in 2012 and 2013 respectively. Therefore, all deferred tax items of TISCO Bank has been reduced accordingly to 20% tax rate.

11.2.2 Financial Position

(1) Assets

TISCO Bank's total assets as of December 31, 2011 were 211,517.77 million baht, increased by 49,171.44 million baht (30.3% YoY) following strong growth in loan portfolio from 145,188.55 million baht to 179,613.21 million baht (23.7% YoY).

Table 3: Assets Breakdown as of December 31, 2010 and 2011

Assets	December 31, 2010		December 31, 2011		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	902.82	0.6	903.07	0.4	0.0
Interbank and Money Market Items	12,360.49	7.6	29,983.89	14.2	142.6
Derivative Asset	12.80	0.0	22.45	0.0	75.4
Fixed income	2,563.17	1.6	1,546.78	0.7	(39.7)
Equity	2,401.43	1.5	1,049.17	0.5	(56.3)
Subsidiaries	135.31	0.1	46.91	0.0	(65.3)
Corporate Loans	22,431.58	13.8	32,348.73	15.3	44.2
Commercial Loans	108,195.70	66.6	128,633.59	79.2	18.9
Retail Loans	9,425.41	5.8	13,628.40	6.4	44.6
Other Loans	5,135.86	3.2	5,002.49	2.4	(2.6)
Allowance for doubtful accounts and for loss on debt restructuring	(3,859.41)	(2.4)	(4,098.97)	(1.9)	6.2
Other Assets	2,641.18	1.6	2,451.25	1.2	(7.2)
Total	**162,346.33**	**100.0**	**211,517.77**	**100.0**	**30.3**

(a) Investments

As of December 31, 2011, total investment was 2,642.86 million baht, decreased by 5,099.91 million baht or 48.2% (YoY) due to a decrease in equity investment and hire purchase portfolio from Primus Leasing Company Limited and GMAC (Thailand) Limited.

(b) Loans and Receivables Breakdown

Total loans and receivables were 179,613.21 million baht, up by 34,424.66 million baht (23.7% YoY), following growth in all businesses. The composition of loan portfolio was 71.6% of retail loans, 18.0% of corporate loans, 7.6% of commercial loans and 2.8% 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, 2010 and 2011

Type of Business	December 31, 2010		December 31, 2011		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	10,996.33	7.6	16,368.35	9.1	48.9
Real estate and construction	6,374.43	4.4	8,789.92	4.9	37.9
Public utilities and services	4,905.58	3.4	6,862.20	3.8	39.9
Agriculture and mining	155.24	0.1	328.26	0.2	111.5
Corporate Loans	**22,431.58**	**15.4**	**32,348.73**	18.0	44.2
Commercial Loans	**9,425.41**	**6.5**	**13,628.40**	7.6	44.6
Hire purchase	101,404.99	69.8	119,516.90	66.5	17.9
Housing	1,422.29	1.0	1,366.69	0.8	(3.9)
Consumer	5,368.42	3.7	7,750.00	4.3	44.4
Retail Loans	**108,195.70**	**74.5**	**128,633.59**	71.6	18.9
Others	5,135.86	3.5	5,002.49	2.8	(2.6)
Total	**145,188.55**	**100.0**	**179,613.21**	**100.0**	**23.7**

(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 1.6% at the end of 2010 to 1.3% at the end of 2011. Additionally, the percentage of NPLs of retail loan, corporate loan and commercial loan were 1.3%, 1.2%, and 0.8%, respectively with total NPLs of 2,215.13 million baht, decreased by 143.87 million baht (6.1% YoY).

Table 5: NPLs Breakdown by Area as of December 31, 2010 and 2011

Type of Business	December 31, 2010			December 31, 2011			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	0.9	99.65	4.2	0.4	71.50	3.2	(28.3)
Real estate and construction	5.5	352.90	15.0	3.3	288.63	13.0	(18.2)
Public utilities and services	1.6	76.76	3.3	0.5	30.99	1.4	(59.6)
Agriculture and mining	4.0	6.24	0.3	0.7	2.34	0.1	(62.5)
Total NPL - Corporate Loans	**2.4**	**535.55**	**22.7**	**1.2**	**393.46**	**17.8**	**(26.5)**
NPL-Commercial Loans	**0.8**	**76.64**	**3.2**	**0.8**	**114.13**	**5.2**	**48.9**
Hire purchase	1.2	1,202.45	51.0	1.2	1,491.24	67.3	24.0
Housing	8.7	123.98	5.3	7.6	103.87	4.7	(16.2)
Total NPL - Retail Loans	**1.2**	**1,326.42**	**56.2**	**1.3**	**1,595.11**	**72.0**	**20.3**
Others	**8.2**	**420.38**	**17.8**	**2.2**	**112.43**	**5.1**	**(73.3)**
Total NPL	**1.6**	**2,359.00**	**100.0**	**1.3**	**2,215.13**	**100.0**	**(6.1)**

(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, 2011, loan loss reserve was 4,098.96 million baht or 185.0% of NPLs. In addition, as of December 31, 2011, TISCO Bank has provision in excess of BoT's minimum requirement totaling 2,057 million baht. In this regard, TISCO Bank has assigned these excess provisions totaling 2,053 million baht to specific provision for an individual debtor. The total provision according to BoT requirement after including the minimum provision of 2,042 million baht required by BoT are then be 4,095 million baht. These provision set up are in compliance with the BoT's guideline.

Table 6: Allowance for doubtful accounts – classified by the receivables classification as of December 31, 2010 and 2011

Type of receivables classification	December 31, 2010[1] (Bt. million)	%	December 31, 2011[1] (Bt. million)	%	% Change
Pass	794	20.6	3,280	80.0	313.1
Special mentioned	59	1.5	188	4.6	218.6
Substandard	178	4.6	378	9.2	112.4
Doubtful	51	1.3	54	1.3	5.9
Doubtful of loss	426	11.0	195	4.8	(54.2)
Excess Provision	2,351	60.9	4	0.1	(99.8)
Total	**3,859**	**100.0**	**4,099**	**100.0**	**6.2**

(2) Liabilities

Total liabilities as of December 31, 2011 were 197,713.71 million baht, increased by 47,578.77 million baht (31.7% YoY) due mainly to fund raising for supporting business growth. The liabilities mix comprised of 86.0% total deposit including short-term borrowing, 5.5% interbank and money market items, 6.0% long-term borrowings, and 2.5% other liabilities.

Table 7: Liabilities Breakdown by Area as of December 31, 2010 and 2011

Type of Borrowings	December 31, 2010		December 31, 2011		
	Amount (Bt. million)	%	Amount (Bt. million)	%	%
Total Deposits[2]	121,122.12	80.7	170,096.75	86.0	40.4
Interbank and money market items	8,867.30	5.9	10,857.98	5.5	22.4
Long-term borrowings	15,460.40	10.3	11,749.90	6.0	(24.0)
Others	4,685.12	3.1	5,009.08	2.5	6.9
Total	**150,134.94**	**100.0**	**197,713.71**	**100.0**	**31.7**

(3) Shareholders' Equity

Shareholder's equity as of December 31, 2011 was 13,804.07 million baht, increased by 1,592.67 million baht (13.0% YoY). TISCO Bank's book value was at 18.96 baht per share increased from 16.77 baht per share as of December 31, 2010. As at December 31, 2011, TISCO Bank had paid-up shares amounting 728.15 million shares, comprising 728.15 million common shares and 104 preference shares.

11.2.3 Liquidity

As of December 31, 2011, TISCO Bank's cash was 903.07 million baht which was at the same level as previous year. This was mainly comprised of 56,249.97 million baht in net cash flows used in operating activities, mainly contributed by an increase in loans and receivables. Meanwhile, the net cash flows from financing activities was 53,720.83 million baht, mainly contributed by an issuance of debt instruments. Moreover, net cash flow from investing activities was 2,529.40 million baht, mainly contributed by the disposal of investment in securities held for investment.

11.2.4 Sources and Uses of Funds

As of December 31, 2011, the funding structure comprised of 197,713.71 million baht in liabilities and 13,804.06 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 14.3 times. The major source of funds on liabilities side was deposits, which accounted for 18.0% of total source of funds. Other sources of funds included interbank and money market items accounted for

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

5.1% of total source of funds and 76.9% of borrowing of others liability, respectively. TISCO Bank's major use of funds was loans, amounting 179,613.21 million baht.

11.2.5 Business Segment Performances

Loans

As of December 31, 2011, total loans and receivables were 179,613.21 million baht, up by 34,424.66 million baht (23.7% YoY), following growth in loan businesses. The composition of loan portfolio was 71.6% of retail loans, 18.0% of corporate loans, 7.6% of commercial loans and 2.8% of other loans.

Corporate lending

As of December 31, 2011, corporate loan portfolio of the Bank totaled 32,348.73 million baht, significantly increased by 9,917.15 million baht (44.2% YoY), mainly due to an increase in loans to in loans to manufacturing and commerce as well as public utilities and services.

Commercial lending

As of December 31, 2011, commercial loan portfolio of the Bank totaled 13,628.40 million baht, up by 4,202.99 million baht (44.6% YoY), mainly due to the floor plan financing and logistics business.

Retail lending

As of December 31, 2011, retail loan portfolio amounted 128,633.59, consisted of 92.9% car, 1.1% housing, and 6.0% other hire purchase. The outstanding hire purchase loans totaled 119,516.90 million baht, rose by 18,111.91 million baht (17.9% YoY) due partly to the successful in captive leasing business for Fords, Mazda, and Chevrolet. Car hire purchase new business volume amounted 62,888.56 million baht, increased by 5,787.22 million baht (10.1% YoY), and while the domestic car sales in 2011 reported at 794,081 units decreased from 800,357 units (0.8% YoY). The car penetration rate for the year 2011 was at 11.0%. This was at the same level of average penetrate rate of 11.2% in 2010. In addition, consumer loan amounted 7,750.00 million baht, increased by 2,381.58 million baht (44.4%) comparing to 2010, which was mainly contributed by increase in loan against auto license (TISCO Auto Cash) business.

Other loan

As of December 31, 2011, other loan portfolio totaled 5,002.49 million baht, slightly declined by 133.37 million baht (2.6% YoY).

Deposit

As of December 31, 2011, total deposits[1] amounted 170,096.75 million baht, increased by 48,974.63 million baht (40.4% YoY). The increase was higher than those of assets to accommodate for expansion in customer and deposit bases and to increase liquidity of TISCO Bank. At the end of year 2011, TISCO Bank had excess liquidity amounting to approximately 14,337.60 million baht, combining with the BoT required liquidity of 11,123.74 million baht (including bill of exchange) to arrive at total liquidity of 13.7% which was well over the required liquidity by BoT of 6.0%. Meanwhile, the portion of saving accounts and current accounts of total deposits was at 12.1% in 2011. In addition, the portion of retail deposit with deposit amount less than 20 million baht to total funding in terms of clients was at 23.4% at the end of the year 2011.

Table 8: Deposits Structure as of December 31, 2010 and 2011

Type of Deposits	December 31, 2010		December 31, 2011		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	4,933.15	4.1	3,503.98	2.1	(29.0)
Saving accounts	25,671.55	21.2	17,082.94	10.0	(33.5)
Fixed accounts	1,169.53	1.0	2,049.15	1.2	75.2
Negotiate certificate deposit	16,832.16	13.9	15,423.82	9.1	(8.4)
Short-term borrowings	72,515.74	59.9	132,036.87	77.6	82.1
Total deposits	**121,122.12**	**100.0**	**170,096.75**	**100.0**	**40.4**

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

11.2.6 Capital Requirements

As of December 31, 2011, TISCO Bank's capital based on Basel II Internal Rating Based Approach (TRB) stood at 14,306.06 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital at the end of 2011 stood at 9,822.24 million baht, while the capital surplus remained strong at 4,483.82 million baht or 31.3%. According to the internal assessment, the integrated risk capital increased by 2,033.93 million baht (28.5% YoY) from the end of 2010 following the continuous business expansion and the impact of flooding situation in the last quarter of 2011.

Comparing to the end of 2010, the credit risk capital rose by 2,707.96 million baht to 7,673.33 million baht following the expansion of overall portfolio and the flooding crisis. As the result, the NPLs ratio of retail loans increased from 1.2% at the end of 2010 to 1.3% at the end of 2011. Moreover, the retail lending, which is the main business of TISCO Bank, has expanded continuously by 18.9%, from 108,195.70 million baht at the end of 2010 to 128,633.59 million baht at the end of 2011. The corporate lending and commercial lending increased by 44.3%, from 31,856.99 to 45,977.13 million baht at the end of 2011. Meanwhile, the market risk capital declined by 12.89 million baht from 1,100.95 million baht to 1,088.06 million baht, resulting from a decrease in interest rate in banking book.

The overall interest rate risk in banking book increased, resulting from widen of interest rate duration gap from 0.72 year at the end of 2010 to 0.89 year at the end of 2011. The assets duration declined from 1.59 years to 1.54 years, resulting from an increase in short-term hire purchase portfolio and short-term debentures, while the liabilities duration excluding saving and current accounts which are less sensitive to the interest rate movement decreased from 0.87 year to 0.65 year following an increase in short-term bill of exchange and short-term debentures. Therefore, the duration gap of assets and liabilities rose, but was still in a manageable level in the range of 11 months.

In term of regulatory capital requirement of the Bank, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach after an adjustment of capital floor stood at 14.91%, remaining higher than 8.50% required by the Bank of Thailand. Meanwhile, the Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 9.88% and 5.02%, respectively, Tier-I capital adequacy ratio remained higher than the minimum requirement at 4.25%.

Table 9: Capital Adequacy Ratio as of December 31, 2010 and 2011

	December 31, 2010 (%)	December 31, 2011 (%)
Tier-I Capital	11.29	9.88
Total Capital	15.23	14.91

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)	
	2010	2011	2010	2011
Assets	1.59	1.54	512.47	788.61
Liabilities	0.87	0.65	(770.60)	(1,137.85)
Net Gap	0.72	0.89	(258.13)	(349.25)

11.2.7 Auditor's Fee

(1) Audit Fee

The Bank paid the audit fee for the year 2011 of 3,110,000 baht to Ernst & Young Office Limited.

(2) Non-audit Fee

The Bank paid non-audit fees in 2011 amounted to 230,000 baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand.

11.2.8 Credit Rating

On May 13, 2011, TRIS Rating Co., Ltd. has affirmed TISCO Bank's Long-term National ratings at 'A' with a 'Positive' Outlook. The rating reflect TISCO's strong asset quality, capital and profitability, as well as, its conservative management track record. Details of Credit Rating are shown in the following table.

Credit Rating (Unsolicited Rating)	Credit Rating Announcement Date		
	December 24, 2009/1	December 21, 2010/1	May 13, 2011/2
Long – Term National Rating	A (tha)	A (tha)	A
Short – Term National Rating	F1 (tha)	F1 (tha)	-
Rating Outlook	Stable	Stable	Positive

/1 Rating by Fitch Ratings (Thailand) Ltd.

/2 Rating by TRIS Rating Co., Ltd.

In addition, TRIS Rating Co., Ltd. (TRIS) has affirmed the ratings of TISCO Bank's senior debentures due 2012 amounting 1 billion baht with issue rating of 'A' with positive rating outlook. TRIS also affirmed rating 2 issues of subordinated and unsecured debenture due 2019, amounting 4 billion baht at rating of 'A-' and affirmed rating 2 issues of subordinated and unsecured debenture due 2020, amounting 2 billion baht at rating of 'A-'. Moreover, TRIS affirmed short-term debentures due 2012, amounting 76 million baht at rating of 'A'. Details of Credit Rating are shown in the following table.

Credit Rating	Credit Rating Announcement Date		
	December 9, 2008	December 24, 2009	December 21, 2010
Rating by (Unsecured Debenture) TSCO125A: Bt 1,000 million senior debenture due 2012/1	Fitch Ratings (Thailand) Ltd, A-(tha)	Fitch Ratings (Thailand) Ltd, A-(tha)	TRIS Rating Co., Ltd. A
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-
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-
TISCO205A: Bt 1,000 million subordinated debentures due 2020/3 The issuer may set the call option to redeem the debentures before maturity.	-	-	A-
TISCO20DA: Bt 21,000 million subordinated debentures due 2020/3 The issuer may set the call option to redeem the debentures before maturity.	-	-	A-
TISCO12705A: Bt 76 million short term debentures due 2012/4	-	-	A

/1 Issued in 2007

/2 Issued in 2009

/3 Issued in 2010

/4 Issued in 2011

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 Affairs & CSR.

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

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

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

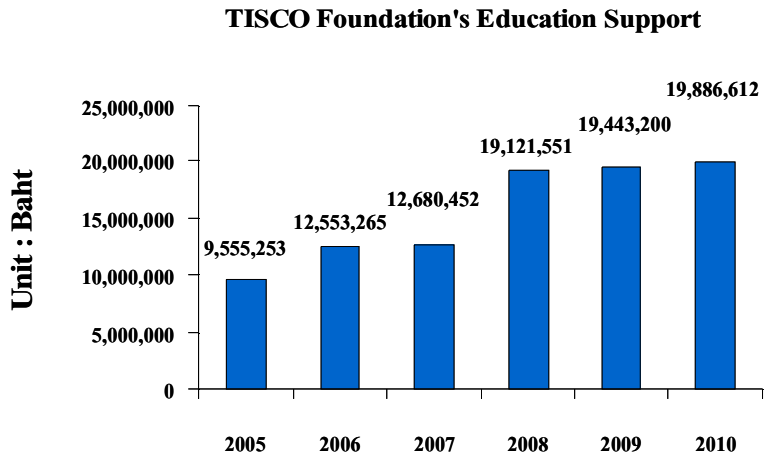
As a demonstration of TISCO Group's long-term commitment to sustainable development, the "TISCO Foundation for Charity" was established in 1982 to work towards the long-term goal of improving society and the nation. Since then, TISCO's major social contributions have been made through the work of TISCO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



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 2,864to 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 disabiliteis 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 Cholburi	To support the construction of ubosot	519,999
Date/Month	**Activities**	**Objectives**	**Amount (Baht)**
Dec 10	Produced HM the King's 84th calendar	To commemorate HM the King's 84th birthday anniversary on 5 December 2011	1,700,000

Date/Month	Activities	Objectives	Amount (Baht)
Dec 10	Built a sculpture representing "the 7th cycle of HM' the King's birthday" and created a painting called "Tarn Baramee"	To commemorate HM the King's 84th 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	• 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
	• 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 Company has examined the information contained in this annual registration statement and hereby certify that the information contained herein is neither false nor misleading nor missing any material information. The Company further certify that:

(1) The financial statements and financial summary in this registration statement present fairly, in all material respects, the financial position, the results of the operations and cash flows of the Company and subsidiary companies.

(2) The Company provides sound information disclosure systems to ensure that the Company has accurately disclosed all the Company's and subsidiary companies' material information and that all the procedures of the said systems were followed properly.

(3) The Company provides reliable internal control system and ensure that the Company has comprehensively complied with the said system. Moreover, the Company has reported the internal control assessment as of January 20, 2012 to the auditor and the Audit Committee. The information presented includes errors and significant changes, if any, of the internal control systems as well as any misconduct which might have an effect on the preparation of the Company's and subsidiary companies' financial statements.

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

Name	Position	Signature
Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board	……..*Oranuch Apisaksirikul*……..

	Name	Position	Signature
Authorised Signatory	Mr. Ekkapol Apinun	Corporate Secretary	……..*Ekkapol Apinun*……..
Authorised Signatory	Mr. Nipon Wongchotiwat	Head of Planning & Budgeting TISCO Financial Group Public Co., Ltd.	……..*Nipon Wongchotiwat*……..

1.1 Details of Directors, Management and Controlling Persons as of January 1, 2012

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	63	Common -	-	Master of Business Administration (Finance)		*TISCO Group*		
Chairman of the Board of Directors		Preferred -		University of California at Los Angeles, USA	2010-Present	Chairman of the Board of Directors	TISCO Financial Group Public Company Limited	Holding Company
				Master of Science (Industrial Engineering)	2009-2010	Chairman of the Executive Board		
				Stanford University, USA		Group Chief Executive Officer		
				Bachelor of Engineering (Industrial Engineering)	2008-2010	Director		
				Chulalongkorn University	2009-Present	Chairman of the Board of Directors	TISCO Bank Public Company Limited	Bank
				- Chairman 2000 Program	2005-2008	Director		
				- Directors Certification Program		Chairman of the Executive Board		
				Thai Institute of Directors Association		Chief Executive Officer		
					2005-2006	Secretary to the Nomination Committee		
					1990-Present	Director	TISCO Foundation	Foundation
					2002-2005	Director	TISCO Finance Public Company Limited	Finance
						Chairman of the Executive Board		
						Member of the Nomination Committee		
						Chief Executive Officer		
						Others		
					Mar2011-Present	Director	Chuchawal-Royal Haskoning Limited	Engineering Consultant
					Feb2011-Present	Director	Sem Pringpuangkeo Foundation	Foundation
					Oct2010-Present	Director	Design 103 International Limited	Architect Consultant
					2007-Present	Executive Director	Thai Institute of Directors Association	Association
					2004-Present	Councillor	Thailand Management Association	Association
					1973-Present	Director	Rama Textile Industry Company Limited	Manufacturer of Yarn
					Oct2010-Mar2011	Director	Solido Company Limited	Restaurant
					2006-2010	Director	Amata Spring Development Company Limited	Golf Course
					1994-May 2010	Director	Phelps Dodge International (Thailand) Company Limited	Manufacture of wire and cable products
					1994-May 2010	Director	PDTL Trading Company Limited	Distributor of electric wires and cable
					2008-2010	Director	The Thai Bankers' Association	Association
					2003-2006	Director	Thai Agro Exchange Company Limited	Fruits & Vegetables Wholesale
					2002-2005	Chairman	Association of Finance Companies	Association
					2002-2005	Director	SINGER Thailland Company Limited	Manufacturer of Consumer Electronics
						Chairman of the Compensation Committee		
						Member of the Audit Committee		
						Chairman of the Nomination Committee		
2. Mr. Hon Kit Shing	34	Common -	-	Bachelor of Science (Economics)		*TISCO Group*		
(Mr. Alexander H. Shing)		Preferred -		Massachusetts Institute of Technology, USA	2010-Present	Vice Chairman of the Board of Directors	TISCO Financial Group Public Company Limited	Holding Company
Vice Chairman of the Board of Directors						Member of the Executive Board		
Member of the Executive Board					2008-Present	Member of the Nomination and Compensation Committee		
(Authorized Signatory)					2009-2010	Vice Chairman of the Executive Board		
					2008-2010	Director		
					2010-Present	Vice Chairman of the Board of Directors	TISCO Bank Public Company Limited	Bank
						Member of the Executive Board		
					2009-2010	Chairman of the Executive Board		
					2007-2010	Director		
					2007-2008	Member of the Executive Board		
						Member of the Nomination and Compensation Committee		
						Others		
					2008-Present	Senior Advisor	CDIB & Partners Investment Holding Corporation	Investment
					2005-2008	Senior Vice President		
					2005-Present	Managing Director	Quintus Capital Group Limited	Investment
					2005-2008	Director	CDIB & Partners Asset Management Holding Limited	Asset Management
					2004-2005	Vice President/Advisor	China Development Industrial Bank Inc.	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
3. Ms. Oranuch Apisaksirikul	53	Common -	-	Master of Business Administration (Finance)		*TTSCO Group*		
Director		Preferred -		Bachelor of Law	2010-Present	Chairperson of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
Chairperson of the Executive Board				Bachelor of Accountancy (Accounting & Commerce)		Group Chief Executive Officer		
(Authorized Signatory)				Thammasat University	2009-2010	Member of the Executive Board		
				- Directors Certification Program		President		
				Thai Institute of Directors Association	2008-Present	Director		
					2010-Present	Chairperson of the Executive Board	TISCO Bank Public Company Limited	Bank
					2008-2009	Member of the Executive Board		
					2005-Present	Director		
					2005-2008	Senior Executive Vice President		
					Sep2011-Present	Director	TISCO Foundation	Foundation
					Feb2011-Present	Director	TISCO Learning Center Company Limited	Services
					2010-Jan2011	Chairperson of the Board	TISCO Securities Company Limited	Securities
					2009-Jan2011	Director		
						Member of the Audit Committee		
					2010-Jan2011	Chairperson of the Board	TISCO Asset Management Company Limited	Asset Management
					2009-Jan2011	Director		
						Member of the Audit Committee		
					2010-Mar2011	Chairperson of the Board	TISCO Information Technology Company Limited	Information Technology
					2009-Mar2011	Director		
					2000-2007	Director	TISCO Global Securities Limited	Securities
					2000-2007	Director	TISCO Securities Hong Kong Limited	Securities
					2005	Director	TISCO Finance Public Company Limited	Finance
					2002-2005	Chief Financial Officer, Planning and Risk Management		
						Others		
					2010-Present	Advisor, Member of Risk Management Sub-Committee	Government Pension Fund	Asset Management
					2006-2010	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
4. Ms. Panada Kanokwat	62	Common -	-	Master of Business Administration (Banking & Finance)		*TISCO Group*		
Independent Director		Preferred -		North Texas State University, USA	Apr2011-Present	Chairperson of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
Chairperson of the Audit Committee				Bachelor of Business Administration (Accounting)	2008-Present	Independent Director		
				Thammasat University	2008-Apr2011	Member of the Audit Committee		
				- Certificate of Capital Market Academy Leadership Program	Apr2011-Present	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
				Capital Market Academy	2008-Present	Independent Director		
				- Certificate of Executive Program in International Management	2008-Apr2011	Member of the Audit Committee		
				Stanford-National University of Singapore		*Others*		
				- Certificate of Building, Leading & Sustaining Innovation Organization	2009	Director	Thai Fatty Alcohols Company Limited	Petrochemical and Chemical
				Sloan School of Management,	2008-2009	Director	PTT Chemical International (Asia Pacific ROH) Limited	Petrochemical and Chemical
				Massachusetts Institute of Technology, USA	2008-2009	Director	Thai Oleochemicals Company Limited	Petrochemical and Chemical
				- Directors Certification Program	2008-2009	Director	PTT Chemical International Pte., Ltd.	Petrochemical and Chemical
				- Directors Accreditation Program	2008-2009	Director	TOC Glycol Company Limited	Petrochemical and Chemical
				- Financial Institutions Governance Program	2008-2009	Director	Thai Choline Chloride Company Limited	Petrochemical and Chemical
				Thai Institute of Directors Association	2008-2009	Director	Thai Ethanolamines Company Limited	Petrochemical and Chemical
					2008-2009	Director	PTT Polyethylene Company Limited	Petrochemical and Chemical
					2005-2009	Senior Executive Vice President,	PTT Chemical Public Company Limited	Petrochemical and Chemical
						Chief Corporate Finance & Accounting		
					2004-2009	Executive Vice President	PTT Public Company Limited	Oil and Gas
					2008	Director	Bangkok Polyethylene Public Company Limited	Petrochemical and Chemical
					2006	Director	Star Petroleum Refining Company Limited	Refinery
					2004-2005	Director	Rayong Refinery Public Company Limited	Refinery

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding[/1] (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
5. Prof. Dr. Pranee Tinakorn	62	Common -	-	Doctor of Philosophy (Economics)		*TISCO Group*		
Independent Director		Preferred -		Master in Economics	2008-Present	Independent Director	TISCO Financial Group Public Company Limited	Holding Company
Member of the Audit Committee				University of Pennsylvania, USA		Member of the Audit Committee		
				Bachelor of Art in Economics	2009-Present	Independent Director	TISCO Bank Public Company Limited	Bank
				Swarthmore College, USA		Member of the Audit Committee		
				- Directors Certification Program		*Others*		
				- Directors Accreditation Program	Jun2011-Present	Subcommitee on Improvement of Financial and Budget System	The Office of the Public Sector Development Commission	Government Office
				- Audit Committee Program		under Public Sector Development Committee		
				- Monitoring the System of Internal Audit Function	2009-Present	University Council Director	Krirk University	Academic Institute
				- Monitoring the System of Internal Control and Risk Management	2008-Present	Executive Director of TDRI	Thailand Development Research Institute (TDRI)	Foundation
				- Monitoring the Quality of Financial Reporting		Member of TDRI Council of Trustees		
				- Monitoring Fraud Risk Management	1979-Present	Professor of Economics	Thammasat University	Academic Institute
				- Financial Institutions Governance Program	2005-2007	Subcommittee of the Thammasat University Council		
				Thai Institute of Directors Association		on Assets and Fiscal Affairs		
					2005-2006	University Committee on Grievance and Appeal		
					2003-2006	Dean, Faculty of Economics		
					2010-2011	Director	National Reform Committee	Independent State Agency
					2008-2010	Member of the Committee on Budget Subsidy for Public Services	Ministry of Finance	Government Office
					2007-2008	Advisor to the Minister of Finance		
					2004-2005	Member of the Committee on Adjustment of the		
						State Enterprise Capital Act B.E. 2542		
					2007-2008	Subcommittee on Budget Law under the Committee on Fiscal,	National Council of Legislation	Government Office
						Banking and Financial Institutions		
					2007-2008	Member of the Committee on Private Joint Operation in	CAT Telecom Public Company Limited	Communication
						Public Enterprise, CAT Telecom Public Co., Ltd. and		
						True Move Company Limited and Digital Phone Company		
					2007-2008	Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association
					2003-2006	Member	Puey Ungphakorn Institute Committee	Institute
					2003-2006	Member of the Research Committee	The Secretariat of the House of Representatives	Government Office

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding[/1] (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
6. Ms. Patareeya Benjapolchai	58	Common -	-	Master of Business Administration		*TTSCO Group*		
Independent Director		Preferred -		Thammasat University	Apr2011-Present	Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
Member of the Audit Committee				Bachelor of Accountancy (Accounting)	2010-Present	Independent Director		
				Chulalongkorn University	Apr2011-Present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
				- Certificate, Advanced Accounting and Auditing		Independent Director		
				Chulalongkorn University		*Others*		
				- Certificate, The Executive Program	Jul2011-Present	Ethics Committee	Federation of Accounting Professions Under the Patronage	Private Sector
				University of Michigan, USA			of His Majesty the King	
				- Certificate of Capital Market Academy Leadership Program	Jul2011-Present	Director, Award Committee, Board of the Year Award	Thai Institute of Directors Association	Association
				Capital Market Academy	Jul2010-Present	Advisor	Thai Listed Companies Association	Association
				- Directors Certification Program	2010-Present	Audit Committee	Office of the Permanent Secretary for Defence,	Government Office
				- Financial Institutions Governance Program			Ministry of Defence	
				Thai Institute of Directors Association	2010-Present	Associate Judge	The Central Intellectual Property and International	Court
							Trade Court	
					2010-Present	Directors' Responsibilities Steering Committee	The Securities and Exchange Commission	Independent State Agency
					2010-Present	Director	Baan Ruam Tang Fhun Company Limited	Property Development
					2010-Present	State-owned Enterprises Awards Committee,	State Enterprise Policy Office, Ministry of Finance	Government Office
						Board of the year 2010		
					2008-Present	Directors on Foreign Business Committee	Department of Business Development, Ministry of Commerce	Government Office
					2007-Present	Honorary Advisor	The Institute of Internal Auditors of Thailand	Associate
					2006-May 2010	President and Executive Committee	The Stock Exchange of Thailand	Stock Exchange
					2009-2010	Chairman and Executive Chairman	Thailand Securities Depository Company Limited	Private Sector
					2009-2010	Chairman and Vice Chairman	Family Know-How Company Limited	Private Sector
					2009-2010	Chairman	Settrade.com Company Limited	Private Sector
					2009-2010	Director, Award Committee,Board of the Year Award	Thai Institute of Directors Association	Association
					2005-2008	Director		
					2006-2010	Vice Chairman and Executive Chairman	Thailand Futures Exchange Public Company Limited	Private Sector
					2006-2010	Chairman	Thai NVDR Company Limited	Private Sector
					2006-2010	Chairman	Thai Trust Fund Management Company Limited	Private Sector
					2006-2010	Chairman	Siam DR Company Limited	Private Sector
					2006-2010	Chairman	Thailand Clearing House Company Limited	Private Sector
					2006-2010	Director and Secretary	Federation of Thai Capital Market Organizations	Private Sector
					2002-2010	Director, Subcommittee on Investors Education	The Prime Minister's Office	Government Office
						and Public Relations and on Corporate Governance in Thailand		
					2005-2010	Councillor	Thailand Management Association	Association
					Oct2006-Feb2008	Member of The National Legislative Assembly	The National Legislative Assembly, Thailand	Government Office
						Committee on Finance, Banking and Financial Institutions		

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding[1] (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
7. Mr. Hirohiko Nomura	47	Common -	-	Bachelor of Economics		*TISCO Group*		
Director		Preferred -		The University of Tokyo, Japan	2009-Present	Director	TISCO Financial Group Public Company Limited	Holding Company
Member of the Executive Board						Member of the Executive Board		
(Authorized Signatory)					2008-Present	Member of the Nomination and Compensation Committee		
					2008-Present	Director	TISCO Bank Public Company Limited	Bank
						Member of the Executive Board		
					2008	Member of the Nomination and Compensation Committee		Bank
						Others		
					2008-Present	Managing Director	MHCB Consulting (Thailand) Company Limited	Consultant
					2002-2008	Senior Manager, International Credit Division	Mizuho Corporate Bank Limited: Head Office	Bank
8. Mr. Pichai Chanvirachart	61	Common -	-	Bachelor of Business Administration (Finance)		*TISCO Group*		
Director		Preferred -		Marshall University, USA	2005-Present	Director	TISCO Bank Public Company Limited	Bank
				- Directors Certification Program	2005-2008	Member of the Executive Board		
				Thai Institute of Directors Association		President		
					2009-Mar2011	Director	TISCO Information Technology Company Limited	Information Technology
					2009-2010	Advisor	TISCO Financial Group Public Company Limited	Holding Company
					2001-2005	Director	TISCO Finance Public Company Limited	Finance
						Member of the Executive Board		
						President		
						Others		
					1993-2008	Director	Mizuho Corporate Leasing (Thailand) Company Limited	Leasing
					2003-2007	Director	AXA Insurance Public Company Limited	Insurance
9. Mr. Suthas Ruangmanamongkol	50	Common -	-	Master of Science (Finance & Banking)		*TISCO Group*		
Director		Preferred -		University of Wisconsin-Madison, USA	2010-Present	President	TISCO Financial Group Public Company Limited	Holding Company
Member of the Executive Board				Master of Business Administration (Finance)	2009-Present	Member of the Executive Board		
(Authorized Signatory)				Western Illinois University, USA	2008-Present	Director		
President				Bachelor of Engineering (Computer Engineering)	2009-Present	Director	TISCO Bank Public Company Limited	Bank
				Chulalongkorn University		Member of the Executive Board		
				- Directors Certification Program		President		
				Thai Institute of Directors Association	2009-Mar2011	Director	TISCO Information Technology Company Limited	Information Technology
					2005-Mar2011	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		
						Others		
					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	PDTL Trading Company Limited	Distributor of electric wires and cable
10. Mr. Sakchai Peechapat	44	Common -	-	Master of Business Administration (International Business)		*TISCO Group*		
Senior Executive Vice President		Preferred -		University of Hawaii at Manoa, USA	2010-Present	Senior Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
- Retail Banking				Bachelor of Engineering (Civil Engineering) (Honour)	2010-Present	Senior Executive Vice President - Retail Banking	TISCO Bank Public Company Limited	Bank
				Kasetsart University	2009	Executive Vice President - Marketing & Customer Relations		
				- Directors Certification Program	2008	Executive Vice President - Retail Banking		
				- Directors Accreditation Program	2006-2008	Executive Vice President - Retail Banking		
				Thai Institute of Directors Association		Acting Human Resources and Organization Development		
				- Japan-focused Management Program	2005-2006	Executive Vice President - Human Resources and Organization Development		
				Japan-America Institute of Management Science, USA	2010-Present	Chairman of the Board	Hi-Way Company Limited	Hire Purchase
				- Executive Management Program	2009-Present	Director		
				Faculty of Commerce and Accountancy, Thammasat University	2009-Present	Chairman of the Board	TISCO Tokyo Leasing Company Limited	Leasing
					2009-2011	Director	TISCO Securities Company Limited	Securities
					2009-2011	Director	TISCO Asset Management Company Limited	Asset Management
					2004-2005	Head of Human Resources and Organization Development	TISCO Finance Public Company Limited	Finance
					2002-2004	Deputy Head of Retail Finance		
						Acting Head of Special Channel Distribution and Retail Finance		
						Others		
					2006-Present	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
11. Mr. Pitada Vatcharasiritham	47	Common -	-	Master of Business Administration		*TISCO Group*		
Senior Executive Vice President		Preferred -		Indiana University of Pensylvania, USA	2010-Present	First Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
- Corporate Banking				Bachelor of Economics	2010-Present	Senior Executive Vice President - Corporate Banking	TISCO Bank Public Company Limited	Bank
				Thammasat University		*Others*		
					2010	Director	Finansa Public Company Limited	Finance
					2010	Executive Director		
					2009-2010	President	Finansa Securities Company Limited	Securities
					2006-2010	Executive Director		
					2000-2010	Director		
					2006-2009	President - Investment Banking		
					2002-2010	Director	Finansa Capital Company Limited	General Management Business
					2002-2010	Executive Director		
12. Mr. Metha Pingsuthiwong	44	Common -	-	Master of Business Administration (Finance)		*TISCO Group*		
First Executive Vice President		Preferred -		University of Wisconsin-Milwaukee, USA	2010-Present	First Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
- Wealth Management & Banking Services				Bachelor of Engineering (Electrical Engineering)	2010-Present	First Executive Vice President - Wealth Management & Banking Services	TISCO Bank Public Company Limited	Bank
				Chulalongkorn University	2009	Executive Vice President - Treasury and Banking Operation		
				- Directors Certification Program	2005-2008	Executive Vice President - Treasury and Private Banking		
				Thai Institute of Directors Association	2011-Present	Director	TISCO Investment Advisory Company Limited	Securities
					2009-Mar2011	Director	TISCO Securities Company Limited	Securities
					2002-2005	Head of Securities Investment and Trading		
					2005	Executive Vice President - Treasury and Funding	TISCO Finance Public Company Limited	Finance
						Others		
					1999-Present	Director	K-Line (Thailand) Company Limited	Transportation
13. Mr. Chalit Silpsrikul	50	Common -	-	Master of Business Administration		*TISCO Group*		
Executive Vice President		Preferred -		Bachelor of Accountancy (Accounting)	2010-Present	Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
- Retail Banking - Front				Thammasat University	2010-Present	Executive Vice President - Retail Banking - Front	TISCO Bank Public Company Limited	Bank
				Crestcom Bullet Proof Manager	2010-Feb2011	Acting Head of Provincial Channel		
				(Management Skill Development Course)	2009	Head of Retail Banking		
				Ra Khang Associates Limited	2005-2008	Deputy Head of Retail Banking		
				Financial Executive Development Program (FINEX 14)	2011-Present	Director	Hi-Way Company Limited	Hire Purchase
				The Thai Institute of Banking and Finance Association		*Others*		
						-		
14. Mr. Dejphinun Suthadsanasoung	42	Common -	-	Master of Business Administration		*TISCO Group*		
First Senior Vice President		Preferred -		Eastern Michigan University, USA	2010-Present	First Senior Vice President - Retail Banking - Operations	TISCO Bank Public Company Limited	Bank
- Retail Banking - Operations				Bachelor of Business Administration (Finance)	2010-Present	Acting Head of Retail Loan Processing		
Acting Head of Retail Loan Processing				Assumption University	2009-2010	Deputy Head of Credit Control		
					2006-2008	Deputy Head of Retail Credit & Collection		
					2005-2006	Acting Head of Retail Banking		
					2004-2005	Head of Corporate Lending		
					2008-Present	Director	TISCO Tokyo Leasing Company Limited	Leasing
						Other		
						-		
15. Ms. Nipa Mekara	52	Common -	-	Master of Business Administration (Management)		*TISCO Group*		
First Senior Vice President		Preferred -		Thammasat University	2010-Present	First Senior Vice President - Head of Commercial Banking	TISCO Bank Public Company Limited	Bank
Head of Corporate Lending				Bachelor of Accountancy	2006-2010	Head of Commercial Lending		
				Assumption University	2005-2006	Acting Head of Commercial Banking		
						Other		
						-		
16. Mr. Yuttpong Sriwongjanya	46	Common -	-	Master of Business Administration		*TISCO Group*		
First Senior Vice President		Preferred -		The University of Mississippi, USA	Jan2011-Present	First Senior Vice President - Deputy Head of Retail Banking - Front	TISCO Bank Public Company Limited	Bank
Deputy Head of Retail Banking - Front						Acting Head of Provincial Channel		
Acting Head of Provincial Channel					2009-2010	Deputy Head of Retail Banking		
						Head of Provincial Channel		
					2004 - 2008	Managing Director	Hi-Way Company Limited	Leasing
					1995-2010	Director		
						Other		
						-		

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
17. Mr. Rungroj Jarasvijitkul	46	Common -	-	Master of Business Administration		*TISCO Group*		
First Senior Vice President		Preferred -		Bachelor of Business Administration (Finance)	2009-Present	First Senior Vice President, Deputy Head of Retail Banking - Front	TISCO Bank Public Company Limited	Bank
Deputy Head of Retail Banking - Front				Chulalongkorn University	2009-Present	Head of Bangkok Channel		
Head of Bangkok Channel						Acting Head of Hire Purchase - Special Project		
					2005-2008	Head of Bangkok Channel		
						Acting Head of Hire Purchase - Commercial Product		
						Other		
						-		
18. Ms. Karantarat Vongsa	51	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Treasury		Preferred -		Texas A&M University, USA	1993-Present	Head of Treasury	TISCO Bank Public Company Limited	Bank
				Bachelor of Accountancy		*Other*		
				Chulalongkorn University		-		
19. Mr. Kittichai Tonnajarn	43	Common -	-	Master of Business Administration (General Business)		*TISCO Group*		
Head of Counter Services		Preferred -		University of Central Arkansas, USA	2010-Present	Head of Counter Services	TISCO Bank Public Company Limited	Bank
				Bachelor of Accountancy	2009-2010	Head of Logistic & Control		
				Chulalongkorn University	2006-2007	Head of Branch System & Control		
					2004-2006	Head of Electronic Banking		
						Other		
						-		
20. Mr. Nattanan Ananpreeyavit	43	Common -	-	Master of Business Administration (Corporate Finance)		*TISCO Group*		
Head of Corporate Contact Center		Preferred -		University of Dallas, USA	2008-Present	Head of Corporate Contact Center	TISCO Bank Public Company Limited	Bank
				Bachelor of Economics	2007-2008	Head of E - Channel		
				Thammasat University	2005-2006	Head of Internet Trading	TISCO Securities Company Limited	Securities
						Other		
						-		
21. Mr. Thanom Chaiaroondeekul	54	Common -	-	Bachelor of Business Administration (Finance and Banking)		*TISCO Group*		
Deputy Head of Wealth Management		Preferred -		University of the Thai Chamber of Commerce	2010-Present	Deputy Head of Wealth Management	TISCO Bank Public Company Limited	Bank
					2007-2010	Head of Private Banking		
					1994-2006	Deputy Head of Funding		
						Other		
						-		
22. Mr. Songsak Niltiean	55	Common -	-	Bachelor of Laws		*TISCO Group*		
Head of Retail Follow-up & Legal		Preferred -		Ramkhamhaeng University	2004-Present	Head of Retail Follow Up & Legal	TISCO Bank Public Company Limited	Bank
						Other		
						-		
23. Mr. Tanachai Bunditvorapoom	39	Common -	-	Master of Business Adminitraton (Finance)		*TISCO Group*		
Head of Investment Banking		Preferred -		National Institute of Development Administration	Jul2011-Present	Head of Investment Banking	TISCO Bank Public Company Limited	Bank
				Bachelor of Laws	Mar2011-Jun2011	Deputy Head of Corporate Client Origination & Coverage		-
				Bachelor of Engineering (Civil Engineering)		*Other*		
				Chulalongkorn University	2003-Feb2011	Assistant Managing Director	Finansa Securities Limited	Securities
24. Mr. Prakrit Shoonhasriwong	39	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Mortgage Loan		Preferred -		Chulalongkorn University	2009-Present	Head of Mortgage Loan	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Finance)	2003-2008	Head of Marketing		
				Thammasat University		*Other*		
						-		
25. Ms. Prapatsorn Arthachinta	49	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Business & Risk Assessment		Preferred -		Oklahoma City University, USA	2005-Present	Head of Commercial Credit	TISCO Bank Public Company Limited	Bank
				Bachelor of Accountancy	2003-2004	Acting Head of Commercial Credit		
				Chulalongkorn University		*Other*		
						-		

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
26. Ms. Preeyarat Poomdontri	57	Common -	-	Master Degree of Public and Private Management		*TISCO Group*		
Head of Processing & Settlement		Preferred -		National Institute of Development Administration	2009-Present	Head of Processing & Settlement	TISCO Bank Public Company Limited	Bank
				Master of Business Administration	2004-2008	Head of Banking & Operation		
				Sripratum University		*Other*		
				Bachelor of Business Administration		-		
				Ramkhamhaeng University				
27. Mr. Picha Ratanatam	41	Common -	-	Master of Business Administration (Finance)		*TISCO Group*		
Head of Wealth Management		Preferred -		California State University at San Diego , USA	2010-Present	Head of Wealth Management	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Statistics)	2009	Deputy Head of Mutual Fund and Private Fund Business	TISCO Asset Management Company Limited	Asset Management
				Chulalongkorn University	2006-2008	Head of Asset Management		
					2003-2006	Head of Asset Management - Private Fund		
						Other		
					2009-2010	Head of Private Banking	The Siam Commercial Bank Public Company Limited	Bank
28. Mr. Pichit Treethephasumphan	39	Common -	-	Master of Housing Development		*TISCO Group*		
Head of Appraisal & Valuation		Preferred -		Chulalongkorn University	Jan2011 - Present	Head of Appraisal & Valuation	TISCO Bank Public Company Limited	Bank
				Bachelor of General Management		*Other*		
				Bansomdejchaopraya Rajabhat University		-		
29. Ms. Penthip Laobooncharoen	46	Common -	-	Master of Business Administration (Finance)		*TISCO Group*		
Head of Retail & SME Credit		Preferred -		Thammasat University	2010-Present	Head of Retail & SME Credit	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Finance)	2002-2010	Head of Retail Credit Processing		
				Assumption University		*Other*		
						-		
30. Ms. Mallee Peravanichkul	58	Common -	-	High Vocational Diploma		*TISCO Group*		
Head of Private Banking		Preferred -		Kitti Business Administration College	2010-Present	Head of Private Banking	TISCO Bank Public Company Limited	Bank
					2007-2010	Deputy Head of Private Banking		
					2003-2006	Co-Head of Marketing		
						Other		
						-		
31. Ms. Ladda Kulchatchai	55	Common -	-	Bachelor of Laws		*TISCO Group*		
Head of Custodian Service		Preferred -		Thammasat University	2003-Present	Head of Custodian Service	TISCO Bank Public Company Limited	Bank
						Other		
						-		
32. Mr. Worapoth Tirakaroon	45	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Retail Collection		Preferred -		Chulalongkorn University	2005-Present	Head of Retail Collection	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Finance)	2001-2004	Head of Collection Services		
				University of the Thai Chamber of Commerce		*Other*		
						-		
33. ML. Waraporn Worawarn	52	Common -	-	Master of Economics		*TISCO Group*		
Head of Wealth Product		Preferred -		Dhurakijpundit University	2010-Present	Head of Wealth Product	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Marketing)	2007-2009	Head of Investment Consultant	TISCO Asset Management Company Limited	Asset Management
				Bangkok University		*Other*		
					2005-2007	Deputy Head of Savings/Fund	Standard Chartered Bank (Thai) Public Company Limited	Bank
34. Ms. Wipa Mettaviharee	42	Common -	-	Bachelor of Business Administration (Accounting)		*TISCO Group*		
Head of All Finance & Direct		Preferred -		Rajamangala Institute of Technology	2002-Present	Head of All Finance & Direct	TISCO Bank Public Company Limited	Bank
						Other		
						-		
35. Ms. Saranya Weeramahawong	39	Common -	-	Master of Business Administration (Management)		*TISCO Group*		
Head of Personal Banking		Preferred -		Srinakharinwirot University	Jul2011-Present	Head of Personal Banking	TISCO Bank Public Company Limited	Bank
				Bachelor of Arts (French)	2007-Jun2011	Acting Head of Personal Banking		
				Srinakharinwirot University		*Other*		
					2006-2008	Customer Relationship Manager	Standard Chartered Bank (Thai) Public Company Limited	Bank
					2005-2006	Sales Training Manager	Citibank 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
36. Mr. Somsak Wongwachirawanich	51	Common -	-	Bachelor of Business Administration (Finance and Banking)		*TISCO Group*		
Head of Hire Purchase - Used Car		Preferred -		Ramkhamhaeng University	2002-Present	Head of Hire Purchase - Used Car	TISCO Bank Public Company Limited	Bank
						Other		
						-		
37. Mr. Sommai Ung	42	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Commercial Lending		Preferred -		Bachelor of Business Administration	2010-Present	Head of Commercial Lending	TISCO Bank Public Company Limited	Bank
				University of the Thai Chamber of Commerce	2007-2010	Head of SME Banking		
					2006-2007	Head of Marketing - 1	TISCO Finance Public Company Limited	Finance
					2002-2005	Head of Special Asset Management - Asset Sale		
						Other		
						-		
38. Ms. Saranya Ket-Udom	52	Common -	-	Master of Business Adminitraton (Finance)		*TISCO Group*		
Head of Logistic & Control		Preferred -		National Institute of Development Administration	2010-Present	Head of Logistic & Control	TISCO Bank Public Company Limited	Bank
				Bachelor of Accountancy	2010	Head of Counter Services		
				Thammasat University	2009-2010	Head of Banking Services		
					2007-2008	Head of Branch System & Control		
					2004-2006	Deputy Head of Banking & Operation		
						Other		
						-		
39. Mr. Sukit Sakulwongyai	43	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Retail Service & Support		Preferred -		Thammasat University	2006-Present	Head of Retail Service & Support	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Management)	2002-2004	Head of Special Asset Management - Asset Enforcement	TISCO Finance Public Company Limited	Finance
				Assumption University		*Other*		
						-		
40. Ms. Suthinee Muangman	59	Common -	-	Bachelor of Business Administration (Finance and Banking)		*TISCO Group*		
Head of Credit Control		Preferred -		Thammasat University	2010-Present	Head of Credit Control	TISCO Bank Public Company Limited	Bank
					2008-2009	Deputy Head of Credit Control		
					2001-2007	Head of Office of the Credit Committee		
						Other		
						-		
41. Mr. Suthep Trivannakij	50	Common -	-	Bachelor of Arts (Human Resource Management)		*TISCO Group*		
Head of Hire Purchase - New Car		Preferred -		Bansomdejchaopraya Rajabhat University	2005-Present	Head of Hire Purchase - New Car	TISCO Bank Public Company Limited	Bank
					2003-2004	Head of Marketing & Business Development		
						Other		
						-		
42. Ms. Surang Techarungnirun	37	Common -	-	Master of Business Administration (Finance)		*TISCO Group*		
Head of Office of the Credit Committee		Preferred -		Thammasat University	Jan2011-Present	Head of Office of the Credit Committee	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Finance)	2006-2010	Senior Credit Administration Officer		
				Chulalongkorn University	2003-2005	Office of the Credit Committee Officer		
						Other		
						-		
43. Ms. Suwandee Khaolaorr	47	Common -	-	Master of Business Administration (Management)		*TISCO Group*		
Head of Cash Management		Preferred -		Bachelor of Business Administration (Statistics)	2010-Present	Head of Cash Management	TISCO Bank Public Company Limited	Bank
				Thammasat University	2002-2009	Head of Payroll Processing	TISCO Securities Company Limited	Securities
						Other		
						-		
44. Mr. Sathian Leowarin	48	Common -	-	Master of Business Administration		*TISCO Group*		
Head of Bancassurance		Preferred -		Prince of Songkhla University	2006-Present	Head of Bancassurance - Life	TISCO Bank Public Company Limited	Bank
				Bachelor of Business Administration (Marketing)	2005-2006	Head of Retail Marketing Support		
				Ramkhamhaeng University	2004-2005	Head of Marketing		
						Other		
						-		

Remark: [1/] Including spouse and minor children

Changes in TISCO Bank Shareholdings by Directors and Management[/1]

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of December 31, 2011	Increase (Decrease) During the Year	As of December 31, 2011
1	Mr. Pliu Mangkornkanok	0	0	0	0
2	Mr. Hon Kit Shing (Mr. Alexander H. S	0	0	0	0
3	Ms. Oranuch Apisaksirikul	0	0	0	0
4	Ms. Panada Kanokwat	0	0	0	0
5	Prof. Dr. Pranee Tinakorn	0	0	0	0
6	Ms. Patareeya Benjapolchai	0	0	0	0
7	Mr. Pichai Chanvirachart	0	0	0	0
8	Mr. Hirohiko Nomura	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 comprised three independent directors:

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

Starting April 22, 2011 following the completion of six-year membership term of Assoc. Prof. Dr. Angkarat Priebjrivat according to the Charter of Audit Committee, the Board of Directors has appointed Ms. Panada Kanokwat as the Chairperson of the Audit Committee, and Ms. Patareeya Benjapholchai as the Member of the Audit Committee. The Audit Committee of TISCO Bank Public Company Limited currently comprises the following three independent directors:

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

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.

The Audit Committee convened 13 meetings in Year 2011 (11 meetings with full attendance and 2 meetings with two-thirds attendance). Major activities performed by the Committee were as follows:

- **Financial Statements:** Meeting with the external auditor on a quarterly basis to review quarterly 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 the Bank's adoption of new accounting standards, the impacts from the reduction of corporate income tax rate towards the Bank's deferred tax positions, and the disclosure of financial impact from flood situation in Thailand in notes to the financial statements.

- **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:** Meeting with management to acknowledge annual compliance plan and reports, compliance activities and status of legal cases and litigations.

- **External Auditor:** Assessing the independence of the external auditor and acknowledging the audit partner rotation policy. 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. Ratana Jala of Ernst & Young Office Limited as the auditor of the Bank for the Year 2011. 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 examination by the Bank of 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.

Panada Kanokwat

(Ms. Panada Kanokwat)
Chairperson of the Audit Committee
February 6, 2012

Internal Control System Assessment Questionnaire

TISCO Bank Public Company Limited

January 20, 2012

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's common directions, and effectively utilizing group's resources.

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

☑ Yes ☐ No

The 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. 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, 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 laws 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 the 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 the 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 of receiving returns that is justifiable for the controlled risks.

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

☑ Yes ❒ No

The Company has documented policies specifying risk management methodologies and strategies, 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. the Risk Management Committee, the Credit Committee and the Problem Loan Committee, in separation of business functions.

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

☑ Yes ☐ No ☐ No such cases

As the 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. 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

Compliance function of the parent company ensures that the Company fully complies with related laws and regulations, with emphasis on communication with business and operation units together with ongoing review of business operations. The 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, 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 regulated authorities, for instance, the Bank of Thailand, the Securities and Exchange Commission, etc.

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 the 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 the 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, inquires, opinions and resolutions are always included in the minutes of the Board's meetings.

4.4 Does the Company maintain complete and categorized accounting records and documents and never receive report from the auditors regarding any related deficiency? If any, has it been corrected?

☑ Yes ☐ No

The auditors have never reported any deficiency in accounting records.

4.5 Does the Board consider whether the management has already adopts generally accepted accounting principles suitable for the Company's business type and not adopt ones that might cause the Company to report incorrect operating results?

☑ Yes ☐ No

The Board of Directors emphasizes that the 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 the 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 the 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 the Audit Committee of the 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 regularly and systematically. The Audit Committee, in turn, will regularly present report summaries to the Board.

5.7 Does the Company have a policy for management to report immediately to the Board in cases of fraud or suspected fraud, activities that are not in compliance with the law and other abnormal activities which might have a material impact on the Company's reputation or financial position?

☑ Yes ☐ No ☐ No such cases

The Company will report cases of fraud or suspected fraud, lawsuit filed and other concerns related to the business operation to the Compliance & Operation Control Committee of the parent company for immediate corrections, with support from Operational Risk Management, Compliance, Legal, and Internal Audit functions of the parent company. The case shall also be reported to the Employee Disciplinary Committee of the parent company for proper staff penalty. The case and course of actions shall also be reported to the Board of the parent company. Regarding fraud prevention, the assessment is periodically conducted by Operational Risk Management function of the parent company and business functions for continuous improvement. In addition, the Group has established Fraud Audit unit to assist in detection and investigation for potential fraud incidents.

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, 2011.

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

Suthas Ruangmanamongkol
(Mr. Suthas Ruangmanamongkol)
President

TISCO Bank Public Company Limited
Report and financial statements
31 December 2011 and 2010

Report of Independent Auditor

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying statement of financial position of TISCO Bank Public Company Limited as at 31 December 2011, and the related statements of comprehensive 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 2010 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under her report dated 4 February 2011, 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 2011, and the results of its operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 1.2 to the financial statements. During the current year, the Bank adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of its financial statements.

Ratana Jala
Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok: 6 February 2012

TISCO Bank Public Company Limited

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	2011	2010
Assets			
Cash		903,069	902,816
Interbank and money market items - net	*5.1*	29,983,895	12,360,491
Derivatives assets	*5.2*	22,450	12,800
Investments - net	*5.3, 5.7*	2,595,951	4,964,602
Investments in subsidiaries - net	*5.4*	46,911	135,312
Loans to customers and accrued interest receivable - net	*5.5, 5.7*		
Loans to customers		196,934,575	159,427,815
Accrued interest receivable		222,666	115,567
Total loans to customers and accrued interest receivable		197,157,241	159,543,382
Less: Deferred revenue		(17,321,366)	(14,239,270)
Less: Allowance for doubtful accounts	*5.6*	(4,098,963)	(3,859,412)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		175,736,909	141,444,697
Property foreclosed - net	*5.7, 5.8*	257,736	17,963
Premises and equipment - net	*5.9*	518,331	575,272
Intangible assets - net	*5.10*	100,304	121,279
Deferred tax assets	*5.28*	103,387	954,833
Other assets	*5.11*	1,248,831	856,271
Total assets		211,517,774	162,346,336

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

TISCO Bank Public Company Limited

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	2011	2010
Liabilities and shareholders' equity			
Liabilities			
Deposits	*5.12*	38,059,886	48,606,378
Interbank and money market items - net	*5.13*	10,857,981	8,867,299
Liability payable on demand		448,049	532,448
Derivatives liabilities	*5.2*	270,360	-
Debts issued and borrowings	*5.14*	143,786,767	87,976,147
Provision for long-term employee benefits	*5.15*	83,767	-
Accrued interest payable		1,380,677	445,505
Income tax payable		-	686,197
Dividend payable		400,484	1,019,409
Other liabilities	*5.16*	2,425,738	2,001,560
Total liabilities		197,713,709	150,134,943

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

TISCO Bank Public Company Limited

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	2011	2010
Shareholders' equity			
Share capital			
Registered	*6*		
372,047,854 preference shares of Baht 10 each			
(31 December 2010: 1,000,000,000 preference shares of Baht 10 each)		3,720,479	10,000,000
728,152,146 ordinary shares of Baht 10 each			
(31 December 2010: 100,200,000 ordinary shares of Baht 10 each)		7,281,521	1,002,000
		11,002,000	11,002,000
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
728,152,146 ordinary shares of Baht 10 each		7,281,521	7,281,521
		7,281,522	7,281,522
Share premium on ordinary shares		130,451	130,451
Other components of shareholders' equity		106,410	14,311
Retained earnings			
Appropriated-statutory reserve		846,100	714,600
Unappropriated		5,439,582	4,070,509
Total shareholders' equity		13,804,065	12,211,393
Total liabilities and shareholders' equity		211,517,774	162,346,336
		-	-

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

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2011	2010
Interest incomes	*5.20*	11,556,819	8,709,932
Interest expenses	*5.21*	(5,260,491)	(2,414,959)
Net interest incomes		6,296,328	6,294,973
Fees and service incomes		1,614,351	1,257,514
Fees and service expenses		(61,577)	(65,637)
Net fees and service incomes	*5.22*	1,552,774	1,191,877
Gains on tradings and foreign exchange transactions	*5.23*	58,599	7,753
Gains on investments	*5.24*	24,637	166,080
Penalty fee income from loans		192,900	185,759
Income from business promotion relating to the business		538,092	212,214
Revesal allowance for impairment of property foreclosed		248,232	-
Other operating incomes	*5.26*	161,151	302,416
Total operating incomes		9,072,713	8,361,072
Other operating expenses			
Employee's expenses		1,472,728	1,339,254
Directors' remuneration		480	-
Premises and equipment expenses		660,357	673,165
Taxes and duties		217,382	146,023
Supporting service expenses	*5.32*	802,810	920,979
Expenses to business promotion relating to the business		598,701	296,385
Others	*5.27*	448,172	377,934
Total other operating expenses		4,200,630	3,753,740
Bad debt and doubtful accounts and impairment loss of debt securities	*5.25*	1,065,609	1,769,681
Profit from operating before income tax expense		3,806,474	2,837,651
Income tax expense	*5.28*	1,176,565	844,627
Profit for the year		2,629,909	1,993,024

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

TISCO Bank Public Company Limited

Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2011	2010
Other comprehensive income	*5.29*		
Investment in available-for-sale securities		(15,708)	9,119
Acturial gains or losses arising from			
post - employment benefits		(11,124)	-
Cash flow hedges		128,277	-
Income tax (charge)/credit relating to components			
of other comprehensive income	*5.28, 5.30*	(18,245)	(2,735)
Other comprehensive income for the year		83,200	6,384
Total comprehensive income for the year		2,713,109	1,999,408
Earnings per share			
Basic earning per share	*5.31*	3.61	2.74

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 2011 and 2010

(Unit: Thousand Baht)

	2011	2010
Cash flows from operating activities		
Profit from operating before income tax expense	3,806,474	2,837,651
Adjustments to reconcile income before income tax expenses		
to net cash provided by (paid from) operating activities		
Depreciation and amortisation	168,093	197,502
Bad debts and doubtful accounts	1,729,230	2,385,185
Allowance for impairment of investments (reversal)	(56,897)	22,290
Allowance for impairment of property foreclosed (reversal)	(248,232)	257
Gain on disposal of investments	(76,876)	(177,721)
Unrealised (gain) loss on trading and foreign exchange transactions	-48,362	1,842
Gain on disposal of equipment	(6,518)	(10,540)
Loss on written-off of equipment	-	49
Gain on disposal of property foreclosed	(63,074)	(195,053)
Provision for long-term employee benefits	10,727	-
Decrease in accrued income	(5,729)	(9,786)
Increase in accrued expenses	678,701	445,934
Net interest income	(6,296,328)	(6,294,973)
Dividend income	(75,135)	(61,632)
Interest received	11,220,356	8,355,284
Interest paid	(4,162,767)	(1,963,949)
Dividend received	75,135	61,632
Income tax paid	(1,365,190)	(1,207,819)
Profit from operating activities before changes		
in operating assets and liabilities	5,283,608	4,386,153
Operating assets (increase) decrease		
Interbank and money market items	(17,332,883)	(285,847)
Loans to customers	(36,675,652)	(37,594,013)
Property foreclosed	862,018	1,516,520
Intangible assets	(27,145)	(27,678)
Other assets	77,993	(2,973)
Operating liabilities increase (decrease)		
Deposits	(10,546,492)	(8,322,195)
Interbank and money market items	1,991,803	4,547,275
Liability payable on demand	(84,399)	187,278
Other liabilities	201,180	291,741
Net cash flows used in operating activities	(56,249,969)	(35,303,739)

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 2011 and 2010

(Unit: Thousand Baht)

	2011	2010
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(2,058,398)	(5,378,968)
Cash received from disposal of investment in securities held for investment	4,505,733	8,926,161
Cash paid for purchase of equipment	(61,012)	(80,146)
Cash received from disposal of equipment	6,418	11,001
Cash received from disposal of investment in subsidiaries	136,655	-
Cash paid for capital increases of subsidiaries	-	(85,998)
Net cash flows from investing activities	2,529,396	3,392,050
Cash flows from financing activities		
Borrowings	55,734,619	33,425,299
Cash received from issuance long-term debentures	76,000	2,000,000
Cash paid for the redemption of long-term debentures	-	(3,000,000)
Dividend paid	(2,089,793)	(436,890)
Net cash flows from financing activities	53,720,826	31,988,409
Net increase in cash	253	76,720
Cash at beginning of year	902,816	826,096
Cash at end of year	903,069	902,816
	-	-
Supplemental cash flows information		
Non-cash transactions		
Transfer of property foreclosed from receivables for debt settlement	3,382	-

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 2011 and 2010

(Unit: Thousand Baht)

	Issued and fully paid-up share capital		Share premium		Other components of shareholders' equity			Retained earnings		
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Surplus (deficit) on change in value of available-for-sale investments	Cash flow hedges	Total other components of shareholders' equity	Appropriated	Unappropriated	Total
Balance as at 31 December 2009	732	7,280,790	37	130,414	7,927	-	7,927	614,900	3,196,595	11,231,395
Dividend paid (Note 6.4)	-	-	-	-	-	-	-	-	(1,019,409)	(1,019,409)
Income tax from unpaid dividend	-	-	-	-	-	-	-	-	(1)	(1)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	99,700	(99,700)	-
Total comprehensive income for the year	-	-	-	-	6,384	-	6,384	-	1,993,024	1,999,408
Preference shares converted to ordinary shares	(731)	731	(37)	37	-	-	-	-	-	-
Balance as at 31 December 2010	1	7,281,521	-	130,451	14,311	-	14,311	714,600	4,070,509	12,211,393
Cumulative effect of change in accounting policy for employee benefit (Note 2)	-	-	-	-	-	-	-	-	(50,054)	(50,054)
Dividend paid (Note 6.4)	-	-	-	-	-	-	-	-	(1,070,383)	(1,070,383)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	131,500	(131,500)	-
Total comprehensive income for the year	-	-	-	-	(10,522)	102,621	92,099	-	2,621,010	2,713,109
Balance as at 31 December 2011	1	7,281,521	-	130,451	3,789	102,621	106,410	846,100	5,439,582	13,804,065

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 2011 and 2010

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

1.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and the presentation of the financial statements has been made in compliance with the Bank of Thailand ("BOT")'s Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011. Hence, the Bank reclassified certain items of the comparative financial statements as described in Note 7 to the financial statements.

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 subsidiary (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 Application of new accounting standards during the year

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

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
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 11 (revised 2009)	Construction Contracts
TAS 12	Corporate Income Tax
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 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
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

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate

Accounting Standard Interpretations:

SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
SIC 31	Revenue - Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements for the current year. The effect of changes in significant accounting policies has been described in Note 2 to the financial statements.

1.3 New accounting standards issued during the year not yet effective

The Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities

The Bank's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase 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.

1.4.2 Expense recognition

a) Interest expenses

Interest expenses are charged to expense on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commissions and direct expenses of the hire purchase business

The 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 deferred revenue over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded as expenses when occurred for hire purchase contract originated before 1 January 2007.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.4.3 Investments

a) Investments in securities held for trading purposes are determined at fair value. Changes in the value of securities are included in profit or loss.

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 profit or loss.

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 are 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) 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 recognised in profit or loss.

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 profit or loss 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.

1.4.4 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 profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customer and presented at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debt is based on the same Bank of Thailand's guideline as allowance for loans to customer.

1.4.5 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 statement of financial position 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.

1.4.6 Loans to customers

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

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

1.4.7 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 to customers 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 to customers 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 end of reporting period.

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 credited to bad debt and doubtful accounts in the period of recovery.

1.4.8 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 profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.4.9 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.

The Bank will recognise loss on impairment in profit or loss. And gains or losses from disposal of property foreclosed are recognised upon disposal.

1.4.10 Premises and equipment/Depreciation

Land is stated at cost. Buildings and equipments are stated at cost less accumulated depreciation.

Depreciation of office condominium and equipment is calculated by reference to their 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

Depreciation is included in the determining income.

No depreciation is provided on land.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when is derecognised.

1.4.11 Intangible assets

The Bank initially recognised intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Bank amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The Bank reviewed the amortisation period and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives is software license fees that 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

1.4.12 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

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.

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 end of reporting period. These will be realised in future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Bank recognised deferred tax assets 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. The Bank recognised deferred tax liabilities 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 end of reporting period.

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

At the end of reporting period, the 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.

1.4.13 Impairment of assets

The Bank assesses at each the end of reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the 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.

Impairment losses are recognised in profit or loss.

1.4.14 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.

1.4.15 Foreign currencies

Transactions in foreign currencies are translated into Thai Baht at rates as specified by the Bank when the transactions occur.

Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of reporting period.

Gain or losses on exchange are recognised in profit or loss from operation.

1.4.16 Employee benefits

Short-term employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined post-employment benefit plans

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Bank treats these severance payment obligations as a defined post-employment benefit plan.

The Bank determined the obligation under the defined benefit plan based on actuarial techniques.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

For the first-time adoption of TAS 19 Employee Benefits, the Bank elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

1.4.17 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.

1.4.18 Derivatives and hedge accounting

The recording of derivatives and hedge accounting are based on the principles for recording derivatives and hedge accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

The Bank has recorded derivatives held for trading in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

The Bank has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in shareholders’ equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.

1.4.19 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), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), derivaties liabilities, liability payable on demand and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 5.36 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 rate at which financial instruments with similar features.

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 statement of financial position approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- Loans to customers and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers 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 debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.4.20 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4.21 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:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognize assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers for probable credit losses. The management uses judgment to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

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

Premise and equipment/Depreciation

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

In addition, the management is required to review premise and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

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.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate.

Litigation

The Bank has contingent liabilities as a result of litigation. The Bank's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

2. The effect of the change in accounting policy due to an adoption of new accounting standards

During the current year, the Bank has changed significant accounting policy described in Note 1.2 to the financial statements as a result of the adoption of the following new accounting standards.

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 provision for post-employment benefits using actuarial techniques. The Bank previously accounted for such employee benefits when they were incurred.

The Bank has changed this accounting policy since the beginning of the current year and has recognised the liability in the transitional period through an adjustment to the beginning balance of retained earnings in the current year. This resulted in the decrease in the balances of retained earnings brought forward as at 1 January 2011 by Baht 50 million (long-term employee benefit obligations of Baht 63 million net of related deferred tax of Baht 13 million). The cumulative effect of such changes in the accounting policy has already been presented as “Cumulative effect of the change in accounting policy for employee benefits” in the statements of changes in shareholders’ equity.

In addition, the change in such accounting policy has the effect of decreasing the profit of the Bank for the year 2011 by Baht 11 million or 0.015 Baht per share.

3. Effect of the change in accounting estimate

During the current year, the Bank changed the accounting estimate related to the useful lives of office condominium.

These effect of the change in accounting estimate to the financial statements for current year are as follow:

	(Unit: Thousand Baht)
	31 December 2011
Statements of financial position	
Increase in premises and equipment	10,509
Statements of comprehensive income	
Decrease in depreciation	10,509
Increase in profit attributable to equity holders of the Bank	10,509
Increase in basic earnings per share (Baht)	0.01

4. General information

4.1 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 2011, the Bank has 46 branches in Thailand.

4.2 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.

On 25 February 2011, the 2011 Annual General Meeting of Shareholders of the Bank passed the approval an amendment on the Bank's memorandum of association "No. 4 registered capital" to accord with the Bank's fully paid-up registered capital. The Bank's issued and fully paid-up registered capital is Baht 11,002 million, which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

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.

4.3 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.

4.4 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 related company and loans to employees under the employee welfare scheme, as mentioned in Note 5.32 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.

5. Supplemental information

5.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	425,785	-	425,785	871,206	8,310,000	9,181,206
Commercial banks	173,923	21,340,000	21,513,923	117,836	1,000,000	1,117,836
Specialised financial institutions	854	4,000,000	4,000,854	332	2,060,000	2,060,332
Total	600,562	25,340,000	25,940,562	989,374	11,370,000	12,359,374
Add: Accrued interest	-	6,775	6,775	-	1,117	1,117
Total domestic	600,562	25,346,775	25,947,337	989,374	11,371,117	12,360,491
Foreign						
Yuan	-	4,026,121	4,026,121	-	-	-
Total	-	4,026,121	4,026,121	-	-	-
Add: Accrued interest	-	11,968	11,968	-	-	-
Less: Deferred revenue	-	(1,531)	(1,531)	-	-	-
Total foreign	-	4,036,558	4,036,558	-	-	-
Total domestic and foreign	600,562	29,383,333	29,983,895	989,374	11,371,117	12,360,491

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	
	2011	2010
Commercial banks	24,350	3,060

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at 31 December	
	2011	2010
Fair value of securities received as collateral	24,600	3,093

5.2 Derivatives

5.2.1 Trading derivatives

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	Fair value		Notional	Fair value		Notional
Type of risk	Assets	Liabilities	amount	Assets	Liabilities	amount
Exchange rate	-	127,628	3,169,120	11,190	-	180,908
Interest rate	21,907	14,715	5,682,000	1,610	-	300,000
Total	21,907	142,343	8,851,120	12,800	-	480,908

All counter parties of these derivative transactions are financial institutions.

5.2.2 Hedging derivatives

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	Fair value		Notional	Fair value		Notional
Type of risk	Assets	Liabilities	amount	Assets	Liabilities	amount
Exchange rate	-	128,017	4,046,482	-	-	-
Interest rate	543	-	300,000	-	-	-
Total	543	128,017	4,346,482	-	-	-

All counter parties of these derivative transactions are financial institutions.

5.3 Investments

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Available-for-sales securities- fair value		
Government and state enterprise securities	605,918	1,419,765
Debt securities of private sector	837,593	841,460
Foreign debt securities	-	196,430
Add: Allowance for changes in value	4,736	6,991
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales securities	1,446,787	2,463,186
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	686,409	1,903,199
Less: Allowance for impairment	(17,947)	(22,606)
Total held-to-maturity debt securities	668,462	1,880,593
Other investments - cost		
Domestic non-marketable equity securities	598,083	688,369
Less: Allowance for impairment	(117,381)	(67,546)
Total other investments	480,702	620,823
Investments - net	2,595,951	4,964,602

5.3.1 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restriction
	2011	2010	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	577	-	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 31 December 2011		
	Cost	Fair value	Allowance for changes in value[1]
Companies having problems with debt repayment or in default	7,060	-	7,060

[1] *Allowance for changes in value of investment is calculated at cost less collateral value.*

(Unit: Thousand 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	-	7,060

[1] *Allowance for changes in value of investment is calculated at cost less collateral value.*

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

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
Securities' name	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid Amounts	Percentage of holding
			%			%
Insurance:						
AXA Insurance Plc.	-	-	10	53,169	-	10
Services:						
TISCO Securities Hong Kong Limited (In the process of liquidation)	46,911	-	100	49,315	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Leasing and hire purchase:						
TISCO Leasing Co., Ltd.	-	-	-	85,998	-	99.99
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	4,019	-	10	4,592	-	10
PDTL Trading Co., Ltd.	8,703	-	10	9,270	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	3,957	-	10
Real estate:						
Prosperity Industrial Estate Co., Ltd.	45,095	-	10	45,095	-	10
UMI Property Co., Ltd.	6,843	-	10	7,454	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,028	-	10	16,588	-	10

5.4 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Type of share as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2011	2010	2011	2010	2011	2010	2011	2010
				%	%				
Subsidiaries directly held by the Bank:									
TISCO Leasing Co., Ltd.	Leasing	-	Ordinary shares	-	100	-	86	-	-
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	Ordinary shares	Ordinary shares	100	100	66	66	-	-
Less: Allowance for impairment						(19)	(17)	-	-
						47	49	-	-
Investments in subsidiaries - net						47	135	-	-

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.

On 27 June 2011, the Bank disposed of all of its investment in TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited as mentioned in Note 6.1 to financial statements.

5.5 Loans to customers and accrued interest receivable

5.5.1 Classified by loan type

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Loans to customers		
Loans	44,852,873	32,880,931
Hire purchase receivables	151,717,574	126,432,187
Financial lease receivables	442,015	133,664
Less: Deferred revenue	(17,321,366)	(14,239,270)
Advances received from financial lease receivables	(77,887)	(18,967)
Total loans to customers	179,613,209	145,188,545
Add: Accrued interest receivable	222,666	115,567
Less: Allowance for doubtful accounts	(4,098,963)	(3,859,412)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivables - net	175,736,909	141,444,697

5.5.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	176,444,089	-	176,444,089	145,188,545	-	145,188,545
US Dollars	-	3,169,120	3,169,120	-	-	-
Total loans to customers net of deferred revenue	176,444,089	3,169,120	179,613,209	145,188,545	-	145,188,545

5.5.3 Classified by type of business

(Unit: Thousand Baht)

	As at 31 December 2011					
	Pass	Special-mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521
Personal consumption						
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945
Total loans to customers	166,517,915	10,880,161	1,517,199	254,481	443,453	179,613,209
Add: Accrued interest receivable	88,148	134,518	-	-	-	222,666
Total loans to customers and accrued interest receivable	166,606,063	11,014,679	1,517,199	254,481	443,453	179,835,875

(Unit: Thousand Baht)

	As at 31 December 2010					
	Pass	Special-mentioned	Sub-Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	159,152	2,519	4,405	513	1,323	167,912
Manufacturing and commerce	17,441,497	141,008	25,055	28,871	61,962	17,698,393
Real estate and construction	5,955,550	87,192	4,521	5,438	362,968	6,415,669
Public utilities and services	6,911,822	152,127	28,133	26,981	62,021	7,181,084
Personal consumption						
Hire purchase	94,354,795	5,968,776	687,177	183,337	331,931	101,526,016
Auto cash loan	5,160,852	177,132	16,465	2,995	5,941	5,363,385
Housing loans	1,243,598	54,709	19,930	12,588	91,461	1,422,286
Others	4,991,666	27,148	2,306	6,557	386,123	5,413,800
Total loans to customers	136,218,932	6,610,611	787,992	267,280	1,303,730	145,188,545
Add: Accrued interest receivable	33,535	82,032	-	-	-	115,567
Total loans to customers and accrued interest receivable	136,252,467	6,692,643	787,992	267,280	1,303,730	145,304,112

5.5.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2011			2010		
	Loans to customers and accrued interest receivables[1]	Net amount used for set the allowance for doubtful accounts	Allowance for doubtful account[1] [2]	Loans to customers and accrued interest receivables	Net amount used for set the allowance for doubtful accounts	Allowance for doubtful account[1] [2]
Provision under BOT's guideline						
Pass	166,607	151,582	3,280	136,253	122,958	794
Special mention	11,015	10,790	188	6,692	6,547	59
Sub-standard	1,517	1,510	378	788	768	178
Doubtful	254	227	54	267	239	51
Doubtful of loss	443	212	195	1,304	789	426
Allowance established in excess[2]	-	-	4	-	-	2,351
Total	179,836	164,321	4,099	145,304	131,301	3,859

[1] *Allowance for doubtful accounts for loans to customers is determined based on debt balance less collateral value in accordance with the BOT's guidelines (except for hire purchase and financial lease receivables, for which the Bank does not deduct the collateral value from the outstanding loan balance).*

[2] *As at 31 December 2011, the provisions set aside by TISCO Bank exceeded the BOT's minimum requirement by a total of Baht 2,057 million. TISCO Bank allocated Baht 2,053 million of the excess provision to a specific provision for an individual debtors and so combined with the minimum provision requirement of Baht 2,042 million, the total provision set aside in accordance with BOT requirements is Baht 4,095 million. Such provision is in compliance with the BOT's guideline.*

	Percentage of allowance for doubtful account set up			
	Hire purchase receivable		Other loan[2]	
	As at 31 December		As at 31 December	
	2011[1]	2010	2011	2010
Pass	1.42	0.60	1	1
Special mention	1.42	0.60	2	2
Sub-standard	20.88	20.31	100	100
Doubtful	20.88	20.31	100	100
Doubtful of loss	20.88	20.31	100	100

[1] *These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.*

[2] *These percentages are the rates used to set aside allowance for doubtful accounts in accordance with the BOT's minimum requirement.*

5.5.5 Hire purchase and financial lease receivables

As at 31 December 2011, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 134,944 million (2010: Baht 112,491 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 2011				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Gross investment in the agreements	47,092	98,809	3,386	2,873	152,160
Less: Deferred revenue*	(6,754)	(9,104)	(106)	(1,174)	(17,138)
Advances received from financial lease receivables	-	(72)	(6)	-	(78)
Present value of minimum lease pay from agreements	40,338	89,633	3,274	1,699	134,944
Allowance for doubtful accounts					(2,246)
Net hire purchase and financial lease receivables					132,698

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

(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
Gross investment in the agreements	39,912	81,746	2,318	2,590	126,566
Less: Deferred revenue *	(5,676)	(7,194)	(56)	(1,130)	(14,056)
Advances received from financial lease receivables	-	(19)	-	-	(19)
Present value of minimum lease pay from agreements	34,236	74,533	2,262	1,460	112,491
Allowance for doubtful accounts					(963)
Net hire purchase and financial lease receivables					111,528

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

5.5.6 Loans to customers for which the recognition of interest income has ceased

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines[2] as at 31 December		Amounts calculated under the Bank's policy as at 31 December	
	2011	2010	2011	2010
Loans to customers for which the recognition of interest income has ceased[1]	2,949	3,618	3,209	3,941

[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.*

5.5.7 Deferred revenue which is presented as a deduction against loans to customers

(Unit: Million Baht)

	As at 31 December	
	2011	2010
Deferred revenue[1]	17,321	14,239

[1] *These amounts included deferred revenue of hire purchase and financial lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.*

5.5.8 Troubled debt restructuring

	For the years ended 31 December	
	2011	2010
Debtors restructured during the year:		
Number of debtors restructured by modification of terms (number)	287	527
Loan balances before restructuring (million Baht)	720	574
Loan balances after restructuring (million Baht)	720	574
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	1	3
Corporate loan receivables	2	9

In addition, as a result of the severe flood crisis during the fourth quarter of 2011, TISCO Bank has been implementing various measures in accordance with the BOT policy to help ease debt repayment burden of affected debtors. Among the measures are principal and interest moratorium for a certain period and not treating such loans as substandard. As at 31 December 2011, TISCO Bank had eased the debt repayment burden of 7,606 debtors with the outstanding balances of Baht 2,383 million. In this respect, TISCO Bank has classified loan and set up provision for the affected debtors in accordance with the BOT's guideline.

Supplemental information for the years ended 31 December 2011 and 2010 relating to the restructured debts is as follows:

	For the years ended 31 December	
	2011	2010
Interest income on restructured receivables (million Baht)	64	61
Receipt of principal and interest (million Baht)	730	382

As at 31 December 2011 and 2010, the Bank have the outstanding balances with troubled restructured debtors, as follows:

(Unit: Million Baht)

	As at 31 December			
	2011		2010	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,612	1,299	1,289	1,711

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

5.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 31 December 2011						
	Pass	Special-Mentioned	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	794,419	59,208	177,958	51,122	425,880	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the year	2,486,197	130,137	575,132	614,501	283,511	(2,360,249)	1,729,229
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(962)	(1,297)	(374,634)	(611,529)	(514,543)	-	(1,502,965)
Balance - end of year	3,279,654	188,048	378,456	54,094	194,848	3,863	4,098,963

(Unit: Thousand Baht)

	As at 31 December 2010						
	Pass	Special-Mentioned	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	594,905	60,643	162,254	71,475	471,292	727,847	2,088,416
Increase (decrease) in allowance for doubtful accounts during the year	199,919	2,879	292,377	449,408	28,287	1,411,876	2,384,746
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125	211,125
Bad debt written-off	(405)	(4,314)	(276,673)	(469,761)	(73,699)	(23)	(824,875)
Balance - end of year	794,419	59,208	177,958	51,122	425,880	2,350,825	3,859,412

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

(Unit: Thousand Baht)

	As at 31 December 2011			
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	547,072	961,515	2,350,825	3,859,412
Increase (decrease) in allowance for doubtful accounts during the year	1,414,893	2,674,585	(2,360,249)	1,729,229
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(109,718)	(1,393,247)	-	(1,502,965)
Balance - end of year	1,852,247	2,242,853	3,863	4,098,963

(Unit: Thousand Baht)

	As at 31 December 2010			
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	507,902	852,667	727,847	2,088,416
Increase (decrease) in allowance for doubtful accounts during the year	78,972	893,898	1,411,876	2,384,746
Transfer from allowance for declining in value of property foreclosed	-	-	211,125	211,125
Bad debt written-off	(39,802)	(785,050)	(23)	(824,875)
Balance - end of year	547,072	961,515	2,350,825	3,859,412

5.6.3 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2011	2010
Non-performing loans to customers	2,214	2,359
Allowance for doubtful accounts	627	655

5.7 Classification of assets

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

(Unit: Million Baht)

	Cost as at 31 December		Fair value as at 31 December		Allowance for possible loss provided in the accounts[1] as at 31 December	
	2011	2010	2011	2010	2011	2010
Debt instruments - debentures[2]	1	1	-	-	1	1
Equity instruments - ordinary shares[3]	6	6	-	-	6	6

[1] *Allowance for possible loss is determined based on the investment cost less collateral value.*

[2] *Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.*

[3] *Investments in securities of companies which are vulnerable to delisting, of companies of which the auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.*

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

As at 31 December 2011 and 2010, the quality of the Bank's assets is classified in accordance with the Bank of Thailand's guidelines, including the BOT's Notification No. PhorNorSor. (23) Wor. 1564/2554 regarding "Clarification of measures to help debtors who have been affected by flooding" are as follows:

(Unit: Million Baht)

	Loans to customer[1]		Investments in securities		Investments in receivables		Property foreclosed		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Pass	191,868	139,279	-	-	-	-	-	-	191,868	139,279
Special mention	10,880	6,611	-	-	-	-	-	-	10,880	6,611
Sub-standard	1,517	788	-	-	-	-	-	-	1,517	788
Doubtful	254	267	-	-	-	-	-	-	254	267
Doubtful of loss	443	1,304	119	87	18	23	50	61	630	1,475
Total	204,962	148,249	119	87	18	23	50	61	205,149	148,420

[1] *Loans to customers include investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which presented as part of interbank and money market items-asset in the statements of financial position)*

5.7.3 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 as at 31 December		Net amount used for set the allowance for doubtful accounts[1] as at 31 December		Percentage of allowance for doubtful account set up *as at* 31 December		Allowance for doubtful accounts as at 31 December	
	2011	2010	2011	2010	2011[2]	2010	2011[3]	2010
					(%)	(%)		
Pass	122,851	104,568	122,851	104,568	1.42	0.60	1,723	610
Special mentioned	10,066	6,360	10,066	6,360	1.42	0.60	165	55
Substandard	1,429	747	1,429	747	20.88	20.31	296	157
Doubtful	220	234	220	234	20.88	20.31	48	46
Doubtful of loss	50	479	50	479	20.88	20.31	11	94
Total	134,616	112,388	134,616	112,388			2,243	962

[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, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.*

[3] *These allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.*

5.7.4 Loans to customers includes debts due from companies with weak financial position and operating results

	Number of debtors as at 31 December		Debt balance as at 31 December		Collateral value as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2011	2010	2011	2010	2011	2010	2011	2010
			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	1	247	254	145	148	123	127
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	1	2	13	349	-	269	13	80
5. Companies whose auditor's report cited going concern issues	-	3	-	506	-	453	-	53
Total	2	6	260	1,109	145	870	136	260

5.8 Property foreclosed

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Acquisition of assets for debt repayment		
Immovable assets		
Appraisal by an external valuer		
Balance - beginning of year	268,015	479,140
Additions	-	-
Disposals	(28,315)	(211,125)
Balance - end of year	239,700	268,015
Appraisal by an internal valuer		
Balance - beginning of year	33,860	33,860
Additions	3,691	-
Disposals	-	-
Balance - end of year	37,551	33,860
Total property foreclosed - Immovable assets	277,251	301,875
Movable assets		
Balance - beginning of year	42,485	71,507
Additions	1,151,473	1,434,738
Disposals	(1,163,623)	(1,463,760)
Balance - end of year	30,335	42,485
Total property foreclosed	307,586	344,360
Less: Allowance for impairment		
Balance - beginning of year	32,002	31,673
Increase	28,677	329
Decrease	(28,315)	-
Balance - end of year	32,364	32,002
Property foreclosed - net	275,222	312,358
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(17,486)	(294,395)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	257,736	17,963

5.9 Premises and equipment

(Unit: Thousand Baht)

	Land	Building, office condominium and building improvements	Furniture, fixtures computer and equipment	Motor vehicles	Total
Cost:					
1 January 2010	17,509	877,843	521,092	75,114	1,491,558
Additions/transfers in	-	26,347	31,864	23,548	81,759
Disposals/written-off/ transfers out	-	(7,280)	(23,147)	(29,121)	(59,548)
31 December 2010	17,509	896,910	529,809	69,541	1,513,769
Additions/transfers in	-	29,484	31,490	2,646	63,620
Disposals/written-off/ transfers out	-	(611)	(12,523)	(16,613)	(29,747)
31 December 2011	17,509	925,783	548,776	55,574	1,547,642
Accumulated depreciation:					
1 January 2010	-	379,860	396,313	65,759	841,932
Depreciation for the year	-	78,369	67,638	8,288	154,295
Depreciation on disposals/ written-off	-	(7,280)	(21,378)	(29,072)	(57,730)
31 December 2010	-	450,949	442,573	44,975	938,497
Depreciation for the year	-	61,116	51,378	7,479	119,973
Depreciation on disposals/ written-off	-	(611)	(11,935)	(16,613)	(29,159)
31 December 2011	-	511,454	482,016	35,841	1,029,311
Net book value:					
31 December 2010	17,509	445,961	87,236	24,566	575,272
31 December 2011	17,509	414,329	66,760	19,733	518,331
Depreciation for the years:					
2010					154,295
2011					119,973

5.10 Intangible assets

Intangible assets as at 31 December 2011 and 2010 are presented as belows:

(Unit: Thousand Baht)

	Computer software
As at 31 December 2011:	
Cost	369,631
Less: Accumulated amortisation	(269,327)
Net book value	100,304
As at 31 December 2010:	
Cost	342,486
Less: Accumulated amortisation	(221,207)
Net book value	121,279

A reconciliation of the net book value of intangibles assets for the years 2011 and 2010 is presented below.

(Unit: Thousand Baht)

	2011	2010
Net book value at beginning of year	121,279	136,807
Acquisitions of computer software	29,595	28,379
Disposals of computer software	(2,450)	(700)
Amortisation	(48,120)	(43,207)
Net book value at ending of year	100,304	121,279

5.11 Other assets

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Value added tax - net	226,451	343,017
Accrued interest receivable	12,147	18,370
Fee and charges receivable	37,124	31,395
Prepaid income tax	348,144	-
Deposits	30,466	28,495
Other receivables	345,631	221,787
Other assets	248,868	213,207
Total other assets	1,248,831	856,271

5.12 Deposits

5.12.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Deposits		
Current accounts	3,503,982	4,933,147
Saving accounts	17,082,939	25,671,550
Fixed accounts		
- not over 6 months	1,265,389	778,329
- over 6 months and less than 1 year	588,126	142,761
- over 1 year	195,633	248,436
Certificates of deposit/negotiable certificates of deposit	15,423,817	16,832,155
Total	38,059,886	48,606,378

5.12.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Not over 1 year*	37,533,669	48,297,250
Over 1 year	526,217	309,128
Total deposits	38,059,886	48,606,378

**Including fully-mature deposit contract*

5.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Commercial banks	124,703	-	124,703	81,711	550,000	631,711
Specialised financial institutions	-	-	-	-	2,500,000	2,500,000
Financial institutions	282,506	10,450,772	10,733,278	791,208	4,944,380	5,735,588
Total	407,209	10,450,772	10,857,981	872,919	7,994,380	8,867,299

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 institutuion for a fixed interest rate, as mentioned in Note 5.36.5 to the financial statements.

5.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Domestic borrowings		
Subordinated unsecured debentures	6,000,000	6,000,000
Unsubordinated unsecured debentures	1,076,000	1,000,000
Bills of exchange	136,709,733	80,973,771
Promissory notes	1,034	2,376
Total	143,786,767	87,976,147

5.14.1 Subordinated unsecured debentures

Year	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December (Million Baht)		Maturity in the year	Interest rate
		2011	2010		2011	2010		
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 forth 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 forth 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 million	1,000	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 million	1,000	1,000	1,000	2020	4.8 percent per annum in the first to tenth years.
Total					6,000	6,000		

5.14.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December (Million Baht)		Maturity in the year	Interest rate
		2011	2010		2011	2010		
2007	Unsubordinated and unsecured long - term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum
2011	Unsubordinated and unsecured long - term debentures	76,000 units	-	1,000	76	-	2012	3.40 percent per annum
Total					1,076	1,000		

5.14.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2012 to 2015. The interest rates of the fixed interest rates bearing bills of exchange are between 1.75 and 4.50 percent per annum.

5.15 Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011 are summarised below.

(Unit: Thousand Baht)

	Severance Payment as at 31 December 2011
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earning (Note 2)	62,567
Current service cost	7,996
Interest cost	2,730
Benefit expense during the year	(650)
Actuarial (gain) losses	11,124
Balance - end at year	83,767

Long-term employee benefits expenses included in profit or loss for the year ended 31 December 2011 totaling Baht 11 million.

Principal actuarial assumptions at the valuation date were as follow:

	2011
	(% per annum)
Discount rate	3.77 - 4.27
Average salary increase rate	3
Average inflation rate	3

5.16 Other liabilities

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Withholding income tax and other tax payable	263,548	77,298
Accrued insurance premium	399,104	370,212
Deferred income	490,439	233,226
Accrued expenses	743,715	651,749
Other liabilities	528,932	669,075
Total other liabilities	2,425,738	2,001,560

5.17 Preference shares converted to ordinary shares

Up to 31 December 2011, 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 2011, 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.

5.18 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.

Regarding to Capital fund as of 31 December 2011 and 2010 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 method under BOT's regulation.

Capital funds of the Bank are as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Tier I		
Issued and fully paid up share capital	7,281,522	7,281,522
Premium on share capital	130,451	130,451
Statutory reserve	714,600	614,900
Retained earnings - unappropriated	4,684,261	3,196,596
Less : Deferred tax assets	(106,451)	(960,966)
Deficit provision according to IRB	(442,265)	-
Total Tier I	12,262,118	10,262,503
Tier II		
Subordinated long-term debentures	5,873,988	5,131,251
Reserve for loans classified as pass	798,731	552,695
Add: Excess provision according to IRB	-	280,332
Less: Deficit provision according to IRB	(442,265)	-
Total Tier II	6,230,454	5,964,278
Total capital fund	18,492,572	16,226,781

	As at 31 December			
	2011		2010	
Capital ratios	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	9.88% [(1)]	4.25%	11.29% [(1)]	4.25%
Total capital to risk assets	14.91% [(2)]	8.50%	15.23% [(2)]	8.50%

[(1)] *Before Capital Floor*

[(2)] *After Capital Floor*

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 25/2552 regarding "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank has disclosed capital maintenance information as at 30 June 2011 on its website on 31 October 2011.

5.19 Surplus on changes in the value of investments

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Balance - beginning of year	20,444	11,325
Increase (decrease) from changes in the value of securities during the year	(15,708)	9,119
	4,736	20,444
Less: The effect of deferred tax assets / liabilities	(947)	(6,133)
Balance - end of year	3,789	14,311

5.20 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Interbank and money market items	572,252	178,322
Investments in debt securities	225,029	433,768
Loans to customers	3,216,639	1,632,743
Hire purchase and financial lease	7,542,899	6,465,099
Total interest income	11,556,819	8,709,932

5.21 Interest expenses

Interest expenses in the statements of comprehensive income for years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Deposits	842,103	802,985
Interbank and money market items	242,264	112,474
Contribution fee to the Deposit Protection Agency	163,043	255,952
Issued debt instruments		
- Subordinated debentures	308,000	244,005
- Unsubordinated debentures	40,400	85,812
Borrowings	3,664,681	913,731
Total interest expenses	5,260,491	2,414,959

5.22 Fees and service income - net

Fees and service income in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Fees and service income		
- Acceptance, aval and guarantees	30,604	10,428
- Insurance service	1,130,000	820,611
- Financial advisory fees	1,800	-
- Others	451,947	426,475
Total fees and service income	1,614,351	1,257,514
Fees and service expenses	(61,577)	(65,637)
Fees and service income - net	1,552,774	1,191,877

5.23 Gains (losses) on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	40,588	(2,262)
- Derivatives on interest rates	7,774	420
- Debt securities	10,237	9,595
Total	58,599	7,753

5.24 Gains (losses) on investments

Gains (losses) on investments in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Gains (losses) on disposal		
- Available-for-sale securities	65,898	131,297
- Held-to-maturity securities	189	(385)
- General investments	10,789	46,809
Total	76,876	177,721
Losses on impairment		
- General investments	(49,835)	(900)
- Investments in subsidiaries	(2,404)	(10,741)
Total	(52,239)	(11,641)
Grand (loss) on investments - net	24,637	166,080

5.25 Bad debt, doubtful accounts and impairment loss of debt securities

Bad debt, doubtful accounts and impairment loss of debt securities in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Interbank and money market items	10,000	-
Held-to-maturity debt securities	(4,658)	10,649
Loans to customers	1,060,267	1,759,032
Total	1,065,609	1,769,681

5.26 Other operating incomes

Other operating income in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Gains on disposal of property foreclosed	63,074	195,053
Dividend income	75,134	61,632
Others	22,943	45,731
Total	161,151	302,416

5.27 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Mailing expenses	38,012	34,493
Software amortisation expenses	48,120	43,207
Legal expenses	120,466	124,307
Transportation expenses	73,688	66,505
Others	167,886	109,422
Total	448,172	377,934

5.28 Income tax expense

Income tax expenses of the Bank of the years ended 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Current income tax:		
Income tax expenses for the years	329,552	1,322,778
Adjustment in respect of current income tax of previous year	1,298	18
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	788,089	(478,169)
Effect of changes in the applicable tax rates	57,626	-
Income tax expense reported in statements of comprehensive income	1,176,565	844,627

The amounts of income tax relating to each component of other comprehensive income for the year ended 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	2011	2010
Decrease (increase) in surplus on change in value of investments	4,712	(2,735)
Cash flow hedges	(38,483)	-
Actuarial gains or losses arising from post employment benefits	3,337	-
Effect of changes in the applicable tax rates	12,189	-
Deferred taxes are recorded directly to other comprehensive income	(18,245)	(2,735)

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the year ended 31 December 2011 and 2010.

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Accounting profit before tax	3,806,474	2,837,651
Applicable tax rate	30%	30%
Accounting profit before tax multiplied by applicable tax rate	1,141,942	851,295
Adjustment in respect of current income tax of previous year	1,298	18
Effects of changes in the applicable tax rates	57,626	-
Tax effect of net tax-exempt income and net disallowed expenses	(24,301)	(6,686)
Income tax expenses reported in the statements of comprehensive income	1,176,565	844,627

The following table shows consist of deferred tax assets and deferred tax liabilities.

(Unit: Thousand Baht)

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2011	2010	2011	2010
Allowance for doubtful debts	-	705,247	(705,247)	486,893
Allowance for impairment of investments	41,080	47,346	(6,266)	6,666
Allowance for impairment of property foreclosed	9,970	97,919	(87,949)	(63,261)
Non-accrual of interest income	24,764	177,497	(152,733)	(3,684)
Depreciation of assets	11,088	21,521	(10,433)	227
Financial leases	8,468	13,910	(5,443)	(5,649)
Revaluation surplus on investments	(947)	(6,133)	-	-
Unrealised gain or loss on derivatives	(1,652)	(146)	(1,506)	(126)
Cash flow hedges	(25,655)	-	-	-
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(238,256)	(296,388)	58,133	(68,769)
Deferred income	82,735	67,017	15,718	24,873
Accrued expenses	119,825	118,405	1,420	92,493
Employee benefits	16,884	-	2,146	-
Others	55,083	8,638	46,445	8,506
Deferred tax assets	103,387	954,833	(845,715)	478,169

5.29 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
Other comprehensive income		
Available-for-sale securities:		
Gains arising during the years	50,190	140,416
Less: Reclassification adjustments for gains included in profit or loss	(65,898)	(131,297)
	(15,708)	9,119
Actuarial gain or losses arising from post-employment benefits	(11,124)	-
Cash flow hedges:		
Gains arising during the years	119,649	-
Add: Reclassification adjustments for loss included in profit or loss	8,628	-
	128,277	-
Other comprehensive income	101,445	9,119
Income tax relating to components of other comprehensive income	(18,245)	(2,735)
Other comprehensive income for the years - net	83,200	6,384

5.30 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2011			2010		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
Increase (decrease) in surplus on change in value of investments	(15,708)	5,186	(10,522)	9,119	(2,735)	6,384
Actuarial gains or losses arising from post-employment benefits	(11,124)	2,225	(8,899)	-	-	-
Cash flow hedges	128,277	(25,656)	102,621	-	-	-
	101,445	(18,245)	83,200	9,119	(2,735)	6,384

5.31 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the years ended 31 December	
	2011	2010
Profit attributable to equity holders of the Bank (Thousand Baht)	2,629,909	1,993,024
Weighted average number of shares (Thousand shares)	728,152	728,152
Basic earnings per share (Baht/share)	3.61	2.74

5.32 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2010	Increase	Decrease	As at 31 December 2011
Outstanding balance				
Parent company:				
TISCO Financial Group Plc.				
Other assets	2,344	53,428	(817)	54,955
Deposits	6,461	21,159	(2,207)	25,413
Accrued interest payable	93	575	(635)	33
Borrowings	387,000	1,096,000	(1,339,000)	144,000
Dividend payable	1,019,246	1,070,318	(1,689,146)	400,418
Other liabilities	74,588	22,302	(96,890)	-
Related companies related by common shareholder				
Loans:				
TISCO Tokyo Leasing Co., Ltd.	100,000	200,000	(300,000)	-
Dividend receivable:				
TISCO Leasing Co., Ltd.	-	22,499	(22,499)	-
Other Assets:				
TISCO Securities Co., Ltd.	-	154	(64)	90
TISCO Learning Center Co., Ltd.	-	5,654	(5,654)	-
Deposits:				
Hi-Way Co., Ltd.	21,993	12,876	(19,418)	15,451
TISCO Information Technology Co., Ltd.	7,054	-	(5,924)	1,130
Primus Leasing Co., Ltd.	33,699	-	(3,586)	30,113
TISCO Tokyo Leasing Co., Ltd.	23	1,012	(652)	383
TISCO Learning Center Co., Ltd.	-	6,451	(4,454)	1,997
TISCO Investment Advisory Co., Ltd.	-	1,000	(148)	852
TISCO Leasing Co., Ltd.	3,925	6,701	(5,074)	5,552
Interbank and money market items (liabilities):				
TISCO Securities Co., Ltd.	515,701	455,855	(968,148)	3,408
TISCO Asset Management Co., Ltd.	54,139	1,594	(48,258)	7,475

(Unit: Thousand Baht)

	As at 31 December 2010	Increase	Decrease	As at 31 December 2011
Outstanding balance				
Related companies related by common shareholder				
Borrowings:				
TISCO Information Technology Co., Ltd.	30,000	50,000	(30,000)	50,000
TISCO Leasing Co., Ltd.	10,000	25,000	(35,000)	-
TISCO Learning Center Co., Ltd.	-	21,000	(16,000)	5,000
Accrued interest payable:				
TISCO Securities Co., Ltd.	51	32	(83)	-
TISCO Asset Management Co., Ltd.	98	1	(97)	2
Hi-Way Co., Ltd.	-	114	(114)	-
TISCO Information Technology Co., Ltd.	7	137	(20)	124
TISCO Leasing Co., Ltd.	1	72	(73)	-
TISCO Learning Center Co., Ltd.	-	17	(5)	12
Other liabilities:				
TISCO Learning Center Co., Ltd.	-	2,225	(752)	1,473

(Unit Thousand Baht)

	2011	2010	Terms and pricing policy (For the year 2011)
Transactions occurred during the years ended 31 December			
Parent company			
Risk and financial management fee expense, human resources management fee expense and office administration fee expense	802,810	920,979	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	14,754	3,774	With reference to the terms and prices as offered to other customers
Others expenses	8,559	8,150	With reference to the terms and prices as offered to other customers
Subsidiary companies and related companies			
Interest income	3,855	1,429	With reference to the terms and prices as offered to other customers
Other income	1,719	1,691	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	213,000	211,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	25,502	-	With reference to the prices as offered from other service providers
Interest expenses	3,107	2,533	With reference to the terms and prices as offered to other customers
Others expenses	1,473	6,556	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	
	2011	2010
Loans	111	196

Liabilities payable to directors and management

(Unit: Thousand Baht)

	As at 31 December 2011
Deposits	47,053
Debt issued and Borrowings	15,174

Besides the above transactions, the Bank has additional related party transaction with its parent company, which is presented in Note 6.1 to the financial statements.

Directors and management's remuneration

For the years ended 31 December 2011 and 2010, the Bank paid benefit remuneration to their directors and management as below:

(Unit: Million Baht)

	2011	2010
Short-term benefit	116	102
Post-employment benefit	2	-
Total	118	102

5.33 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.

5.34 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 totaling Baht 46 million (2010: Baht 41 million).

5.35 Commitments and contingent liabilities

5.35.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2011	2010
Avals	5,280	194,136
Other guarantees	4,447,136	888,386
Undrawn client overdraft facilities	30,976	33,273
Interest rate swap agreements (Note 5.36.5)	5,982,000	300,000
Cross currency swap agreements (Note 5.36.5)	7,215,602	180,908
	17,680,994	1,596,703

5.35.2 Litigation

As at 31 December 2011, the Bank has been sued for compensation totaling approximately Baht 136 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 190 million as at 31 December 2011). 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 damage claims.

5.35.3 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 2011, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	Million Baht
Payable within:	
Less than 1 year	76
1 to 3 years	86

5.36 Financial instruments

5.36.1 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 to customers 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 statement of financial position.

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 can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

(Unit: Million Baht)

	As at 31 December	
	2011	2010
Neither past due nor impaired		
Very high grade	76,450	70,228
High grade	37,950	30,510
Medium grade	8,451	3,830
Sub total	122,851	104,568
Hire purchase receivables - overdue 31 - 90 days	10,066	6,360
Hire purchase receivables - overdue more than 90 days	1,699	1,460
Total	134,616	112,388

5.36.2 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.

5.36.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements 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	
	2011	2010
Marketable financial assets		
Debts securities	10	23
Derivatives	31	-
Foreign currencies	11	7

5.36.2.2 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 financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2011	2010
Change in interest rate		
Increase 1 percent	(349.25)	(258.13)
Decrease 1 percent	349.25	258.13

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual, the net interest rate sensitivity incurred would be less than those effected in net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities are not included in marketable debt securities, which presented in the market risk - marketable portfolio.

5.36.2.3 Interest rate risk

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

(Unit: Million Baht)

	As at 31 December 2011			
	Outstanding balances of financial instruments			
Transactions	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash	-	-	903	903
Interbank and money market items	-	29,383	601	29,984
Derivatives assets	-	-	22	22
Investments - net	-	2,115	481	2,596
Investments in subsidiary - net	-	-	47	47
Loans to customers[(1)]	9,119	168,899	1,818	179,836
	9,119	200,397	3,872	213,388
Financial liabilities				
Deposits	20,434	17,431	195	38,060
Interbank and money market items	266	10,585	7	10,858
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	270	270
Debts issued and borrowings	-	143,787	-	143,787
	20,700	171,803	920	193,423

[(1)] *Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.*

(Unit: Million Baht)

	As at 31 December 2010			
	Outstanding balances of financial instruments			
Transactions	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash	-	-	903	903
Interbank and money market items	-	11,371	989	12,360
Derivatives assets	-	-	13	13
Investments - net	-	4,337	628	4,965
Investments in subsidiaries - net	-	-	135	135
Loans to customers [(1)]	8,523	135,335	1,446	145,304
	8,523	151,043	4,114	163,680
Financial liabilities				
Deposits	30,386	18,001	219	48,606
Interbank and money market items	97	8,770	-	8,867
Liabilities payable on demand	-	-	532	532
Debts issued and borrowings	-	87,976	-	87,976
	30,483	114,747	751	145,981

[(1)] *Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.*

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

(Unit: Million Baht)

	As at 31 December 2011						
	Repricing or maturity date						
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (%)
Financial assets							
Interbank and money market items	-	25,359	4,024	-	-	29,383	2.7951
Investments - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,107	18,134	34,369	101,717	3,572	168,899	6.7768
	11,125	43,545	39,611	102,544	3,572	200,397	
Financial liabilities							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	134	1,947	6,834	1,670	-	10,585	3.8405
Debts issued and borrowings	1,661	59,064	71,312	5,750	6,000	143,787	3.8384
	2,464	71,329	84,064	7,946	6,000	171,803	

(Unit: Million Baht)

	As at 31 December 2010						
	Repricing or maturity date						
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (%)
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 to customers	6,021	13,061	30,425	83,256	2,572	135,335	6.5396
	6,062	25,908	30,905	85,591	2,577	151,043	
Financial liabilities							
Deposits	1,603	12,245	3,844	309	-	18,001	1.7824
Interbank and money market items	776	4,219	37	3,738	-	8,770	2.4955
Debts issued and borrowings	1,923	52,185	18,408	9,460	6,000	87,976	2.2507
	4,302	68,649	22,289	13,507	6,000	114,747	

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

5.36.3 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 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.

5.36.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

	As at 31 December 2011			
	Remaining days			
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	99,560	84,192	13,961	197,713

The matured liabilities, both deposit and bill of exchange, are generally rollover with 90% average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit or bill of exchange in term of cash outflow.

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

(Unit: Million Baht)

	As at 31 December 2011
Composition of highly liquid assets	
Cash	903
Interbank and money market - net	29,984
Current investments - net	1,447
Total liquid assets[(1)]	32,334
Liquid asset requirement[(1)]	2,289

[(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 2011, the Bank has highly liquid assets at Baht 32,334 million, which higher than internal liquid asset requirement of Baht 2,289 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.

5.36.3.3 Counting from the financial statement date, as at 31 December 2011 and 2010 the period to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

	As at 31 December 2011							
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	601	25,359	4,024	-	-	-	-	29,984
Derivatives assets	-	-	-	22	-	-	-	22
Investments - net	18	52	1,218	827	-	481	-	2,596
Investments in subsidiary - net	-	-	-	-	-	47	-	47
Loans to customers	14,134	18,255	36,370	103,070	5,058	-	2,949	179,836
	15,656	43,666	41,612	103,919	5,058	528	2,949	213,388
Financial liabilities								
Deposits	21,256	10,360	5,918	526	-	-	-	38,060
Interbank and money market items	407	1,947	6,834	1,670	-	-	-	10,858
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	127	128	-	15	-	-	270
Debts issued and borrowings	1,661	59,064	71,312	5,750	6,000	-	-	143,787
	23,772	71,498	84,192	7,946	6,015	-	-	193,423
Commitment and contingent liability								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,474	4,092	4,032	1,650	4,279	-	17,676

* *Non performing loans according to the BOT's guidelines*

(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
Derivatives assets	-	-	-	13	-	-	-	13
Investments - net	41	1,476	480	2,335	5	628	-	4,965
Investments in subsidiaries - net	-	-	-	-	-	135	-	135
Loans to customers	8,266	11,905	31,068	86,327	4,120	-	3,618	145,304
	10,199	24,752	31,548	88,675	4,125	763	3,618	163,680
Financial liabilities								
Deposits	32,208	12,245	3,844	309	-	-	-	48,606
Interbank and money market items	873	4,219	37	3,738	-	-	-	8,867
Liabilities payable on demand	532	-	-	-	-	-	-	532
Debts issued and borrowings	1,923	52,185	18,407	9,461	6,000	-	-	87,976
	35,536	68,649	22,288	13,508	6,000	-	-	145,981
Commitment and contingent liability								
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*

5.36.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 31 December 2011 are as follows:

a) Investment in a subsidiary company amounting to HKD 20 million (under the cost method net allowance for impairment equivalent to Baht 47 million).

b) Loans in foreign currency amounting to USD 100 million (equivalent to Baht 3,169 million as at 31 December 2011), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 5.36.5 to the financial statements.

c) Foreign certificates of deposit in foreign currency amounting to CNY 800 million (equivalent to Baht 4,026 million as at 31 December 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 5.36.5 to the financial statements.

5.36.5 Derivatives

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

As at 31 December 2011, the Bank has the following financial derivative instruments.

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 assets, as follow:

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2014	1,000	1
2016	3,032	21
2021	1,650	(15)

a.2) Cross currency swap agreement

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

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	3,169	(128)

b) Financial derivative instruments classified as cash flow hedge derivatives

b.1) Cross currency swap agreement

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

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	4,046	(128)

b.2) Interest rate swap agreement

The Bank entered into interest rate swap agreement to manage the risk associated with its interest-bearing liabilities as follows:

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2012	300	1

5.36.6 Fair value of financial instruments

The fair values of significant financial instruments of the Bank, as presented below.

(Unit: Million Baht)

	As at 31 December			
	2011		2010	
Transactions	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Cash	903	903	903	903
Interbank and money market items - net	29,984	29,984	12,360	12,360
Investments - net	2,596	2,596	4,965	4,965
Investments in subsidiaries - net	47	47	135	135
Loans to customers and accrued interest receivables - net	175,737	180,040	141,445	145,253
Financial liabilities				
Deposits	38,060	38,060	48,609	48,609
Interbank and money market items - net	10,858	10,858	8,867	8,867
Liabilities payable on demand	448	448	532	532
Debt issued and borrowings	143,787	143,787	87,974	88,061

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.

6. Significant events during the year

On 25 February 2011, the 2011 Annual General Meeting of Shareholders of the Bank passed the resolutions as follows:

6.1 Approval for the disposal of TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited at a price equal to the book value as at 31 December 2010 net the dividend payment made from retain earning of TISCO Leasing Company Limited up to the end of the year 2010. In this regard, the Bank disposed of all of its investment in TISCO Leasing Company Limited to TISCO Financial Group Public Company Limited on 27 June 2011. The Bank received payment of Baht 137 million and recorded a gain from the sale of Baht 51 million.

6.2 Approval an amendment on the Bank's memorandum of association "No.4 registered capital" to accord with the Bank's fully paid-up registered capital. The Bank's issued and fully paid-up registered capital is Baht 11,002 million which consists of 728,152,146 ordinary shares of Baht 10 each and 372,047,854 preference shares of Baht 10 each. On 1 March 2011, the Bank registered the amendment with the Ministry of Commerce.

6.3 Effect of changes in the applicable tax rates

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Bank reflected the changes in tax rates in its deferred tax calculation.

6.4 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	
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				1,019	
Interim dividend for 2011	The Board of Directors' Meeting of TISCO Bank No.6/2011 on 30 August 2011	0.92	0.92	670	September 2011
Interim dividend for 2011	The Board of Directors' Meeting of TISCO Bank No.8/2011 on 19 December 2011	0.55	0.55	400	January 2012
Total dividend payment in year 2011				1,070	

7. Reclassification

The Company has reclassified certain amounts in the financial statements for the year ended 31 December 2010 to conform to the current period's classifications, which are in accordance with the format stipulated by the BOT under its Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", which is effective for fiscal years beginning on or after 1 January 2011, and comply with new accounting standards, as mentioned in Note 1.2 to the financial statements.

8. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 6 February 2012.