



TISCO Bank Public Company Limited

Annual Registration Statements 2012 (Form 56-1)

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Executive Summary

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

In this exciting year, TISCO Bank Public Company Limited ("TISCO Bank") has captured the opportunity to ride economic cycle for exceptional business expansion. TISCO Bank has recorded a loan growth of 33%, among the highest in the banking industry, with total asset exceeding Baht 275,000 Million at the year-end. Our 5-year plan to double asset size has been achieved in merely 3 years, thanks to the success of our selective focus strategy within robust marketplace. In particular, the market for auto loan financing experienced phenomenal growth, with industry car sales sharply rose by 81% to 1.44 million units, following government tax incentive program for first car buyers. Among Key Performance Indicators, TISCO Bank profit grew 5% to reach a record Baht 2,757 Million, with a sustaining high rate of return on equity to shareholders for another consecutive year. Meanwhile, TISCO Bank's strong governance and prudent risk management continued to be assured as evidenced in a very low NPL of only 1.2%. Going forward, the board is confident that TISCO Bank's focused strategy, dynamic adaptability, and highly capable management & staffs, with continue to propel the company forward for quality growth and prosperity into the future. This has been demonstrated in successful achievements of key milestones across all the business groups that can be elaborated.

The **Retail Banking** group successfully sustained strong growth while continuing to expand strong foothold in consumer finance market throughout the country. Dominant market position in auto hire purchase business was still maintained, particularly the strong ties with major car manufacturers under captive finance arrangement. The **Corporate Banking** group continued to help our clients accomplished their business expansion opportunities. The team's cooperative orientation towards client's solution resulted in a stream of business transactions with wide-range of loan facilities and financial services. A few notable capital market transactions have been successfully launched during the year with great success for both our clients and investors. And for the sixth consecutive times, TISCO ranked first in the Asset Asian Currency Bond Benchmark Survey as "Top Bank in the Secondary Market for Corporate Bonds 2012, Thailand". In **Wealth & Deposit Service** group continued to provide full-service to our high net worth wealth clients with emphasis on high quality investment advice and services.

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

Although, TISCO Bank has progressively expanded in terms of business and operation, our core belief remained unchanged. To have a long lasting success in business, we recognized that importance of human resource as the most valuable asset to the firm. Since our inception, TISCO Bank has always been exhibiting strong culture and we intend to pass it forward to newer generations. Currently, TISCO Bank is a big family with over 2,300 members who come from a diverse background. Therefore, proactive Employee Relations program have been initiated to address employees' voices at all levels, with an utmost intention to promote employer-employee, supervisor-subordinate, and employee-employee relationships within the firm. The program would help instill corporate cultural into new employees. In addition, to ensure the visibility of business continuity and competent workforce, various employee development programs have been initiated for key middle management guaranteeing the congruence and readiness of the team to encounter an increasingly dynamic business environment.

The year forward, Thai economy is expected to sustain its growth prospect buoyed by government's long-term plan on infrastructure investment, as well as continued expansion of domestic consumption. Meanwhile, the increasing integration among fast-growing emerging countries where more collaborative measures starting to begin following the AEC initiation and rapid expansion in peripheral countries such as Laos, Vietnam, Myanmar, and Cambodia, would further support export recovery and economic activities. Despite the positive outlook in immediate

term, the board remains cautious on some macro developments that may give rise to longer term instability. This includes the high level of international fund flow into Thai capital market that is opportunistic in nature, as well as the government's continuing policies to stimulate domestic consumptions that may lead to concerns over financial discipline in the economic system. Amidst, the backdrop of external uncertainties and domestic volatility, TISCO Bank will continue to follow our focused strategies, good corporate governance, prudent business practice as well as strong risk management disciplines, in order to ensure business continuity & resiliency in the long run.

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

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	:	TISCO Bank Public Company Limited Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Debenture Holder Representative	:	TMB Bank Public Company Limited 3000 Phaholyothin Road 5 th Floor A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Debenture Registrar	:	TMB Bank Public Company Limited 3000 Phaholyothin Road Fl.1 A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Subordinated Bond Representative	:	TMB Bank Public Company Limited 3000 Phaholyothin Road Fl.1 A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Subordinated Bond Registrar	:	TMB Bank Public Company Limited 3000 Phaholyothin Road Fl.1 A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270

Auditor : **Ms. Ratana Jala**
Certified Public Accountant (Thailand) Registration No.3734
Ernst & Young Office Limited
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As of December 31, 2012, 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 3.3.5

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. This is achieved by setting risk limits and risk appetites, and ensuring the establishment of effective risk management systems and procedures in accordance with the standard practices of risk identification, assessment, monitoring and control, all of which are in line with the Audit Committee standards.

- Risk Management Committee

The Risk Management Committee of TISCO Bank, comprising the senior managements from the TISCO Bank, has been delegated from the Board of Directors of TISCO Bank in charge of the formulation and implementation of enterprise-wide risk strategies and action plans in connection with risk management policies and guidelines. The Risk Management Committee meeting is regularly held once a month. 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 obligor's failure to meet the contract agreement with TISCO Group. If the failure occurs, it requires the Bank to maintain higher provisions for loan losses. As a result, it adversely impact on net income and capital of TISCO Group.

2.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2012, NPL ratio of TISCO Bank remained the same as the end of 2011 at 1.2% 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%, increased from 1.2% in the end of 2011. Meanwhile, NPL ratio of commercial loan declined significantly from 1.2% to 0.9% at the end of 2011 and 2012, respectively. Additionally, total NPL at the end of 2012 was 2,774.06 million baht, which increased by 25.2% or 558.93 million baht due to substantial loan growth during the period.

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. Furthermore, total loan loss reserve of the Bank was 4,687.64 million baht or 169.8% of NPLs, with specific reserve for classified loan of 2,676.22 million baht. In addition, as of December 31, 2012, TISCO Bank has total provision according to BoT's requirement after including minimum provision of 2,648.08 million baht, with provision in excess of 2,016.43 million baht in compliance with provision policy for managing future risk.

2.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2012, TISCO Bank had total loans of 238,666.45 million baht. Hire purchase and commercial loans represented 64.5% and 18.0% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 154,049.32 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 145.47 million baht or 0.09% of the total hire purchase portfolio, or equal to 0.06% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into four different sectors: manufacturing and commerce, 17,226.31 million baht; real estate and construction, 10,203.97 million baht; public utilities and services, 14,888.26 million baht; and agricultural and mining, 675.20 million baht. The proportion to the above industrial sectors was 40.1%, 23.7%, 34.6% and 1.6% of the total commercial loan portfolio, and 7.2%, 4.3%, 6.2%, and 0.3% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 24,244.91 million baht or accounted for 10.2% 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, 2012, 80.2% 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.

According to past records, the recovery rate for asset liquidation in the secondary market was high around 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 61.7% 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, 2012 were 266.24 million baht, or 0.1% of total assets. Allowances for impairment stood at 6.4% of total foreclosed assets, which decreased from 16.2% as of December 31, 2011.

▪ Credit Risk Management Framework

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

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. The Problem Loan Committee was set up to monitor and follow up overdue payment of problem loan accounts and foreclosed assets on a regular basis.

Sound credit risk assessments are key risk practices at TISCO 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 transactional levels, as well as monitoring and managing problem loan and foreclosed assets.

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, 2012, the value of liquid assets was 36,726.44 million baht, comprised of cash at 1,045.65 million baht compared to 903.07 million baht as of December 31, 2011, net transactions with interbank and money market at 31,370.14 million baht compared to 29,983.89 million baht as of December 31, 2011 and net current investment at 4,310.65 million baht compared to 1,446.79 million baht as of December 31, 2011.

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

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, as of December 31, 2012, the Bank reported deposit of 220,633.71 million baht, the outstanding long-term debentures (both subordinated and unsubordinated) of 8,243.00 million baht and short-term debentures of 5,828.20 million baht, and bill of exchange amounted of 7,494.42 million baht.

▪ Liquidity Risk Management Framework

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

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

2.3 Market Risk

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

2.3.1 Equity Price Volatility

As of December 31, 2012, the equity portfolio stood at 436.13 million baht which totally was non-listed equity in book value. In addition, the investment in subsidiaries represented 43.96 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. As of December 31, 2012, 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 436.13 million baht, which decreased from 1,049.17 million baht in December 31, 2011. Additionally, the investment in subsidiaries decreased from 46.91 million baht at the end of 2011 to 43.96 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, 2012, is provided in the following table.

(Unit: Million baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	50,774.36	70,069.57	46,427.61	102,571.13	269,842.67
Liabilities	(96,918.91)	(145,432.37)	(1,320.16)	(8,268.96)	(251,940.39)
Net Gap	(46,144.55)	(75,362.80)	45,107.45	94,302.17	17,902.27

Under the change of interest rate within 1 year, TISCO Bank had liabilities over assets within 1 month cause the net gap to stand at 46,144.55 million baht and gap for liabilities over assets within 2-12 month stand at 75,362.80 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. And for 2-12 month negative gap shown was mainly from term deposit and debenture which not highly sensitive to interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Bank was exposed to an interest rate rise under acceptable risk.

(2) Fixed-Income Risk

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

TISCO Bank's fixed-income portfolio as of December 31, 2012 stood at 4,310.65 million baht, increased by 2,763.87 million baht compared to the end of 2011. Average duration of the bond portfolio in TISCO Bank was 0.27 year, decreasing from 0.83 year at the end of 2011 mainly due to the shorter maturity investment portfolio in the year. Meanwhile, average duration of the debenture portfolio was 0.61 years, decreasing from 1.08 years at the end of 2011. However, Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

▪ **Market Risk Management Framework**

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

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

Interest rate risk from banking book is analyzed on the basis of mismatch between the timing of interest rate re-pricing of assets and liabilities and its potential impacts on future net interest income of TISCO 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 and business opportunities. TISCO Bank expanded its businesses into various aspects in both extending the existing businesses as well as setting up new businesses, therefore, operational risk increased accordingly following the business expansion. Nevertheless, the new businesses will be analyzed for inherent risk in compliance with TISCO new business guideline to ensure risk-return approach. In addition, 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 2012, 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 the highest likelihood level, in line with high number of transaction. The risks in Retail Banking Business are generally classified as high likelihood, low to moderate impact, e.g. error in transactional data entry and late transaction execution to customers. These operational risks typically do not impact financial loss because the erroneous transaction can be reversed, excluding some loan transactions that the recipients have taken cash out of the system. From cause perspective, human error is a key risk factor in the business. Therefore, TISCO 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 are, therefore, embedded with extensive controlling process and set to performed by experienced staffs.

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

At transactional level, abnormal events (incidents) shall be reported into incident management system which is used as an input for the operational risk assessment afterward. The incident management system also help TISCO Bank ensures that all incidents 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 strategy implementation or misalignment between strategy, target, organization structure, competition and resources that 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, 2012, 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), including net profit of 2012, stood at 13.31% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II adequacy ratio stood at 9.04% and 4.28%, respectively, in which Tier-I adequacy ratio also remained higher than the minimum requirement at 4.25%. If including net profit for the year 2012, the regulatory capital adequacy ratio (BIS Ratio) stood at 13.30% while Tier-I and Tier-II adequacy ratio stood at 9.03% and 4.28%, respectively.

In addition to regulatory capital requirement, TISCO Bank also adopts IRB Basel II approach in risk management and capital requirements. According to the internal risk measurement of capital adequacy, the risk-based capital requirement stood at 12,280.17 million baht, accounting for 58.1% of the total capital base under Basel II - IRB of 21,136.78 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.

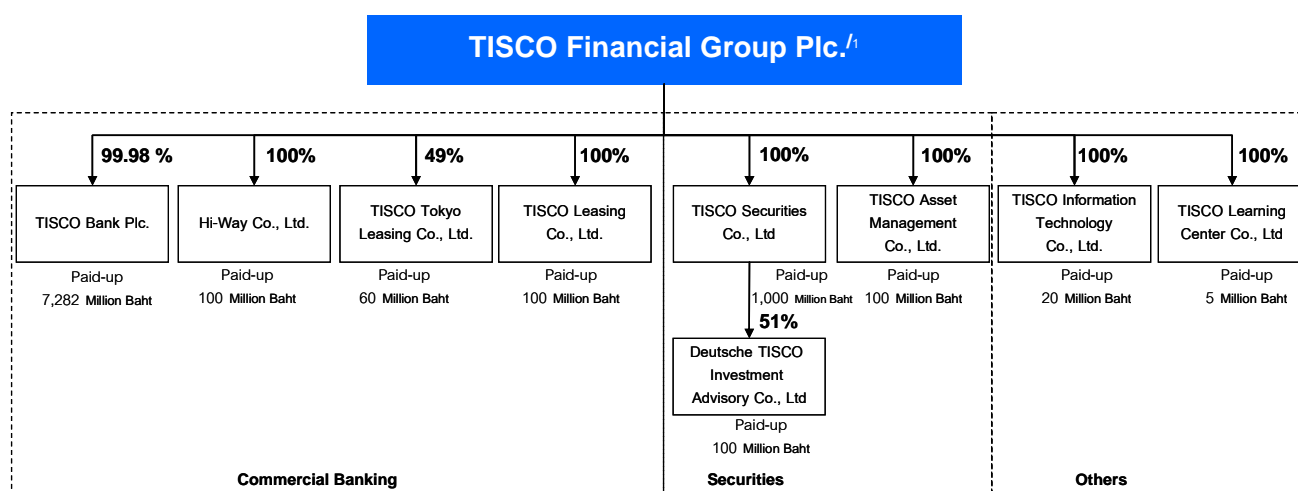
In 2007, TISCO Bank established TISCO Financial Group under the Consolidated Supervision regulation undertaken by the Bank of Thailand with TISCO Bank as the parent company on August 9, 2007. Furthermore, the establishment of TISCO Financial Group Plc. would enhance risk diversification and capital efficiency. 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 December 31, 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)

	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
Total Interest	8,710	104.2	11,557	127.4	14,206	133.4
Total Expenses on Borrowings	(2,415)	(28.9)	(5,261)	(58.0)	(7,872)	(73.9)
Net Interest	6,295	75.3	6,296	69.4	6,334	59.5
Fee and Service Income	1,258	15.0	1,614	17.8	2,495	23.4
Fees and Service Expenses	(66)	(0.8)	(61)	(0.7)	(73)	(0.7)
Net Fees and Service Income	1,192	14.3	1,553	17.1	2,422	22.8
Other Operating Income	874	10.5	1,224	13.5	1,890	17.8
Total Operating Income	8,361	100.0	9,073	100.0	10,646	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.
4. Build corporate branding and preserve corporate image in order to widely promote TISCO Bank's product and services as well as business synergy among companies in TISCO Group. Customer Relationship Management is also employed for business opportunity expansion as well as maintaining good relationship with clients.
5. Focus on improving information technology, business decision support system and personnel development in order to shift efficiency in business operations and fully utilize the banking platform.

4. Business Operations by Area

TISCO Bank Public Company Limited ("The Bank") offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank's headquarters, its subsidiaries, as of December 31, 2012, the Bank had 49 branches in every regions of Thailand. The locations of bank branches separated by region are shown as follows;

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

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 28.9% growth as of December 31, 2012, with 154,049.32 million baht in loans in the hire-purchase portfolio, up from 119,516.90 million baht at the end of 2011.

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	101,404.99	119,516.90	154,049.32	28.9

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

• Consumer Loans

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

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

As of December 31, 2012, mortgage loans were 1,455.60 million baht, increased by 6.5% from 1,366.99 million baht in 2011, partly due to continual recovery of housing demand after flood crisis in late of 2011.

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, 2012 were 14,387.17 million baht, increased by 12.8 % from 12,752.49 million baht in 2011 as illustrated in the following table:

Table shows details of retail loans

Retail Finance	December 31, 2010		December 31, 2011		December 31, 2012		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	101,404.99	89.5	119,516.90	89.4	154,049.32	90.7	28.9
Mortgage loans	1,422.29	1.2	1,366.69	1.1	1,455.60	0.9	6.5
Consumption loans	10,504.29	9.3	12,752.49	9.5	14,387.17	8.5	12.8
Total	113,331.56	100.0	133,636.08	100.0	169,892.09	100.0	27.1

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 2012, TISCO focused on deposit products and all-round investment by offering a savings account with high return and high liquidity, namely Diamond Savings for customers who has deposit more than 1 million baht, and offering accounting privilege and Super Savings for customers who has deposit less than 1 million baht as well as launched special promotion for fixed deposit has launched regularly. Furthermore, during the end of 2012, TISCO launched a new promotion for

saving products and investment under the name “TISCO Combo 10% savings”, that combined benefits of LTF, RMF and insurance altogether, of which offers tax benefit and return simultaneously. In addition, TISCO launched 3 new branches in downtown areas namely Gateway Ekkamai, Ratchawong and Seacon Bangkae. These new branches have covered all type of financial & investment products of TISCO group.

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. Over 7 years of service, the Bank aims to select and develop both life and non-life insurance products that match with risk of each customer segment. For non-life insurance, the service includes motor insurance, fire insurance, accidental insurance, critical illness insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. At present, the Bank has partnered with strong financial stability and well-know insurance companies.

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

2. Private Banking

TISCO Bank provides full-shelf financial & investment advisory service namely “TISCO Wealth” in which banking, securities, and asset management services are consolidated in one place, to satisfying various type of saving and investment demand. TISCO Wealth categorizes the customer into 2 groups which are TISCO Platinum and TISCO Private. TISCO Platinum is defined as group of customer who have total saving, fund, and securities portfolio of 5 – 20 million baht while TISCO Private is defined as group of customer who have total saving, fund, and securities portfolio more than 20 million baht. Both groups will be closely served by wealth manager who provide deposit service and various types of investment advisory for both domestic and foreign assets. In 2012, with an aim to provide excellence investment advisory service, TISCO Wealth established “TISCO Wealth Strategy Team” to provide in depth global economic trend as well as portfolio strategy for various types of asset classes namely “Global Economic Review” and “Global Wealth Strategy” reports to cover all kinds of outbound investment. Likewise, TISCO provides investment analysis in other alternative assets such as gold, oil, real estate, and agricultural products, etc. The customer can follow news and related investment recommendation through www.tiscowealth.com. In 2012, TISCO Bank launched the first advisory branch at Gateway Ekkamai. This branch has initially introduced “Wealth Clinic” service whereby the service provides in depth investment advisory that match with each individual demand, supported by our experienced wealth manager team. In the future, TISCO plans to expand Wealth Clinic service in new branch in order to increase coverage of investment advisory service.

3. 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, 2012, the Bank had a commercial lending portfolio of 42,993.75 million baht, which accounted for 18.0 % of total loans, increased by 32.9 % from 32,348.73 million baht in 2011. While Commercial loans was 25,780.61 million baht, significantly increased by 89.2 % from 13,628.40 million baht in 2011 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, 2010		December 31, 2011		December 31, 2012		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	10,996.33	7.6	16,368.35	9.1	17,226.31	7.2	5.2
Real estate and construction	6,374.43	4.4	8,789.92	4.9	10,203.97	4.3	16.1
Public utilities and services	4,905.58	3.4	6,862.20	3.8	14,888.26	6.2	117.0
Agriculture and mining	155.24	0.1	328.26	0.2	675.20	0.3	105.7
Corporate Loans	22,431.58	15.4	32,348.73	18.0	42,993.75	18.0	32.9
Commercial loans	9,425.41	6.5	13,628.40	7.6	25,780.61	10.8	89.2
Retail loans and other loans	113,331.56	78.1	133,636.08	74.4	169,892.09	71.2	27.1
Total Bank Loan	145,188.55	100.0	179,613.21	100.0	238,666.45	100.0	32.9

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, 2012, was 4,956.79 million baht, increased by 87.6% from 2,642.86 million baht in 2011.

4.2 Market and Competition

• Market

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

Deposits

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

Table showing movement of average interest rates of Thai commercial banks

	(unit: % per year)		
	2010	2011	2012
Minimum Lending Rate (MLR) ¹	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 2012, the Bank's deposit² was 288,017.43 million baht, up by 34.9% (YoY), comprised of 220,633.71 million baht of deposits and 7,383.72 million baht of short-term borrowings.

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

² Deposit includes the short-term borrowings

Loans

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

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

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

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

Moreover, car hire-purchase business, the major business of the Bank, is generally expanded in line with automobile industry growth. For year 2012, industry-wide new car sales were 1,436,335 cars, up by 80.9% (YoY) resulting from the pent-up car demand during the last quarter of 2011 as the automobile production was halted by flood crisis together with government's excise tax rebate scheme from first-time car buyer. The proportion of new passenger car sales to commercial car sales in 2012 was 44.6% to 53.4%. As of December 31, 2012, the car penetration rate of TISCO was 8.4%.

Table showing car sales in Thailand during 2007-2011

Unit: cars

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

Source: Automobile Institute

• Competition

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

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

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). In 2012, the competition in auto hire purchase market remained intense despite domestic

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

4.3 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	2010	2011	2012
Deposit	48,606.38	38,059.89	220,633.71
Short-term Borrowings	8,867.30	10,857.98	9,943.23
Long-term Borrowings	72,515.74	132,036.87	13,211.92
Interbank and Money Market Items	15,460.40	11,749.90	8,353.70
Other Liabilities	4,685.12	5,009.08	7,777.71
Total Source of Funds from Liabilities	150,134.94	197,713.71	259,920.26
Capital	12,211.39	13,804.07	15,203.68
Total Source of Funds	162,346.34	211,517.77	275,123.94

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

(Unit : Million baht)

Transaction								Total
	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non performing loans*	
Financial assets								
Cash	1,045	-	-	-	-	-	-	1,045
Interbank and money market items	3,636	27,239	-	495	-	-	-	31,370
Derivative Asset	-	15	-	27	-	-	-	42
Investment – net	10	2,689	1,692	86	-	436	-	4,913
Investment in subsidiaries - net	-	-	-	-	-	44	-	44
Loans and receivable	21,093	25,539	43,711	137,519	7,686	-	3,441	238,989
	25,784	55,482	45,403	138,127	7,686	480	3,441	276,403
Financial liabilities								
Deposits	38,970	135,578	45,855	231	-	-	-	220,634
Interbank and money market items	1,180	5,854	1,880	1,027	2	-	-	9,943
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivative Liability	-	-	-	-	-	-	-	-
Borrowings	58	5,967	7,187	111	8,243	-	-	21,566
	40,860	147,399	54,922	1,369	8,245	-	-	252,795
Off-balance sheet items								
Aval to bills and guarantees of loans	-	4	147	4	-	-	-	155
Other commitments	9	3,080	30	3,065	-	681	-	6,865

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

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

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

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

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

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

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

- **Credit Collection**

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

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

- **Debt restructuring**

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

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

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

3) Capital Adequacy

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

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

(Unit: Percentage)

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

¹ Use calculation method under Basel II IRB

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

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

4) Liquidity Management Policy

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

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

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

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

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

5) Asset Classification, Provisions and Write-offs

The 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, 2012, the Bank's reserves were 4,687.64 million baht, or 169.2% 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, 2010-2012 are as follows: These assets are free from any obligations.

(Unit: Million baht)

Type of Assets	2010	2011	2012
Land and buildings_(net)			
Office of TISCO Financial Group Plc. at TISCO Tower	327	317	235
Office furniture and improvements (net)	136	115	94
Total office furniture (net)	87	67	51
Others	25	19	13
Total (net)	575	518	393

Long-term contract

1. Contract

The Bank has entered into several lease agreements in respect of the lease office building and branch office in which terms of the agreements are approximately 3 years. The details are shown in notes to financial statement item 3.36.3

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, 2012, are shown below:

(Unit: Million baht)

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

Provision for Loan Loss Policy

TISCO 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 BoT¹. The Bank stops accruing income for loans on which interest payments are overdue by more than 1 month for commercial loans, and 3 months for retail loans, whether or not there is collateral. Furthermore, the Bank will reverse all recorded accrued interest on such loans.

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

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

5.3 Investment in Securities

Details of investment in securities are shown in Notes to Financial Statements, 3.3 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, 2012, the Bank had 24 unresolved cases from its regular business operations that the Bank being sued, consisting of:

- (1) 1 criminal case which the plaintiff filed a lawsuit against used car dealer for forging documents and use of forged documents and also against 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 not reaches judgment; and
- (2) 23 civil cases involving an estimated total amount of 157.85 million baht, which was less than five percent (5%) of its shareholders' equity. Of all civil cases, there were 12 cases involving total amount of 23.26 million baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 2 cases, with a total amount of 0.84 million baht, that already reach judgment but the Bank appealed the cases to the Court. There were 8 cases, with a total value of 93.51 million baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiff still appealed to the Appeal Court or Supreme (Dika) Court. Apart from the said case, there 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).

Additional details on legal disputes are presented in Notes to Financial Statements; 3.36.2 Litigation. The management of the Bank believes that the Bank will not suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Bank by the directors, managements or any related persons of the Bank.

7. Capital Structure

7.1 Securities Information

7.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 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 December 31, 2012, the details of outstanding debentures of the Bank are as follows:

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

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	February 17, 2009
Maturity Date	:	February 17, 2019
Security	:	None
Coupon Rate	:	(1) 5.5% per annum for Year1 st – Year3 rd , started from issuance date (2) 6.0% per annum for Year4 th – Year7 th , started from issuance date (3) 6.5% per annum for Year8 th – Year10 th , started from issuance date
Payment Date	:	Every 17 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Rating	:	A- from TRIS Rating Company Limited on November 2, 2012
Debenture holder Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	May 25, 2009
Maturity Date	:	May 25, 2019
Security	:	None
Coupon Rate	:	(1) 5.0% per annum for Year1 st – Year3 rd , started from issuance date (2) 5.5% per annum for Year4 th – Year7 th , started from issuance date (3) 6.0% per annum for Year8 th – Year10 th , started from issuance date
Payment Date	:	Every 25 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	:	A- from TRIS Rating Company Limited on November 2, 2012
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units
Tenor	:	10 years
Issuing Date	:	May 17, 2010
Maturity Date	:	May 17, 2020
Security	:	None
Coupon Rate	:	5.0% per annum for Year1 st – Year10 th , started from issuance date
Payment Date	:	Every 17 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

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

- Type of Offering : Public Offering
- Face Value : 1,000 Baht
- Offering Price : 1,000 Baht
- Issue size : 1,000,000 units
- Outstanding : 1,000,000 units
- Tenor : 10 years
- Issuing Date : December 13, 2010
- Maturity Date : December 13, 2020
- Security : None
- Coupon Rate : 4.8% per annum for 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. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
- (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or
 - (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
 - (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
 - (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or

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

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

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

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

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

Type of Offering : Public Offering
 Face Value : 1,000 Baht
 Offering Price : 1,000 Baht
 Issue size : 1,000,000 units
 Outstanding : 1,000,000 units
 Tenor : 10 years
 Issuing Date : March 9, 2012
 Maturity Date : March 9, 2022
 Security : None
 Coupon Rate : 4.85% per annum for Year1st – Year10th, started from issuance date
 Payment Date : Every 9th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

*Remark: Terms and Conditions amendment were notified to the debentures on October 22, 2012

- (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance.
 - i If the issuer can provide funding equivalent or better than the amount of debenture.
 - Ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand.
- (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
- (c) Any cases or conditions to be specified by the Bank of Thailand in the future.

Issue Rating : A- from TRIS Rating Company Limited on November 2, 2012
 Debenture holder

Representative : TMB Bank Public Company Limited
 Debenture Registrar : TMB Bank Public Company Limited

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

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

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

Type of Offering : Public Offering
 Face Value : 1,000 Baht
 Offering Price : 1,000 Baht
 Issue size : 503,900 units
 Outstanding : 503,900 units
 Tenor : 1 year
 Issuing Date : April 4, 2012
 Maturity Date : April 4, 2013
 Security : None
 Coupon Rate : 3.5% per annum started from issuance date
 Payment Date : Every 4th of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
 Call Option : None
 Issue Rating : A from TRIS Rating Company Limited on November 2, 2012
 Debenture holder
 Representative : TMB Bank Public Company Limited
 Debenture Registrar : TMB Bank Public Company Limited

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

Type of Offering : Public Offering
 Face Value : 1,000 Baht
 Offering Price : 1,000 Baht
 Issue size : 1,243,000 units
 Outstanding : 1,243,000 units
 Tenor : 10 years
 Issuing Date : December 19, 2012
 Maturity Date : December 19, 2022
 Security : None
 Coupon Rate : 4.60% per annum for Year1st – Year10th, started from issuance date

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

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

7.1.3 Bills of Exchange

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

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 7, 2013, (the latest book closing for the right to receive dividend), were as follows:

Shareholder Name	Total Shareholding			
	Common Shares	Preferred Shares	Total	% of Total Shares
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 Tangvivij	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.

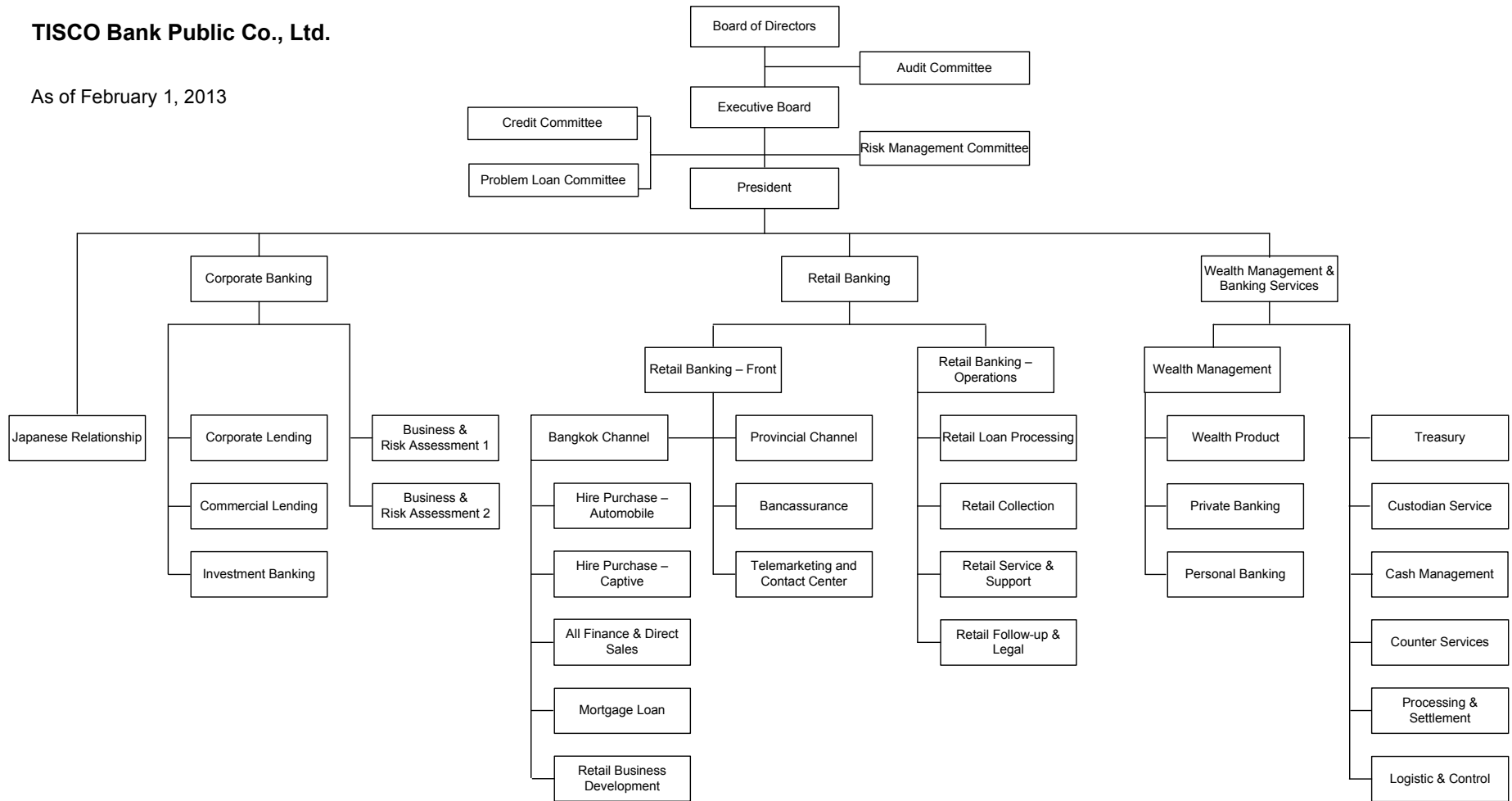
8. Management

8.1 Management Structure

As of February 1, 2013, 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 February 1, 2013



8.1.1 Board of Directors

As of February 1, 2013 the Board of Directors consisted of 9 directors as follows:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman of the Board and Independent Director ^{/1}
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) ^{/2}	Vice Chairman of the Board
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Ms. Panada Kanokwat	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	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} Qualified as an independent director stated in the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 and TorChor. 4/2552 from July 1, 2012

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

Authorized Signatory:

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. Approve business & operating plan of the Bank, as directed by TISCO group's corporate strategies and business 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 have appointed Mr. Ekkapol Apinun as the Corporate Secretary to be responsible for preparing and maintaining director profile, notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management's report on conflict of interest, and performing other duties as required by the Capital Market Supervisory Board.

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 February 1, 2013 the Executive Board comprised the following directors:

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

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

Authority and responsibilities of Executive Board:

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 February 1, 2013, the Audit Committee comprised the following independent directors:

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

Remark:

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

Authority and responsibilities of Audit Committee:

Under consolidated supervision framework, the Audit Committee shall review to ensure that the Bank's operations are in compliance with TISCO Corporate Governance Policy approved by the Board of Directors of the parent company, as well as related laws and regulations. TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, and corporate affairs, and public and customer communications. The Audit Committee shall carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders. 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 2012 are as follows;

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

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

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

8.1.4 Management

As of February 1, 2013 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. Metha Pingsuthiwong ^{/1, 2}	First Executive Vice President – Retail Banking – Front
Mr. Rungroj Jarasvijitkul	First Senior Vice President, Deputy Head of Retail Banking – Front, Head of Bangkok Channel
Mr. Suthep Trivannakij	Head of Hire Purchase – Automobile
Mr. Pornpiboon Sukaviriya	Head of Hire Purchase – Captive
Ms. Wipa Mettaviharee	Head of All Finance & Direct Sales
Mr. Prakrit Shoonhasriwong	Head of Mortgage Loan
Mr. Teerayuth Praserttrattanadacho	Head of Retail Business Development
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 Telemarketing and Contact Center
Mr. Dejphinun Suthadsanasoung	First Senior Vice President – Retail Banking – Operations
Ms. Penthip Laobooncharoen	Head of Retail Loan Processing
Mr. Worapoth Tirakaroon	Head of Retail Collection
Mr. Sukit Sakulwongyai	Head of Retail Service & Support
Mr. Songsak Niltiean	Head of Retail Follow-up & Legal
Mr. Pitada Vatcharasiritham ^{/1, 2}	Senior Executive Vice President – Corporate Banking
Ms. Nipa Mekara	First Senior Vice President, Head of Corporate Lending Acting Head of Business & Risk Assessment 1
Mr. Sommai Ung	Head of Commercial Lending Acting Head of Business & Risk Assessment 2
Mr. Manop Petdamrongsakul	Acting Head of Investment Banking
Mr. Chalit Silpsrikul ^{/1, 2}	First Executive Vice President – Wealth Management & Banking Services
Mr. Picha Ratanatam	Head of Wealth Management
Mr. Thanom Chairarondeekul	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. Karantar Vongsa	Head of Treasury
Ms. Ladda Kulchatchai	Head of Custodian Service
Ms. Suwantee Khaolaorr	Head of Cash Management
Mr. Kittichai Tonnajarn	Head of Counter Services
Ms. Preeyarat Poomdontri	Head of Processing & Settlement

^{/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

Name	Position
Ms. Saranya Ket-Udom	Head of Logistic & Control
Mr. Nobutaka Ide	Head of Japanese Relationship

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. Develop business & operation plan for the Company as directed by TISCO group's corporate strategies and business plan.
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 deemed 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 election of directors and/or independent directors to replace those who retire by rotation or additional directors and/or independent directors. The appointment, election 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 elected 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 elections shall be made by drawing lots.
3. At the general meeting of shareholders of each calendar year, the whole board of directors shall be simultaneously elected. However, the former board of directors shall remain in office to conduct the business of the company for the time being, as necessary, until the new board of directors takes office. Retired directors are eligible for re-election.
4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled 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 appointed 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 0.5 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 2012, 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. 2/2012 on April 26, 2012 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 2012, TISCO Bank pay remuneration to one director namely Mr. Pichai Chanvirachart in the amount of 480,000 baht.

In 2012, Total remunerations for one director and the Bank management total of 31 persons, excluded 5 persons which are the Parent Company's management and seconded to manage the Bank, was 127,222,488 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. Rights of Shareholders

In recognition of the significance of the rights of shareholders as the real owners of the company, TISCO is committed to ensuring their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling, or transferring shares; receiving their rightful portion of company profits; easily obtaining relevant and adequate information of the company on a regular basis; attending and voting in the shareholders' meetings to elect or remove members of the Board of Directors and determining

director remuneration, appointing the external auditor and determining auditing fees, and making decisions on any transactions that significantly affect the company. TISCO also encourages shareholders to fully exercise their rights by providing them with convenient access to relevant information via its website, setting up Investor Relations function for direct communication with investors, and facilitating attendance in shareholders' meetings.

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

- Notification of Meeting Details and Meeting Materials

The Company prepares Notice of the shareholder meeting in both Thai and English and notifies the meeting details to investors prior to the meeting date to allow shareholders adequate time to study meeting materials. Such Notice and materials shall be sent to the shareholders not less than 7 days before the date set for the meeting in accordance with the law. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders. In addition, the Company shall publish Notice of the shareholder meeting in a Thai daily newspaper for 3 consecutive days and not less than 3 days before the date set for the meeting. The order of the annual general meeting agenda shall be in accordance with the Company's Articles of Association. All agenda items shall indicate clearly whether it is a matter being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the Board of Directors in said matters.

- Meeting attendance

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

- Shareholders' opportunity for query and comment

In the meeting, the Chairman shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries at the meeting as per the agenda. TISCO shall endeavor to arrange for all directors, executives of the company and subsidiaries, as well as the auditors to attend the shareholders' meeting to answer the queries. The company's directors and management will clearly explain and clarify such matters.

- Conduct of the meeting and voting

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

2. Equitable Treatment of Shareholders

The Company treats all shareholders, majority or minority, individual or institutional, foreign or Thai, both executive and non-executive, fairly and equally. All shareholders receive important and accurate information at the same time. For shareholders who prefer to appoint a proxy, TISCO shall propose independent directors for shareholders' selection and provide opportunity to express their opinions and raise queries in the meeting. For director election agenda, TISCO has introduced a Cumulative Voting process, which allows minority shareholders to take part in nominating and electing Independent Directors. To ensure transparency and equitable treatment, shareholders are allowed to cast their votes for individual director.

The Company shall 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 listed companies 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.

8.6 Business Ethics

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

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

8.7 Control of Internal Information

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

8.8 Human Resources

As of December 31, 2012, the total number of employees at TISCO Bank was 2,327 (excluding senior management) of which 2,104 were permanent employees and 223 contract staff.

Unit: Employee	December 31, 2010	December 31, 2011	December 31, 2012
TISCO Bank Plc.	1,874	2,133	2,327

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 1,109,963,641.85 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. Principles of Dealing with People at TISCO Group

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

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

2. Hiring

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

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

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

3. Employment at TISCO Group

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

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

4. Assessment and Development

4.1 Assessment

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

4.2 Development

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

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

5. Career Management

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

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

6. Performance Management

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

7. Employee Compensation and Benefits

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

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

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

7.2 Pay for performance

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

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

8. Human Resources Administration

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

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

9. Succession Planning

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

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

8.8.3 Organizational Development & the Learning process

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

1. Development programs to support business & marketing plans

1.1 The Teller academy

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

1.2 Wealth Relationship Managers Development program

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

1.3 Hire Purchase Marketing Development Program

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

1.4 Micro Finance Staff Development Program

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

1.5 Delivery Service and Support team Development Program

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

2. TISCO Leadership Development Program

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

3. Competencies Development Program

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

5. TISCO Culture and Value enhancement

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

9. Internal Control

9.1 Internal Control Overview

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

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

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

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

Specific-Area Committee of the Company

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

Specific-Area Committee of TISCO Bank and other subsidiaries

- The Risk Management Committee of TISCO Bank is responsible for controlling and monitoring the adoption of 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 Internal Audit Function 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 12 meetings in Year 2012, all with full committee member's attendance. Major activities performed by the Committee were as follows:

- **Financial Statements:** Reviewing quarterly and annual financial statements with consideration for the appropriateness of the 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. The Committee agrees 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.
- **Internal Control and Audit:** Reviewing and assessing internal control system and internal audit works and considering all issues raised by the external auditor and internal audit department. Assessing the independence of internal audit department and approving annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Committee opines that the Bank's internal control system and internal audit function are appropriate and effective.
- **Regulatory Compliance:** Reviewing and assessing annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledging the results of external examinations by the Bank of Thailand and the Securities and Exchange Commission of Thailand and assessing the Bank's corrective actions. The Committee opines that the Bank properly follows all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewing and assessing the independence of the external auditor as well as the overall scope and focus of the annual and interim audit. Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considering the independence, professional proficiency, performance, and appropriateness of audit fee, the Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the Auditor of the Bank for the Year 2012.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewing and assessing related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee agrees with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the 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, fraud risk management, and disclosure of risk information and capital adequacy based on Basel II. The Committee is satisfied with the Bank's risk management system and the adequacy of risk information disclosure.
- **Audit Committee Self Assessment:** Performing self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The results revealed that the Committee have carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee, relevant laws and regulations, and as delegated by the Board of Directors.

The Report of the Audit Committee is shown in Attachment 3

9.2 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2013 on February 18, 2013, where all Audit Committee members and independent directors were present, the Board assessed the 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 2012, Ernst & Young Office Limited as independent auditor of the bank had no comments on the internal control system.

10. Related Party Transactions

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

10.1 Measures or procedures for approval of related party transactions

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

10.2 Future related transaction policy

The 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 Summary of Auditor's Report

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

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

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

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2011 and December 31, 2012 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, 2011 and 2012, the results of the operations, and cash flows in accordance with Thai Financial Reporting Standards.

Table Depicting the Financial Statements of the Bank
TISCO Bank Public Company Limited
Statement of Financial Position
As of
Unit: Thousand Baht

	December 31, 2010	December 31, 2011	December 31, 2012
Assets			
Cash	902,816	903,069	1,045,647
Interbank and money market items - net	12,360,491	29,983,895	31,370,138
Derivatives assets	12,800	22,450	41,863
Investments - net	4,964,602	2,595,951	4,912,832
Investments in subsidiaries - net	135,312	46,911	43,956
Loans to customers and accrued interest receivables - net	-	-	-
Loans to customers	159,427,815	196,934,575	261,696,683
Accrued interest receivable	115,567	222,666	322,266
Total loans to customers and accrued interest receivables	159,543,382	197,157,241	262,018,949
Less: Deferred revenue	(14,239,270)	(17,321,366)	(23,030,237)
Less: Allowance for doubtful accounts	(3,859,412)	(4,098,963)	(4,687,644)
Less: Allowance for loss on debt restructuring	(3)	(3)	(3)
Loans to customers and accrued interest receivables - net	141,444,697	175,736,909	234,301,065
Property foreclosed - net	17,963	257,736	266,241
Premises and equipment - net	575,272	518,331	392,541
Intangible assets - net	121,279	100,304	64,638
Deferred tax assets	954,833	103,387	-
Other assets	856,271	1,248,831	2,621,881
Total assets	162,346,336	211,517,774	275,123,941

TISCO Bank Public Company Limited
Statement of Financial Position (Continued)

	As of		
	Unit: Thousand Baht		
	December 31, 2010	December 31, 2011	December 31, 2012
Liabilities and shareholders' equity			
Liabilities			
Deposits	48,606,378	38,059,886	220,633,709
Interbank and money market items - net	8,867,299	10,857,981	9,943,228
Liability payable on demand	532,448	448,049	652,310
Derivatives liabilities	-	270,360	-
Debts issued and borrowings	87,976,147	143,786,767	21,565,619
Provision for long-term employee benefits	-	83,767	131,686
Deferred tax liabilities	-	-	45,690
Accrued interest payable	445,505	1,380,677	1,726,436
Income tax payable	686,197	-	257,464
Dividend payable	1,019,409	400,484	1,237,859
Other liabilities	2,001,560	2,425,738	3,726,262
Total liabilities	150,134,943	197,713,709	259,920,263
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	1	1	1
728,152,146 ordinary shares of Baht 10 each	7,281,521	7,281,521	7,281,521
	7,281,522	7,281,522	7,281,522
Share premium of preference shares			
Share premium of ordinary shares	130,451	130,451	130,451
Other components of shareholders' equity	14,311	106,410	3,383
Retained earnings			
Appropriated-statutory reserve	714,600	846,100	984,000
Unappropriated	4,070,509	5,439,582	6,804,322
Total shareholders' equity	12,211,393	13,804,065	15,203,678
Total liabilities and shareholders' equity	162,346,336	211,517,774	275,123,941

TISCO Bank Public Company Limited

Statement of Earnings

For the years ended

Unit: Thousand Baht

	December 31, 2010	December 31, 2011	December 31, 2012
Interest income	8,709,932	11,556,819	14,205,581
Interest expenses	2,414,959	5,260,491	7,871,743
Net interest income	6,294,973	6,296,328	6,333,838
Fees and service income	1,257,514	1,614,351	2,495,539
Fees and service expenses	65,637	61,577	73,367
Net fees and service income	1,191,877	1,552,774	2,422,172
Net gain (loss) on trading & foreign exchange transactions	7,753	58,599	146,047
Net gain (loss) on investments	166,080	24,637	117,933
Penalty fee income from loans	185,759	192,900	233,855
Income from business promotion relating to the business	212,214	538,092	1,259,511
Revesal allowance for impairment of property foreclosed	-	248,232	315
Other operating incomes	302,416	161,151	132,338
Total operating income	8,361,072	9,072,713	10,646,009
Expenses to business promotion relating to the business	296,385	598,701	1,422,668
Total net operating income	8,064,687	8,474,012	9,223,341
Other operating expenses			
Employee's expenses	1,339,254	1,472,728	1,710,317
Directors' remuneration*	-	480	480
Premises and equipment expenses	673,165	660,357	719,937
Taxes and duties	146,023	217,382	161,287
Supporting service expenses	920,979	802,810	1,029,720
Others	377,935	448,172	491,518
Total operating expense	3,457,356	3,601,929	4,113,259
Bad debt, doubtful accounts and impairment loss of debt securities	1,769,681	1,065,609	1,564,282
Profit (loss) from operating before tax	2,837,650	3,806,474	3,545,800
Income tax expense	844,627	1,176,565	788,777
Profit (loss) for the period	1,993,024	2,629,909	2,757,023
Basic earnings per share	2.74	3.61	3.79

* 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, 2010	December 31, 2011	December 31, 2012
Cash flows from operating activities			
Profit before income tax	2,837,651	3,806,474	3,545,800
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities			
Depreciation and amortisation	197,502	168,093	160,042
Bad debts and doubtful accounts	2,385,185	1,729,230	2,364,545
Allowance for impairment of investment (reversal)	22,290	(56,897)	(63,836)
Allowance for impairment of property foreclosed (reversal)	257	(248,232)	(315)
Gain (loss) on sale of investments	(177,721)	(76,876)	(51,248)
Unrealised (gain) loss on tradings and foreign exchange transactions	(10,540)	(6,518)	(29,340)
Unrealised (gain) loss on tradings investments	1,842	(48,362)	(4,786)
Loss on written-off of equipment	(195,053)	(63,074)	-
Gain on disposal of property foreclosed	-	-	(48,353)
Profit from hedging	-	10,727	(100,761)
Provision for long-term employee benefits	(9,786)	(5,729)	29,024
Decrease (increase) in accrued income	445,934	678,701	(25,456)
Increase in accrued expenses	(6,294,973)	(6,296,328)	557,526
Net interest income	(61,632)	(75,135)	(6,333,838)
Dividend income	8,355,284	11,220,356	(54,832)
Interest received	(1,963,949)	(4,162,767)	14,041,695
Interest paid	61,632	75,135	(6,807,295)
Dividend received	(1,207,819)	(1,365,190)	54,832
Income tax paid	4,386,153	5,283,608	(351,195)
Profit from operating activities before changes in operating assets and liabilities	4,386,153	5,283,608	6,882,210

TISCO Bank public company limited

Cash flow statements (Continued)

For the years ended

Unit: Thousand Baht

	December 31, 2010	December 31, 2011	December 31, 2012
Operating assets (increase) decrease			
Interbank and money market items	(285,847)	(17,332,883)	(1,546,724)
Loans to customers	(37,594,013)	(36,675,652)	(62,633,996)
Property foreclosed	1,516,520	862,018	1,560,219
Intangible assets	(27,678)	-	-
Other assets	(2,973)	80,443	(888,506)
Operating liabilities increase (decrease)			
Deposits	(8,322,195)	(10,546,492)	182,573,823
Interbank and money market items	4,547,275	1,991,803	(914,753)
Liability payable on demand	187,278	(84,399)	204,261
Short-term borrowings	-	58,447,499	(123,577,148)
Provision for long term employee benefits	-	-	(1,760)
Other liabilities	291,741	201,180	(211,094)
Net cash flows from (used in) operating activities	(35,303,739)	2,227,125	1,446,532
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(5,378,968)	(2,058,398)	(6,127,403)
Cash received from disposal of investment in securities held for investment	8,926,161	4,505,733	3,927,604
Cash paid for purchase of equipment	(80,146)	(61,012)	(57,581)
Cash paid for purchase of intangible asset	-	(29,595)	(8,249)
Cash received from disposal of equipment	11,001	6,418	6,159
Cash received from share capital reduction of a subsidiaries	-	136,655	-
Cash paid for capital increases of subsidiaries	(85,998)	-	-
Net cash flows from investing activities	3,392,050	2,499,801	(2,259,470)
Cash flows from financing activities			
Borrowings	33,425,299	(2,712,879)	(5,639,200)
Cash received from issuance long-term debentures	2,000,000	76,000	8,071,200
Cash paid for redemption of long-term debenture	(3,000,000)	-	(1,076,000)
Dividend paid	(436,890)	(2,089,793)	(400,484)
Net cash flows used in financing activities	31,988,409	(4,726,672)	955,516
Net increase in cash	76,720	254	142,578
Cash at beginning of the year	826,096	902,816	903,069
Cash at end of the period	902,816	903,070	1,045,647

11.1.2 Important Financial Ratios

		2010	2011	2012
Profitability Ratio				
Gross Profit Margin	(%)	75.8	60.1	52.8
Net Profit Margin	(%)	20.3	28.5	25.6
Return on Average Shareholders' Equity	(%)	17.0	20.2	19.0
Interest Income Ratio	(%)	5.9	6.1	5.8
Interest Expense Ratio	(%)	1.8	3.1	3.5
Interest Spread	(%)	4.1	3.0	2.3
Return on Investment	(%)	9.1	8.2	7.0
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.3	3.4	2.6
Return on Average Assets	(%)	1.4	1.4	1.1
Total Asset Turnover	(times)	0.1	0.0	0.0
Financial Ratio				
Debt to Equity Ratio	(times)	12.3	14.3	17.1
Total Loans to Total Borrowing and Deposits	(%)	105.9	98.5	98.3
Total Loans to Public Borrowing	(%)	298.7	471.9	108.2
Public Borrowing to Total Liabilities	(%)	32.4	19.2	84.9
Dividend Payout Ratio	(%)	51.1	40.7	44.9
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	2.7	2.3	2.0
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.6	0.8	0.7
Non-accrued loans ¹ to Total Loans	(%)	2.7	1.8	1.4
Loan loss provision to Non-performing loans	(%)	163.6	185.0	169.0
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.1
Other Ratios				
Capital Funds to Risk Weighted Asset (BIS)	(%)	15.23	14.91	12.79

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 2012

Movement of Money Market and Capital Market

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

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

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

11.2.1 Operating Results

Net profit of TISCO Bank was 2,757.02 million baht, increased by 127.11 million baht (4.8% YoY), contributed by an increase in net interest income of 22.9% (YOY), following strong growth in all businesses of 32.9% (YoY). However, loan spread declined from 3.5% in 2011 to 2.9% in 2012 amid strong competition in deposit market to maintain deposit base together with higher cost of fund from increased contribution rate to FIDF and DPA. Meanwhile, non-interest income was reported at 4,385.22 million baht, increased by 1,547.26 million baht (54.5% YoY) following healthy growth in loan and bancassurance businesses.

Basic earnings per share for the year 2012 were 3.79 baht compared with those in 2011 of 3.61 baht. The average return on equity (ROAE) for the year 2012 was at 19.0% compared with 20.2% in 2011.

(1) The Bank's Revenue Structure

The Bank's revenue structure in 2011 and 2012 is illustrated in Table1.

Table 1: Revenue Structure

Type of Revenue	2011		2012		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest income					
Interest on loans	3,216.64	38.0	4,404.48	47.8	36.9
Interest on interbank and money market items.	572.25	6.8	662.08	7.2	15.7
Hire purchase and financial lease income	7,542.90	89.0	8,964.48	97.2	18.8
Investments	225.03	2.7	174.55	1.9	(22.4)
Total interest income	11,556.82	136.4	14,205.58	154.0	22.9
Interest expenses	(5,260.49)	(62.1)	(7,871.74)	(85.3)	49.6
Net interest income	6,296.33	74.3	6,333.84	68.7	0.6
Fee Income	1,614.35	19.1	2,495.54	27.1	54.6
Fee Expenses	(61.58)	(0.7)	(73.37)	(0.8)	19.1
Net Fee Income	1,552.77	18.3	2,422.17	26.3	56.0
Gain on investment and foreign exchange transaction	83.2	1.0	264.0	2.9	217.1
Other Income	1,140.38	13.5	1,626.02	17.6	42.6
Total Operating Income	9,072.71	107.1	10,645.69	115.4	17.3
Expenses to business promotion relating to the business	(598.70)	(7.1)	(1,422.67)	(15.4)	137.6
Total Net operating income	8,474.01	100.0	9,223.34	100.0	8.8
Non-interest expenses	(3,601.93)		(4,113.26)		
Bad debt and doubtful account and impairment loss of debt securities	(1,065.61)		(1,564.28)		
Profit before income tax	3,806.47		3,545.80		(6.8)
Corporate income tax	(1,176.56)		(788.78)		
Net Profit	2,629.91		2,757.02		4.83

(2) Net Interest

In 2012, total interest income was 14,205.58 million baht, increased by 2,648.76 million baht (22.9% YoY) following the growth in all loan businesses. Furthermore, net interest income was 6,333.84 million baht, which was at the same level as in 2011. Meanwhile, interest expense increased by 2,611.25 million baht (49.6% YoY) to 7,871.74 million baht following higher cost of fund.

Yield on loan decreased from 6.6% in 2011 to 6.4% (YoY). Meanwhile, TISCO Bank's cost of fund increased from 3.1% in 2011 to 3.5% driven by competition in deposit market to maintain deposit base together with higher cost of fund from increased contribution rate to FIDF and DPA from 0.1% to 0.3% (YoY). As a result, loan spread declined from 3.5% to 2.9% (YoY) in 2012.

TISCO Bank reported net interest income after impairment loss of loans and debt securities for the year 2012 of 4,769.56 million baht, decreased by 461.61 million baht (8.8% YoY) compared to 5,230.72 million baht in 2011 following strong loan portfolio growth of 32.9% in 2012. Accordingly, TISCO Group set up loan loss reserve over next 12 months based on expected credit losses of loan portfolio, resulting in higher provision expenses following strong loan growth in this year.

Table 2: Interest spread 2011-2012

%	2011	2012
Yield on Loans	6.6	6.4
Cost of fund	3.1	3.5
Loan spread	3.5	2.9

(3) Non-interest Income

Non-interest income of TISCO Bank recorded at 4,385.54 million baht increased by 1,547.58 million baht (54.5% 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 increased by 180.74 million baht.

(4) Operating Expenses

Operating expenses for the year 2012 was 4,113.26 million baht, increased by 511.33 million baht (14.2% YoY). The increase was due to higher marketing expenses associated with higher business volume and revenue. In 2012, the cost to income ratio was at 44.6% compared to 42.5% (YoY).

(5) Corporate Income Tax

The corporate income tax in 2012 was 788.78 million baht, equivalent to the effective tax rate of 22.2%, compared to 30.9% (YoY) in 2011 following the adjusted corporate tax from 30% to 23% according to the government policy.

11.2.2 Financial Position

(1) Assets

TISCO Bank's total assets as of December 31, 2012 were 275,123.94 million baht, increased by 63,606.17 million baht (30.1% YoY) following strong growth in loan portfolio from 179,613.21 million baht to 238,666.45 million baht (30.1% YoY), together with increase in fixed income investment from 1,546.78 million baht to 4,576.69 million baht (195.9% YoY)

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

Assets	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	903.07	0.4	1,045.65	0.4	15.8
Interbank and Money Market Items	29,983.89	14.2	31,370.14	11.4	4.6
Derivative Asset	22.45	0.0	41.86	0.0	86.5
Fixed income	1,546.78	0.7	4,576.69	1.7	195.9
Equity	1,049.17	0.5	336.14	0.1	(68.0)
Subsidiaries	46.91	0.0	43.96	0.0	(6.3)
Corporate Loans	32,348.73	15.3	42,993.75	15.6	32.9
Commercial Loans	128,391.11	60.7	165,382.89	60.1	28.8
Retail Loans	13,628.40	6.4	25,780.61	9.4	89.2
Other Loans	5,244.97	2.5	4,509.19	1.6	(14.0)
Allowance for doubtful accounts and for loss on debt restructuring	(4,098.97)	(1.9)	(4,687.65)	(1.7)	14.4
Other Assets	2,451.25	1.2	3,730.71	1.4	52.2
Total	211,517.77	100.0	275,123.94	100.0	30.1

(a) Investments

As of December 31, 2012, total investment was 4,956.79 million baht, increased by 2,642.86 million baht or 87.6% (YoY) due to an increase in equity investment.

(b) Loans and Receivables Breakdown

Total loans and receivables were 238,666.45 million baht, up by 59,053.24 million baht (32.9% YoY), following growth in all businesses. The composition of loan portfolio was 69.3% of retail loans, 18.0% of corporate loans, 10.8% of commercial loans and 1.9% 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, 2011 and 2012

Type of Business	December 31, 2011		December 31, 2012		% Change
	Amount	%	Amount	%	
	(Bt. million)		(Bt. million)		
Manufacturing and commerce	16,368.35	9.1	17,226.31	7.2	5.2
Real estate and construction	8,789.92	4.9	10,203.97	4.3	16.1
Public utilities and services	6,862.20	3.8	14,888.26	6.2	117.0
Agriculture and mining	328.26	0.2	675.20	0.3	105.7
Corporate Loans	32,348.73	18.0	42,993.75	18.0	32.9
Commercial Loans	13,628.40	7.6	25,780.61	10.8	89.2
Hire purchase	119,516.90	66.5	154,049.32	64.5	28.9
Housing	1,366.69	0.8	1,455.60	0.6	6.5
Consumption	7,507.52	4.2	9,877.98	4.1	31.6
Retail Loans	128,391.11	71.5	165,382.89	69.3	28.8
Others	5,244.97	2.9	4,509.19	1.9	(14.0)
Total	179,613.21	100.0	238,666.45	100.0	32.9

(c) Non-performing Loans

In 2012, TISCO Bank's NPL ratio was stable at 1.2%, resulting from effective non-performing loan management and closely monitoring of loan portfolio. Additionally, NPL ratio of retail loan, corporate loan, and commercial loan were 1.3%, 0.9% and 0.2%, respectively with total NPLs of 2,774.06 million baht, increased by 558.93 million baht (25.2% YoY) compared with the previous year resulting from strong loan portfolio expansion as well as some effects from long holidays period during the end of 2012.

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

Type of Business	December 31, 2011			December 31, 2012			% Change
	% NPL	Amount	%	% NPL	Amount	%	
		(Bt. million)			(Bt. million)		
Manufacturing and commerce	0.4	71.50	3.2	0.5	77.85	2.8	8.9
Real estate and construction	3.3	288.63	13.0	2.7	274.27	9.9	(5.0)
Public utilities and services	0.5	30.99	1.4	0.2	30.87	1.1	(0.4)
Agriculture and mining	0.7	2.34	0.1	0.9	5.95	0.2	154.6
Total NPL - Corporate Loans	1.2	393.46	17.8	0.9	388.94	14.0	(1.1)
NPL-Commercial Loans	0.8	114.13	5.2	0.2	48.56	1.8	(57.5)
Hire purchase	1.2	1,491.24	67.3	1.4	2,088.41	75.3	40.0
Housing	7.6	103.87	4.7	7.3	105.65	3.8	1.7
Total NPL - Retail Loans	1.2	1,595.11	72.0	1.3	2,194.06	79.1	37.5
Others	2.1	112.43	5.1	3.2	142.50	5.1	26.7
Total NPL	1.2	2,215.13	100.0	1.2	2,774.06	100.0	25.2

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

Despite NPL ratio remained stable this year, the loan portfolio was significantly increased by 32.9% (YoY) (retail loan increased by 28.8% YoY). TISCO Bank set up loan loss reserve over next 12 months based on expected credit losses of loan portfolio, resulting in higher provision expenses following strong loan growth in this year. The impairment loss of loans and debt securities totaled 1,564.28 million baht, compared to 1,065.61 million baht (YoY).

Loan loss reserve of TISCO Bank was 4,687.64 million baht or 169.2% of NPLs, which was well above the minimum required reserve by the Bank of Thailand of 2,648.08 million baht, reflecting the prudent provisioning policy to mitigate potential risks. In addition, specific reserve for classified loan stood at 2,676.22 million baht and excess reserve of 2,016.43 million baht.

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

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

(2) Liabilities

Total liabilities as of December 31, 2012 were 259,920.26 million baht, increased by 62,206.55 million baht (31.5% YoY). The liabilities mix comprised of 87.7% total deposit including short-term borrowing, 3.8% interbank and money market items, 5.4% debentures, 0.1% long-term borrowings, and 3.0% other liabilities.

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

Type of Borrowings	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total Deposits ²	169,020.75	85.5	228,017.43	87.7	34.9
Interbank and money market items	10,857.98	5.5	9,943.23	3.8	(8.4)
Debentures	7,076.00	3.6	14,071.20	5.4	98.9
Long-term borrowings	5,749.90	2.9	110.70	0.1	(98.1)
Others	5,009.08	2.5	7,777.71	3.0	55.3
Total	197,713.71	100.0	259,920.26	100.0	31.5

(3) Shareholders' Equity

Shareholder's equity as of December 31, 2012 was 15,203.68 million baht, increased by 1,399.62 million baht (10.1% YoY). TISCO Bank's book value was at 20.88 baht per share increased from 18.96 baht per share as of December 31, 2011. As at December 31, 2012, 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, 2012, TISCO Bank's cash was 1,045.65 million baht, increased by 15.8% from the previous year. This was mainly comprised of 1,446.53 million baht in net cash flows used in operating activities, mainly contributed by an increase in deposits. Meanwhile, the net cash flows from financing activities was 955.52 million baht, mainly contributed by an issuance of long-term debt instruments. Moreover, net cash flow used in investing activities was 2,259.47 million baht, mainly contributed by the investment in securities held for investment.

11.2.4 Sources and Uses of Funds

As of December 31, 2012, the funding structure comprised of 259,920.26 million baht in liabilities and 15,203.68 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 17.1 times. The major source of funds on liabilities side was deposits, which accounted for 80.2% of total source of funds. Other sources of funds included interbank and money market items accounted for 3.6% of total source of funds and 10.6% of borrowing of others liability, respectively. TISCO Bank's major use of funds was loans, amounting 238,666.45 million baht.

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

11.2.5 Business Segment Performances

Loans

As of December 31, 2012, total loans and receivables were 238,666.45 million baht, up by 59,053.24 million baht (32.9% YoY), following growth in loan businesses. The composition of loan portfolio was 69.3% of retail loans, 18.0% of corporate loans, 10.8% of commercial loans and 1.9% of other loans.

Corporate Loans

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

Commercial Loans

As of December 31, 2012, commercial loan portfolio of the Bank totaled 25,780.61 million baht, up by 12,152.20 million baht (89.2% YoY), mainly due to loan to manufacturing and commerce sector.

Retail Loans

As of December 31, 2012, retail loan portfolio amounted 165,382.89 million baht, consisted of 93.1% car, 0.9% housing, and 6.0% consumption loan. The outstanding hire purchase loans totaled 154,049.32 million baht, rose by 34,532.42 million baht (28.9% YoY) due partly to the successful in captive leasing business for Fords, Mazda, and Chevrolet. Car hire purchase new business volume amounted 87,411.81 million baht, increased by 24,523.15 million baht (39.0% YoY), and while the domestic car sales in 2012 reported at 1,436,335 units decreased from 794,081 units (80.9% YoY). The car penetration rate for the year 2012 was at 8.4%. This was at the same level of average penetrate rate of 11.0% in 2011. In addition, consumption loan amounted 9,877.98 million baht, increased by 2,370.46 million baht (31.6% YoY), which was mainly contributed by increase in loan against auto license (TISCO Auto Cash) business.

Other Loans

As of December 31, 2012, other loan portfolio totaled 4,509.19 million baht, declined by 735.77 million baht (14.0% YoY).

Deposit

As of December 31, 2012, total deposits¹ amounted 228,017.43 million baht, increased by 58,996.68 million baht (34.9% 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 2012, TISCO Bank had excess liquidity amounting to approximately 22,524.31 million baht, combining with the BoT required liquidity of 14,202.13 million baht (including bill of exchange) to arrive at total liquidity of 14.2% which was well over the required liquidity by BoT of 6.0%. Meanwhile, the portion of saving accounts and current accounts of total deposits was at 13.9% in 2012.

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

Type of Deposits	December 31, 2011		December 31, 2012		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,503.98	2.1	3,572.74	1.6	2.0
Saving accounts	17,082.94	10.1	28,140.15	12.3	64.7
Fixed accounts	2,049.15	1.2	15,385.04	6.7	650.80
Negotiate certificate deposit	15,423.82	9.1	173,535.78	76.1	1,025.12
Short-term borrowings	130,960.87	77.5	7,383.72	3.2	(94.4)
Total deposits	169,020.75	100.0	228,017.43	100.0	34.9

11.2.6 Capital Requirements

As of December 31, 2012, TISCO Bank's internal capital stood at 15,840.84 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital at the end of 2012 was 12,280.17 million baht, which increased by 2,853.46 million baht from the end of 2011 owing to continuous business expansion during 2012, while capital surplus remained strong at 3,560.68 million baht or 22.5% of total internal capital.

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

Comparing to the end of 2011, the credit risk capital rose by 2,014.53 million baht, or 27.7%, to 9,292.70 million baht following the portfolio expansion by 32.9% in all business segment. The non-performing loan of TISCO Bank remained stable at 1.2%. The retail lending, which is the main business of the bank, has expanded continuously by 28.8%, from 128,423.51 million baht in the end of 2011 to 165,426.97 million baht in the end of 2012, while the corporate lending and commercial lending significantly increased by 32.9% from 32,348.73 to 42,993.75 million baht in the end of 2012.

Meanwhile, the market risk capital increased by 664.19 million baht from 1,088.06 million baht to 1,752.25 million baht, resulting from an increase in interest rate risk in banking book. The overall interest rate risk in banking book increased according to widen interest rate duration gap from 0.89 year at the end of 2011 to 0.94 year at the end of 2012. The assets duration declined from 1.54 year to 1.48 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, declined from 0.65 year to 0.54 year. However, declining in liabilities duration exceeded declining in assets duration, therefore, the duration gap of assets and liabilities increased, but was still in a manageable level within 1 year.

In term of regulatory capital requirement of the Bank, the regulatory capital adequacy ratio (BIS ratio) based on Basel II by IRB approach, including net profit of 2012, stood at 13.30%, remaining higher than 8.50% required by the Bank of Thailand. As Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 9.03% and 4.28%, respectively, in which Tier-I capital adequacy ratio remained higher than the minimum requirement at 4.25%.

Table 9: Capital Adequacy Ratio as of December 31, 2011 and 2012

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

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

Table 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)	
	2011	2012	2011	2012
	Assets	1.54	1.48	788.61
Liabilities	0.65	0.54	(1,137.85)	(1,676.57)
Net Gap	0.89	0.94	(349.25)	(704.60)

11.2.7 Auditor's Fee

(1) Audit Fee

The Bank paid the audit fee for the year 2012 of 3,831,356 baht to Ernst & Young Office Limited.

(2) Non-audit Fee

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

11.2.8 Credit Rating

On May 14, 2012, 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 21, 2010 ¹	May 13, 2011 ²	May 14, 2012 ²
Long – Term National Rating	A (tha)	A	A
Short – Term National Rating	F1 (tha)	-	-
Rating Outlook	Stable	Positive	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 2013 amounting 5,828.20 million baht with issue rating of 'A' with positive rating outlook. TRIS also affirmed rating 2 issues of subordinated and unsecured debenture due 2022, amounting 2,243 million baht with issue rating of 'A-'. Details of Credit Rating are shown in the following table.

Credit Rating	Credit Rating Announcement Date		
	December 21, 2010	May13, 2011	May 14, 2012
Rating by	Fitch Ratings (Thailand) Ltd,	TRIS Rating Co., Ltd.	TRIS Rating Co., Ltd.
(Unsecured Debenture)			
TISCO192A: Bt 2,000 million subordinated debenture due 2019 ¹ The issuer may set the call option to redeem the debentures before maturity.	A-(tha)	A-	A-
TISCO195A: Bt 2,000 million subordinated debenture due 2019 ¹ The issuer may set the call option to redeem the debentures before maturity.	A-(tha)	A-	A-
TISCO205A: Bt 1,000 million subordinated debentures due 2020 ² The issuer may set the call option to redeem the debentures before maturity.	-	A-	A-
TISCO20DA: Bt 1,000 million subordinated debentures due 2020 ² The issuer may set the call option to redeem the debentures before maturity.	-	A-	A-
TISCO133A: Bt 4,324.30 million senior debentures no. 1/2012 issue 1 due 2013 ³	-	-	A
TISCO223A: Bt 1,000 million subordinated debentures no.1/2012, due 2022 ³ The issuer may set the call option to redeem the debentures before maturity	-	-	A-
TISCO133B: Bt 1,000 million senior debentures no. 2/2012 issue 1 due 2013 ³	-	-	A
TISCO134A: Bt 503.90 million senior debentures no. 3/2012 issue 1 due 2013 ³	-	-	A
TISCO22DA: Bt 1,243 million subordinated debentures no. 2/2012, due 2022 ³ The issuer may set the call option to redeem the debentures before maturity	-	-	A-

¹ Issued in 2009

² Issued in 2010

³ Issued in 2012

12. Other related information

12.1 Corporate Social Responsibility

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

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

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

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

12.2 General Policy on Social Responsibility

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

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

1. Good Corporate Governance

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

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

2. Ethical Business Operation

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

3. Anti-corruption

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

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

4. Respect on Human Rights and Labor Justice

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

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

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

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

5. Responsibility on Consumers

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

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

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

6. Community and Social Development

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

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

7. Environmental Conservation

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

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

8. Innovation from Social Works

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

9. Report on Social and Environmental Activities

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

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

12.3 Corporate Social Responsibility Highlights in 2012

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

1. Social Supports

1.1 TISCO Foundation for Charity

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

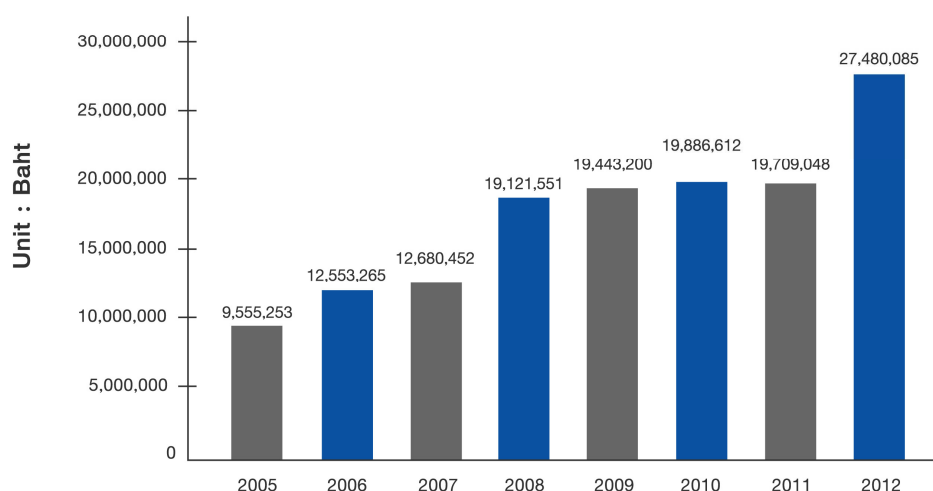
- 1) Providing nationwide educational scholarships for needy students
- 2) Providing medical funding for destitute patients including donation of artificial organs and prosthesis
- 3) Providing business start-up funds for underprivileged people to promote self-reliance
- 4) Providing support for social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

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

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

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

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

TISCO Foundation's Education Support


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

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

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

Follow-up Progress

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

months, and once after 1 year. In 2012, TISCO Foundation's staff went on field trips to follow up scholarships performance nationwide as follow:

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

1.2 Special Continuous Project

Blood Donation

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

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

Long-term projects initiated in 2012

"Learning Finance with TISCO"

Project was initiated from our aspiration to become the communities' financial advisor, aiming to educate financial knowledge and financial planning to the youths, school students, university students as well as the communities. We encourage those people to realize the importance of financial planning in their daily life in order to elevate themselves and their families' quality of life. In the first year, TISCO voluntary working employees were divided into 2 groups: Curriculum Planning team and Teaching team. With guidance from the educational and financial experts, we developed "TISCO Junior learns Finance" a course for secondary school students to learn about personal finance. The curriculum covered 4 main topics which were 'Know how to earn',

'Know how to save', 'Know how to spend' and 'Know how to prioritize the life'. This activity-based learning was taught by the teaching team with a close monitoring from the Curriculum Planning team and the experts. In 2012, demonstration classes were set up twice for our employees' families and children and the 2 following pilot classes were held twice in order to evaluate the course accomplishment at Wat Thang Yow School, Ayutthaya and Pathum Wilai School, Pathumtanee. In total, TISCO arranged training classes for 125 students.

"TISCO for Teaching Enhancement"

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

The schools that enrolled in the program were;

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

"Promoting Self-Sustainability in the Community"

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

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

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

Other Social Support Activities

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

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

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

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

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

2. Environmental Conservation

Reforestation Project

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

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

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

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

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

3. Support for the Arts and Cultures

Thai Contemporary Art Support

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

Religious support

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

4. Special activities to relieve flood victims

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

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

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

Summary of Corporate Social Responsibility Donations and Supports in 2012

1. Social support

1.1 TISCO Foundation for Charity

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

1.2 Continuous project

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

1.3 Other CSR activities

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

1.4 Other CSR activities with network

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

Date/Month	Activities	Objective	Amount (Baht)
	"Pee Phua Nong, Year 9" project by 'Jit Arsa' reporter group	To renovate buildings for 12 disadvantaged schools	30,000
August	"Rally to reforestation" by Economic reporters club.	To reserve forest and natural resources	100,000
	Nanmee Books' "Give Future, Give Books to 800 schools" project	To enhance the learning potential of Thai children and to promote reading	20,000
October	Special Olympic Thai activities	To improve physical fitness and independent living for mentally disabled people.	50,000
November	Souvenirs for Money and Banking Department, Faculty of Commerce and Accountancy at Chulalongkorn Academic Fair	To promote banking knowledge and innovation	-
	The 21 st National Science and Mathematics and Technology academic conference by the Ministry of Education	To enable teachers to exchange their knowledge.	20,000
	To celebrate the 20 th anniversary of Northern Bankers club foundation.	To provide scholarships for students in Northern province	30,000
	College of Music's "Plook Dok Mai Nai Duang Jai" project.	To support and encourage music learning for students in rural areas	100,000
	Dok Kaew Kallaya for the National Council On Social Welfare Of Thailand Under Royal Patronage	To promote career for people with disabilities in honor of HRH Princess Kalaya Niwattana	19,800
December	"Term Yim Hai Nong Chai Dan Tai" project by the MCOT Public Company Limited	To support students in the 3 Southern border provinces	100,000
	Total		811,900

2. Environmental Conservation

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

3. Support for the Arts and Cultures

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

4. Special activities to relieve flood victims

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

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

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

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

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

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

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

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

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

12.5 Honors & Awards in 2012

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

Top Corporate Governance Report Awards 2012

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

Outstanding Securities Company Awards 2012 – Retail Investors

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

Top Bank in the Secondary Market for Corporate Bonds

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

Ratsadakorn-pipat Awards 2011

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

Part 2

Certification of the Accuracy of Information

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

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

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

Name	Position	Signature
Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive BoardOranuch Apisaksirikul.....

Name	Position	Signature
Authorised Signatory Mr. Ekkapol Apinun	Corporate SecretaryEkkapol Apinun.....
Authorised Signatory Mr. Kontee Sunthornpradit	Head of Planning & Budgeting TISCO Financial Group Public Co., Ltd. Kontee Sunthornpradit

Attachment 1

Details of Directors, Management and Controlling Persons

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
1. Mr. Pliu Mangkornkanok Chairman of the Board of Directors Independent Director	64	Common - Preferred -	-	Master of Business Administration (Finance) University of California at Los Angeles, USA Master of Science (Industrial Engineering) Stanford University, USA Bachelor of Engineering (Industrial Engineering) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Role of the Chairman Program Thai Institute of Directors Association	Jul2012-Present 2010-Present 2009-2010 2008-2010 Jul2012-Present 2009-Present 2005-2008 2005-2006 1990-Present 2002-2005 Jun2012-Present 2011-Present 2011-Present 2010-Present 2007-Present 2004-Present 1973-Jun2012 2010-2011 2006-2010 1994-2010 1994-2010 2008-2010 2003-2006 2002-2005 2002-2005	<u>TISCO Group</u> Independent Director Chairman of the Board of Directors Chairman of the Executive Board Group Chief Executive Officer Director Independent Director Chairman of the Board of Directors Director Chairman of the Executive Board Chief Executive Officer Secretary to the Nomination Committee Director Director Chairman of the Executive Board Member of the Nomination Committee Chief Executive Officer <u>Others:</u> Independent Director Chairman of the Audit Committee Chairman of the Nomination and Remuneration Committee Director Director Director Vice Chairman Councillor Director Director Director Director Director Director Director Director Chairman Chairman Chairman of the Compensation Committee Member of the Audit Committee Chairman of the Nomination Committee	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Foundation TISCO Finance Public Company Limited Star Petroleum Refining Company Limited Chuchawal-Royal Haskoning Limited Sem Pringuangkeo Foundation Design 103 International Limited Thai Institute of Directors Association Thailand Management Association Rama Textile Industry Company Limited Solido Company Limited Amata Spring Development Company Limited Phelps Dodge International (Thailand) Company Limited PDTL Trading Company Limited The Thai Bankers' Association Thai Agro Exchange Company Limited Association of Finance Companies SINGER Thailand Company Limited	Holding Company Bank Foundation Finance Refinery Engineering Consultant Foundation Architect Consultant Association Association Manufacturer of Yarn Restaurant Golf Course Manufacture of wire and cable products Distributor of electric wires and cable Association Fruits & Vegetables Wholesale Association Manufacturer of Consumer Electronics
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) Vice Chairman of the Board of Directors (Authorized Signatory)	35	Common - Preferred -	-	Bachelor of Science (Economics) Massachusetts Institute of Technology, USA	2010-Present 2008-Present 2010-Sep2012 2009-2010 2008-2010 2010-Present 2010-Sep2012 2009-2010 2007-2010 2007-2008 2012-Present 2008-Present 2005-2008 2005-2012 2005-2008 2004-2005	<u>TISCO Group</u> Vice Chairman of the Board of Directors Member of the Nomination and Compensation Committee Member of the Executive Board Vice Chairman of the Executive Board Director Vice Chairman of the Board of Directors Member of the Executive Board Chairman of the Executive Board Director Member of the Executive Board Member of the Nomination and Compensation Committee <u>Others:</u> Managing Director Senior Advisor Senior Vice President Managing Director Director Vice President / Advisor	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Capcelona Advisors, LLC. CDIB & Partners Investment Holding Corporation Quintus Capital Group Limited CDIB & Partners Asset Management Holding Limited China Development Industrial Bank Inc.	Holding Company Bank Consultant Service Investment Investment Asset Management Bank

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<p>3. Ms. Oranuch Apisaksirikul Director Chairperson of the Executive Board (Authorized Signatory)</p>	54	Common Preferred	- -	Master of Business Administration (Finance) Bachelor of Laws Bachelor of Accountancy (Accounting & Commerce) - Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - IOD Anti Corruption Training Program for Corporate and Executives Thai Institute of Directors Association	2010-Present 2008-Present 2009-2010 Feb2013-Present Feb2013-Present 2010-Present 2005-Present 2008-2009 2005-2008 2011-Present 2011-Present 2010-2011 2009-2011 2010-2011 2009-2011 2010-2011 2009-2011 2000-2007 2000-2007 2005 2002-2005 Jan2012-Present 2010-2011 2006-2010 2001-2008	<u>TISCO Group</u> Chairperson of the Executive Board Group Chief Executive Director Member of the Executive Board President Acting Head of Business Strategy & Development Acting Head of Office of Research & Strategy Chairperson of the Executive Board Director Member of the Executive Board Senior Executive Vice President Director Director Chairperson of the Board Director Member of the Audit Committee Chairperson of the Board Director Member of the Audit Committee Chairperson of the Board Director Director Director Director Director Chief Financial Officer, Planning and Risk Management <u>Others</u> Member of Risk Management Subcommittee Advisor, Member of Risk Management Sub-Committee Advisor and Member of Risk Management Committee Member of Risk Management Subcommittee	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Foundation TISCO Learning Center Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Information Technology Company Limited TISCO Global Securities Limited TISCO Securities Hong Kong Limited TISCO Finance Public Company Limited Government Pension Fund Small Industry Credit Guarantee Corporation The Stock Exchange of Thailand	Holding Company Bank Foundation Services Securities Asset Management Information Technology Securities Securities Finance Asset Management Specialized Financial Institution The Stock Exchange of Thailand
<p>4. Ms. Panada Kanokwat Independent Director Chairperson of the Audit Committee</p>	63	Common Preferred	- -	Master of Business Administration (Banking & Finance) North Texas State University, USA Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate of Executive Program in International Management Stanford-National University of Singapore - Certificate of Building, Leading & Sustaining Innovation Organization Sloan School of Management, Massachusetts Institute of Technology, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program Thai Institute of Directors Association	2011-Present 2008-Present 2008-2011 2011-Present 2008-Present 2008-2011 2010-Present 2009 2008-2009 2008-2009 2008-2009 2008-2009 2008-2009 2008-2009 2008-2009 2005-2009 2005-2009 2008 2006 2004-2005	<u>TISCO Group</u> Chairperson of the Audit Committee Independent Director Member of the Audit Committee Chairperson of the Audit Committee Independent Director Member of the Audit Committee <u>Others</u> Committee, The Bachelor's Degree in Business Administration (International Program) Director Director Director Director Director Director Director Director Director Senior Executive Vice President, Chief Corporate Finance & Accounting Executive Vice President Director Director Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Faculty of Commerce and Accountancy, Thammasat University Thai Fatty Alcohols Company Limited PTT Chemical International (Asia Pacific ROH) Limited Thai Oleochemicals Company Limited PTT Chemical International Pte., Ltd. TOC Glycerol Company Limited Thai Choline Chloride Company Limited Thai Ethanolamines Company Limited PTT Polyethylene Company Limited PTT Chemical Public Company Limited PTT Public Company Limited Bangkok Polyethylene Public Company Limited Star Petroleum Refining Company Limited Rayong Refinery Public Company Limited	Holding Company Bank Academic Institute Petrochemical and Chemical Petrochemical and Chemical Petrochemical and Chemical Petrochemical and Chemical Petrochemical and Chemical Petrochemical and Chemical Petrochemical and Chemical Petrochemical and Chemical Oil and Gas Petrochemical and Chemical Refinery Refinery

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

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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 Independent Director Member of the Audit Committee	63	Common Preferred		Doctor of Philosophy (Economics) Master of Art (Economics) University of Pennsylvania, USA Bachelor of Art (Economics) Swarthmore College, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management - Monitoring the Internal Audit Function - Monitoring the Quality of Financial Reporting - Monitoring Fraud Risk Management Thai Institute of Directors Association	2008-Present	<i>TISCO Group</i> Independent Director Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	Independent Director Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					Aug2012-Present	<i>Others</i> Board of Governors	Thai Public Broadcasting Service (Thai PBS)	Government Office
					2009-Present	University Council Director	Kirk University	Academic Institute
					2008-Present	Executive Director of TDRI	Thailand Development Research Institute (TDRI)	Foundation
					2005-Present	Member of TDRI Council of Trustees		
					1979-Present	Professor of Economics	Thammasat University	Academic Institute
					2005-2007	Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs		
					2005-2006	University Committee on Grievance and Appeal		
					2004-2005	University Council Director		
					2003-2006	Dean, Faculty of Economics		
					2011-2012	Subcommittee on Improvement of Financial and Budget System under Public Sector Development Committee	The Office of the Public Sector Development Commission	Government Office
					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, Banking and Financial Institutions	National Council of Legislation	Government Office
2007-2008	Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Company Limited and True Move Company Limited and Digital Phone Company	CAT Telecom Public Company Limited	Communication					
2007-2008	Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association					
2003-2006	Member	Puey Ungphakorn Institute Committee	Institute					
2003-2006	Member of the Research Committee	The Secretariat of the House of Representatives	Government Office					
6. Ms. Patareeya Benjapolchai Independent Director Member of the Audit Committee	58	Common Preferred		Master of Business Administration Thammasat University Bachelor of Accountancy (Accounting) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate, The Executive Program University of Michigan, USA - Certificate, Advanced Accounting and Auditing Chulalongkorn University - Directors Certification Program - Financial Institutions Governance Program Thai Institute of Directors Association	2011-Present	<i>TISCO Group</i> Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2010-Present	Independent Director	TISCO Bank Public Company Limited	Bank
					2011-Present	Independent Director Member of the Audit Committee		
					2013-Present	<i>Others</i> Corporate Governance Committee	Corporate Governance Center, The Stock Exchange of Thailand	Stock Exchange
					2011-Present	Ethics Committee	Federation of Accounting Professions Under the Patronage of His Majesty the King	Private Sector
					2011-Present	Director, Award Committee, Board of the Year Award	Thai Institute of Directors Association	Association
					2005-2008	Director		
					2011-Present	Chairperson of the Audit Committee	The Office of the Agricultural Futures Trading Commission	Ministry of Commerce
					2010-Present	Advisor	Thai Listed Companies Association	Association
					2010-Present	Audit Committee	Office of the Permanent Secretary for Defence, Ministry of Defence	Government Office
					2010-Present	Associate Judge	The Central Intellectual Property and International Trade Court	Court
					2010-Present	Directors' Responsibilities Steering Committee	The Securities and Exchange Commission	Independent State Agency
					2010-Present	Director	Baan Ruang Tang Phun Company Limited	Property Development
					2007-Present	Honorary Advisor	The Institute of Internal Auditors of Thailand	Associate
					2002-Present	Director	Krabi Petra Company Limited	Property Development
					2008-2012	Directors on Foreign Business Committee	Department of Business Development, Ministry of Commerce	Government Office
					2006-2010	President and Executive Committee	The Stock Exchange of Thailand	Stock Exchange
					2009-2010	Chairman	Thailand Securities Depository Company Limited	Private Sector
					2006-2010	Chairman and Executive Chairman		
					2009-2010	Chairman	Family Know-How Company Limited	Private Sector
					2006-2009	Vice Chairman		
					2009-2010	Chairman	Settrade.com Company Limited	Private Sector
					2008-2010	Director, Award Committee, State-owned Enterprise Award 2008-2010	State Enterprise Policy Office, Ministry of Finance	Government Office
					2007-2010	Chairman of the Subcommittee of Member Recruitment	Thailand Futures Exchange Public Company Limited	Private Sector
					2006-2010	Vice Chairman and Executive Chairman		
					2006-2010	Chairman	Thai NVDR Company Limited	Private Sector
					2006-2010	Chairman	Thai Trust Fund Management Company Limited	Private Sector
2006-2010	Chairman	Siam DR Company Limited	Private Sector					
2006-2010	Chairman	Thailand Clearing House Company Limited	Private Sector					
2006-2010	Director and Secretary	Federation of Thai Capital Market Organizations	Private Sector					
2002-2010	Director, Subcommittee on Investors Education and Public Relations and on Corporate Governance in Thailand	The Prime Minister's Office	Government Office					
2005-2010	Councillor	Thailand Management Association	Association					
2006-2008	Member of The National Legislative Assembly Committee on Finance, Banking and Financial Institutions	The National Legislative Assembly, Thailand	Government Office					

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

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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 Director Member of the Executive Board (Authorized Signatory)	48	Common Preferred	-	Bachelor of Economics The University of Tokyo, Japan	2009-Present	<u>TISCO Group</u> Director	TISCO Financial Group Public Company Limited	Holding Company	
					2008-Present	Member of the Executive Board	TISCO Bank Public Company Limited	Bank	
					2008-Present	Member of the Nomination and Compensation Committee		Bank	
					2008	Member of the Executive Board Member of the Nomination and Compensation Committee	MHCB Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited: Head Office	Consultant Bank	
8. Mr. Pichai Chanvirachart Director	62	Common Preferred	-	Bachelor of Business Administration (Finance) Marshall University, USA - Directors Certification Program Thai Institute of Directors Association	2005-Present	<u>TISCO Group</u> Director	TISCO Bank Public Company Limited	Bank	
					2005-2008	Member of the Executive Board President	TISCO Information Technology Company Limited TISCO Financial Group Public Company Limited TISCO Finance Public Company Limited	Information Technology Holding Company Finance	
					2009-2011	Director		Thailand Investment and Securities Public Company Limited	Investment and Securities
					2009-2010	Advisor			Mizuho Corporate Leasing (Thailand) Company Limited AXA Insurance Public Company Limited American Appraisal (Thailand) Limited
					2001-2005	Director	Executive Vice President	-	
					1995-1998	Executive Vice President			
					1993-2008	Director	-	-	
					2003-2007	Director			-
1998-2000	Director	-	-						
9. Mr. Chi-Hao Sun Member of the Executive Board	35			Common Preferred	-	Master of Science (Finance) Bentley University, USA Master of Business Administration Boston University, USA Bachelor of Arts (Economics) Taipei University, Taiwan	Sep2012-Present	<u>TISCO Group</u> Member of the Executive Board	TISCO Financial Group Public Company Limited
		2011-Present	Director				TISCO Bank Public Company Limited	Bank	
		Sep2012-Present	Member of the Executive Board				CDIB & Partners Investment Holding Corporation	Investment	
		2012-Present	Assistant Vice President				KPMG Corporate Finance (Taiwan)	Financial Services Consulting	
		2010-2012	Senior Manager				-	-	
10. Mr. Suthas Ruangmanomgkol Director Member of the Executive Board (Authorized Signatory) President	51	Common Preferred	-	Master of Science (Business) University of Wisconsin-Madison, USA Master of Business Administration (Finance) Western Illinois University, USA Bachelor of Engineering (Computer Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present	<u>TISCO Group</u> President	TISCO Financial Group Public Company Limited	Holding Company	
					2009-Present	Member of the Executive Board	TISCO Bank Public Company Limited	Bank	
					2008-Present	Director		TISCO Information Technology Company Limited TISCO Asset Management Company Limited	Information Technology Asset Management
					2009-Present	Director	TISCO Finance Public Company Limited TISCO Securities Company Limited		Finance Securities
					2009-2011	Member of the Executive Board			The Thai Bankers' Association Phelps Dodge International (Thailand) Company Limited PDTL Trading Company Limited
					2005-2011	President	-	-	
					2005-2008	Managing Director			-
					2002-2005	Head of Commercial Finance Treasury and Funding	-	-	
					2000-2001	Director			-
					1998-2001	Assistant Managing Director - Securities Investment and Trading	-	-	
					11. Mr. Sakchai Peechapat Senior Executive Vice President - Retail Banking	45			Common Preferred
2010-Present	Senior Executive Vice President - Retail Banking	TISCO Bank Public Company Limited	Bank						
2010	Senior Executive Vice President	Hi-Way Company Limited	Hire Purchase						
2009	- Marketing & Customer Relations		TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited	Leasing Securities Asset Management Finance					
2006-2008	Executive Vice President - Marketing & Customer Relations	-		-					
2006-2008	Executive Vice President - Retail Banking		-				-		
2005-2006	Acting Human Resources and Organization Development	-		-					
2010-Present	Executive Vice President - Human Resources and Organization Development		-		-				
2009-Present	Chairman of the Board	-		-					
2009-2011	Director		-		-				
2009-2011	Chairman of the Board	-		-					
2004-2005	Director		-		-				
2002-2004	Head of Human Resources and Organization Development	-		-					
2002-2004	Deputy Head of Retail Finance		-		-				
2006-Present	Acting Head of Special Channel Distribution and Retail Finance	-		-					
2006-Present	Director		AXA Insurance Public Company Limited		Insurance				

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Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
12. Mr. Pitada Vatcharairitham Senior Executive Vice President - Corporate Banking	48	Common Preferred	- -	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University	Jan2013-Present 2010-2012 2010-Present Jul2012-Jan2013 2011-Present 2010 2010 2009-2010 2006-2010 2000-2010 2006-2009 2002-2010 2002-2010	<u>TISCO Group</u> Senior Executive Vice President First Executive Vice President Senior Executive Vice President - Corporate Banking Acting Head of Investment Banking Director <u>Others</u> Director Executive Director President Executive Director Director President - Investment Banking Director Executive Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Company Limited Finansa Public Company Limited Finansa Securities Company Limited Finansa Capital Company Limited	Holding Company Bank Securities Finance Securities General Management Business
13. Mr. Metha Pingsuthiwong First Executive Vice President - Retail Banking - Front	46	Common Preferred	- -	Master of Business Administration (Finance) University of Wisconsin-Milwaukee, USA Bachelor of Engineering (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present Feb2013-Present 2010-Jan2013 2009 2005-2008 2011-Dec2012 2009-2011 2002-2005 2005 1999-Present	<u>TISCO Group</u> First Executive Vice President First Executive Vice President - Retail Banking - Front First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Treasury and Banking Operation Executive Vice President - Treasury and Private Banking Director Director Head of Securities Investment and Trading Executive Vice President - Treasury and Funding <u>Others</u> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Investment Advisory Company Limited ² TISCO Securities Company Limited TISCO Finance Public Company Limited K-Line (Thailand) Company Limited	Holding Company Bank Investment Advisory Securities Finance Transportation
14. Mr. Chalit Silpsrikul First Executive Vice President - Wealth Management & Banking Services	51	Common Preferred	- -	Master of Business Administration Bachelor of Accountancy (Accounting) Thammasat University Financial Executive Development Program (FINEX 14) The Thai Institute of Banking and Finance Association Crestcom Bullet Proof Manager (Management Skill Development Course) - Directors Certification Program Thai Institute of Directors Association	Jan2013-Present 2010-2012 Feb2013-Present 2010-Jan2013 2010-2011 2009 2005-2008 2011-Present	<u>TISCO Group</u> First Executive Vice President Executive Vice President First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Retail Banking - Front Acting Head of Provincial Channel Head of Retail Banking Deputy Head of Retail Banking Director <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited	Holding Company Bank Hire Purchase
15. Mr. Dejphinin Suthadsanasoung First Senior Vice President - Retail Banking - Operations	43	Common Preferred	- -	Master of Business Administration Eastern Michigan University, USA Bachelor of Business Administration (Finance) Assumption University	2010-Present 2010-Jul2012 2009-2010 2006-2008 2005-2006 2004-2005	<u>TISCO Group</u> First Senior Vice President - Retail Banking - Operations Acting Head of Retail Loan Processing Deputy Head of Credit Control Deputy Head of Retail Credit & Collection Acting Head of Retail Banking Head of Corporate Lending <u>Others</u> -	TISCO Bank Public Company Limited	Bank
16. Ms. Nipa Mekara First Senior Vice President Head of Corporate Lending Acting Head of Business Risk Assessment 1	53	Common Preferred	- -	Master of Business Administration (Management) Thammasat University Bachelor of Accountancy Assumption University	2010-Present Feb2013-Present 2006-2010 2005-2006	<u>TISCO Group</u> First Senior Vice President - Head of Corporate Lending Acting Head of Business Risk Assessment 1 ¹ Head of Commercial Lending Acting Head of Commercial Banking <u>Others</u> -	TISCO Bank Public Company Limited	Bank
17. Mr. Yutpong Sriwongjanya First Senior Vice President Deputy Head of Retail Banking - Front	47	Common Preferred	- -	Master of Business Administration The University of Mississippi, USA	2011-Present 2009-2010 2004-2008	<u>TISCO Group</u> First Senior Vice President - Deputy Head of Retail Banking - Front Acting Head of Provincial Channel Deputy Head of Retail Banking Head of Provincial Channel Managing Director <u>Others</u> -	TISCO Bank Public Company Limited Hi-Way Company Limited	Bank Leasing
18. Mr. Rungroj Jarasvijitkul First Senior Vice President Deputy Head of Retail Banking - Front Head of Bangkok Channel	47	Common Preferred	- -	Master of Business Administration Bachelor of Business Administration (Finance) Chulalongkorn University	2009-Present 2009-Present 2009-Jan2013 2005-2008	<u>TISCO Group</u> First Senior Vice President, Deputy Head of Retail Banking - Front Head of Bangkok Channel Acting Head of Hire Purchase - Special Project Head of Bangkok Channel Acting Head of Hire Purchase - Commercial Product <u>Others</u> -	TISCO Bank Public Company Limited	Bank
19. Ms. Karantarot Vongsa Head of Treasury	52	Common Preferred	- -	Master of Business Administration Texas A&M University, USA Bachelor of Accountancy Chulalongkorn University	1993-Present	<u>TISCO Group</u> Head of Treasury <u>Others</u> -	TISCO Bank Public Company Limited	Bank

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					Period	Position	Company / Organization	Type of Business
20. Mr. Kittichai Tonnajarn Head of Counter Services	44	Common Preferred - -	- -	Master of Business Administration (General Business) University of Central Arkansas, USA Bachelor of Accountancy Chulalongkorn University	2010-Present 2009-2010 2006-2007 2004-2006	TISCO Group Head of Counter Services Head of Logistic & Control Head of Branch System & Control Head of Electronic Banking Others -	TISCO Bank Public Company Limited	Bank
21. Mr. Nattanan Ananpreeyavit Head of Telemarketing and Contact Center	44	Common Preferred - -	- -	Master of Business Administration (Corporate Finance) University of Dallas, USA Bachelor of Economics Thammasat University	2008-Present 2007-2008 2005-2006	TISCO Group Head of Telemarketing and Contact Center ¹⁴ Head of E-Channel Head of Internet Trading Others -	TISCO Bank Public Company Limited TISCO Securities Company Limited	Bank Securities
22. Mr. Thanom Chairaondeekul Deputy Head of Wealth Management	55	Common Preferred - -	- -	Bachelor of Business Administration (Finance and Banking) University of the Thai Chamber of Commerce	2010-Present 2007-2010 1994-2006	TISCO Group Deputy Head of Wealth Management Head of Private Banking Deputy Head of Funding Others -	TISCO Bank Public Company Limited	Bank
23. Mr. Songsak Niltiean Head of Retail Follow-up & Legal	56	Common Preferred - -	- -	Bachelor of Laws Ramkhamhaeng University	2004-Present	TISCO Group Head of Retail Follow Up & Legal Others -	TISCO Bank Public Company Limited	Bank
24. Mr. Teerayuth Praserttattanadacho Head of Retail Business Development	39	Common Preferred - -	- -	Master of Business Administration (Finance) The University of New South Wales, Australia Bachelor of Business Administration (Finance) Assumption University	Feb2013-Present 2012-Jan2013	TISCO Group Head of Retail Business Development Head of Business Development / Bangkok Channel Others -	TISCO Bank Public Company Limited	Bank
25. Mr. Prakrit Shoonhasriwong Head of Mortgage Loan	40	Common Preferred - -	- -	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	2009-Present 2003-2008	TISCO Group Head of Mortgage Loan Head of Marketing Others -	TISCO Bank Public Company Limited	Bank
26. Ms. Preeyarat Poomdontri Head of Processing & Settlement	58	Common Preferred - -	- -	Master Degree of Public and Private Management National Institute of Development Administration Master of Business Administration Sripatum University Bachelor of Business Administration Ramkhamhaeng University	2009-Present 2004-2008	TISCO Group Head of Processing & Settlement Head of Banking & Operation Others -	TISCO Bank Public Company Limited	Bank
27. Mr. Pornpiboon Sukaviriya Head of Hire Purchase - Captive	54	Common Preferred - -	- -	Master of Business Administration (Management) Southeastern University, Washington DC, USA Bachelor of Art (Finance) Bangkok University	Feb2013-Present 2012-Jan2013	TISCO Group Head of Hire Purchase - Captive ¹⁵ Head of Sales / Hire Purchase Special Project Others -	TISCO Bank Public Company Limited	Bank
28. Mr. Picha Ratanatam Head of Wealth Management	42	Common Preferred - -	- -	Master of Business Administration (Finance) California State University at San Diego, USA Bachelor of Business Administration (Statistics) Chulalongkorn University	2010-Present 2009 2006-2008 2003-2006 2009-2010	TISCO Group Head of Wealth Management Deputy Head of Mutual Fund and Private Fund Business Head of Asset Management Head of Asset Management - Private Fund Others Head of Private Banking	TISCO Bank Public Company Limited TISCO Asset Management Company Limited The Siam Commercial Bank Public Company Limited	Bank Asset Management Bank
29. Ms. Penthip Laoboncharoen Head of Retail Loan Processing	47	Common Preferred - -	- -	Master of Business Administration (Finance) Thammasat University Bachelor of Business Administration (Finance) Assumption University	Jul2012-Present 2010-Present 2002-2010	TISCO Group Head of Retail Loan Processing Head of Retail & SME Credit Head of Retail Credit Processing Others -	TISCO Bank Public Company Limited	Bank
30. Ms. Mallee Peravanichkul Head of Private Banking	59	Common Preferred - -	- -	High Vocational Diploma Kititi Business Administration College	2010-Present 2007-2010 2003-2006	TISCO Group Head of Private Banking Deputy Head of Private Banking Co-Head of Marketing Others -	TISCO Bank Public Company Limited	Bank
31. Mr. Manop Petdamrongsakul Acting Head of Investment Banking	34	Common Preferred - -	- -	Master of Business Administration (Finance) Chulalongkorn University Bachelor of Business Administration (Finance) Assumption University	Feb2013-Present 2012-Jan2013	TISCO Group Acting Head of Investment Banking Deputy Head of Investment Banking Others -	TISCO Bank Public Company Limited	Bank

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					Period	Position	Company / Organization	Type of Business
32. Ms. Ladda Kulchatchai Head of Custodian Service	56	Common Preferred	- -	Bachelor of Laws Thammasat University	2003-Present	<i>TISCO Group</i> Head of Custodian Service <i>Others</i> -	TISCO Bank Public Company Limited	Bank
33. Mr. Worapoth Tirakaron Head of Retail Collection	46	Common Preferred	- -	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) University of the Thai Chamber of Commerce	2005-Present 2001-2004	<i>TISCO Group</i> Head of Retail Collection Head of Collection Services <i>Others</i> -	TISCO Bank Public Company Limited	Bank
34. ML. Waraporn Worawarn Head of Wealth Product	53	Common Preferred	- -	Master of Economics Dhurakij Pundit University Bachelor of Business Administration (Marketing) Bangkok University	2010-Present 2007-2009 2005-2007	<i>TISCO Group</i> Head of Wealth Product Head of Investment Consultant <i>Others</i> Deputy Head of Savings/Fund	TISCO Bank Public Company Limited TISCO Asset Management Company Limited Standard Chartered Bank (Thai) Public Company Limited	Bank Asset Management Bank
35. Ms. Wipa Mettaviharee Head of All Finance & Direct Sales	43	Common Preferred	- -	Bachelor of Business Administration (Accounting) Rajamangala Institute of Technology	2002-Present	<i>TISCO Group</i> Head of All Finance & Direct Sales ¹⁶ <i>Others</i> -	TISCO Bank Public Company Limited	Bank
36. Ms. Saranya Weeramahawong Head of Personal Banking	40	Common Preferred	- -	Master of Business Administration (Management) Srinakharinwirot University Bachelor of Arts (French) Srinakharinwirot University	2011-Present 2007-2011 2006-2008 2005-2006	<i>TISCO Group</i> Head of Personal Banking Acting Head of Personal Banking <i>Others</i> Customer Relationship Manager Sales Training Manager	TISCO Bank Public Company Limited Standard Chartered Bank (Thai) Public Company Limited Citibank Company Limited	Bank Bank Bank
37. Mr. Sommai Ung Head of Commercial Lending Acting Head of Business & Risk Assessment 2	43	Common Preferred	- -	Master of Business Administration Bachelor of Business Administration University of the Thai Chamber of Commerce	2010-Present Feb2013-Present 2007-2010 2006-2007 2002-2005	<i>TISCO Group</i> Head of Commercial Lending Acting Head of Business & Risk Assessment 2 ¹⁷ Head of SME Banking Head of Marketing - 1 Head of Special Asset Management - Asset Sale <i>Others</i> -	TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Bank Finance
38. Ms. Saranya Ket-Udom Head of Logistic & Control	53	Common Preferred	- -	Master of Business Administration (Finance) National Institute of Development Administration Bachelor of Accountancy Thammasat University	2010-Present 2010 2009-2010 2007-2008 2004-2006	<i>TISCO Group</i> Head of Logistic & Control Head of Counter Services Head of Banking Services Head of Branch System & Control Deputy Head of Banking & Operation <i>Others</i> -	TISCO Bank Public Company Limited	Bank
39. Mr. Sukit Sakulwongyai Head of Retail Service & Support	44	Common Preferred	- -	Master of Business Administration Thammasat University Bachelor of Business Administration (Management) Assumption University	2006-Present 2002-2004	<i>TISCO Group</i> Head of Retail Service & Support Head of Special Asset Management - Asset Enforcement <i>Other</i> -	TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Bank Finance
40. Mr. Suthep Trivannakij Head of Hire Purchase - Automobile	51	Common Preferred	- -	Bachelor of Arts (Human Resource Management) Bansomdejchaopraya Rajabhat University	2005-Present 2003-2004	<i>TISCO Group</i> Head of Hire Purchase - Automobile Head of Marketing & Business Development <i>Other</i> -	TISCO Bank Public Company Limited	Bank
41. Ms. Suwandee Khaolaor Head of Cash Management	48	Common Preferred	- -	Master of Business Administration (Management) Bachelor of Business Administration (Statistics) Thammasat University	2010-Present 2002-2009	<i>TISCO Group</i> Head of Cash Management Head of Payroll Processing <i>Others</i> -	TISCO Bank Public Company Limited TISCO Securities Company Limited	Bank Securities
42. Mr. Sathian Leowarin Head of Bancassurance	49	Common Preferred	- -	Master of Business Administration Prince of Songkhla University Bachelor of Business Administration (Marketing) Ramkhamhaeng University	2006-Present 2005-2006 2004-2005	<i>TISCO Group</i> Head of Bancassurance - Life Head of Retail Marketing Support Head of Marketing <i>Others</i> -	TISCO Bank Public Company Limited	Bank
43. Mr. Nobutaka Ide Head of Japanese Relationship	35	Common Preferred	- -	Bachelor of Engineering University of Tokyo, Japan	Jun2012-Present 2012-2012	<i>TISCO Group</i> Head of Japan Relationship <i>Others</i> Investment Banking Manager	TISCO Bank Public Company Limited Mizuho Securities Company Limited	Bank Securities

Remark: ¹ Including spouse and minor children² Renamed to "Deutsche TISCO Investment Advisory Company Limited"³ Renamed from Business and Risk Assessment⁴ Renamed from Corporate Contact Center⁵ Renamed from Hire Purchase Special Project⁶ Renamed from All Finance & Direct⁷ Renamed from Retail and SME Credit

Attachment 2

Changes in TISCO Bank Shareholdings by Directors and Management

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

Attachment 2

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of February 1, 2013	Increase (Decrease) During the Year	As of February 1, 2013
1	Mr. Pliu Mangkornkanok	0	0	0	0
2	Mr. Hon Kit Shing (Mr. Alexander H. Shing)	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 Peechatat	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

Attachment 3

Report of the Audit Committee

Report of the Audit Committee

The Audit Committee of TISCO Bank Public Company Limited comprised 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 12 meetings in Year 2012, all with full committee member's attendance. Major activities performed by the Committee were as follows:

- **Financial Statements:** Reviewing quarterly and annual financial statements with consideration for the appropriateness of the 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. The Committee agrees 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.
- **Internal Control and Audit:** Reviewing and assessing internal control system and internal audit works and considering all issues raised by the external auditor and internal audit department. Assessing the independence of internal audit department and approving annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Committee opines that the Bank's internal control system and internal audit function are appropriate and effective.
- **Regulatory Compliance:** Reviewing and assessing annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledging the results of external examinations by the Bank of Thailand and the Securities and Exchange Commission of Thailand and assessing the Bank's corrective actions. The Committee opines that the Bank properly follows all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewing and assessing the independence of the external auditor as well as the overall scope and focus of the annual and interim audit. Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considering the independence, professional proficiency, performance, and appropriateness of audit fee, the Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the Auditor of the Bank for the Year 2012.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewing and assessing related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee agrees with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the 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, fraud risk management, and disclosure of risk information and capital adequacy based on Basel II. The Committee is satisfied with the Bank's risk management system and the adequacy of risk information disclosure.
- **Audit Committee Self Assessment:** Performing self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The results revealed that the Committee have carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee, relevant laws and regulations, and as delegated by the Board of Directors.

Panada Kanokwat

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

Attachment 4

Evaluation of the Sufficiency of Internal Control System

Internal Control System Assessment Questionnaire

TISCO Bank Public Company Limited

January 28, 2013

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. For monitoring process, Incident and Complaint Management system is set by the parent company to ensure proper management of incidents. Incident data will be analyzed by Operational Risk Management function of the parent company to identify root causes and provide effective control. Moreover, the incident profile will be reported to the Compliance and Operation Control Committee and the Risk Management Committee.

Part 2 Risk Management Measures

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

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

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

- Yes No

The Company regularly performs risk assessment through the Risk Management Committee and other supporting functions. Planning and Budgeting function 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 has been delegated to ensure that the Company fully complies with related laws and regulations, with emphasis on communication with business and operation units together with ongoing review of business operations. The 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. as enacted by the Bank of Thailand.

Part 4 Information and Communication Measures

To carry out their responsibilities carefully, Board members, management, shareholders or other related persons need to make decisions based on accurate and adequate information, both financial and general. Therefore, effective communication with related parties is essential and supports an efficient internal control system. Information should be:

- (1) instructive
- (2) complete
- (3) up-to-date
- (4) in an easy to understand format
- (5) well-arranged

- 4.1 Does the Company provide sufficient and relevant information on issues 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 and assess management's responses and corrective actions on the matter as well as follow up the disposition and report to the Board of Directors 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.

Attachment 5

**Statement of the Board of Directors' Responsibility for Financial Statements and
Auditor's Report and Financial Statements**

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, 2012.

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

Suthas Ruangmanamongkol
(Mr. Suthas Ruangmanamongkol)
President

**FINANCIAL STATEMENTS
TISCO BANK PUBLIC COMPANY LIMITED
YEAR ENDED 31 DECEMBER 2012 and 2011**

TISCO Bank Public Company Limited
Report and financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statements of financial position as at 31 December 2012, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2012, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 11 February 2013

TISCO Bank Public Company Limited

Statement of financial position

As at 31 December 2012

(Unit: Thousand Baht)

	Note	2012	2011
Assets			
Cash		1,045,647	903,069
Interbank and money market items - net	3.1	31,370,138	29,983,895
Derivatives assets	3.2	41,863	22,450
Investments - net	3.3, 3.7	4,912,832	2,595,951
Investments in subsidiaries - net	3.4	43,956	46,911
Loans to customers and accrued interest receivable	3.5, 3.7		
Loans to customers		261,696,683	196,934,575
Accrued interest receivable		322,266	222,666
Total loans to customers and accrued interest receivable		262,018,949	197,157,241
Less: Deferred revenue		(23,030,237)	(17,321,366)
Less: Allowance for doubtful accounts	3.6	(4,687,644)	(4,098,963)
Less: Allowance for loss on debt restructuring		(3)	(3)
Loans to customers and accrued interest receivable - net		234,301,065	175,736,909
Property foreclosed - net	3.7, 3.8	266,241	257,736
Investment Property - net	3.9	63,139	-
Premises and equipment - net	3.10	392,541	518,331
Intangible assets - net	3.11	64,638	100,304
Deferred tax assets		-	103,387
Other assets	3.12	2,621,881	1,248,831
Total assets		275,123,941	211,517,774

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2012

(Unit: Thousand Baht)

	Note	2012	2011
Liabilities and shareholders' equity			
Liabilities			
Deposits	3.13	220,633,709	38,059,886
Interbank and money market items - net	3.14	9,943,228	10,857,981
Liability payable on demand		652,310	448,049
Derivatives liabilities	3.2	-	270,360
Debts issued and borrowings	3.15	21,565,619	143,786,767
Provision for long-term employee benefits	3.16	131,686	83,767
Deferred tax liabilities		45,690	-
Accrued interest payable		1,726,436	1,380,677
Income tax payable		257,464	-
Dividend payable		1,237,859	400,484
Other liabilities	3.17	3,726,262	2,425,738
Total liabilities		259,920,263	197,713,709

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2012

(Unit: Thousand Baht)

Note	2012	2011
Shareholders' equity		
Share capital		
Registered		
372,047,854 preference shares of Baht 10 each	3,720,479	3,720,479
728,152,146 ordinary shares of Baht 10 each	7,281,521	7,281,521
	<u>11,002,000</u>	<u>11,002,000</u>
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
	<u>7,281,522</u>	<u>7,281,522</u>
Share premium on ordinary shares	130,451	130,451
Other components of shareholders' equity	3,383	106,410
Retained earnings		
Appropriated-statutory reserve	984,000	846,100
Unappropriated	6,804,322	5,439,582
	<u>15,203,678</u>	<u>13,804,065</u>
Total shareholders' equity		
	<u>275,123,941</u>	<u>211,517,774</u>

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



.....
 Mrs. Oranuch Apisaksirikul

(Chairperson of the Executive Board)



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TISCO Bank Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2012

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

	Note	2012	2011
Interest income	3.21	14,205,581	11,556,819
Interest expenses	3.22	(7,871,743)	(5,260,491)
Net interest income		6,333,838	6,296,328
Fees and service income		2,495,539	1,614,351
Fees and service expenses		(73,367)	(61,577)
Net fees and service income	3.23	2,422,172	1,552,774
Net gains on tradings and foreign exchange transactions	3.24	146,047	58,599
Net gains on investments	3.25	117,933	24,637
Penalty fee income from loans		233,855	192,900
Income from business promotion relating to the business		1,259,511	538,092
Revesal allowance for impairment of property foreclosed		315	248,232
Other operating incomes	3.27	132,338	161,151
Total operating incomes		10,646,009	9,072,713
Expenses to business promotion relating to the business		1,422,668	598,701
Total net operating income		9,223,341	8,474,012
Other operating expenses			
Employee's expenses		1,710,317	1,472,728
Directors' remuneration		480	480
Premises and equipment expenses		719,937	660,357
Taxes and duties		161,287	217,382
Supporting service expenses	3.33	1,029,720	802,810
Others	3.28	491,518	448,172
Total other operating expenses		4,113,259	3,601,929
Bad debt, doubtful accounts and impairment losses	3.26	1,564,282	1,065,609
Profit before income tax expenses		3,545,800	3,806,474
Income tax expenses	3.29	788,777	1,176,565
Profit for the year		2,757,023	2,629,909

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

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the year ended 31 December 2012

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

	Note	2012	2011
Other comprehensive income	3.30		
Investment in available-for-sale securities		(507)	(15,708)
Actuarial gains (losses)		(20,655)	(11,124)
Cash flow hedges		(128,277)	128,277
Income tax effect	3.29, 3.31	29,888	(18,245)
Other comprehensive income for the year		(119,551)	83,200
Total comprehensive income for the year		2,637,472	2,713,109
Earnings per share			
Basic earnings per share	3.32	3.79	3.61

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

TISCO Bank Public Company Limited**Cash flow statement****For the year ended 31 December 2012**

(Unit: Thousand Baht)

	2012	2011
Cash flows from operating activities		
Profit before income tax	3,545,800	3,806,474
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	160,042	168,093
Bad debts and doubtful accounts	2,364,545	1,729,230
Allowance for impairment of investments (reversal)	(63,835)	(56,897)
Allowance for impairment of property foreclosed (reversal)	(315)	(248,232)
Gain on sale of investments	(51,248)	(76,876)
Unrealised gain on tradings and foreign exchange transactions	(29,340)	(48,362)
Gain on disposal of equipment	(4,786)	(6,518)
Gain on disposal of property foreclosed	(48,353)	(63,074)
Gain on cash flow hedge	(100,761)	-
Provision for long-term employee benefits	29,024	10,727
Increase in accrued income	(25,456)	(5,729)
Increase in accrued expenses	557,526	678,701
Net interest income	(6,333,838)	(6,296,328)
Dividend income	(54,832)	(75,135)
Cash received on interest income	14,041,695	11,220,356
Cash paid on interest expenses	(6,807,295)	(4,162,767)
Cash received on dividend income	54,832	75,135
Cash paid on income tax expenses	(351,195)	(1,365,190)
Profit from operating activities before changes in operating assets and liabilities	6,882,210	5,283,608
Operating assets (increase) decrease		
Interbank and money market items	(1,546,724)	(17,332,883)
Loans to customers	(62,633,996)	(36,675,652)
Property foreclosed	1,560,219	862,018
Other assets	(888,506)	80,443
Operating liabilities increase (decrease)		
Deposits	182,573,823	(10,546,492)
Interbank and money market items	(914,753)	1,991,803
Liability payable on demand	204,261	(84,399)
Short-term debts issued and borrowings	(123,577,148)	58,447,499
Employee benefit	(1,760)	-
Other liabilities	(211,094)	201,180
Net cash flows from operating activities	1,446,532	2,227,125

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

TISCO Bank Public Company Limited**Cash flows statement (continued)****For the year ended 31 December 2012**

(Unit: Thousand Baht)

	2012	2011
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(6,127,403)	(2,058,398)
Cash received from disposal of investment in securities held for investment	3,927,604	4,505,733
Cash paid for purchase of equipment	(57,581)	(61,012)
Cash paid for purchase of intangible assets	(8,249)	(29,595)
Cash received from disposal of equipment	6,159	6,418
Cash received from disposal of a subsidiary	-	136,655
Net cash flows from (used in) investing activities	(2,259,470)	2,499,801
Cash flows from financing activities		
Long-term debts issued and borrowings	(5,639,200)	(2,712,879)
Cash received from issuance of long-term debentures	8,071,200	76,000
Cash paid for the redemption of long-term debentures	(1,076,000)	-
Dividend paid	(400,484)	(2,089,793)
Net cash flows from (used in) financing activities	955,516	(4,726,672)
Net increase in cash	142,578	254
Cash at beginning of the year	903,069	902,816
Cash at end of the year	1,045,647	903,070
	-	
Supplemental cash flows information		
Non-cash transaction		
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

Statement of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity		Total other components of shareholders' equity	Retained earnings		Total
	Preference shares	Ordinary shares		Surplus (deficit) on change in value of available-for-sale investments	Cash flow hedges		Appropriated	Unappropriated	
Balance as at 1 January 2011	1	7,281,521	130,451	14,311	-	14,311	714,600	4,020,455	12,161,339
Dividend paid (Note 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
Balance as at 1 January 2012	1	7,281,521	130,451	3,789	102,621	106,410	846,100	5,439,582	13,804,065
Dividend paid (Note 4)	-	-	-	-	-	-	-	(1,237,859)	(1,237,859)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	137,900	(137,900)	-
Total comprehensive income for the year	-	-	-	(406)	(102,621)	(103,027)	-	2,740,499	2,637,472
Balance as at 31 December 2012	1	7,281,521	130,451	3,383	-	3,383	984,000	6,804,322	15,203,678

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

TISCO Bank Public Company Limited

Notes to financial statements

For the year ended 31 December 2012

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation have been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011.

The financial statements in Thai language are the official statutory financial statements of the 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 New accounting standard not yet effective

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

Accounting standards:

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

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

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Bank's management has assessed the effects of these standards and believes that TAS 20 (revised 2009) and SIC 10 are not relevant to the business of the Bank, while TAS 21 (revised 2009), TFRS 8, SIC 21 and SIC 25 will not have any significant impact on the financial statements for the year when they are initially applied.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The Bank's management has assessed the effects of these standards and believes that SIC 29 and TFRIC 12 are not relevant to the business of the Bank, while Accounting Treatment Guidance for Transfers of Financial Assets, TFRIC 4 and TFRIC 13 will not have any significant impact on the financial statements for the year when they are initially applied.

1.3 Significant accounting policies

1.3.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, financial lease and auto cash income are recognised over the installment period, using the effective interest rate.

The Bank has policies for corporated 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 other loans accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and interest then recognised as income on a cash basis.

The accounts will be reinstated to an "accrual basis" when the overdue amounts are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment in securities is recognised as income on an accrual basis. Dividends on investment in securities are recognised as income when the right to receive the dividends are established.

c) Gain (losses) on trading in securities

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

d) Fees and service income

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

1.3.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

The Bank recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, by the effective interest rate method, and deducting them from 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.

1.3.3 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 statements 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.

1.3.4 Investments

- a) Investments in securities held for trading are state at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Held to maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).
- f) The 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 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 rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) Losses on impairment (if any) of the investments in available-for-sale securities, held to maturity debt securities and other investments are recognised in profit or loss.
- i) The weighted average method is used for computation of the cost of investments.

- j) In the event the Bank reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.
- k) Purchases and sales of investments are recorded on settlement date.

1.3.5 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as held-to-maturity securities, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in profit or loss.

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

1.3.6 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.

1.3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

- a) The Bank provides allowance for doubtful accounts and losses arising from troubled debt restructuring in accordance with the Notifications of the Bank of Thailand ("BOT") and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers 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 Notifications 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.

1.3.8 Troubled debt restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in 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.

1.3.9 Property foreclosed

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transferred date, not exceed the legally claimable amount of outstanding debt) and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The Bank is required to record the additional general reserve for declining in value of property foreclosed in accordance with the notifications 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.

1.3.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

1.3.11 Premises and equipments/Depreciation

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

Depreciation of office condominium and equipment is calculated by reference to their costs on the straight-line basis (except for the depreciation of computer and communications equipments, which are calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominium units	-	20	years
Office improvements	-	5	years
Furniture, fixtures and equipments	-	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 the asset is derecognised.

1.3.12 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 (if any).

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 assets 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 are software license fees that the Bank amortised over the following estimated useful lives:

The license agreements specified	-	according to the period of license
number of year of usage		agreement by the straight-line basis
The license agreements not specified	-	5 years by the straight-line basis
number of year of usage		
No license agreements	-	3 years by the sum-of-the-year-digits method

1.3.13 Income tax

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

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Bank recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that the Bank will generate future taxable profits will be available against which such deductible deferred tax assets can be utilised. The Bank recognises deferred tax liabilities for all taxable temporary differences.

Deferred tax assets/liabilities are calculated based on the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax legislation) that have been enacted at the end of reporting period.

The 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 profit will be available to allow all or part of the deferred tax assets to be utilised.

1.3.14 Impairment of assets

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

1.3.15 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.3.16 Foreign currencies

Transactions in foreign currencies are translated into Baht at exchange rates ruling 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 and losses on exchange are included in determining income.

1.3.17 Employee benefits

Short-term employee benefits

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

Part of bonus expense of the Bank is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Bank records this expense and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting date and any increase or decrease in the expense according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The 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 benefit plans and other long-term employee benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Bank treats these severance payment obligations as a defined benefit plan. In addition, the Bank provides other long-term employee benefit plan, namely long service awards.

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

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

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS19 "Employee Benefits" in 2011, the Bank elected to recognize the transition liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

1.3.18 Provisions

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

1.3.19 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.

1.3.20 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), liability payable on demand, derivatives liabilities and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.37 to the financial statements.

b) Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using 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 financial statements 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.

1.3.21 Offsetting financial assets and financial liabilities

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

1.3.22 Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimate. Significant judgments and estimates are as follows:

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quote market prices are not readily available, the management 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 judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary 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 taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee 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, and staff turnover rate.

Leases

In determining whether a lease is to be classified as an operating lease or financial lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2012, the Bank has 49 branches in Thailand.

2.2 Share capital

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Bank pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Bank does not declare dividend payment to the ordinary shareholders, the Bank may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Bank has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

2.3 Statutory reserve

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

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Bank's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

2.5 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the 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 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 has neither provided any credit nor made any commitments to companies which have directors in common with the Bank in cases where such credit is unsecured or not fully collateralised and therefore would require approval from the Bank of Thailand.

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

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	3,394,365	230,000	3,624,365	425,785	-	425,785
Commercial banks	240,987	25,000,000	25,240,987	173,923	21,350,000	21,523,923
Specialised financial institutions	997	2,000,000	2,000,997	854	4,000,000	4,000,854
Other financial institutions	-	500,000	500,000	-	-	-
Total	3,636,349	27,730,000	31,366,349	600,562	25,350,000	25,950,562
Add: Accrued interest	-	8,789	8,789	-	6,775	6,775
Less: Allowance for doubtful						
accounts	-	(5,000)	(5,000)	-	(10,000)	(10,000)
Total domestic	3,636,349	27,733,789	31,370,138	600,562	25,346,775	25,947,337
<u>Foreign</u>						
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	3,636,349	27,733,789	31,370,138	600,562	29,383,333	29,983,895

The Bank entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchase under resale agreements according to private repurchase transactions as at 31 December	
	2012	2011
Commercial banks	25,000	20,350
Specialised financial institutions	2,000	4,000

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral	
	as at 31 December	
	2012	2011
Commercial banks	25,114	20,558
Specialised financial institutions	1,973	4,042

3.2 Derivatives

3.2.1 Trading derivatives

The Bank entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with its loan to customers, as follows:

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	14,882	-	3,063,160	-	127,628	3,169,120
Interest rate	26,981	-	3,032,000	21,907	14,715	5,682,000
Total	41,863	-	6,095,160	21,907	142,343	8,851,120

All counter parties of these derivative transactions are financial institutions.

3.2.2 Hedging derivatives

The Bank entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with their foreign currency certificates of deposit, as follows:

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2012			2011		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
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.

3.3 Investments

3.3.1 Classified by types of investment

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Available-for-sale securities - fair value		
Government and state enterprise securities	4,136,424	605,918
Debt securities of private sector	171,460	837,593
Add: Allowance for changes in value	4,229	4,736
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale securities	4,310,653	1,446,787
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	186,843	686,409
Less: Allowance for impairment	(20,797)	(17,947)
Total held-to-maturity debt securities	166,046	668,462
General investments - cost		
Domestic non-marketable equity securities	483,874	598,083
Less: Allowance for impairment	(47,741)	(117,381)
Total other investments	436,133	480,702
Investments - net	4,912,832	2,595,951

3.3.2 Classified by the remaining period to maturity of the debt securities

(Unit: Million Baht)

	As at 31 December							
	2012				2011			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprise securities	4,133	3	-	4,136	405	201	-	606
Debt securities of private sector	142	30	-	172	601	236	-	837
Total	4,275	33	-	4,308	1,006	437	-	1,443
Add: Allowance for changes in value	4	-	-	4	3	2	-	5
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,278	33	-	4,311	1,008	439	-	1,447
Held-to-maturity debt securities								
Investment in receivables	129	58	-	187	297	388	1	686
Less: Allowance for impairment	(16)	(5)	-	(21)	(18)	-	-	(18)
Total	113	53	-	166	279	388	1	668
Total debt securities	4,391	86	-	4,477	1,287	827	1	2,115

3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restriction
	2012	2011	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	577	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 31 December 2012		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

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

(Unit: Thousand Baht)

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

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

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

(Unit: Thousand Baht)

Securities' name	As at 31 December					
	2012			2011		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid Amounts	Percentage of holding (%)
Insurance:						
AXA Insurance Plc.	-	-	-	-	-	10
Services:						
TISCO Securities Hong Kong Limited (In the process of liquidation)	43,956	-	100	46,911	-	100
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,377	-	10	4,019	-	10
PDTL Trading Co., Ltd.	8,316	-	10	8,703	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
Prosperity Industrial Estate Co., Ltd.	-	-	-	45,095	-	10
UMI Property Co., Ltd.	5,697	-	10	6,843	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	16,940	-	10	17,028	-	10

3.4 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 year ended 31 December	
		2012	2011	2012	2011	2012	2011	2012	2011
				(%)	(%)				
Subsidiaries directly held by the Bank:									
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	Ordinary shares	Ordinary shares	100	100	66	66	-	-
Less: Allowance for impairment						(22)	(19)	-	-
						44	47	-	-
Investments in subsidiaries - net						44	47	-	-

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) 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.

3.5 Loans to customers and accrued interest receivable

3.5.1 Classified by loans to customers type

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Loans to customers		
Loans	65,762,530	44,852,873
Hire purchase receivables	195,394,831	151,717,574
Financial lease receivables	667,368	442,015
Less: Deferred revenue	(23,030,237)	(17,321,366)
Advances received from financial lease receivables	(128,046)	(77,887)
Total loans to customers	238,666,446	179,613,209
Add: Accrued interest receivable	322,266	222,666
Less: Allowance for doubtful accounts	(4,687,644)	(4,098,963)
Less: Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivables - net	<u>234,301,065</u>	<u>175,736,909</u>

3.5.2 Classified by currency and residency of debtors

	(Unit: Thousand Baht)					
	As at 31 December					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	235,603,286	-	235,603,286	176,444,089	-	176,444,089
US Dollars	-	3,063,160	3,063,160	-	3,169,120	3,169,120
Total loans to customers						
net of deferred revenue	<u>235,603,286</u>	<u>3,063,160</u>	<u>238,666,446</u>	<u>176,444,089</u>	<u>3,169,120</u>	<u>179,613,209</u>

3.5.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

As at 31 December 2012						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,575,255	43,949	5,272	679	-	1,625,155
Manufacturing and commerce	33,359,833	373,478	52,954	12,397	29,385	33,828,047
Real estate and construction	10,104,095	115,489	23,251	10,735	248,997	10,502,567
Public utilities and services	21,255,301	424,872	35,029	14,633	3,967	21,733,802
Personal consumption						
Hire purchase	142,042,315	10,431,471	1,632,472	426,854	29,087	154,562,199
Auto cash loan	9,299,338	491,263	74,922	11,347	1,110	9,877,980
Housing loans	1,329,435	20,509	18,981	3,808	82,862	1,455,595
Others	4,881,940	143,840	18,370	7,303	29,649	5,081,102
Total loans to customers	223,847,512	12,044,871	1,861,251	487,756	425,057	238,666,447
Add: Accrued interest receivable	172,180	150,086	-	-	-	322,266
Total loans to customers and accrued interest receivable	224,019,692	12,194,957	1,861,251	487,756	425,057	238,988,713

(Unit: Thousand Baht)

As at 31 December 2011						
	Pass	Special mention	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

3.5.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2012			2011		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful account ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful account ^{(1) (2)}
Provision under BOT's guideline						
- Pass	224,020	204,454	2,752	166,607	151,582	3,280
- Special mention	12,195	11,873	1,024	11,015	10,790	188
- Sub-standard	1,861	1,845	556	1,517	1,510	378
- Doubtful	488	477	136	254	227	54
- Doubtful of loss	425	193	216	443	212	195
Allowance established in excess	-	-	4	-	-	4
Total	238,989	218,842	4,688	179,836	164,321	4,099

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

⁽²⁾ As at 31 December 2012, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,045 million (As at 31 December 2011: total of Baht 2,080 million). TISCO Bank allocated Baht 2,041 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2011: total of Baht 2,076 million) and so combined with the minimum provision requirement of Baht 2,643 million (As at 31 December 2011: total of Baht 2,019 million), the total provision set aside in accordance with BOT requirements is Baht 4,684 million (As at 31 December 2011: total of Baht 4,095 million).

	Percentage of allowance for doubtful account set up			
	Hire purchase receivable ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Pass	1.14	1.42	1	1
Special mention	1.14	1.42	2	2
Sub-standard	24.29	20.88	100	100
Doubtful	24.29	20.88	100	100
Doubtful of loss	24.29	20.88	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of 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.

3.5.5 Hire purchase and financial lease receivables

As at 31 December 2012, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 173,087 million (31 December 2011: Baht 134,944 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 2012				
	Amounts of installments due under the long-term lease agreements				
	Less than 1 year	1 - 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	57,781	128,361	6,419	3,501	196,062
Less: Deferred revenue*	(8,851)	(12,813)	118	(1,301)	(22,847)
Advances received from financial lease receivables	(2)	(123)	(2)	(1)	(128)
Present value of minimum lease pay from agreements	48,928	115,425	6,535	2,199	173,087
Allowance for doubtful accounts**					(2,502)
Net hire purchase and financial lease receivables					170,585

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

** These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provisions in exceed of BOT's minimum requirement to specific provision for an individual debtor.

(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.

** These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provisions in exceed of BOT's minimum requirement to specific provision for an individual debtor.

3.5.6 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	
	2012	2011	2012	2011
	Loans to customers for which the recognition of interest income has ceased ⁽¹⁾	3,441	2,949	3,454

⁽¹⁾ These amounts are calculated on an account by account basis.

⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

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

(Unit: Million Baht)

	As at 31 December	
	2011	2011
	Deferred revenue ⁽¹⁾	23,030

⁽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.

3.5.8 Troubled debt restructuring

	For the years ended 31 December	
	2012	2011
Debtors restructured during the year:		
Number of debtors restructured by modification of terms (number)	159	287
Loan balances before restructuring (Million Baht)	120	720
Loan balances after restructuring (Million Baht)	120	720
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	3	1
Corporate loan receivables	2	2

Supplemental information for the years ended 31 December 2012 and 2011 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2012	2011
Interest income on restructured receivables	53	64
Receipt of principal and interest	487	730

As at 31 December 2012 and 2011, the Bank has the outstanding balances with troubled restructured debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2012		2011	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,135	735	1,404	1,201

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

3.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 31 December 2012						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,279,654	188,048	378,456	54,094	194,848	3,863	4,098,963
Increase (decrease) in allowance for doubtful accounts during the year	(527,337)	836,435	663,471	1,360,838	46,199	(10,058)	2,369,548
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	9,635	9,635
Bad debt written-off	(447)	(326)	(486,440)	(1,278,571)	(24,718)	-	(1,790,502)
Balance - end of year	<u>2,751,870</u>	<u>1,024,157</u>	<u>555,487</u>	<u>136,361</u>	<u>216,329</u>	<u>3,440</u>	<u>4,687,644</u>

(Unit: Thousand Baht)

As at 31 December 2011

	Pass	Special mention	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	<u>3,279,654</u>	<u>188,048</u>	<u>378,456</u>	<u>54,094</u>	<u>194,848</u>	<u>3,863</u>	<u>4,098,963</u>

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

(Unit: Thousand Baht)

As at 31 December 2012

	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	1,852,247	2,242,853	3,863	4,098,963
Increase (decrease) in allowance for doubtful accounts during the year	461,050	1,918,556	(10,058)	2,369,548
Transfer from allowance for declining in value of property foreclosed	-	-	9,635	9,635
Bad debt written-off	(107,227)	(1,683,275)	-	(1,790,502)
Balance - end of year	<u>2,206,070</u>	<u>2,478,134</u>	<u>3,440</u>	<u>4,687,644</u>

(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	<u>1,852,247</u>	<u>2,242,853</u>	<u>3,863</u>	<u>4,098,963</u>

3.6.3 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Non-performing loans to customers	2,774	2,214
Allowance for doubtful accounts	908	627

3.7 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

⁽¹⁾ Allowance for possible loss is determined based on the investment cost less collateral value.

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

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

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

As at 31 December 2012 and 2011, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Pass	251,348	191,868	-	-	-	-	-	-	251,348	191,868
Special mention	12,045	10,880	-	-	-	-	-	-	12,045	10,880
Sub-standard	1,861	1,517	-	-	-	-	-	-	1,861	1,517
Doubtful	488	254	-	-	-	-	-	-	488	254
Doubtful of loss	425	443	72	138	21	18	18	50	536	649
Total	266,167	204,962	72	138	21	18	18	50	266,278	205,168

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

3.7.3 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		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
					(%)	(%)		
Pass	159,472	122,851	159,472	122,851	1.14	1.42	1,227	1,723
Special mention	10,939	10,066	10,939	10,066	1.14	1.42	717	165
Sub-standard	1,707	1,429	1,707	1,429	24.29	20.88	414	296
Doubtful	452	220	452	220	24.29	20.88	111	48
Doubtful of loss	38	50	38	50	24.29	20.88	9	11
Total	172,608	134,616	172,608	134,616			2,478	2,243

⁽¹⁾ The Bank does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

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

3.7.4 Loans to customers with weak financial position and poor operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	2	1	250	247	142	145	132	123
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	-	1	-	13	-	-	-	13
5. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	2	2	250	260	142	145	132	136

3.8 Property foreclosed

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	239,700	268,015
Disposals	-	(28,315)
Balance - end of year	239,700	239,700
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	37,551	33,860
Additions	-	3,691
Disposals	(12,098)	-
Balance - end of year	25,453	37,551
Total property foreclosed - Immovable assets	265,153	277,251
Movable assets		
Balance - beginning of year	30,335	42,485
Additions	2,646,264	1,151,473
Disposals	(2,657,324)	(1,163,623)
Balance - end of year	19,275	30,335
Total property foreclosed	284,428	307,586
Less: Allowance for impairment		
Balance - beginning of year	49,850	326,397
Increase	1,268	1,885
Decrease	(32,931)	(278,432)
Balance - end of year	18,187	49,850
Property foreclosed - net	266,241	257,736

3.9 Investment properties

The book value of investment properties as at 31 December 2012 is presented as follows:

	(Unit: Thousand Baht)
	Office condominium for lease
	<hr/>
As at 31 December 2012	
Cost	136,713
Less: Accumulated depreciation	(73,574)
Net book value	<hr/> <u>63,139</u>

A reconciliation of net book value of investment properties for the year 2012 is presented as follows:

	(Unit: Thousand Baht)
	For the year ended 31 December 2012
	<hr/>
Book value - beginning of year	-
Transfer type of asset	67,215
Depreciation	(4,076)
Book value - end of year	<hr/> <u>63,139</u>

The fair value of investment properties as at 31 December 2012 stated below:

	(Unit: Thousand Baht)
	As at 31 December 2012
	<hr/>
Office condominium for lease	151,700

The fair value of investment properties was calculated by the asset appraisal method based on the market approach. The market approach was made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account market demand and supply, and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

3.10 Premises and equipment

(Unit: Thousand Baht)

	Land	Building, office condominium and building improvements	Furniture, fixtures computer and equipment	Motor vehicles	Total
<u>Cost:</u>					
As at 1 January 2011	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)
As at 31 December 2011	17,509	925,783	548,776	55,574	1,547,642
Additions/transfers in	-	31,762	25,914	-	57,676
Disposals/written-off/ transfers out	-	(150,117)	(8,955)	(4,346)	(163,418)
As at 31 December 2012	17,509	807,428	565,735	51,228	1,441,900
<u>Accumulated depreciation:</u>					
As at 1 January 2011	-	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/transfers out	-	(611)	(11,935)	(16,613)	(29,159)
As at 31 December 2011	-	511,454	482,016	35,841	1,029,311
Depreciation for the year	-	64,379	41,324	6,443	112,146
Depreciation on disposals/ written-off/transfers out	-	(79,398)	(8,354)	(4,346)	(92,098)
As at 31 December 2012	-	496,435	514,986	37,938	1,049,359
<u>Net book value:</u>					
As at 31 December 2011	17,509	414,329	66,760	19,733	518,331
As at 31 December 2012	17,509	310,993	50,749	13,290	392,541
<u>Depreciation for the years ended 31 December:</u>					
2011					119,973
2012					112,146

3.11 Intangible assets

The book values of intangible assets as at 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)
	<u>Computer software</u>
As at 31 December 2012:	
Cost	377,785
Less: Accumulated amortisation	<u>(313,147)</u>
Net book value	<u>64,638</u>
As at 31 December 2011:	
Cost	369,631
Less: Accumulated amortisation	<u>(269,327)</u>
Net book value	<u>100,304</u>

A reconciliation of the net book value of intangible assets for the years ended 31 December 2012 and 2011 are presented as follows:

	(Unit: Thousand Baht)	
	<u>For the years ended 31 December</u>	
	<u>2012</u>	<u>2011</u>
Net book value at beginning of year	100,304	121,279
Acquisitions of computer software	8,154	29,595
Disposals of computer software	-	(2,450)
Amortisation	<u>(43,820)</u>	<u>(48,120)</u>
Net book value at end of year	<u>64,638</u>	<u>100,304</u>

3.12 Other assets

	(Unit: Thousand Baht)	
	<u>As at 31 December</u>	
	<u>2012</u>	<u>2011</u>
Value added tax - net	1,415,594	226,451
Accrued interest receivable	31,867	12,147
Fee and charges receivable	62,580	37,124
Refundable income tax	346,990	348,144
Deposits	32,210	30,466
Other receivables	588,435	345,631
Other assets	<u>144,205</u>	<u>248,868</u>
Total other assets	<u>2,621,881</u>	<u>1,248,831</u>

3.13 Deposits

3.13.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Deposits		
Current accounts	3,572,743	3,503,982
Savings accounts	28,140,151	17,082,939
Fixed accounts		
- not over 6 months	14,063,664	1,265,389
- over 6 months and less than 1 year	1,153,580	588,126
- over 1 year	167,791	195,633
Certificates of deposit/negotiable certificates of deposit	173,535,780	15,423,817
Total	220,633,709	38,059,886

3.13.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Not over 1 year*	220,402,114	37,533,669
Over 1 year	231,595	526,217
Total deposits	220,633,709	38,059,886

*Including fully-mature deposit contract

3.13.3 As at 31 December 2012 and 2011, all outstanding deposits are deposits from domestic depositors and in Baht.

3.14 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2012			2011		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	28,857	28,857	-	-	-
Commercial banks	210,504	-	210,504	124,703	-	124,703
Specialised financial institutions	-	1,915,131	1,915,131	-	-	-
Other financial institutions	964,380	6,824,356	7,788,736	282,506	10,450,772	10,733,278
Total	1,174,884	8,768,344	9,943,228	407,209	10,450,772	10,857,981

3.15 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	8,243,000	6,000,000
Unsubordinated unsecured debentures	5,828,200	1,076,000
Bills of exchange	7,493,622	136,709,733
Promissory notes	797	1,034
Total	<u>21,565,619</u>	<u>143,786,767</u>

3.15.1 Subordinated unsecured debentures

Year	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
		2012	2011		2012	2011		
		(Units)	(Units)		(Million Baht)	(Million Baht)		
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.50 percent per annum in the first to third years, 6.00 percent per annum in the forth to seventh years and 6.50 percent per annum in the eighth to tenth years.
2009	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.00 percent per annum in the first to third years, 5.50 percent per annum in the forth to seventh years and 6.00 percent per annum in the eighth to tenth years.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	Subordinated and unsecured long-term debentures	1 million	-	1,000	1,000	-	2022	4.85 percent per annum.
2012	Subordinated and unsecured long-term debentures	1,243,000	-	1,000	1,243	-	2022	4.60 percent per annum.
Total					<u>8,243</u>	<u>6,000</u>		

3.15.2 Unsubordinated unsecured debentures

Year	Type of debenture	Units		Face value per unit (Baht)	Balance		Maturity in the year	Interest rate
		as at 31 December			as at 31 December			
		2012 (Units)	2011 (Units)		2012 (Million Baht)	2011 (Million Baht)		
2007	Unsubordinated and unsecured long - term debentures	-	1 million	1,000	-	1,000	2012	4.04 percent per annum
2011	Unsubordinated and unsecured long - term debentures	-	76,000	1,000	-	76	2012	3.40 percent per annum
2012	Unsubordinated and unsecured short - term debentures	4,324,300	-	1,000	4,324	-	2013	3.50 percent per annum
2012	Unsubordinated and unsecured short - term debentures	1 million	-	1,000	1,000	-	2013	3.50 percent per annum
2012	Unsubordinated and unsecured short - term debentures	503,900	-	1,000	504	-	2013	3.50 percent per annum
Total					5,828	1,076		

3.15.3 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2013 to 2015. The interest rates of the fixed interest rate bearing bills of exchange are between 2.50 and 4.25 percent per annum.

3.16 Provision for long-term employee benefits

Provision for long-term employee benefits which are compensation on employee's retirement and other long-term benefits, as at 31 December 2012 and 2011, were as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Defined post employment benefit obligation at beginning of year	83,767	62,567
Current service cost	10,114	7,996
Interest cost	3,506	2,730
Benefits paid during the year	(1,760)	(650)
Adjustment on actuarial gain or (losses)	2,907	11,124
Defined post employment benefit obligation at end of year	98,534	83,767
Other long-term benefits	33,152	-
Total provision for long-term employee benefits at end of year	131,686	83,767

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2012 and 2011 were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Current service cost	25,081	7,996
Interest cost	3,943	2,730
Total employee benefits expenses	<u>29,024</u>	<u>10,726</u>

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: Percent per annum)	
	2012	2011
Discount rate	3.09 - 4.20	3.97 - 4.27
Average salary increase rate	4.39	3.27
Average inflation rate	3.50	3.27

3.17 Other liabilities

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Withholding income tax and other tax payable	228,263	263,548
Accrued insurance premium	864,254	399,104
Deferred income	532,813	490,439
Accrued expenses	1,336,525	743,715
Suspense creditors	567,035	393,614
Other liabilities	197,372	135,318
Total other liabilities	<u>3,726,262</u>	<u>2,425,738</u>

The above accrued expenses include accrued bonus expenses which are remuneration paid to the management and employees based on annual performances. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily share price of the parent company's shares over the period of five years from grant date to settlement date. As of 31 December 2012 and 2011, the Bank has issued under this scheme amounting to Baht 103 million and Baht 49 million, respectively.

3.18 Preference shares converted to ordinary shares

Up to 31 December 2012 and 2011, preference shares have been converted into ordinary shares totaling 627,952,146 shares and 627,952,146 shares, respectively, and such conversion has been registered with the Ministry of Commerce.

As at 31 December 2012 and 2011, there are preference shares which are convertible to ordinary shares totaling 104 shares and 104 shares, respectively. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.19 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 compliance with Basel II principles which is implementing capital requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets.

Regarding to Capital fund as of 31 December 2012 and 2011 under Basel II framework, 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	
	2012	2011
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,522	7,281,522
Premium on share capital	130,451	130,451
Statutory reserve	846,100	714,600
Retained earnings - unappropriated	6,089,582	4,684,261
Less : Deferred tax assets	-	(104,334)
Deficit provision according to IRB	(279,825)	(447,545)
Total Tier I	14,067,830	12,258,955
<u>Tier II</u>		
Subordinated long-term debentures	6,858,434	5,873,988
Reserve for loans classified as pass	490,337	798,661
Less: Deficit provision according to IRB	(279,825)	(447,545)
Total Tier II	7,068,946	6,225,104
Total capital fund	21,136,776	18,484,059

(Unit: Percent)

Capital ratios	As at 31 December				
	2012			2011	
	The Bank			The Bank	
	Capital ratios as at 31 December 2012	Capital ratios after appropriation of net profit for the year ⁽³⁾ 2012	Requirement	Capital ratios as at 31 December 2011	Requirement
Tier I capital to risk assets	8.51	9.03	4.25	9.88 ⁽¹⁾	4.25
Total capital to risk assets	12.79	13.30	8.50	14.91 ⁽²⁾	8.50

⁽¹⁾ Before Capital Floor⁽²⁾ After Capital Floor

⁽³⁾ On 21 December 2012, the Board of Directors of the Bank unanimously approved the appropriation of estimated net profit arising from the year 2012 operations as the interim dividend payment and approved the appropriation of the remaining net profit after the interim dividend payment, as statutory reserve and capital fund.

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 2012 on its website on 31 October 2012.

3.20 Surplus on changes in the value of investments

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Balance - beginning of year	4,736	20,444
Decrease from changes in the value of securities during the year	(507)	(15,708)
	4,229	4,736
Less: The effect of deferred tax assets / liabilities	(846)	(947)
Balance - end of year	3,383	3,789

3.21 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	662,079	572,252
Investments in debt securities	174,548	225,029
Loans to customers	4,404,475	3,216,639
Hire purchase and financial lease income	8,964,479	7,542,899
Total interest income	14,205,581	11,556,819

3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Deposits	3,403,625	842,103
Interbank and money market items	368,816	242,264
Contribution fee to the Deposit Protection Agency and Bank of Thailand	718,198 ⁽¹⁾	163,043 ⁽²⁾
Issued debt instruments		
- Subordinated debentures	365,272	308,000
- Unsubordinated debentures	182,529	40,400
Borrowings	2,833,303	3,664,681
Total interest expenses	7,871,743	5,260,491

⁽¹⁾ Record at a rate of 0.40% per year based on outstanding average deposits amount up to 26 January 2012 and after that record at a rate of 0.01% per year based on outstanding average deposits amount and at a rate of 0.46% per year based on outstanding average public funding base including deposits, bill of exchanges, and other securities issued by commercial bank which were issued starting from 27 January 2012 onwards, excluding outstanding subordinated debentures.

⁽²⁾ Record at a rate of 0.40% per year based on outstanding average deposits amount.

3.23 Fees and service income - net

Fees and service income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Fees and service income		
- Acceptance, aval and guarantees	13,288	30,604
- Insurance service	1,918,332	1,130,000
- Financial advisory fees	3,500	1,800
- Others	560,419	451,947
Total fees and service income	2,495,539	1,614,351
Fees and service expenses	(73,367)	(61,577)
Fees and service income - net	2,422,172	1,552,774

3.24 Gains (losses) on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(10,449)	40,588
- Derivatives on interest rates	39,789	7,774
- Debt securities	15,946	10,237
Gains on cash flow hedges	100,761	-
Total	<u>146,047</u>	<u>58,599</u>

3.25 Gains (losses) on investments - net

Gains (losses) on investments in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Gains on disposal		
- Available-for-sale securities	1,512	65,898
- Held-to-maturity securities	449	189
- General investments	49,287	10,789
Total	51,248	76,876
Reversal (losses) on impairment		
- General investments	69,640	(49,835)
- Investments in subsidiaries	(2,955)	(2,404)
Total	66,685	(52,239)
Gains on investments - net	<u>117,933</u>	<u>24,637</u>

3.26 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Interbank and money market items	5,000	10,000
Held-to-maturity debt securities	2,850	(4,658)
Loans to customers	1,556,432	1,060,267
Total	<u>1,564,282</u>	<u>1,065,609</u>

3.27 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Gains on disposal of property foreclosed	48,353	63,074
Dividend income	54,832	75,134
Others	29,153	22,943
Total	<u>132,338</u>	<u>161,151</u>

3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Mailing expenses	40,653	38,012
Software amortisation expenses	43,820	48,120
Legal expenses	142,846	120,466
Transportation expenses	68,743	73,688
Others	195,456	167,886
Total	<u>491,518</u>	<u>448,172</u>

3.29 Income tax expenses

Income tax expenses of the Bank of for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Current income tax:		
Income tax expenses for the year	608,653	329,552
Adjustment in respect of current income tax of previous year	1,159	1,298
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	178,965	788,089
Effects of changes in the applicable tax rates	-	57,626
Income tax expenses reported in statements of comprehensive income	788,777	1,176,565

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2012	2011
Decrease in surplus on change in value of investments	101	4,712
Cash flow hedges	25,656	(38,483)
Actuarial gains (losses)	4,131	3,337
Effects of changes in the applicable tax rates	-	12,189
Income tax expenses recorded directly to other comprehensive income	29,888	(18,245)

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Thousand Baht)	
	For the years ended	
	31 December	
	2012	2011
Accounting profit before tax	3,545,800	3,806,474
Applicable tax rate	23%	30%
Accounting profit before tax multiplied by applicable tax rate	815,534	1,141,942
Adjustment in respect of current income tax of previous year	1,159	1,298
Effects of changes in the applicable tax rates	-	57,626
Tax effect of net tax-exempt income and net disallowed expenses	(183)	(24,301)
Effects of tax rate used for deferred tax	(27,733)	-
Income tax expenses reported in the statement of comprehensive income	<u>788,777</u>	<u>1,176,565</u>

The following table shows components 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	
	2012	2011	2012	2011
Allowance for doubtful accounts	688	-	688	(705,247)
Allowance for impairment of investments	28,313	41,080	(12,767)	(6,266)
Allowance for impairment of property foreclosed	3,637	9,970	(6,333)	(87,949)
Non-accrual of interest income	17,536	24,764	(7,228)	(152,733)
Depreciation of assets	9,309	11,088	(1,779)	(10,433)
Financial leases	15,034	8,468	6,566	(5,443)
Revaluation surplus on investments	(845)	(947)	-	-
Unrealised gain or loss on derivatives	(5,610)	(1,652)	(3,958)	(1,506)
Cash flow hedges	-	(25,655)	-	-
Deferred commissions and direct expenses				
incurred at the initiation of hire purchase	(403,876)	(238,256)	(165,620)	58,133
Unearned interest income on hire purchase	60,671	82,735	(22,064)	15,718
Accrued expenses	138,587	119,825	18,762	1,420
Employee benefits	26,337	16,884	5,322	2,146
Others	64,529	55,083	9,446	46,445
Deferred tax assets (liabilities)	<u>(45,690)</u>	<u>103,387</u>	<u>(178,965)</u>	<u>(845,715)</u>

3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2012	2011
Other comprehensive income		
Available-for-sale securities:		
Gains arising during the year	1,005	50,190
Less: Reclassification adjustments for gains included in profit or loss	(1,512)	(65,898)
	(507)	(15,708)
Actuarial gains (losses)	(20,655)	(11,124)
Cash flow hedges:		
Gains (losses) arising during the year	(36,288)	119,649
Add: Reclassification adjustments for losses (gains) included in profit or loss	(91,989)	8,628
	(128,277)	128,277
Total other comprehensive income	(149,439)	101,445
Income tax effect	29,888	(18,245)
Other comprehensive income for the year - net	(119,551)	83,200

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Decrease in surplus on change in value of investments	(507)	101	(406)	(15,708)	5,186	(10,522)
Actuarial gains (losses)	(20,655)	4,131	(16,524)	(11,124)	2,225	(8,899)
Cash flow hedges	(128,277)	25,656	(102,621)	128,277	(25,656)	102,621
	(149,439)	29,888	(119,551)	101,445	(18,245)	83,200

3.32 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	
	2012	2011
Profit attributable to equity holders of the Bank (Thousand Baht)	2,757,023	2,629,909
Weighted average number of shares (Thousand shares)	728,152	728,152
Basic earnings per share (Baht/share)	3.79	3.61

3.33 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2011	Increase	Decrease	As at 31 December 2012
<u>Outstanding balance</u>				
Parent company:				
TISCO Financial Group Plc.				
Other assets	54,955	-	(54,955)	-
Deposits	25,413	558,805	(18,473)	565,745
Accrued interest payable	33	1,567	(1,361)	239
Borrowings	144,000	773,000	(917,000)	-
Dividend payable	400,418	1,237,656	(400,418)	1,237,656
Other liabilities	-	113,273	(25,980)	87,293
<u>Outstanding balance</u>				
Related companies (related by common shareholder):				
Interbank and money market items (Assets):				
TISCO Securities Co., Ltd.	-	495,000	-	495,000
Other Assets:				
TISCO Securities Co., Ltd.	90	190	(91)	189
TISCO Leasing Co., Ltd.	-	21,064	(5,657)	15,407
Hi-Way Co., Ltd.	-	60	-	60
Deposits:				
Hi-Way Co., Ltd.	15,451	13,509	(15,456)	13,504
TISCO Information Technology Co., Ltd.	1,130	79,255	(4,377)	76,008
Primus Leasing Co., Ltd.	30,113	2,730	(2)	32,841
TISCO Tokyo Leasing Co., Ltd.	383	1,040	(459)	964
TISCO Learning Center Co., Ltd.	1,997	14,164	(2,617)	13,544
Deutsche TISCO Investment Advisory Co., Ltd.	852	100,082	(1,128)	99,806
TISCO Leasing Co., Ltd.	5,552	10,464	(8,057)	7,959
Interbank and money market items (Liabilities):				
TISCO Securities Co., Ltd.	3,408	855,015	-	858,423
TISCO Asset Management Co., Ltd.	7,475	59,393	(35,151)	31,717
Borrowings:				
TISCO Information Technology Co., Ltd.	50,000	40,000	(90,000)	-
TISCO Learning Center Co., Ltd.	5,000	-	(5,000)	-
Accrued interest payable:				
TISCO Securities Co., Ltd.	-	476	-	476
TISCO Asset Management Co., Ltd.	2	92	(81)	13
Hi-Way Co., Ltd.	-	170	(170)	-
TISCO Information Technology Co., Ltd.	124	149	(161)	112
TISCO Leasing Co., Ltd.	-	71	(71)	-
TISCO Learning Center Co., Ltd.	12	23	(12)	23
Other liabilities:				
Hi-Way Co., Ltd.	-	4,305	-	4,305
TISCO Learning Center Co., Ltd.	1,473	4,256	(2,698)	3,031

	(Unit Thousand Baht)		
	2012	2011	Terms and pricing policy
	(For the year 2012)		
<u>Transactions occurred during the years ended 31 December</u>			
Parent company			
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	1,025,415	802,810	Determined on the basis on actual cost
Interest expenses	17,313	14,754	With reference to the terms and prices as offered to other customers
Others expenses	8,737	8,559	With reference to the terms and prices as offered to other customers
Related companies (under the same parent company)			
Interest income	3,759	3,855	With reference to the terms and prices as offered to other customers
Other income	9,578	1,719	With reference to the terms and prices as offered to other customers
Expenses involving to loan	4,305	-	Determined on the basis on actual cost
Computer system advisory service expenses	230,000	213,000	Determined on the basis on actual cost
Training expenses	29,093	25,502	With reference to the prices as offered from other service providers
Interest expenses	7,364	3,107	With reference to the terms and prices as offered to other customers
Others expenses	7,625	1,473	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	
	2012	2011
Loans ⁽¹⁾	9,082	7,396

⁽¹⁾ Including employee welfare loan and normal loan

Liabilities payable to directors and key management personnel

	(Unit: Thousand Baht)	
	As at 31 December	
	2012	2011
Deposits	79,348	47,053
Debt issued and Borrowings	-	15,174

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Bank had short-term benefit paid to their directors and management during the year as below:

(Unit: Million Baht)

	For the years ended 31 December	
	2012	2011
Short-term benefit	127	116

3.34 Financial information by segment

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

3.35 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. During the year 2012 and 2011, The Bank paid provident fund contributions totaling Baht 55 million and Baht 46 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2012	2011
Avals	155,388	5,280
Other guarantees	722,348	4,447,136
Undrawn client overdraft facilities	47,905	30,976
Interest rate swap agreements (Note 3.37.5)	3,032,000	5,982,000
Cross currency swap agreements (Note 3.37.5)	3,063,160	7,215,602
	<u>7,020,801</u>	<u>17,680,994</u>

3.36.2 Litigation

As at 31 December 2012 and 2011, the Bank has been sued for compensation totaling approximately Baht 165 million and Baht 136 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the Bank and its subsidiary believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 184 million and Baht 190 million as at 31 December 2012 and 2011, respectively). Through a court process, the litigant consented to end the litigation on 25 July 2012 and a consent order was granted by the court on 26 July 2012.

3.36.3 Other commitments

- a) The 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 2012 and 2011, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2012	2011
Payable within:		
Not over 1 year	97	76
Over 1 to 3 years	102	86

3.37 Financial instruments

3.37.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the 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 financial statement.

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	
	2012	2011
Neither past due nor impaired		
Very high grade	93,334	76,450
High grade	56,496	37,950
Medium grade	9,642	8,451
Sub total	159,472	122,851
Hire purchase receivables - overdue 31 - 90 days	10,939	10,066
Hire purchase receivables - overdue more than 90 days	2,197	1,699
Total	172,608	134,616

3.37.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices or interest rates, which may affect income or the capital funds of the Bank.

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank uses a combination of risk sensitivities, Value-at-Risk and stress testing to manage market risks and establish limits. The Value-at-Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value-at-Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.37.2.1 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	
	2012	2011
Marketable financial assets		
Debts securities	4	10
Derivatives	-	31
Foreign currencies	3	11

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the 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	
	2012	2011
Change in interest rate		
Increase 1 percent	(704.60)	(349.25)
Decrease 1 percent	704.60	349.25

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

3.37.2.3 Interest rate risk

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

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2012			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash	-	-	1,045	1,045
Interbank and money market items	50	27,734	3,586	31,370
Derivatives assets	-	-	42	42
Investments - net	-	4,477	436	4,913
Investments in subsidiaries - net	-	-	44	44
Loans to customers ⁽¹⁾	11,556	226,209	1,224	238,989
	<u>11,606</u>	<u>258,420</u>	<u>6,377</u>	<u>276,403</u>
<u>Financial liabilities</u>				
Deposits	31,496	188,921	217	220,634
Interbank and money market items	464	9,366	113	9,943
Liabilities payable on demand	-	-	652	652
Derivatives liabilities	-	-	-	-
Debts issued and borrowings	-	21,566	-	21,566
	<u>31,960</u>	<u>219,853</u>	<u>982</u>	<u>252,795</u>

⁽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 2011				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating</u> <u>interest rate</u>	<u>Fixed</u> <u>interest rate</u>	<u>Without</u> <u>interest</u>	<u>Total</u>
<u>Financial assets</u>				
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
	<u>9,119</u>	<u>200,397</u>	<u>3,872</u>	<u>213,388</u>
<u>Financial liabilities</u>				
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
	<u>20,700</u>	<u>171,803</u>	<u>920</u>	<u>193,423</u>

⁽¹⁾ Loans to customers with floating rates or 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 2012							
Repricing or maturity date							
<u>Transactions</u>	<u>At call</u>	<u>0 - 3</u> <u>months</u>	<u>3 - 12</u> <u>months</u>	<u>1 - 5</u> <u>years</u>	<u>Over 5</u> <u>years</u>	<u>Total</u>	<u>Interest</u> <u>rates (%)</u>
<u>Financial assets</u>							
Interbank and money market items	-	27,239	-	495	-	27,734	2.7622
Investments - net	10	2,689	1,692	86	-	4,477	3.1959
Loans to customers	15,485	24,151	43,081	136,551	6,941	226,209	6.8708
	<u>15,495</u>	<u>54,079</u>	<u>44,773</u>	<u>137,132</u>	<u>6,941</u>	<u>258,420</u>	
<u>Financial liabilities</u>							
Deposits	7,257	135,578	45,855	231	-	188,921	3.1821
Interbank and money market items	603	5,854	1,880	1,027	2	9,366	3.0944
Debts issued and borrowings	58	5,967	7,187	111	8,243	21,566	4.0594
	<u>7,918</u>	<u>147,399</u>	<u>54,922</u>	<u>1,369</u>	<u>8,245</u>	<u>219,853</u>	

(Unit: Million Baht)

As at 31 December 2011							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	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
	<u>11,125</u>	<u>43,545</u>	<u>39,611</u>	<u>102,544</u>	<u>3,572</u>	<u>200,397</u>	
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
	<u>2,464</u>	<u>71,329</u>	<u>84,064</u>	<u>7,946</u>	<u>6,000</u>	<u>171,803</u>	

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

3.37.3 Liquidity risk

Liquidity risk is uncertainty that the 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.

3.37.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

As at 31 December 2012				
Remaining contractual				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	195,384	54,922	9,614	259,920

(Unit: Million Baht)

As at 31 December 2011				
Remaining contractual				
	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.

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

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Composition of highly liquid assets		
Cash	1,046	903
Interbank and money market - net	31,370	29,984
Current investments - net	4,311	1,447
Total liquid assets ⁽¹⁾	36,727	32,334
Liquid asset requirement ⁽¹⁾	14,202	2,289

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2012 and 2011, the Bank has highly liquid assets, which are daily calculated, at Baht 36,727 million and Baht 32,334 million, respectively, which higher than internal liquid asset requirement, which is daily considered, of Baht 14,202 million and Baht 2,289 million, respectively. In addition, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 Counting from the financial statement date, as at 31 December 2012 and 2011, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

As at 31 December 2012								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans*	Total
Financial assets								
Cash	1,045	-	-	-	-	-	-	1,045
Interbank and money market items	3,636	27,239	-	495	-	-	-	31,370
Derivatives assets	-	15	-	27	-	-	-	42
Investments - net	10	2,689	1,692	86	-	436	-	4,913
Investments in subsidiaries - net	-	-	-	-	-	44	-	44
Loans to customers	21,093	25,539	43,711	137,519	7,686	-	3,441	238,989
	<u>25,784</u>	<u>55,482</u>	<u>45,403</u>	<u>138,127</u>	<u>7,686</u>	<u>480</u>	<u>3,441</u>	<u>276,403</u>
Financial liabilities								
Deposits	38,970	135,578	45,855	231	-	-	-	220,634
Interbank and money market items	1,180	5,854	1,880	1,027	2	-	-	9,943
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivatives liabilities	-	-	-	-	-	-	-	-
Debts issued and borrowings	58	5,967	7,187	111	8,243	-	-	21,566
	<u>40,860</u>	<u>147,399</u>	<u>54,922</u>	<u>1,369</u>	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>252,795</u>
Commitment and contingent liability								
Aval to bills and guarantees of loans	-	4	147	4	-	-	-	155
Other commitments	9	3,080	30	3,065	-	681	-	6,865

* Non performing loans according to the BOT's guidelines

(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
	<u>15,656</u>	<u>43,666</u>	<u>41,612</u>	<u>103,919</u>	<u>5,058</u>	<u>528</u>	<u>2,949</u>	<u>213,388</u>
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
	<u>23,772</u>	<u>71,498</u>	<u>84,192</u>	<u>7,946</u>	<u>6,015</u>	<u>-</u>	<u>-</u>	<u>193,423</u>
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

3.37.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 31 December 2012 and 2011 are as follows:

- a) Investment in a subsidiary company amounting to HKD 20 million (31 December 2011: HKD 20 million) (under the cost method net allowance for impairment equivalent to Baht 44 million (31 December 2011: Baht 47 million)).
- b) Loans in foreign currency amounting to USD 100 million (31 December 2011: USD 100 million) (equivalent to Baht 3,063 million and Baht 3,169 million as at 31 December 2012 and 2011, respectively), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.
- c) As at 31 December 2011, the Bank has foreign certificates of deposit amounting to CNY 800 million (equivalent to Baht 4,026 million as at 31 December 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 3.37.5 to financial statements.

3.37.5 Derivatives

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

As at 31 December 2012 and 2011, the Bank has the following financial derivative instruments.

- a) 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)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
2016	3,032	27

(Unit: Million Baht)

As at 31 December 2011

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

b) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with financial asset, as follows:

(Unit: Million Baht)

As at 31 December 2012

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2013	3,063	15

(Unit: Million Baht)

As at 31 December 2011

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	3,169	(128)

As at 31 December 2012 and 2011, the Bank has financial derivative instruments classified as cash flow hedge derivatives

a) Cross currency swap agreement

The Bank entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit, as follows:

(Unit: Million Baht)

As at 31 December 2012

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
-	-	-

(Unit: Million Baht)

As at 31 December 2011

<u>Maturity</u>	<u>Notional amount</u>	<u>Fair value gain (loss)</u>
2012	4,046	(128)

B) 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)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

As at 31 December 2011		
Maturity	Notional amount	Fair value gain (loss)
2012	300	1

3.37.6 Fair value of financial instruments

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

(Unit: Million Baht)

Transactions	As at 31 December			
	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Cash	1,046	1,046	903	903
Interbank and money market items - net	31,370	31,370	29,984	29,984
Investments - net	4,913	4,913	2,596	2,596
Investments in subsidiaries - net	44	44	47	47
Loans to customers and accrued interest receivables - net	234,301	240,664	175,737	180,040
Financial liabilities				
Deposits	220,634	220,634	38,060	38,060
Interbank and money market items - net	9,943	9,943	10,858	10,858
Liabilities payable on demand	652	652	448	448
Debt issued and borrowings	21,566	21,478	143,787	143,729

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book value of financial instruments are the values net of the full amount of such allowance for doubtful debt, after adjusting for loan loss reserve.

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)		
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				<u>1,070</u>	
Interim dividend for 2012	The Board of Directors' Meeting of TISCO Bank No.12/2011 on 21 December 2012	1.70	1.70	1,238	January 2013
Total dividend payment in year 2012				<u>1,238</u>	

5. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 11 February 2013.