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Report from the Board of Directors

In the early 2009, global and domestic economies were surrounded with uncertainties resulted from the 2008 global financial crisis. As the economy entering the second half of the year, economic conditions started to show clearer signs of recovery, attributable to a number of factors – massive fiscal stimulus packages worth 1.4 trillion Baht, favorable monetary policies with low interest rates, and a resurgence in domestic consumptions. Accordingly, the Thai economy experienced a gradual improvement from economic contraction during the first 3 quarters, to a positive growth of 5.8% in the last quarter of the year. Respectively, the SET Index which was tumbled by more than 40% at the end of 2008 during the peak of global crisis, sharply rebounded to close at 734.54 points, an increase of 63.2% from the previous year.

Despite the troubled economic conditions, TISCO continued to emerge with strong business performance in 2009. This was a result of highly focused business strategies and TISCO's strong competency to turn the crisis into opportunities. With continued expansion in core business portfolios, TISCO Group reported a net profit after tax of 1,988 million Baht, a remarkable increase of 16.0% from the previous year. While the banking industry demonstrated a flat loan growth, TISCO managed to grow the loan portfolio by as high as 13.8% with asset quality still well managed. TISCO's Return on Equity (ROE), consequently, continued to stay among the top of the banking industry at 16.7%.

In 2009, TISCO has strategically expanded its business continuously throughout the year. In hire purchase core business, in addition to continuing organic growth of more than 9%, TISCO also expanded inorganically by strategically acquiring business portfolios of Primus Leasing Company Limited, a captive finance company for vehicles under the Ford, Mazda, and Volvo brands, and GMAC (Thailand), a captive leasing of General Motors (Thailand) Limited. Not only the hire purchase portfolio further grew from the business acquisition, TISCO also enjoyed exclusive business partnership with both Ford and General Motors groups in dealer auto floorplan financing and retail hire purchase.

TISCO opened 9 new branches, totaling 43 branches nationwide, to expand retail customer base, increase business volume, and facilitate growing customers' needs. Over the past three years, TISCO has successfully expanded the retail deposit base from 7% to 20% with currents and savings account (CASA) also significantly increased from 6% to 23%, reflecting our successful diversifications of funding sources from the banking business platform. Thanks to the decreasing interest rates and the shift in funding mix, the cost of funds continually declined and, consequently, net interest margin significantly widen. Meanwhile, fee-based income continued to grow at a satisfactory rate of more than 20% due mainly to hire purchase related and bancassurance fee income.

TISCO's asset management business continued to maintain its leading position in the industry, particularly in provident funds and private funds business. Total asset under management grew by more than 15% over the year with rising fee income, thanks to capital market recovery and our strong fund management performance. In 2009, TISCO was placed among the top performers, having 10 funds under management ranked among the top 20 Best Funds Performance. In particular, the top 3 Best Equity Funds Performance 2009 are all under TISCO management. Likewise, 2 of TISCO's special mixed funds were ranked 1st and 2nd, respectively, for their performances in the special mixed fund category.

In securities business, market turnover was slightly improved over the year with more active foreign players returning to the market, while our market share after excluding proprietary accounts were maintained at around 2.9%. TISCO continued to retain its position as top financial advisors, with underwriting of IPO for Toyo-Thai Corporation Public Company Limited and Stars Microelectronics (Thailand) Public Company Limited. Among various equity and bond deals, TISCO has also been appointed as an advisor of Financial Institutions Development Fund (FIDF) for sale of its stake in Siam City Bank Public Company Limited.

Year 2009 also marked a key milestone in development of TISCO risk management infrastructure, which is considered one of the most advanced platforms in the banking industry. From December 2009, we have successfully entered into Basel II - IRB (Internal Ratings Based) standard for capital adequacy, in which the calculation of the Bank BIS ratio is now calculated based on the real risk profile of TISCO loan portfolio. Due to quality loan book, together with the issuance of Tier-II subordinated debt amounting 4 billion Baht in the first half of 2009, TISCO's BIS ratio under IRB approach at the end of 2009 increased to high as 17.0% as compared to 11.7% from the end of previous year, reflecting a very strong capital position.

TISCO has been committing to the highest ethical standards and good corporate governance in the belief that a sustainable growth has come from being a good corporate citizen of the society. In the Thai Institute of Directors Association's Corporate Governance Report 2009, we received the "Excellent CG Scoring" for overall performance. In 2009, TISCO also won Asiamoney magazine's "Best Managed Companies" (Small Market Cap Category), reflecting the opinions of head of research house and senior financial analysts in the region. For the fourth consecutive times, TISCO Bank again ranked first in the Asian Currency Bond Benchmark Survey as the "Best Bank in Thai Baht Corporate Bonds 2009" by the Asset Magazine, resulted from a survey of more than 300 institutional investors on the quality of bond services in the Asian region.

TISCO places great importance on its corporate commitment to social responsibility as one of the corporate core values. In 2009, TISCO, through TISCO Foundation for Charity, has handed out 6,197 scholarships for needy students at every level throughout the country. Moreover, the Foundation has provided medical support and start-up fund for the underprivileged both in Bangkok and local areas. In addition to TISCO Foundation, TISCO also put emphasis on building strong rapport among our stakeholders – management team, staff, clients etc. - to promote awareness on responsibility for contribution to the society. As part of the 40th TISCO Anniversary CSR Projects, TISCO has initiated “Rak Rian Ru Su Chumchon” project in which TISCO staffs provide learning opportunities for children and people living in rural areas by building or renovating school libraries and donating books to 40 villages near TISCO’s branches around the country. At Baan Kiew Dong Mafai School in Udon Thani, TISCO staffs found that the main school building were in very poor conditions and needed an urgent renovation for students’ safety. With the proceeds from the selling of TISCO’s pocket book “Financial Planning of 40 Celebs”, which promotes the importance of saving and investment planning to the public, in cooperation with donations and supports from TISCO’s clients, management, and staff, the new building was heartily delivered to the students.

Going forward, although a more positive business outlook and recovery is generally expected, the risks and uncertainties in the operating environment are still viewed as eminent from various external and internal factors. TISCO will therefore continue to commit to our focused strategies and prudent business practice, while also ensuring our consistent standard of good corporate governance and corporate social responsibility.

The board truly appreciates all of our clients and shareholders’ long-term commitment and support. Without their support, the success of TISCO could not have materialized. Finally, the board would like to extend special thanks to management and staff for their dedication, diligence, and contribution throughout the year.

Board of Directors

Part 1

The Company

1. General Information

Company Name	:	TISCO Financial Group Public Company Limited (hereafter "Company" or "the Company")
Type of Business	:	Holding Company
Address	:	21 st Fl., TISCO Tower 48/49, North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	:	0107551000223
Total registered capital	:	11,002,000,000 Baht
Paid-up Capital	:	7,268,729,870 Baht comprised of 726,174,429 common shares and 698,558 preferred shares, both with par value of 10 Baht per share.
Home Page	:	www.tisco.co.th
Telephone	:	(66) 2633 6888
Fax	:	(66) 2633 6880
Reference:		
Share Registrar	:	Thailand Securities Depository Co., Ltd. Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
Auditor	:	Mr. Supachai Phanyawattano Certified Public Accountant (Thailand) Registration No.3930 Ernst & Young Office Limited 33 rd Fl., Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

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

Company/Head office's Address	Type of Business	Type of shares	Issued and paid-up shares	Shareholding by the Company	
				Amount of shares held ¹	Percentage of ownership (%)
TISCO Bank Public Company Limited ² 48/2, TISCO Tower, 1 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 Fax. 0 2633 6800	Commercial Bank	Common	728,079,046	726,952,407	99.8
		Preferred	73,204	41,200	
		Total	728,152,250	726,993,607	
Hi-Way Company Limited 2046/16 New Petchaburi Road, Bangkapi, Huankwang, Bangkok 10310 Tel. 0 2319 1717 Fax. 0 2314 5095	Hire Purchase and Leasing	Common	994,500	994,494	100.0
		Preferred	5,500	5,500	
		Total	1,000,000	999,994	100.0
TISCO Securities Company Limited 48/8, TISCO Tower, 4 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6616 Fax. 0 2633 6400	Securities	Common	150,000,000	149,999,993	100.0
TISCO Asset Management Company Limited 48/16-17, TISCO Tower, 9 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7777 Fax. 0 2633 7300	Asset Management	Common	1,000,000	999,994	100.0
TISCO Information Technology Company Limited 48/12, TISCO Tower, 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Service Support	Common	200,000	199,994	100.00
TISCO Tokyo Leasing Company Limited 48/44, TISCO Tower 19 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2638 0900 Fax. 0 2638 0913	Hire Purchase and Leasing	Common	60,000	29,400	49.0
Primus Leasing Company Limited 48/49, TISCO Tower, 21 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Hire Purchase and Leasing (Ceased business operation and currently in process of liquidation)	Common	30,000	29,998	100.0

¹ As of December 31, 2009² Core company of TISCO Group

In addition, TISCO Bank Plc., a core company of TISCO Group, held 10% of issued shares in other companies, all of them are non-listed companies. The investment in such companies is classified as general investment. Details of shareholding in such companies are shown in notes to financial statement item 3.3.6

2. Risk Factors

Overview of Risk Management

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

Risk Management Policy

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

1. Consolidated and centralized risk management
Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries under the Company through careful risk assessment and the establishment of appropriate risk guidelines and procedures.
2. Business line accountability, independent risk oversight
Each business line is accountable for managing its own risks in the best interests of TISCO Group while complying with risk management policies, guidelines, and procedures. Independent risk oversight and check-and-balance system have been established to ensure that risks are adequately monitored and controlled.
3. Comprehensive risk assessment
Risk assessment is performed comprehensively in all key activities. Risk assessment methodologies may range from basic approaches such as expert judgments to more advanced approaches such as quantitative and statistical analysis, depending on the size and complexity of the risks involved. These assessments are in turn supplemented by fundamental risk analysis and stress testing of extreme risk events.
4. Capital management based on standardized risk tools
Capital represents the ultimate interests of the shareholders. All risk exposures are quantified into a standardized risk measure called Value-at-Risk (VaR) which can relate risks to the amount of capital required to protect against them according to predefined risk limits. 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 TISCO Group, which is used for capital adequacy planning and strategic capital allocation both at the corporate and business unit level.
5. 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.
6. 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.
7. 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.
8. Regulatory best practice
TISCO Group has adopted risk management policies and guidelines that comply with all regulations and best practice standards of the Bank of Thailand (BoT), the Securities and Exchange Commission (SEC) and other regulatory authorities.
9. 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.

10. Related Party Transaction

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

11. Stress Testing

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

Risk Management Framework

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

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

- Board of Directors

The Board of Directors of the Company has assigned Executive Board the task of overseeing and monitoring risk management activities by reviewing and approving relevant policies and guidelines on an annual basis. This is achieved by setting risk limits and risk appetites, and ensuring the establishment of effective risk management systems and procedures in accordance with the standard practices of risk identification, assessment, monitoring and control, all of which are in line with the Audit Committee standards.

- Board of Directors of Subsidiaries

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

- Risk Management Committee

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

- **Specific-Area Risk Authorities**

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

Risk Types

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

2.1 Credit Risk

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

- **Credit Risk Management Framework**

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

Credit risk is mainly incurred from subsidiary companies, in which conducting loan as main business. Specific-Area credit risk authorities include the Credit Committee, Problem Loan Committee, and the Head of Credit Control, which are established to oversee credit risk management and control at in-depth transaction level of subsidiary companies. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers. The Credit Committee may delegate its authority to designated persons for authorizing lower-risk transactions. The Head of Credit Control, who is a member of the Credit Committee, is responsible for overseeing the board-approved credit granting authorities and procedures and has the right to veto any credit transaction. Problem Loan Committee was set up to monitor and follow up overdue payment and problem loan accounts. The committee provides criteria for classifying loans as problem loans in addition to developing problem loan guidelines and procedures in handling any single problem loan account.

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

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

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

2.1.1 Default Risk

In 2009, NPL ratio of TISCO Group was decreased from 2.9% at year end of 2008 to 2.5% mainly due to economic recovery along with more stringent credit process and prudently managed non-performing loans (NPLs) with effective risk management tools and stringent practice of loan collection, debt restructuring and write-off process. Additionally, NPL ratio of retail loan and corporate loan was 1.9% and 3.5%, respectively with total NPLs of 2,806.57 million baht which decreased by 6.0% or 177.87 million baht during the period. NPLs of the Bank was 2,461.08 million baht and there was NPLs of 345.49 million baht from other subsidiaries.

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel II framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based historical loss data incorporating with adjustment for the forecasted economic condition. As of December 31, 2009, loan loss reserve of TISCO Group was 2,425.28 million baht or 86.4% of NPLs. Total loan loss reserve of the Bank was 2,088.43 million baht

with specific reserve for classified loan of 1,360.59 million baht and general reserve of 727.85 million baht. Total reserve was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,327.67 million baht, reflecting the prudent provisioning policy to mitigate potential risk.

2.1.2 Concentration Risk

As of December 31, 2009, hire purchase and commercial loans represented 76.5% and 17.1% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 86,632.18 million Baht outstanding. Top-10 borrower exposure stood at 110.24 million Baht or 0.13% of the total hire purchase portfolio, or equal to 0.10% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into three different sectors: manufacturing and commerce, 10,185.79 million Baht; real estate and construction, 6,237.64 million Baht; and public utilities and services, 2,833.16 million Baht. Lending to the above industrial sectors represented 52.5%, 32.2%, and 14.6% of the total commercial loan portfolio, and 9.0%, 5.5%, and 2.5% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 7,657.63 million baht or accounted for 6.8% of the total credit portfolio. There is slight concentration in real estate sector which has been managed under risk management procedure. However, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

2.1.3 Collateral Risk

As of December 31, 2009, 96.4% 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 Group. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Group can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

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

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

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to BoT regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 27.3% of the total outstanding NPLs.

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

2.1.4 Property Risk from Foreclosed Assets

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realizable value. Outstanding assets in the process of liquidation held by TISCO Group as of December 31, 2009 were worth 49.17 million Baht, or 0.04% of total assets. Allowances for impairment stood at 91.6% of total foreclosed assets, which decreased from 1,005.71 million Baht as of December 31, 2008 as a result of an increase in provision for impairment and also partial liquidation in order to decrease risk from impairment of foreclosed assets.

2.2 Market Risk

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

- **Market Risk Management Framework**

Risk Management Committee is responsible to oversee the portfolio risk management and control of market risks. The business lines are accountable to manage market risks in their portfolios within the guidelines and limits set by the Risk

Management Committee. Specific-Purpose Risk Authorities have been established in high-risk areas to oversee all aspects of transaction-level risks, such as setting investment guidelines, authorizing investment transactions and trade counterparties etc.

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

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

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

2.2.1 Equity Price Volatility

As of December 31, 2009, the equity portfolio stood at 1,687.15 million Baht, of which 1,054.14 million Baht was listed equity in current market value and 633.01 million Baht was non-listed equity in book value.

In 2009, TISCO Group lost from equity investment of 39.88 million Baht. However, there was an unrealized loss of 45.72 million Baht in the available-for-sale portfolio, which have not been realized in the financial performance during the year.

(1) Listed Equity Risk

Listed equity investment portfolio in available-for-sale book stood at 1,054.17 million Baht in which a change in its value would impact the equity through unrealized gains or losses. As of December 31, 2009, unrealized loss from available-for-sale investments equaled 45.72 million Baht, comparing to 404.64 million Baht as of December 31, 2008.

TISCO Group calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Daily VaR at a 99% confidence level, as of December 31, 2009, was 57.07 million Baht, slightly increase from 56.40 million Baht as of December 31, 2008 as a main result of increasing equity position following recovering stock market during the year. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 631.36 million Baht, slightly decreasing from 646.12 million Baht from the end of 2008.

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

2.2.2 Interest Rate Risk

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

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

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Group's interest-bearing assets and liabilities structure, as of December 31, 2009, 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	25,883.65	36,136.64	28,051.57	39,569.64	129,641.51
Liabilities	(60,053.70)	(53,827.73)	(894.20)	(5,777.29)	(120,552.93)
Net Gap	(34,170.05)	(17,691.09)	27,157.37	33,792.35	9,088.58

Under the change of interest rate within 1 month, TISCO Group had liabilities over assets cause the net gap to stand at 34,170.05 million Baht. The negative gap shown was mainly from an increase of the portion of short-term deposit specifically saving and current account which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Group was exposed to a small interest rate rise. However, under the current circumstances, market interest rate is expected to stable or slightly increase.

(2) Fixed-Income Risk

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

TISCO Group's fixed-income portfolio as of December 31, 2009 stood at 3,244.53 million Baht, an increase of 757.18 million Baht compared to the end of 2008. Average duration of the bond portfolio and debenture portfolio in TISCO Bank were 0.21 years and 2.96 years, respectively. The average duration of bond and debenture portfolio increased from 0.19 years and 0.69 years, respectively, compared to the end of 2008 mainly due to the longer maturity investment portfolio in the year. Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

2.3 Liquidity Risk

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

- Liquidity Risk Management Framework

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

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

As of December 31, 2009, the value of liquid assets is 16,162.92 million Baht; comprised of cash at 826.53 million Baht compared to 595.57 million Baht in December 31, 2008, net transactions with banks and money market at 12,708.24 million Baht compared to 13,590.97 million Baht as of December 31, 2008 and net current investment at 2,628.12 million Baht compared to 2,706.17 million Baht in December 31, 2008.

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 15,169.59 million Baht. In addition, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, in December 31, 2009, the Bank reported the outstanding debentures of 8,000 million Baht, and bill of exchange amounted to 50,698.94 million Baht.

2.4 Operational Risk

Operational Risk is defined as the vulnerability of earnings, capital, or business continuity due to an inadequate or failed internal processes, people, technology or external factors. The impact can be classified into financial loss and non-financial loss as reputation, compliance, and service level to customers. In the year 2009, TISCO Group expanded the business into various aspects in both extending the existing businesses as well as setting up the new businesses, therefore, operational risk increased accordingly following the business expansion. Nevertheless, the new business was analyzed for inherent risk in compliance with TISCO new business guideline to ensure risk-return approach. In addition, the operations were reviewed periodically to ensure that prudent control processes are in place and appropriate for the risk incurred.

- Operational Risk Management Framework

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

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

In order to understand the operations and develop proper measures to manage operational risk, periodic and applicable operational risk identification and assessment is required. Operational Risk Management function is accountable to be the center and cooperate with other functions for assessing the operational risk. From assessment result, each functions shall develop their own plan and define risk indicator in order to manage and keep the risk be within proper level. Key Risk Indicators shall be collected and analyzed into the risk profile in terms of likelihood and impact. The acceptable level of operational risk in key operations shall be defined and triggered for attention when over-limited. The operations and implementation of measures shall then be monitored and followed up in ensure alignment with the plan.

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

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

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

2.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO operational risk mostly incurs in low to moderate impact area (financial loss is less than 0.05% of annual net profit, and does not impact the business in the long term). These operational risks generally impact reputation than finance status; however, impact can be contained within limit area. Also, TISCO Group has some fairly high to high operational risks including fraud, critical business disruption and high value customer dissatisfaction, which are exclusively controlled in order to terminate or transfer out.

From the business line aspect, Retail Banking Business has highest likelihood level, followed by Securities Business and Payment & Settlement Business. This likelihood level shall increase in line with the high number of transaction. Regarding the operations in 2009, the proportion of number of loss to number of transaction in each business is low; for instance, the number of loss in banking counter service is less than 0.1% of the number of transactions. In view of likelihood and impact for the top 3 main business are considered as;

- **Retail Banking Business** Operational risks in Retail Banking Business are generally classified as high likelihood, low to moderate impact, e.g. error in transactional data entry and late transaction execution to customers. These operational risks typically do not impact financial loss because the erroneous transaction can be reversed, excluding some loan transactions that the recipients have taken cash out of the system. However, there are some operational risks in low likelihood, fairly high to high impact area including risks in cash handling, fraudulent risks, and critical reputational risks. These groups of operational risks once occurring, they can impact to financial loss or business sustainability, the risks can be coped as much as the effectiveness of loss management. This pattern of operational risks generally applies to Mutual Fund Business in Asset Management Company. Nevertheless, because of significantly low number of transaction, the operational risks in this business are classified as low likelihood.

- **Securities Business** Operational risks in Securities Business are similar to ones in Retail Banking Business in that most operational risks are classified as high likelihood, low to moderate impact, which normally incur in transactional data entry. The key difference is that because the business nature aims for processing quickness than impeccable accuracy in order to overtake the rapid change in securities price, customers can accept some errors if proper recompense is offered. However, because this business covers the customer area of both retail and institution where the business volume is highly varied, some errors could have fairly high to high impact. But from the distribution perspective, most operational risks have low impact, and the likelihood is lower as the impact level increases. Fairly high to high impact operational risks include critical business disruption which have low likelihood and are controlled by business continuity plan.

- **Payment & Settlement Business** Operational risks in Payment & Settlement are distributed in fairly low likelihood with low to moderate impact area and low likelihood with fairly high to high impact area. In the first area, operational risks mostly involve with error in cheque issuance, cheque clearing, and transactional money transfer, normally reversible. Operational risks also include ATM unavailability. For the area of low likelihood, fairly high to high impact, operational risks incur in high value customer transaction. Any error, although reversible, could impact TISCO image and following business opportunities. Operational risks in high value customers also incur in business targeting high potential customer, for instance Corporate Banking, Private Banking, as well as Private Fund and Provident Fund Business.

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

2.5 Strategic Risk

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

- **Strategic Risk Management Framework**

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

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

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

2.5.1 Risk from Economic Conditions and Business Competition

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

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

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

2.5.2 Risk from Capital Adequacy

As of December 31, 2009, as the bank's capital requirement based in Basel II Internal Rating Based Approach (IRB) has become effective where the IRB capital requirement is more appropriate in reflecting the inherited risk profiles of assets than the capital requirement based on Standardized Approach (SA). The regulatory capital adequacy ratio (BIS ratio) after an adjustment of capital floor stood at 16.96% remaining higher than the 8.50% required by the Bank of Thailand, and higher than the capital requirement of 11.71% based on Basel II SA at the end of 2008. While Tier-I and Tier-II adequacy ratio before an adjustment of capital floor stood at 14.46% and 5.23%, respectively, Tier-I adequacy ratio also remained higher than the minimum requirement at 4.25%. In addition to regulatory capital requirement, TISCO Group also adopt IRB Basel II approach in risk management and capital requirements. As an internal risk measurement of capital adequacy, the risk-based capital requirement stood at 6,208.80 million Baht, accounting for 42.9% of the total capital base under IRB Basel II of 14,445.90 million Baht. Additionally, the Bank maintained provisions against potential loan losses 57.3% higher than BoT requirements.

2.5.3 Risk from Subsidiaries' Financial Performance

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

For the year 2009, net profit of TISCO Bank and subsidiaries was 2,628.46 million Baht including net profit of 437.70 million Baht from subsidiaries. Although the subsidiaries experienced outstanding business performance and generated profits to the Company, however, investment strategy is important in the future. Therefore, the Board of Directors meeting has defined the investment policy for TISCO Group where the Company will invest in those businesses having ability to support the competitive efficiency of the group. Besides, the market and industry trends, competitive environment and long-term profit making capability together with prudent risk management shall be considered.

Net income from subsidiaries accounts for 23.1% of total net income, which significantly affects the overall TISCO Group's income. Net income from subsidiaries can be broken down into three streams: 7.8% from brokerage, 0.8% from investment banking, and 8.8% from asset management. Additionally, the net income from brokerage and investment banking are from TISCO Securities while net income from asset management is from TISCO Asset Management.

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

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

3. Overview of TISCO Business

3.1 History and major developments

In 2008, TISCO Group implemented the Holding Company Restructuring Plan with the holding company as the parent company of the Group. After the enactment of Financial Institutions Business Act, B.E. 2551 on August 3, 2008, TISCO Bank Public Company Limited ("the Bank" or "TISCO Bank") submitted application to establish the Financial Group to the Bank of Thailand by set up a new company, TISCO Financial Group Public Company Limited, a non-bank public company limited to be a holding company and parent company of the Group in place of TISCO Bank. TISCO Financial Group Public Company Limited ("the Company") made a tender offer of all securities of TISCO Bank in exchange for newly issued securities of its securities at swap ratio of 1:1. As the result, the Company acquired 99.51% of TISCO Bank's total issued securities. After successful tender offer, the Company acquired all stakeholding in TISCO Bank and subsidiaries¹ identical to shareholding structure of TISCO Bank before restructuring and acquired all shares of Tokyo Leasing (Thailand) Company Limited². Moreover, TISCO Financial Group Public Company Limited has already operated since January 1, 2009 and listed on the Stock Exchange of Thailand in place of TISCO Bank which was simultaneously delisted from the Stock Exchange of Thailand on January 15, 2009. In November 2009, the Company was granted approval from the Securities and Exchange Commission to offer the newly issued common shares of the Company to TISCO Bank's shareholders. The offering of newly issued common shares of the Company has been carried out in order to achieve the objective of the Holding Company Restructuring plan of TISCO Group in which the Company acquires 100% of shares in TISCO Bank as well as protecting the benefit of the shareholders who did not swap securities into the Company's securities. The public offering period totaled 6 months from November 25, 2009 to May 24, 2010. As of January 5, 2010, the Company held 99.84% of TISCO Bank's total issued securities.

As at March 2, 2009, TISCO Group successfully acquired Primus Leasing Company Limited³, a captive leasing company for vehicles under the Ford, Mazda and Volvo Brands, with total assets of around 7 billion Baht. The business acquisition would result in TISCO becoming the sole partner in auto floor plans and leasing with the Ford Group in Thailand. The Company acquired 100% of shares in Primus Leasing Company Limited. TISCO Bank entered into an assignment agreement to acquire right of claim over hire purchase receivables, lease receivables and property foreclosed of Primus Leasing Company Limited for a total consideration of approximately 5,144 million Baht. Moreover, its performance was consolidated in the Company's financial statement starting from the beginning of March 2009 onwards. On 18 June 2009, TISCO Bank Public Company Limited, has signed an auto hire purchase portfolio sale agreement, amounting 1,750 million Baht with GMAC (Thailand) Limited, a captive leasing of General Motors (Thailand). GMAC provides wholesales auto financing services for car dealers of General Motors (Thailand) Limited and Chevrolet Sales (Thailand) Limited as well as retail auto financing services for Chevrolet's retail customers. The auto hire purchase portfolio of GMAC was fully managed by TISCO Bank, commencing from July 1, 2009 onwards. In addition, TISCO Group had signed wholesale cooperation agreement to provide wholesale inventory financing to dealers of Ford, Mazda, Volvo, and Chevrolet nationwide.

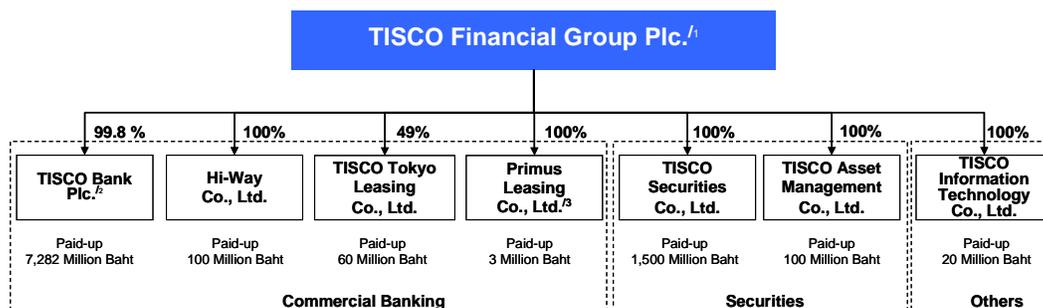
¹ Except the company which will be ceased and the company in liquidation process.

² After completion of restructuring plan, the company will change its name to "TISCO Tokyo Leasing Co., Ltd. which TISCO Financial Group Public Company Limited held 49% of its total issued shares.

³ Ceased business operation and currently in process of liquidation

3.2 Businesses of the Bank and subsidiaries

As TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business, the competitive position can be categorized by business operations of its subsidiary companies which divided into 2 main businesses: commercial banking business and securities business which offer various kinds of financial services in order to satisfy customers' need. After completion of restructuring plan, the Group's structure as of January 5, 2010 is shown below:



¹ Listed on the Stock Exchange of Thailand

² Delisted from the Stock Exchange of Thailand

³ Ceased business operation and currently in liquidation process

3.3 Revenue structure

The revenue structure of the TISCO Group is as follows.

(unit: million Baht)

	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Interest and dividend Income						
- TISCO Bank Plc.	5,903	112.7	6,817	128.3	7,768	106.3
- Hi-Way Co., Ltd.	824	15.7	619	11.6	521	7.1
- Other Subsidiaries	217	4.1	150	2.8	184	2.5
Total Interest and Dividend Income	6,944	132.6	7,586	142.7	8,473	116.0
Total Expenses on Borrowings	(3,456)	(66.0)	(3,424)	(64.4)	(2,492)	(34.1)
Net Interest and Dividend Income	3,488	66.6	4,162	78.3	5,981	81.9
Bad debts and doubtful accounts (Reversal)	(695)	(13.3)	(980)	(18.4)	(1,548)	(21.2)
Net interest and dividend income after bad debt and doubtful accounts	2,793	53.3	3,181	59.8	4,433	60.7
Non-interest Income						
- TISCO Bank Plc.	1,016	19.4	935	17.6	1,375	18.8
- TISCO Securities Co., Ltd.	831	15.9	588	11.1	700	9.6
- TISCO Asset Management Co., Ltd.	478	9.1	491	9.2	646	8.8
- Other Subsidiaries	119	2.3	120	2.3	152	2.1
Total Non-interest Income	2,444	46.7	2,134	40.2	2,873	39.3
Total income after bad debt and doubtful accounts	5,237	100.0	5,315	100.0	7,306	100.0

3.4 TISCO Group Business Strategy

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

Vision, Mission and Values for business operations

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

Our Vision, "To be the Customer's First Choice", also represents our ultimate measure of success as a leading financial institution.

Our Mission: "TISCO is 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.

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 company has adopted Balanced Scorecard technique with the aim of achieving balance in strategic planning from four perspectives: financial, customer, internal process and learning. Key Performance Indicators will be determined for all business areas, and linked to performance management to gauge employee performance so that staff may be awarded fair compensation based on merit. Additionally, the business performance is constantly monitored via Performance Dashboard session.

Strategic action for the organization

To achieve the organization's goals, within the Vision 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 Financial Group Public Company Limited (“the Company”), the parent company of TISCO Group (“the Group”), and its subsidiaries operate two main businesses: commercial banking and securities.

Commercial banking business: TISCO Group offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank’s (“The Bank”) headquarters, its subsidiaries, as of December 31, 2009, the Bank has 43 branches in every regions of Thailand. The locations of bank branch by region are shown as follows;

Region	Branch
Bangkok	: Sathorn, Rattana Thibet, Srinakarin, Rangsit, New Phetchburi Road, Central World, Fashion Island, The Old Siam, Asoke, University of the Thai Chamber of Commerce, Pakin Building, Central Chaeng Watthana, Rachadaphisek-Huai Khwang, Seacon Square, Yaowarat, Homework Rachapruuek, Siam Paragon, Central Rama III, The Mall Bangkhuae, Worachak and Central Pinklao.
Vicinity	: Nakorn Pathom and Samutsakhon
Central	: Ayutthaya, Saraburi, Chonburi, Rayong, Ratchaburi, Chantaburi and Si Racha
Northeast	: Nakorn Ratchasima, Khon Kaen, Udon Thani, Ubon Ratchathani and Surin
North	: Chiang Mai, Phitsanuloke, and Nakhon Sawan.
South	: Phuket, Songkhla, Surathani, Trang and Krabi.

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

4.1 Area of Services

As the Company operates as shareholder in other companies (Holding Company) and no other major business, the area of services can be categorized by business operations of its subsidiary companies which can be divided into 2 main businesses: commercial banking business and securities business. In accordance with client centric approach, the service operations of the Company are divided into five business areas namely (1) Retail and SME Banking (2) Private Clients and Asset Management (3) Corporate and Investment Banking (4) Corporate Investment, and (5) Corporate Function. Detail for each service operation is as follows:

1. Retail and SME Banking

Retail and SME Banking provides three service types as follows:

1.1 Retail and SME Loans

Retail finance and SME Loans are conducted by offering loan services to retail customers, both individuals and small and medium-sized enterprises (SME), which have specific loan purposes for either personal consumption or business operations. This segment can be classified by loan purpose as follows:

- **Hire-Purchase Financing**

Hire-purchase financing is operated by TISCO Bank Plc, TISCO Tokyo Leasing Co., Ltd., Primus Leasing Co., Ltd.¹ and Hi-Way Co., Ltd., allow borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then

¹ Ceased business operation and currently in process of liquidation

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

Hire-purchase, one of the Bank's major businesses, has experienced continuous growth for years. It recorded 12.1% growth as of December 31, 2009, with 86,632.18 million Baht of loans in the hire-purchase portfolio, up from 77,287.11 million Baht at the end of 2008.

Table shows details of car and motorcycle hire purchase loans

Hire Purchase	December 31, 2007 (million Baht)	December 31, 2008 (million Baht)	December 31, 2009 (million Baht)	Growth rate (%)
Car	62,053.11	75,061.42	84,727.27	12.9
Motorcycle	2,631.29	2,225.69	1,904.91	(14.4)
Total	64,684.40	77,287.11	86,632.18	12.1

In 2009, TISCO Group (specified for TISCO Bank and credit granting companies) provided car hire purchase loans, ranked by car brands which are Toyota 34%, Honda 16%, Isuzu 24% and other brands 26% of total car hire purchase loans. The proportion of hire purchase loans between new car and used car were at 82% and 18% in 2009. 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 rules of the Bank of Thailand.

• 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, 2009, mortgage loans was 1,475.83 million Baht, decreased by 13.5% from 1,706.03 million Baht in 2008 partly due to early principal repayment and stringent credit policy.

Consumption Loans are operated by TISCO Bank, provide multipurpose lending for individuals such as personal loans, loans against car registration, loans for insurance premiums, and loans for provident fund members. The repayment periods vary from 6 to 30 months depending on cash flow and client's earning ability. The loans against car registration namely "TISCO Auto Cash", is considered a multipurpose loan for car owner who needs financing in which the loan does not require the transferring of car registration. In addition, TISCO Bank has provided TISCO Auto Cash loan more than 10 years and continually develop the product to meet customer's needs. The strengths of TISCO Auto Cash loan are convenient, speedy, and competitive interest rate when compared with general consumer loan.

As of December 31, 2009, Consumption loans were 5,733.31 million Baht, increased by 23.9% from 4,628.50 million Baht in 2008.

Table shows details of retail loans

Retail Finance	December 31, 2007		December 31, 2008		December 31, 2009		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	Amount (million Baht)	%	
Hire purchase loans	64,684.40	91.3	77,287.11	92.4	86,632.18	92.3	12.1
Mortgage loans	1,887.89	2.7	1,706.03	2.0	1,475.83	1.6	(13.5)
Consumption loans	4,231.56	6.0	4,628.50	5.6	5,733.31	6.1	12.9
Total	70,803.85	100.0	83,621.64	100.0	93,841.32	100.0	12.2

Customer and Distribution Channels

Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment record. The Group service's channels operate through the Bank's headquarters and its subsidiaries and other subsidiary companies. The car hire-purchase business in the TISCO group is operated by TISCO Bank Plc. TISCO Tokyo Leasing Co., Ltd. and Primus Leasing Co., Ltd.¹ while motorcycle hire-purchase is operated by Hi-Way Co., Ltd. TISCO Group has an assured client base via dealer which major portion of client base are fixed income individual with well payment background.

For consumption loans which are operated by 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 2009, the Bank has developed deposit products in order to response customer's benefits align with their needs. TISCO Bank launched deposit product namely "Cash M Savings" which aims to increase liquidity of customer by bundling benefits between money market fund and saving deposits. The customer can automatically trade mutual fund through savings account by simple withdrawal - deposit transaction. Hence, customer will continually enjoy returns from both capital gain and interest income. Moreover, the year 2009 was considered as 40th Anniversary of TISCO Group. The Bank launched "40 months Tax-Free Saving Account" and "Friend get Friends Campaign" which customer can gain extra interest rate from introduce their friend to be our customer. In addition, the savings account namely "Super Savings Deposit" our highlight product, which characterized as savings account but offer interest rate as high as fixed deposit account. The customer able to withdraw money from their super savings account without withdrawal fee via every bank's ATM.

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

1.3 Bancassurance

The Bank has been granted Insurance Broker License since 2005 from the Department of Insurance, under the Ministry of Commerce. The Bank provides insurance brokerage service covering both life and non-life insurances. such as individual & group life insurance, health insurance, and credit insurance, motor insurance, fire insurance and miscellaneous insurance, etc. In order to protect risks in both life and property of customer as well as to provide full-shelved financial service for customer, TISCO Bank has partnered with strong financial stability and well-know insurance company in developing products that meet customer's needs such as Auto-Loan Protection (ALP). The protection coverage of ALP product has improved by covering all incidents caused by attack and murder in every risky area. Such product has received the well response from customers. In addition, there were 175,000 hire-purchase customers who held ALP as of December 31, 2009.

¹ Ceased business operation and in process of liquidation

2. Private Clients and Asset Management

Private Clients and Asset Management provides three service types as follows:

2.1 Private Banking

Private Banking is responsible for high networth clients who are ready to invest a minimum of 10 million Baht. The services offered include bank deposits, cash management services, professional financial and investment advisory as well as fund management services.

2.2 Private Sales Brokerage

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

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

TISCO Securities Co., Ltd.'s market share by individual customer as of December 31, 2009 remained at 2.0%, slightly declined from 2.2% in 2008. Aligning with institutional brokerage segment, the strategy for Private Sales Brokerage aims at expanding the market aggressively, and enhancing the quality of securities research. TISCO Securities Co., Ltd. regularly organizes seminars for customer to update information about financial market and capital market. In 2009, TISCO Securities Co., Ltd. expanded its derivatives brokerage business by provided Gold Futures service in order to provide investment alternative and respond to customer's need. In addition, TISCO Securities Co., Ltd. was providing Derivatives Trading Workshop that allows investor to trade in the simulation market. The workshop is organized on regular basis in order to prepare the investor for transaction in the derivatives exchange market.

Table shows information on TISCO securities business

(unit: million Baht)

Information of TISCO Securities Business	2007	2008	2009
Trading values categorized by Individual Customer	100,536.35	89,952.90	107,806.35
Trading values classified by types of transactions			
- Cash Account			
Place orders via internet	25,752.64	28,767.74	35,005.10
Place orders via marketers	74,783.71	61,185.16	72,801.25
Market Share – Company¹	3.0	2.7	2.5
Market Share – Individual Customer¹	2.3	2.2	2.0

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

2.3 Asset Management

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

• Provident funds

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

As of December 31, 2009 there were 71 provident funds with a net asset value of 70,461.35 million Baht, representing 2,451 companies and 357,424 members. The provident funds business accounted for a market share of 13.7% putting the company in 3rd place in the overall market based on net asset value. The breakdown of TISCO Asset's provident fund types is shown below:

(unit : million Baht)

TISCO Asset provident fund	2007	2008	2009	% Growth
Single fund	14,266.84	16,581.27	23,013.37	38.8
Pooled fund	23,177.01	29,272.14	33,178.55	13.3
State Enterprise Fund	25,282.03	22,672.61	14,269.43	(37.1)
Total	62,725.88	68,526.02	70,461.35	2.8

- **Private funds**

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

As of December 31, 2009, there were 257 private funds with net asset value of 37,797.42 million Baht, representing a market share of 17.5%, putting the company in 2nd place in the overall private fund market. The breakdown of TISCO Asset Management Co., Ltd.'s private fund types is shown below:

(unit : million Baht)

TISCO Asset private fund	2007	2008	2009	% Growth
Juristic person	26,436.05	19,549.88	30,524.33	56.1
Individual	3,980.80	4,298.63	7,273.10	69.2
Total	30,416.85	23,848.51	37,797.42	58.5

- **Mutual funds**

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

Mutual funds under management by the Company as of December 31, 2009, totaled 47 funds, with net asset value of 15,027.62 million Baht, representing a market share of 0.9%, and ranking 15th in the overall mutual fund market. The breakdown of mutual fund types is shown below:

(unit : million Baht)

TISCO Asset Mutual Fund	2007	2008	2009	% Growth
Open-ended fund	14,535.15	14,611.79	15,027.62	2.8
Close-ended fund	58.50	-	-	N.A.
Total	14,593.65	14,611.79	15,027.62	2.8

Distribution Channels

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

3. Corporate and Investment Banking

Corporate and Investment Banking provides four service types as follows:

3.1 Corporate Lending

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.

As of December 31, 2009, the Group had a commercial lending portfolio of 19,391.66 million Baht, which accounted for 17.1% of total loans. This indicated a 0.5% decrease from 19,488.07 million Baht at the end of 2008.

Type of Business	December 31, 2007		December 31, 2008		December 31, 2009		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	Amount (million Baht)	%	
Manufacturing and commerce	7,821.51	9.1	7,342.21	7.1	10,185.79	9.0	38.7
Real estate and construction	5,041.33	5.8	8,807.72	8.5	6,237.64	5.5	(29.2)
Public utilities and services	2,648.16	3.1	3,212.80	3.1	2,833.16	2.5	(11.8)
Agriculture and mining	105.55	0.1	125.35	0.1	135.07	0.1	7.8
Commercial Lending	15,616.55	18.1	19,488.07	18.9	19,391.66	17.1	(0.5)
Retail loans and other loans	70,803.86	81.9	83,621.64	81.1	93,841.32	82.9	12.2
Total TISCO Loan	86,420.41	100.0	103,109.71	100.0	113,232.98	100.0	9.8

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.

3.2 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.

3.3 Investment Banking

TISCO Securities Co., Ltd. has been approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. With its notable expertise based on competent staff with in-depth industry knowledge and a wealth of experience in equity and debt markets, both domestically and internationally, TISCO Securities provides financial advisory services including public offerings, mergers and acquisitions, financial restructuring, feasibility studies and corporate valuation.

In 2009, TISCO Securities Co., Ltd. performed as financial advisory and lead underwriter for the initial public offering of 2 companies, namely Toyo-Thai Corporation Plc. and Star Microelectronics (Thailand) Plc. and performed as underwriter for the debenture offering of 5 companies, namely Thai Tap Water Supply Plc., PTT Plc., Major Cineplex Group Plc., TISCO Bank Plc. and Easy Buy Plc.

Furthermore, in 2009, TISCO Securities Co., Ltd. was one of the initiators of Clean Development Mechanism (CDM) to facilitate carbon credit business, which involves the right of carbon emission trading. TISCO Securities Co., Ltd. provides full range of services in Certified Emission Reductions (CERs) brokerage service, working with organization that would like to maximize value of CERs starting from project management, project approval, and project financing by targeting at large industrial corporation.

3.4 Institutional Brokerage

TISCO Securities Co., Ltd., as a member number two on the SET, offers brokerage services to institutional clients through head office in Bangkok. TISCO Securities Co., Ltd.'s market share by institution customer as of December 31, 2009 was 3.2%, from domestic 3.4% and foreign 3.0%, which decreased from 2008. However, its strategy aims at expanding the market aggressively by brought leading corporation's representatives to meet with world-wide investors. In addition, TISCO Securities Co., Ltd. continuously produces high-quality and broadly-accepted research paper for general investors.

Table shows information on TISCO securities business

(unit: million Baht)

Information of TISCO Securities Business	2007	2008	2009
Trading values categorized by Institutions Customer	156,897.61	118,765.66	111,572.80
- Domestic	66,809.13	55,192.13	59,270.90
- Foreign	90,088.48	63,573.53	52,301.90
Trading values classified by types of transactions			
- Cash Account			
Place orders via internet	2,752.49	2,764.49	1,756.35
Place orders via marketers	154,145.12	116,001.17	109,816.45
Market Share – Company^{/1}	3.0	2.7	2.5
Market Share – Institutions Customer^{/1}	3.8	3.3	3.2
- Domestic Institutions	5.1	4.1	3.4
- Foreign Institutions	3.3	2.8	3.0

^{/1} SET and MAI

Source: TISCO Securities Co., Ltd.

4. 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, 2009, was 9,437.95 million Baht, down 52.4 % from 5,355.48 million Baht in 2008.

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

5. Corporate Function

As all governance and support functions are centralized at the Company, subsidiary companies shall outsource all such activities back to the Company. These include, but not limited to, the following functions

- Risk Management, Planning & Budgeting, Corporate Accounting, Financial & Accounting System, Corporate Information Management, Customer Data Analysis
- Product and Channel Development, Productivity Improvement and Operational Risk Management
- Corporate Secretary, Legal Office, Corporate Services, Investor Relations
- Human Resource & Organization Development
- Corporate Marketing & Communication
- Compliance & Internal Control
- Internal Audit

4.2 Market and Competition

4.2.1 Commercial Banking Business

- **Market**

As of December 31, 2009, there were 34 banks unchanged from 2008, composed 18 Thai commercial banks and 16 branched of foreign banks which was same amount as 2008. The conditions of deposits and loans market are detailed as follows;

Deposits

In 2009, deposit in Thai commercial bank industry¹ was at 6,504,531 million Baht, up by 0.3% from 2008 due to market interest rate was relatively low as well as lower degree of deposit raising competition compared with the previous year. In addition, some customers turned to invest in foreign bonds which its yield higher than deposit interest rate. At the end of 2009, average 3-month deposit interest rate at the top five large banks was at 0.71% declined from 1.58 % at the end of year 2008 following continuously declined of policy rate by the Bank of Thailand in order to stimulate the domestic economy.

Table showing movement of average interest rates of Thai commercial banks

(unit: % per year)

	2007	2008	2009
Minimum Lending Rate (MLR) ¹	6.920	6.800	5.935
3-month fixed deposit rate ¹	2.15	1.58	0.71

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

In 2009, the Bank's deposit was 107,048.20 million Baht, up by 8.3% YoY, composed of 56,930.95 million Baht of deposits and 50,117.25 million Baht of short-term borrowings.

Loans

As of December 31, 2009, loan in commercial bank industry was 5,781,941 million Baht, down by 0.6% YoY due to loan in commercial was slowdown following the contraction of domestic economic. The Bank's loan was 107,014 million Baht, up by 7.1% YoY.

Table showing comparison of assets, deposits and loans as of December 31, 2009

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Bangkok Bank Plc.	1,740,192	19.5	1,342,977	20.6	1,038,603	18.0
2. Krung Thai Bank Plc.	1,539,743	17.3	1,208,140	18.6	1,034,390	17.9
3. Kasikorn Bank Plc.	1,268,083	14.2	952,742	14.6	868,692	15.0
4. Siam Commercial Bank Plc.	1,286,514	14.4	978,064	15.0	901,049	15.6
5. Bank of Ayudhya Plc.	760,625	8.5	524,686	8.1	539,350	9.3
6. Thai Military Bank Plc.	541,637	6.1	407,949	6.3	336,969	5.8
7. Siam City Bank Plc.	415,870	4.7	324,379	5.0	261,200	4.5
8. Thanachart Bank Plc.	413,878	4.6	266,727	4.1	274,826	4.8
9. Standard Charter Bank(Thai) Plc.	265,438	3.0	95,750	1.5	78,380	1.4
10. UOB Bank Plc.	226,437	2.5	151,241	2.3	136,892	2.4
11. CIMB Thai Bank Plc.	138,966	1.6	88,424	1.4	76,934	1.3
12. TISCO Bank Plc.	130,615	1.5	56,931	0.9	107,014	1.9
13. Kiatnakin Bank Plc.	129,020	1.4	76,109	1.2	82,778	1.4
14. ACL Bank Plc.	65,054	0.7	30,411	0.5	44,861	0.8
Total	8,922,073	100.0	6,504,531	100.0	5,781,941	100.0

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

Moreover, car hire-purchase business, the major business of the Bank, expands in line with automobile industry growth. Since the end of 2006, industry-wide new car sales have been slow down and shrunk by 10.6% from 614,078 cars in 2008 to 548,872 cars in 2009. The proportion of new passenger car sales to commercial car sales in 2009 was 42.8 % to 57.2%. In 2009, the car penetration rate of TISCO was 12%.

Table showing car sales in Thailand during 2005-2009

Unit : cars	2005	2006	2007	2008	2009
Passenger cars	188,211	195,458	182,767	238,990	235,169
Commercial cars	515,050	486,705	448,484	375,088	313,703
Total	703,261	682,163	631,251	614,078	548,872

Source : Automobile Institute

- **Competition**

In 2009, the growth of Thai commercial bank industry continuously decelerated from 2008 following unfavorable domestic economic condition which affected by several negative factors i.e. global economic crisis, domestic political uncertainty. These factors were deteriorated loan demand from private and public sectors. Accordingly, the commercial banks also increased prudence on credit expansion in order to prevent the impact from asset quality problem. Nevertheless, Thai commercial bank industry improved following the ongoing economic recovery in the last quarter of 2009. In deposit market, the market competition was relatively low when compared with the previous year in line with the sluggish credit market. The competition by offering high deposit interest rate was considered to maintain customer base rather than enlarge funding base. However, a lot of banks emphasized to expand fixed deposit in order to lock-up low cost funding base and also supporting credit expansion as well as deposit interest rate which expected to increase in 2010. For commercial finance, the Bank's strategy focuses on improving loan quality and reducing NPLs by accelerating the loan restructuring process and preparing for expected market growth in the following year. Amidst the high market competition, the Bank has focused on quality rather than quantity and expanding its customer base on account of its over 40 years of business experience, efficient operations and management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships. At the end of 2009, the Bank was ranked at 12 place compared with the industry. The market share of assets, deposits and loans were 1.5%, 0.9% and 1.9% respectively.

For auto hire purchase market, despite domestic car sales in 2009 decreased from previous year amid domestic economy slowdown, the competition of auto hire purchase market was still in a state on intense competition. The key players emphasized on pricing competition and terms & conditions of hire purchase e.g. offering low interest rate, lower down payment proportion and longer installment period to attract the customer. In addition, the competitors in auto hire purchase can be divided into two major groups: 1) leasing companies and financial institutions and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). The key market competitors are commercial banks and leasing company-owned subsidiary of commercial bank who enjoy fund cost advantage amid declining interest rate environment. Meanwhile, some captive finance companies sold loan portfolio and business due to high fund cost when compared with the market. Furthermore, upon the price cutting competition in hire purchase market, some competitors turned their attention to loans against car registration which its return higher than hire purchase loan for new car. Furthermore, it is expected that market competition in 2010 will continue intensifying led by market share expansion of large competitor.

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 agents and dealers. It will decrease prices as necessary to maintain its client base. In 2009, the TISCO Group increased used car portion in hire-purchase portfolio in order to increase average portfolio yield. TISCO has also gained competitive advantage after becoming the key strategic partner with car manufacturers and car dealers of Ford, Mazda, Volvo, and Chevrolet. In addition, the Group is highly confident that it can maintain its status as one of the top three in the market given the long-term experience of TISCO Group, good connections with dealers, effective cost and risk management and an extensive customer database.

4.2.2 Securities Business

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

- **Market**

In 2009, there are 41 companies who have been granted to operate brokerage business service and 77 companies who have been granted to operate financial advisory service from the Securities Exchange Commission. In 2009, SET Index increased from 449.96 points at the end of 2008 to 734.54 points with average daily turnover increased from 15,869.94 million Baht to 17,853.82 million Baht driven by ongoing global economic recovery and massive foreign capital inflow. In primary market, there were 17 newly listed companies in the market, increased from 12 newly listed companies in 2008. The total offering size of newly listed securities was 6,168.62 million Baht, decreased from 18,764.30 million Baht in 2008. The increasing in amount of newly listed companies in SET and MAI compared with the previous year due to ongoing recovery of domestic economic condition and investor's confidence.

Table showing stock market conditions

	2007	2008	2009
SET index (points)	858.10	449.96	734.54
Market capitalization (million Baht)	6,636,068	3,568,223	5,873,101
Trading value (million Baht)	4,188,776	3,919,874	4,338,479
Average daily turnover (million Baht)	17,097	15,870	17,854
Dividend payout ratio (%)	3.31	6.57	3.65
Price to earnings ratio (times)	12.63	7.01	25.56
Number of listed companies on the SET	475	476	475

Source: The Stock Exchange of Thailand

- **Competition**

Due to there are a lot of players in the market, the competition among companies is intense in order to maintain and expand its market share. In addition, there are business realignment efforts in preparation to the securities business liberalization in 2012. Revenue diversification strategy through new sources of income can be seen including cross-border business activity to expand investment banking business, exclusive partnership with international brokers in order to increase market share from foreign institute client, and new service expansion such as derivatives business, selling agent business, etc. In addition, several securities companies extensively operated their own proprietary trading to increase trading income. From 2010 onwards, the competitive pressure will be significantly increased led by commission fee liberalization in which sliding scale commission fee will be applied to individual investor while freely negotiated commission fee will be applied to institutional client. In addition, TISCO Securities Co., Ltd. has no price cutting policy for commission fee. However, TISCO Securities Co., Ltd. focuses on fundamental investors rather than speculative investors, quality of research article, and developing other services as an alternative for the investor. At the end 2009, TISCO Securities Co., Ltd. accounted for a market share of 2.57%, ranking 15th place among 38 securities companies¹.

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

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

- **Market**

For the asset management industry, there are around 30 players including asset management companies, commercial banks, securities companies, and insurance companies. The asset management market as of December 31, 2009 recorded net asset value of mutual funds increased by 23.4% (YoY) totaling 1,676,301 million Baht. Private funds increased by 28.7 % (YoY), totaling

¹ Source: SET SMART

216,501 million Baht, and provident funds increased by 10.5 %(YoY), totaling 514,237 million Baht. The details of market funds at year-end for 2007 to 2009 are shown as follows:

(unit : million Baht)

Funds	2007	2008	2009
Provident Funds	441,720	465,296	514,237
Private Funds	175,481	168,278	216,501
Mutual Funds	1,610,893	1,358,674	1,676,301

Source: TISCO Asset Management Co., Ltd.

• Competition

In 2009, asset management industry competition was relatively intense despite investment environment was influenced by global economic slowdown and global capital market downturn. However, the positive factors e.g. recovery of domestic economy, domestic capital market upturn, and declining deposit interest rate of commercial banks. These factors favorably affected to asset management business in which much more capital flow in mutual fund business.

In provident fund business sector, the competition remained intense driven by price cutting policy of large competitors in order to gain market share. After the enforcement of new Provident Fund Act allows each provident fund to have multiple investment policies or Master Fund, TISCO Asset Management Co., Ltd. responded to the enforcement by set up TISCO Master Pooled Fund on July 1, 2009 which received well response from customer. As the result, the net asset value of TISCO Master Pooled Fund was around 10,000 million Baht at the end of 2009. Upon the successful of TISCO Master Pooled Fund has made the single fund customers also turned to set up the Master Fund. Moreover, Master Fund under management of TISCO Asset Management Co., Ltd. has fully responded to fund member's needs which each fund member is freely to select the investment scheme according to their needs. TISCO Asset Management Co., Ltd. also provides the suggestion and education to fund member which is essentially in supporting fund member to select the appropriate investment scheme. In addition, TISCO Asset Management Co., Ltd. emphasizes on maximizing returns at the appropriate risk level according to customers' risk appetite for each client type.

In mutual fund business sector, the asset management companies launched variety of product with emphasize on foreign government bond fund e.g. Korea government bond funds which was an investment alternative for customer amid the low return of saving product. Likewise, TISCO Asset Management Co., Ltd. offered such funds. Furthermore, TISCO Asset Management Co., Ltd. anticipated the global economic recovery which was an opportunities to generate good return for investor. Thus, TISCO Asset Management Co., Ltd. regularly launched foreign equity funds and commodity funds along 2009 e.g. TISCO Oil Fund, TISCO Gold Fund, TISCO US Equity, TISCO Asia Pacific ex. Japan, and TISCO Asia Pacific ex. Japan RMF. These funds showed excellent fund performance and well respond from customer. As of December 31, 2009, the equity funds of TISCO Asset Management Co., Ltd. also showed exceptional performance e.g. TISCO Equity Growth Fund, TISCO Equity Dividend Fund, and TCM Equity Fund, which had year-to-date fund performance ranked Top 3 among top performance equity funds. In addition, TISCO Asset Management Co., Ltd. accounted for a market share of 5.1 %, ranking 7th place among 25 asset management companies¹. Details of market share and market position compared with peers are shown as follows;

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

Funds	Net asset under management (million Baht)	Market Share (%)	Market Rank
Provident Fund	70,461.35	13.7	3/17
Private Fund	37,797.42	17.5	2/21
Mutual Fund	15,027.62	0.9	15/20
Total	123,286.40	5.1	7/25

Source: Association of investment management companies

¹ Source: Association of Investment Management Companies

4.3 Resources

1) Source of Funds

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

(unit : million Baht)

Source of Funds	2007	2008	2009
Deposit	35,714.17	58,822.61	56,808.48
Short-term Borrowings	32,744.79	41,768.42	53,698.94
Long-term Borrowings	8,005.05	4,899.30	5,429.75
Interbank and Money Market Items	5,852.19	5,727.88	6,380.22
Other Liabilities	4,263.29	3,418.89	3,968.25
Total Source of Funds from Liabilities	86,579.49	114,637.10	126,285.64
Capital	12,373.60	11,536.04	12,518.72
Total Source of Funds	98,953.10	126,173.14	138,804.35

As of December 31, 2009, 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	826	-	-	-	-	-	-	827
Interbank and money market items	2,333	10,375	-	-	-	-	-	12,708
Investment – net	689	527	1,600	4,577	976	1,068	-	9,438
Receivable from clearing house	-	140	-	-	-	-	-	140
Loans and receivable	1,709	9,378	25,678	71,049	2,122	-	4,429	114,366
	<u>5,558</u>	<u>20,421</u>	<u>27,278</u>	<u>75,627</u>	<u>3,098</u>	<u>1,068</u>	<u>4,429</u>	<u>137,479</u>
Financial liabilities								
Deposits	28,847	21,244	6,220	497	-	-	-	56,808
Interbank and money market items	610	4,212	515	1,044	-	-	-	6,380
Liabilities payable on demand	345	-	-	-	-	-	-	345
Borrowings	2,462	38,313	12,923	1,430	4,000	-	-	59,129
Payable to clearing house	-	193	-	-	-	-	-	193
Securities and derivative business payables	3	956	-	-	-	-	-	959
	<u>32,268</u>	<u>64,917</u>	<u>19,659</u>	<u>2,970</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>123,814</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	31	5	479	-	-	436	-	951
Other commitments	-	532	388	626	-	8	-	1,554

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

2) Lending

- **Credit granting policy**

Commercial loans

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

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

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

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

Retail loans

The hire-purchase business covers a large portion of the retail credit portfolio. TISCO Group has a policy to aggressively expand its hire-purchase business in this market with justified risk-adjusted returns. Despite the growth of automobile hire-purchase in 2009 was moderate following sluggish economy, TISCO Group has a policy to competitively expand while still maintaining good loan quality and market share.

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

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

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

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

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

- **Credit Collection**

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

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

- **Debt restructuring**

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

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

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

(3) Capital Adequacy

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

The year-end Capital Adequacy Ratio for 2008 and 2009 have been maintained above the regulatory requirements with details as follows:

(unit: percentage)

Capital Adequacy Ratio	2007 ¹	2008 ¹	2009 ²	Regulatory Requirement
Tier-I Capital to Risk Assets	12.41	11.23	14.46*	4.25
Total Capital to Risk Assets	12.81	11.71	16.96**	8.50

¹Use calculation method under Basel II SA approach

²Use calculation method under Basel II IRB

* Before an adjustment of capital floor

** After an adjustment of capital floor

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

(4) Liquidity Management Policy

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

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

- The Bank shall maintain liquid assets on average of no less than 6% of the total deposits and borrowings as follows: and total foreign borrowings, which shall mature within one year.
 - The sum of all types of deposits.
 - The sum of foreign borrowings which mature within one year since borrowing date and total foreign borrowings which shall repay or reclaim within one year since borrowing date, except the borrowings which complied with the guideline of the BOT.
 - The sum of borrowings which embedded derivative feature.
- The liquid assets must consist of deposits with the BOT of no less than 0.5%, unencumbered securities of no less than 4.5%, and deposits at commercial banks residing in Thailand.

(5) Asset Classification, Provisions and Write-offs

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

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

The Group has a conservative provisioning policy. As of December 31, 2009, the Bank's reserves were 2,088.43 million Baht, or 157.3 % of those required by the BOT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 5 : Operating Assets item: 5.2

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

(1) Source of funds

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

(2) Credit approval and authorization

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

(3) Margin trading accounts

All clients of securities brokerages are cash accounts.

(4) Investment Policy

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

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

(5) Capital Adequacy Ability

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd. as of December 31, 2009 is 104.39%, well above the 7.0% regulatory requirement of the SEC.

5. Operating Assets

5.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment to TISCO Group as of December 31, 2007-2009 are as follows: These assets are free from any obligations.

(unit: million Baht)

Type of Assets	2007	2008	2009
Land and buildings			
1. Office of TISCO Financial Group Plc. at TISCO Tower	0	661	697
2. Office for subsidiaries at TISCO Tower	1,262	546	444
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	4	3	2
4. Brokerage branch – Nakhon Pathom	8	8	8
Total land and buildings (net)	1,272	1,218	1,151
Office improvements	135	181	204
Office furniture and improvements	94	181	151
Others	62	79	52
Total (net)	1,563	1,659	1,558

Long-term contract

1. Contract

TISCO Group has entered into several lease agreements in respect of the lease office building and branch office, in which terms of the agreements are generally between 3 – 10 years. The details are shown in notes to financial statement item 3.26.3

2. Rental contracts between the Bank and subsidiaries

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

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc.	4,346.65
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Financial Group Plc.	1,655.32
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc.	378.53

5.2 Loans

Classification of assets under BOT guidelines

Asset classification in TISCO group consists of loans and receivables, investments in securities and property foreclosed. Our asset classification policies are in compliance with those set by the BOT and the SEC. The details of asset classification as of December 31, 2009, are shown below:

(unit: million Baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	109,926	-	-	-	109,926	91.9
Special mention	6,615	-	-	-	6,615	5.6
Substandard	774	-	-	-	774	0.6
Doubtful	354	-	-	-	354	0.3
Bad debts	1,333	69	537	12	1,951	1.6
Total	119,002	69	537	12	119,620	100.00

Provision for Loan Loss Policy

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

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

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

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

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

Provision of Asset Impairment Policy

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

Policy of revenue recognition on interest income

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

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

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

5.3 Investment in Securities

Details of investment in securities are shown in Notes to Financial Statements, 3.3 Investments in securities.

Securities Investment Policy

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

Risk Management of Investment Portfolio

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

Allowance for Impairment of Securities

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

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

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

5.4 Policies on investment in associates and subsidiaries

The details on investment in associates and subsidiaries are presented in Notes to Financial Statements, 3.3 Investments in securities and 3.4 Investment in subsidiary companies

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

1) Strategic Investment

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

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

Subsidiaries companies under strategic investment are required to strictly comply with group's governance policies, which comprehensively constitutes all key strategic & control areas including governance and operating structure, business strategy, management, operations, risk and control, human resource, finance and accounting, corporate affairs, and public and client communications.

All decisions for strategic investment required case by case approval by the Executive Board of TISCO Financial Group Plc.

2) Financial Investment

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

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

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

Table illustrates details of subsidiary companies

(Unit : million Baht)

Company Name	Paid up	Cost Method
	As of December 31, 2009	As of December 31, 2009
TISCO Bank Plc.	7,282	13,279
TISCO Securities Co., Ltd.	1,500	1,575
TISCO Asset Management Co., Ltd.	100	110
Hi-Way Co., Ltd.	100	273
TISCO Information Technology Co., Ltd.	20	22
TISCO Tokyo Leasing Co., Ltd.	60	73
Primus Leasing Co., Ltd. ^{/1}	3	37 ^{/2}
	-	15,369

^{/1} Ceased business operation and proceeding liquidation process

^{/2} Deducted impairment in investment

6. Legal Disputes

As of December 31, 2009, the Company and its subsidiary companies had 16 unresolved cases from its regular business operations, all of them are civil cases and caused by the Banking business operation of subsidiary (TISCO Bank), involving an estimated total amount of 147.41 million Baht, which was less than five percent (5%) of its shareholders' equity. Of all cases, there were 8 cases involving total amount of 1.85 million Baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 4 cases, with a total value of 87.36 million Baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiff still appealed to the Appeal Court or Supreme (Dika) Court. There were 2 cases, with a total amount of 0.8 million Baht, that TISCO Bank appealed the cases to the Court. Apart from the said case, there were 2 cases which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 57.40 million Baht in which TISCO Bank had an indemnification for any damages suffered (if any). Moreover, in June 2009, a foreign subsidiary has been sued in amounting to 46.6 million HKD (equivalent to 201 million Baht as of December 31, 2009) and the case is in the tribunal process and not yet reach judgment. Additional details on legal disputes are presented in Notes to Financial Statements; 3.26.2 Litigation. The management of TISCO Group believes that neither the Company and its subsidiary companies will suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Company by the directors, managements or any related persons of the Company or its subsidiary companies.

7. Capital Structure

7.1 Securities Information

7.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of January 5, 2010

Total registered capital	:	11,002,000,000 Baht
Total paid-up capital	:	7,268,729,870 Baht comprised of 726,174,429 common shares and 698,558 preferred shares, both with par value of 10 Baht per share.

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

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

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

None

Non-Voting Depository Receipts (NVDRs)

As of December 30, 2009, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Company's shares as underlying securities totaling 107,088,009 units, or 14.73% of paid-up capital, consisting of 107,016,609 common shares and 71,400 preferred shares. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of the Company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

7.1.3 Debentures

The Company

-None-

Subsidiary Companies

As of December 31, 2009, the details of outstanding debentures of TISCO Bank Public Company Limited are as follows:

1. TISCO Bank Public Company Limited 1/2007 Tranche 1 debenture with maturity date in 2010

Type of Offering	:	Public Offering
Face Value	:	1,000 Baht
Offering Price	:	1,000 Baht
Issue size	:	3,000,000 units
Outstanding	:	3,000,000 units
Tenor	:	3 years
Issuing Date	:	May 24, 2007
Maturity Date	:	May 24, 2010
Security	:	None
Coupon Rate	:	Fixed rate 3.75% per annum

- Payment Date : Every 24th of May and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Rating : A(th) from Fitch Ratings (Thailand) Limited on December 24, 2009
- Debenture holder Representative : CIMB Thai Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited
2. TISCO Bank Public Company Limited 1/2007 Tranche 2 debenture with maturity date in 2012
- Type of Offering : Public Offering
- Face Value : 1,000 Baht
- Offering Price : 1,000 Baht
- Issue size : 1,000,000 units
- Outstanding : 1,000,000 units
- Tenor : 5 years
- Issuing Date : May 24, 2007
- Maturity Date : May 24, 2012
- Security : None
- Coupon Rate : Fixed rate 4.04% per annum
- Payment Date : Every 24th of May and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Rating : A(th) from Fitch Ratings (Thailand) Limited on December 24, 2009
- Debenture holder Representative : CIMB Thai Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited
3. 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 : 5.5% per annum for Year1st - Year3rd, started from issuance date
6.0% per annum for Year4th - Year7th, started from issuance date
6.5% per annum for Year8th - Year10th, started from issuance date
- Payment Date : Every 17th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
- (a) Prior to the fifth 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 fifth anniversary of the issuance of the debenture or on any coupon date after the fifth year of issuance; or

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

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

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

Rating	:	A-(tha) from Fitch Ratings (Thailand) Limited on December 24, 2009
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

4. TISCO Bank Public Company Limited 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	:	5.0% per annum for Year1 st - Year3 rd , started from issuance date 5.5% per annum for Year4 th - Year7 th , started from issuance date 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. The first payment will be on August 25, 2009. 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: <p>(a) Prior to the fifth year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or</p> <p>(b) On the fifth anniversary of the issuance of the debenture or on any coupon date after the fifth year of issuance; or</p> <p>(c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or</p> <p>(d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of BoT after the redemption; or</p> <p>(e) Any cases or conditions to be specified by the Bank of Thailand in the future.</p>

Rating	:	A-(tha) from Fitch Ratings (Thailand) Limited on December 24, 2009
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

7.1.4 Bills of Exchange

The Company

The Company was granted approval by the Securities and Exchange Commission on July 18, 2009 to offer short-term bills of exchange to the public as detailed below :

Type of Offering	:	Public Offering
Type of securities	:	Short-Term Bills of Exchange <ol style="list-style-type: none"> 1. Type I : Non-Interest-Bearing Bill of Exchange 2. Type II : Fixed-Interest-Bearing Bill of Exchange, interest payment on maturity
Tenor	:	Up to 270 days from the issue date
Issue size	:	up to 10,000,000,000 Baht
Face Value	:	Not less than 1,000,000 Baht
Issuing Date	:	From July 20, 2009 to March 31, 2010
Offering price per unit	:	<ol style="list-style-type: none"> 1. For Bill of Exchange Type I : Face Value deducts the discount portion 2. For Bill of Exchange Type II: Face Value
Coupon Rate	:	<ol style="list-style-type: none"> 1. For Bill of Exchange Type I : No Coupon 2. For Bill of Exchange Type II: Fixed Coupon depending on the market condition
Coupon Payment Date	:	For Bill of Exchange Type I : No coupon payment For Bill of Exchange Type II : Payment on maturity date
Rating	:	F2(thai) from Fitch Ratings (Thailand) Co., Ltd on June 11, 2009.

As of December 31, 2009, TISCO had outstanding short-term bills in forms of Fixed-Interest-Bearing Bill of Exchange worth 3,989.39 million Baht with coupon rate ranging from 1.25-2.00% and average of 50 days to maturity.

Subsidiary Companies

As of December 31, 2009, TISCO Bank had outstanding short-term bills, all in forms of Bills of Exchange, worth 47,117.25 million Baht with coupon rate ranging from 0.75 - 3.50% and average of 78 days to maturity.

As of December 31, 2009, Hi-Way Co., Ltd. had outstanding short-term bills, all in forms of Callable Bills of Exchange, worth 1,475 million Baht with 2.75% coupon rate.

7.1.5 Major shareholder agreements regarding share issuance or the Company management

None

7.2 Shareholders

The top 10 major shareholder groups whose names appeared in the share registration book on June 29, 2009 were as follows:

Shareholder Name	Total Number of Shares			
	Common Shares	Preferred Shares	Total	Percent
1 CDIB & PARTNERS INVESTMENT HOLDING PTE.LTD.	6,011,900	80,000,000	86,011,900	11.87
2 THAI NVDR CO.,LTD.	39,456,976	189,400	39,646,376	5.47
3 SATHINEE CO.,LTD.	0	35,893,425	35,893,425	4.95
4 CHASE NOMINEES LIMITED 42	35,169,100	0	35,169,100	4.85
5 STATE STREET BANK AND TRUST COMPANY FOR LONDON	31,306,262	0	31,306,262	4.32
6 HSBC (SINGAPORE) NOMINEES PTE LTD	24,796,000	0	24,796,000	3.42
7 STATE STREET BANK AND TRUST COMPANY	21,353,099	76,347	21,429,446	2.96
8 CHASE NOMINEES LIMITED 4	8,105,652	10,106,575	18,212,227	2.51
9 SOCIAL SECURITY FUND (2 CASES)	17,875,800	0	17,875,800	2.47
10 MR. SOMSAK PATTAPANITCHOTE	11,140,000	3,480,000	14,620,000	2.02
Total shareholding of top 10 major shareholders	195,214,789	129,745,747	324,960,536	44.85
OTHERS	345,972,290	53,673,579	399,645,869	55.15
TOTAL	541,187,079	183,419,326	724,606,405	100.00

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

By virtue of the provisions of Section 18 in conjunction with Section 55 of the Financial Institutions Business Act B.E. 2551, no person shall hold more than 10% of the total amount of shares either directly or indirectly in a parent company of the commercial bank including the number of shares held by related parties, except in the case where shareholder(s) is granted permission by the Bank of Thailand ("BOT") or is in line with the guidelines of the BOT. According to the request for approval to establish the financial group, an exemption was granted by the BOT on March 27, 2009 allowing CDIB & Partners Investment Holding Corporation group to hold not exceeding 86,011,900 shares of the Company's total paid-up shares until March 30, 2010. Moreover, the Company is allowed to have the number of shares held by the non-Thai shareholders to exceed 49% of all shares sold.

7.3 Dividend Policy

The Company

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

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

Annual dividend payment amount shall be determined by the net amount of profit from the Company's operations for the year less statutory reserves. Dividend payout ratio shall be in the range of 50% to 100% of net profit depending on the financial performances of the Company. The payout ratio may increase or decrease each year depending on business strategy, investment plan for long-term growth as well as the changes in economic and competitive environments.

The Board of Directors may from time to time pay interim dividends when they see that the Company has sufficient profit to do so, and, after the interim dividend has been paid, they shall report to shareholders in the upcoming shareholders meeting.

Subsidiary Companies

Majority of the Company's revenue come from dividend income received from subsidiary companies. It is expected that dividend payout ratio of subsidiary companies shall be not less than 50% of net profit in order that the Company shall have sufficient income to pay dividend to the Company's shareholders. The payout ratio may increase or decrease each year depending on business strategy, investment plan for long-term growth as well as the changes in economic and competitive environments.

The Board of Directors of each subsidiary company may from time to time pay interim dividends when they see that the subsidiary company has sufficient profit to do so, and, after the interim dividend has been paid, they shall report to shareholders in the upcoming shareholders meeting.

8. Management

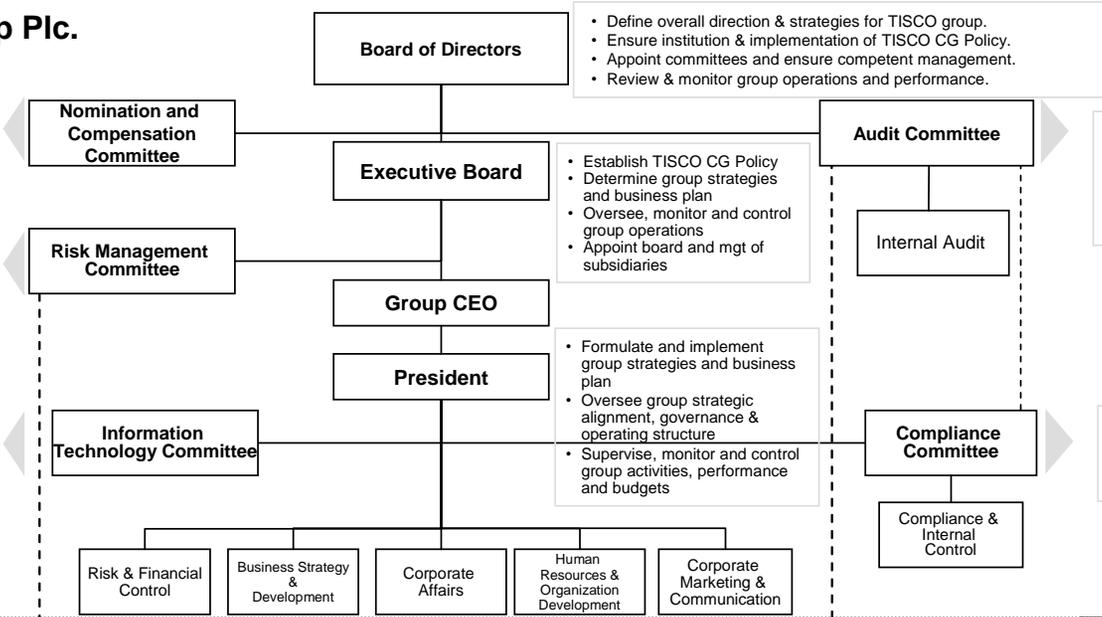
8.1 Management Structure

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

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

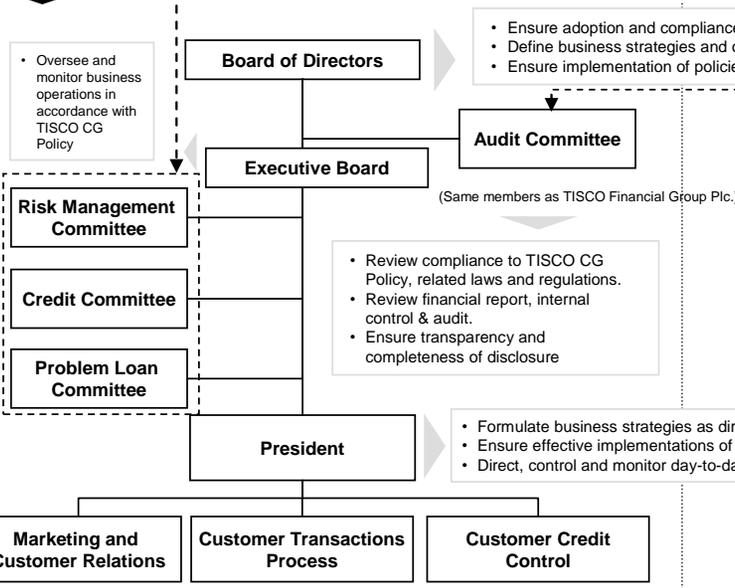
TISCO Financial Group Plc.

- Formulate policy & criteria for nomination of directors and top management
 - Nominate candidates for directors, members of committees appointed by Board, and Top management
 - Establish remuneration policy for directors and employees
 - Ensure good governance in nomination and compensation practice.
-
- Determine group risk management policies and strategies
 - Supervise, monitor & control group risk management activities
 - Ensure effective RM systems across group
-
- Formulate and implement group IT strategies
 - Supervise, monitor & control group IT activities

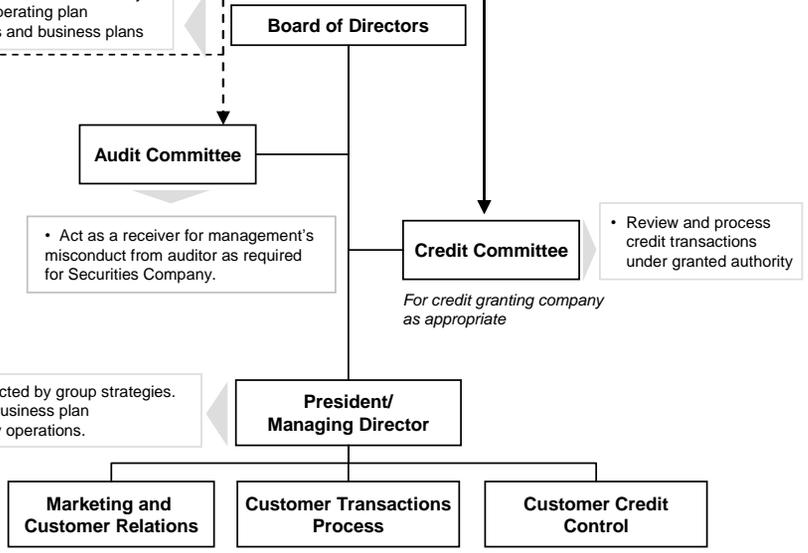


TISCO Bank

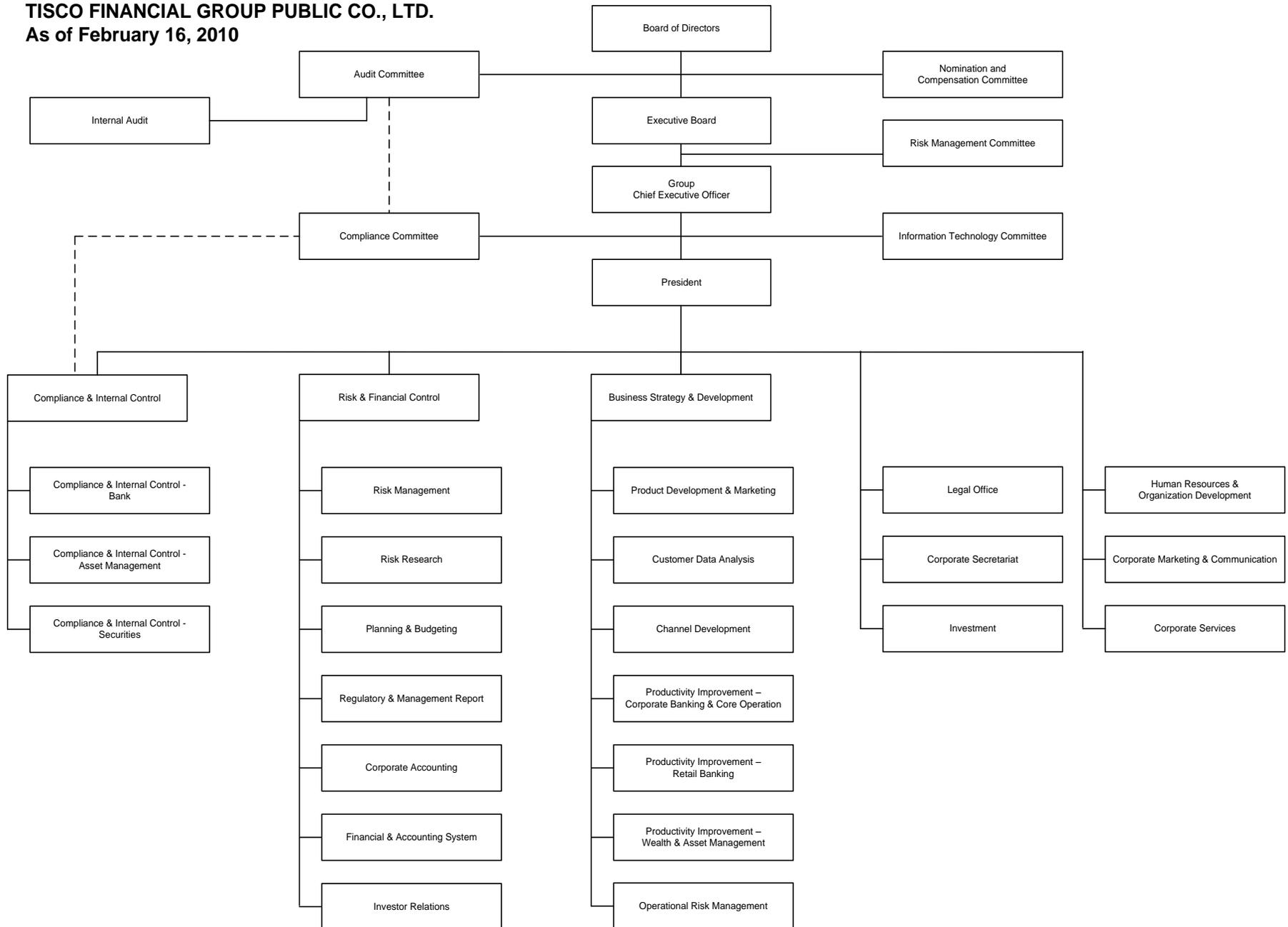
- Ensure adoption of group risk policies and strategies
 - Supervise, monitor, and control implementations of group risk policies and strategies
-
- Ensure adoption of group credit & problem loan policies and strategies
 - Supervise, monitor, and control implementations of group credit & problem loan policies and strategies



Other subsidiaries



TISCO FINANCIAL GROUP PUBLIC CO., LTD.
As of February 16, 2010



The Board structure is comprised of 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination and Compensation Committee. In addition, in early 2010, the Company transferred certain Management Committee and management supervising important functions within TISCO Group from subsidiary companies to be employed under the Company. The Company seconded those management to the same subsidiary companies for the same responsibilities on full time basis. This is to ensure that they shall devote their time to effectively manage subsidiary companies under TISCO Group strategy and plan approved by the Board of Directors.

8.1.1 Board of Directors

As of December 31, 2009, the Board of Directors consisted of 12 directors as follows:

Name	Position
1. Dr. Phisit Pakkasem	Chairman and Independent Director
2. Mr. Pliu Mangkornkanok	Director and Chairman of the Executive Board
3. Ms. Krisna Theravuthi	Independent Director and Chairperson of the Nomination and Compensation Committee
4. Assoc. Prof. Dr. Angkarat Priebjriwat	Independent Director and Chairperson of the Audit Committee
5. Ms. Panada Kanokwat	Independent Director and Member of the Audit Committee
6. Prof. Dr. Pranee Tinakorn	Independent Director and Member of the Audit Committee
7. Dr. Nitus Patrayotin ^{/1}	Independent Director
8. Mr. Hon Kit Shing (Alexander H. Shing)	Director, Vice Chairman of the Executive Board and Member of the Nomination and Compensation Committee
9. Mr. Hirohiko Nomura	Director, Member of the Executive Board and Member of the Nomination and Compensation Committee
10. Mr. Danny Suen Kam Yim ^{/1}	Director
11. Ms. Oranuch Apisaksirikul	Director and Member of the Executive Board
12. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

^{/1} the Company processed for registration of Dr. Nitus Patrayotin and Mr. Danny Suen Kam Yim to be directors with the Ministry of Commerce on June 2, 2009.

Authorized Signatory

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

Authority and Responsibilities of the Board of Directors:

1. Define overall direction and strategies of TISCO Group and ensure institution of TISCO Corporate Governance Policy for application across all companies in TISCO group. Under consolidated supervision framework, TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications. The Board shall ensure that all companies in TISCO group adopt and implements the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.
2. Define and establish the Strategic Audit – a self audit measure on the company existing strategy - to oversee and review the strategy of TISCO group.
3. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
4. Continuously review TISCO group's operations to ensure that its executive directors, management, and employees conduct the businesses in compliance with TISCO Corporate Governance Policy as well as related laws and regulations.
5. Ensure competent management of TISCO group.

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

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

The Board of Directors may assign any other committee members 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 - are stakeholders or may have any other conflict of interest with the Company or subsidiary companies.

Details of the board of directors of TISCO Bank Public Company Limited, the core company of TISCO Group, were shown in Attachment 3.

Corporate Secretary

The Board appointed Ms. Pakaporn Punyashthiti as the Corporate Secretary with responsibilities in 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. As of December 31, 2009, the Executive Board comprised the following directors:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman of the Executive Board
2. Mr. Hon Kit Shing (Alexander H. Shing)	Vice Chairman of the Executive Board
3. Mr. Hirohiko Nomura	Member of the Executive Board
4. Ms. Oranuch Apisaksirikul	Member of the Executive Board
5. Mr. Suthas Ruangmanamongkol	Member of the Executive Board

Authority and responsibilities of Executive Board:

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

8.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of December 31, 2009, the Audit Committee comprises the following independent directors:

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

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

Authority and responsibilities of Audit Committee:

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

8.1.4 Nomination and Compensation Committee

The Nomination and Compensation Committee members were appointed by the Board of Directors. As of December 31, 2009 the Nomination and Compensation Committee comprises the following directors;

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

Authority and Responsibilities of Nomination and Compensation Committee:

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

Details of meeting attendance of TISCO Financial Group Public Company Limited's directors in 2009 are as follows:

Name-Surname	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of total meetings (times)</i>	6	12	12	6
1. Dr. Phisit Pakkasem	6	-	-	-
2. Mr. Pliu Mangkornkanok	6	12	-	-
3. Ms. Krisna Theravuthi	6	-	-	6
4. Assoc. Prof. Dr. Angkarat Priebjrivat	6	-	12	-
5. Ms. Panada Kanokwat	6	-	12	-
6. Prof. Dr. Pranee Tinakorn	6	-	12	-
7. Dr. Nitus Patrayotin ^{/1}	3 (out of 4 times)	-	-	-
8. Mr. Hon Kit Shing (Alexander H. Shing)	5 (out of 6 times)	10 ^{/2} (out of 12 times)	-	4 ^{/2} (out of 6 times)
9. Mr. Hirohiko Nomura	6	12	-	6
10. Mr. Danny Suen Kam Yim ^{/1}	4 (out of 4 times)	-	-	-
11. Ms. Oranuch Apisaksirikul	5 (out of 6 times)	12	-	-
12. Mr. Suthas Ruangmanamongkol	6	12	-	-

^{/1} The Company processed for registration of Dr. Nitus Patrayotin and Mr. Danny Suen Kam Yim to be directors with the Ministry of Commerce on June 2, 2009.

^{/2} Mr. Hon Kit Shing (Alexander H. Shing) did not attend two Executive Board and two Nomination and Compensation Committee meetings in person but participated via conference calls

8.1.5 Management

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

Management Committee of the TISCO Group as of January 15, 2010 comprise of the following members:

Name	Position in the Company	Position assigned in subsidiary company
1. Mr. Pliu Mangkornkanok	Group Chief Executive Officer	
2. Mr. Pichai Chanvirachart	Advisor	
3. Mr. Sathit Aungmanee	Advisor	
4. Ms. Oranuch Apisaksirikul ^{/1}	President, TISCO Financial Group Public Co., Ltd.	
5. Mr. Suthas Ruangmanamongkol ^{/1}	President	President, TISCO Bank Public Co., Ltd.
6. Mr. Sakchai Peechapat ^{/1}	Senior Executive Vice President	Senior Executive Vice President - Marketing and Customer Relations, TISCO Bank Public Co., Ltd.
7. Mr. Metha Pingsuthiwong ^{/1}	First Executive Vice President	First Executive Vice President – Banking Service, TISCO Bank Public Co., Ltd.
8. Ms. Araya Thirakomen ^{/1}	First Executive Vice President	President, TISCO Asset Management Co., Ltd.
9. Mr. Paiboon Nalinthrangkurn ^{/1}	First Executive Vice President	Chief Executive Officer, TISCO Securities Co., Ltd.
10. Mr. Chatri Chandrangam ^{/1}	Executive Vice President – Risk & Financial Control	
11. Ms. Yutiga Sonthayanavin	Executive Vice President	Managing Director, TISCO Information Technology Co., Ltd.
12. Mr. Chalit Silpsrikul	Executive Vice President	Executive Vice President – Retail Banking, TISCO Bank Public Co., Ltd.

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

Authority and Responsibilities of Management Committee:

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

Authority and Responsibilities of the Group Chief Executive Officer:

1. Act as chairman of Executive Board. Determine overall direction, business strategies and management of TISCO Group. Ensure effective implementation of corporate strategies and business plan across the group in accordance with policies and guidelines approved by the Board, as well as, related laws and regulations.
2. Oversee, supervise and monitor performance of TISCO Group's senior management to ensure effectiveness and alignment.
3. Continuously review the succession plan for Top Management of TISCO Group.

Authority and Responsibilities of Advisor:

1. Provide advices and suggestions related to management, business operation and risk management & control system of TISCO Group.
2. Support the exploring of new business opportunity and maintain good relationship with business partners, investors and shareholders.

The Company's advisors neither are controlling persons nor manage crucial tasks in the Company.

Authority and Responsibilities of President of TISCO Financial Group Public Company Limited:

1. Formulate corporate strategies and business plan of TISCO Group for the Board's consideration and approval.
2. Oversee strategic alignment of TISCO group business and ensure effective implementations of corporate strategies and business plan across the group.
3. Oversee TISCO group's governance & management structure, operations, risk management & control systems.
4. Monitor TISCO group's business activities and operating performance and report to the Board.
5. Oversee financial budgets and resource management of TISCO group.
6. Ensure that TISCO group's business conducts are in accordance with the Board's approved policies & guidelines, as well as related laws and regulations.

In addition to the Management Committee of TISCO Group, the Company's management comprises the following 23 persons as of February 16, 2010;

Name-Surname	Position
1. Mr. Kontee Sunthornpradit	Head of Risk Management
2. Mr. Kittipong Tiyaboonchai	Head of Regulatory & Management Report
3. Mr. Kullachart Ekvoratham	Head of Productivity Improvement – Corporate Banking and Core Operation
4. Ms. Chutintorn Vigasi ^{/1}	Head of Corporate Accounting
5. Ms. Dulyarat Taveebhol	Head of Compliance & Internal Control
6. Ms. Teerin Suvarnatemiya	Head of Product Development & Marketing
7. Mr. Noppawat Tangburanakij	Head of Channel Development
8. Ms. Narisara Tanarugsachock	Head of Customer Data Analysis
9. Ms. Nartrudee Siwabut	Head of Corporate Marketing & Communication
10. Mr. Nipon Wongchotiwat	Head of Planning & Budgeting
11. Mr. Prayuk Charoencharaskul	Head of Operational Risk Management
12. Ms. Pakaporn Punyashthiti	Head of Corporate Secretariat
13. Ms. Phanit Tiravongchaipunt	Head of Human Resources & Organization Development
14. Mr. Pongsupat Supasirisin	Assistant Head of Business Strategy & Development
15. Mr. Pitak Lausanggam	Head of Productivity Improvement – Wealth & Asset Management
16. Mr. Pairat Srivilairit	Head of Internal Audit
17. Ms. Pattarinee Ratananakin	Head of Investor Relations
18. Mr. Puvarin Kullaphatkanon	Head of Risk Research
19. Ms. Maneerat Wattanajak	Head of Compliance & Internal Control - Asset Management
20. Mr. Watsakorn Thepthim	Assistant Head of Business Strategy & Development
21. Ms. Sasinee Phattiyakul	Head of Corporate Services
22. Ms. Supaporn Aramtiantamrong	Head of Compliance and Internal Control - Securities
23. Mr. Ekkapol Apinun	Head of Legal Office

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

Remark: Ms. Siriporn Pornviriyakul, Head of Financial & Accounting System resigned on February 28, 2010

8.2 Directors and Management Selection Guidelines

8.2.1 Director Nomination

The Nomination and Compensation Committee shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance, economics, law or any other fields deem appropriate. The Nomination and Compensation Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors according to the Company's criteria as specified in Topic 8.5 of Section 8 Management.

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

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

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

8.2.2 Management Selection

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

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

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

8.3 Qualifications of Independent Director

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

1. Holding not exceeding 0.25 per cent of the total number of voting rights of the company, its parent company, subsidiary, affiliate 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 two 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, subsidiary company, associated company or any juristic persons who may have a conflict of interest that could be barrier to independent judgment; or not being existing or previous major shareholder, director other than independent director or management of the stakeholders of the Company, subsidiary companies, associated companies or any juristic persons who may have a conflict of interest unless the foregoing relationship has ended not less than two 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, affiliate or juristic person who may have conflicts of interest unless the foregoing status has ended not less than two 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, affiliate 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 two years.
7. Not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the company's major shareholder.
8. Not undertaking any business in the same nature and in competition to the business of the Company or its subsidiary companies or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding one per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of the company or its subsidiary companies.
9. Not having any characteristics which make him/her incapable of expressing independent opinions with regard to the company's business affairs.

8.4 Director and Management Remuneration

8.4.1 Director and Management Remuneration Policy

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

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

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

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

Regarding director remuneration of TISCO Group, only the Company pays remunerations to the directors. Other subsidiary companies, including TISCO Bank, shall not pay any remuneration to their directors.

8.4.2 Financial Remuneration

The Company's shareholders approved at the Shareholder Ordinary General Meeting for the year 2009 to maintain current directors remuneration as follows:

	<i>Monthly Fee (Baht)</i>	<i>Meeting Fee (Baht / meeting)</i>
<u>Board of Directors</u>		
Chairman	60,000	15,000 ^{/1}
Ordinary Member	25,000	15,000 ^{/1}
<u>Audit Committee</u>		
Chairperson	50,000	-
Ordinary Member	40,000	-
<u>Nomination and Compensation Committee</u>		
Chairperson	-	25,000
Ordinary Member	-	15,000
<u>Executive Board</u>		
Chairperson	40,000	-
Ordinary Member	35,000	-

^{/1} only the board members who are not members in any other committees

The details of Board of Director remuneration during January 1 to December 31, 2009 are as follows:

Name of the Directors	Remuneration (Baht)					Total
	Board of Directors		Executive Board	Audit Committee	Nomination and Compensation Committee	
	Monthly Fee	Meeting Fee	Monthly Fee	Monthly Fee	Meeting Fee	
1. Dr. Phisit Pakkasem	720,000	90,000	-	-	-	810,000
2. Mr. Pliu Mangkornkanok	300,000	-	480,000	-	-	780,000
3. Mrs. Krisna Theravuthi	300,000	-	-	-	150,000	450,000
4. Assoc. Prof. Dr. Angkarat Priebjivat	300,000	-	-	600,000	-	900,000
5. Ms. Panada Kanokwat	300,000	-	-	480,000	-	780,000
6. Prof. Dr. Pranee Tinakorn	300,000	-	-	480,000	-	780,000
7. Dr. Nitus Patrayotin ^{/1}	175,000	45,000	-	-	-	220,000
8. Mr. Hon Kit Shing (Alexander H. Shing)	300,000	-	420,000	-	60,000	780,000
9. Mr. Hirohiko Nomura	300,000	-	420,000	-	90,000	810,000
10. Mr. Danny Suen Kam Yim ^{/1}	175,000	60,000	-	-	-	235,000
11. Mrs. Oranuch Apisaksirikul	300,000	-	420,000	-	-	720,000
12. Mr. Suthas Ruangmanamongkol	300,000	-	420,000	-	-	720,000
Total	3,770,000	195,000	2,160,000	1,560,000	300,000	7,985,000

Remarks: ^{/1} The Company processed for registration of Dr. Nitus Patrayotin and Mr. Danny Suen Kam Yim to be directors with the Ministry of Commerce on June 2, 2009.

In 2009, total remuneration for the Board of Directors, the Executive Board, the Audit Committee, Management Committee (12 members) and the Management (total of 23 persons) was 240,969,734.61 Baht. This was paid in the form of monthly compensation, meeting fees, provident fund, and bonuses, which varied according to TISCO Group's performance.

TISCO Bank shall not pay any remuneration to its directors. In 2009, total remunerations for TISCO Bank management (total of 31 persons, excluded 4 persons which are TISCO management and seconded to manage TISCO Bank, was 88,834,389.88 Baht. This was paid in form of monthly compensation, salaries, provident funds, and bonuses which varied according to TISCO Bank performance.

8.4.3 Other Remuneration

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

8.5 Corporate Governance

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

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

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

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

TISCO Group strictly and consistently applies good corporate governance at all levels within the organization. This commitment has yielded TISCO much recognition and honors from many institutes. TISCO's Shareholder Ordinary General Meeting for the year 2009 received an **"Excellent"** score from the **Ordinary General Meeting Assessment Program** conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. TISCO was also among 190 listed companies, out of 497 in the program, to score over 90 points. In addition, Thai Institute of Directors (IOD) awarded TISCO as 1 of 52 listed companies with **"Excellent"** corporate governance recognition level by assessing from information disclosed in the 2008 Annual Report and Annual Registration Statement (Form 56-1), Notice and Minutes of Shareholder Ordinary General Meeting for year 2009. The Company reported the assessment result to the Audit Committee, which further reported to the Board of Directors to review IOD's recommendations to continuously develop and improve corporate governance of TISCO Group.

In addition, TISCO was awarded Asia Money magazine's **"Best Managed Company 2009"** (Small Market Cap Category), primarily based on achievement in financial performance and organization management. The award reflected the opinions of head of research houses and senior financial analysts in the region. The result primarily reflects the opinions of investment analysts and institutional investors in Asian region toward the Bank. TISCO Group emphasizes on information disclosure. Thus, regular meetings with investors both local and international were held to illustrate TISCO Group's policies, exchange viewpoints, and respond to any queries on the basis of trustworthiness and professionalism by concerning all stakeholders.

1) Rights of Shareholders

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

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

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

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

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

TISCO allocates sufficient time frame for the shareholders to propose agenda items that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified director candidates. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the company. Regarding agenda items, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the Notice of the annual general meeting. For nominations of qualified candidates for director positions, the Nomination and Compensation Committee shall review and propose candidates for the Board of Directors' consideration for further recommendation to the shareholders at the annual general meeting. In cases wherein proposals are disapproved by the Board and/or the Nomination and Compensation Committee, the company shall state the reason for refusal to the shareholders in the shareholders' meeting, on the company's website or any other appropriate information dissemination channels.

For the 2009 Annual General Meeting, TISCO invited shareholders to propose agenda and qualified candidates for director positions for the period of 3 month, from October 1, 2008 to January 5, 2009. Before mailing out the Notice, the Company posted on the Company's website to inform shareholders their rights to propose additional agenda in the annual general meeting together with related procedures, deadline for the proposal of agenda so that the Board of Directors shall consider include or not include the agenda in the Notice, and methods of proposing qualified candidates for director position to the Nomination and Compensation Committee for further recommend to the Board of Directors and propose to the shareholders at the annual general meeting. In this regard, upon the posting of information, the Company also disclosed through the Stock Exchange of Thailand's information dissemination channel.

- Notification of Meeting Details and Materials

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

For the 2009 Annual General Meeting, TISCO disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 23, 2009 and disclosed Notice of the shareholder meeting in both Thai and English languages through the Stock Exchange of Thailand's information dissemination channel and its website since March 27, 2009. The Company mailed notice and materials to shareholders since April 3, 2009.

- Meeting attendance

To protect shareholders' rights to attend the meeting and ensure equitable treatment for shareholders, TISCO assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, any shareholder could register to attend 2 hours in advance of the meeting time. TISCO utilized a computer and barcode system for registration and printing of voting forms for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration. In addition, shareholders are also able to register to attend and exercise their voting rights on the agenda that they have not cast the vote in advance after the meeting's commencement. For shareholders unable to attend the meeting and would like to appoint a proxy, TISCO proposes more than one independent directors by presenting director profiles for the shareholders' selection, in addition to management director or any other person attending the meeting on their behalf. The Company has attached Proxy form, which allows shareholders to specify their voting decision, with the Notice. Moreover, the shareholders can download other types of proxy forms from the Company's website.

For the 2009 Annual General Meeting, the Company proposed two independent directors, Chairperson of the Audit Committee and Chairperson of the Nomination and Compensation Committee, including their profiles for shareholders to appoint as proxy. Proxy Form B which allows shareholders to indicate their voting directions was also enclosed in the Notice. In addition, shareholders can download other Proxy Forms from the Company's website.

- Shareholders' opportunity for query and comment

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

For the 2009 Annual General Meeting, 9 out of 10 directors, all of TISCO Management Committee members, and the auditors attended the meeting. In addition, representatives from the Bank of Thailand and the Stock Exchange of Thailand were also observed the meeting.

- Conduct of the meeting and voting

The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding an aggregate number of shares not less than two-third of total number of shareholders attending the meeting resolve to change the order of the agenda. In addition, the shareholders holding an aggregate number of shares not less than one-third of the total number of paid-up shares may request that the meeting consider other matters in addition to those specified in the notice of the meeting. Before the meeting starts considering the agenda, the shareholders will be informed of number of proportion of shareholders or proxy attended the meeting, their voting rights, total votes required for each agenda and the voting process for each agenda. For the purpose of transparency and equitable treatment of the shareholders in the voting process, the Company shall utilize voting forms for each agenda. For the director election 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 meeting to ensure that the meeting is conducted with transparency and legal compliance. After the vote count is completed, voting results of each agenda will be announced to the meeting, by specifying the vote results as "For", "Against", and "Abstain" together with number of votes.

For the 2009 Annual General Meeting, the meeting was conducted according to the Company's Articles of Association with no additional agenda, no changes to the agenda order, or no changes in important information without prior notification to shareholders. In addition, the Company assigned Ernst & Young Office Limited to ensure that the meeting was conducted with clear and transparency and in accordance with laws and the Company's Articles of Association. There were a representative of Ernst & Young Office Limited to observe in the Vote Counting Room throughout the meeting.

2) Equitable Treatment of Shareholders

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

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

The Company shall give notification of the shareholders' meeting resolutions to all investors through the SET's information dissemination channel within the same day of the meeting or at least 1 hour before the opening of the Stock Exchange of Thailand on the next working day. In addition, the Company shall also prepare the minutes of the meeting in which all relevant information, including all clarifications, queries, opinions, and resolutions are recorded and categorized into "For", "Against", and "Abstain" votes. TISCO shall disseminate the above minutes on its website and submit it to the Stock Exchange of Thailand within 14 days from the date of the meeting. The minutes of the meeting will be kept at the office. In addition, TISCO has arranged for a recording of the shareholders' meeting to be available on CD. Shareholders who are interested may request a copy of the CD from Investor Relations.

For the 2009 Annual General Meeting held on April 24, 2009, the Company notified the shareholders' meeting resolutions through the SET's information dissemination channel within the same day of the meeting and disclosed the minutes of the meetings on May 7, 2009, in compliance with the above mentioned timeframe.

Regarding measures taken to prevent conflict of interest, the company has set the code of conduct for employees to ensure that employees comply with stipulated laws and regulations, conduct their duties with integrity, consider the Company's interests above their own, and refrain from exploiting inside information for their own benefit.

TISCO has set out rules regarding securities trading by employees, stating that all employees must open trading accounts only with its subsidiary, TISCO Securities Company Limited. Also, employees are required to seek approval from their supervisors and the Compliance Unit before executing trades. Moreover, it also prohibits Management Committee and insiders from trading TISCO's shares from the last working day of the month until the Company's financial statements or the summary statements of assets and liabilities (C.B. 1.1) of TISCO Bank are published.

Directors, Executive Directors, Top Management or top four management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth ranked management, including those holding higher or equivalent to Accounting or Finance department managers must report their securities holdings in TISCO, as well as the securities holding of their spouses and any minor children, to the Office of Securities and Exchange Commission. This report on securities holding must be filed within 30 days of the appointment. Moreover, they must report on the changes of securities holdings within 3 working days from the date of the change. Directors must also notify the Audit Committee of their shareholdings at the end of each quarter.

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 governance body rules and regulations.

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

Since each stakeholder has different objectives and expectations, TISCO Group fully considers the differing stakeholders' legal rights, and ensures that those rights are well protected and treated with care. Co-operation between the company and various groups of stakeholders is promoted in order to secure profits and business sustainability.

TISCO Group provides variety of channels for all stakeholders to effectively and conveniently deliver their suggestions, complaints, or any other concerns to the Company including but not limited to through Customer Service Center, service counters at head office and branches, TISCO Group website, and TISCO dedicated functions. For example, Investor Relations function is responsible for feedbacks and complaints 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 and/or report to the Audit Committee for further consideration or actions as deemed appropriate. The Audit Committee shall report to the Board of Directors for acknowledgement.

- Shareholders : TISCO Group focuses on the ownership rights of the shareholders and commits to providing shareholders with the best performance, and recognizes the important of quality services as well as an ever-expanding scope of opportunities for future achievement. The shareholders are empowered to exercise their rights as shown by the implementation of cumulative voting. The company's policy regarding the protection of shareholder rights and interests is shown in Item 1. Rights of Shareholders and Item 2. Equitable Treatment of Shareholders.
- Employees : TISCO Group recognizes and values the dedication and commitment of its staff in carrying out their duties. As an organization built on the solid foundation of good corporate governance, the goal is to equip the employees with the education and training they need to serve customers with the highest standards of professionalism. TISCO Group has provided employees with various training: for basic knowledge, job-specific skills, and specialized trainings in accordance to each annual policy.
- With regard to compensation, to ensure that employees are rewarded fairly for their dedication, a performance management system is in place so that all employees may enjoy the fruits of TISCO Group's success and be treated fairly and equitably. The Group ensures that employee welfare is well taken care of, both in health and safety.
- Customers : TISCO Group provides professional and practical solutions that fulfill customer needs, elevating the quality of the company-client relationship by infusing excellence and integrity into all our dealings, and offering the knowledge base and experience of our integrated resources in accordance with the highest standards of professional ethics. The company shall keep customer information confidential.
- Business Partners and Creditors : Any conditions within the agreements made with business partners and creditors will be served honorably by TISCO Group. The Group refrains from accepting or giving any benefits not in good faith from business partners and creditors.
- Competitors : TISCO Group executes business with due regard for fair competition and integrity, operates within the framework of applicable competition regulations, and refrains from competitive action that may have a negative impact on the industry.
- Society : TISCO Group recognizes its social responsibility and has continually taken a leading role in making society a better place together with business operations. Great emphasis is given on education and on creating opportunities for sustainable development in underprivileged communities. Moreover, the Group also supports cultural and environmental activities.
- TISCO Group established the TISCO Foundation in 1982 to carry out long-term social activities including the provision of educational support for underprivileged students, medical care for disadvantaged and handicapped patients, vocational support for those in need, and cooperation with other charities in performing public and social services.
- In addition to ongoing charity services through the TISCO Foundation, TISCO Group also supports other social and community development programs such as donating educational materials, donating blood to the Red Cross, supporting Thai artists and religion, supporting the operation of several charity projects and foundations.

The Environment : TISCO Group consistently supports activities aimed at conserving both its internal and external resources and the environment. TISCO Group strives to cultivate moral values, social responsibility and environmental awareness among all employees. In providing financial services, employees use "Know Your Customers" guidelines to ensure that the services granted by TISCO Group as well as business advisory are given only to projects that operate in compliance with the environmental regulations and will not result in negative impacts on the community or the environment

Details of the Company's responsibilities to the society and environment are described in Section 12.

4) Disclosure and Transparency

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

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

TISCO arranges for the disclosure of the names and responsibilities of directors and other committees, the number of meetings, each director's meeting attendance record and their remuneration in the Annual Report.

The company assigned its Corporate Secretariat function and Investor Relations function to represent the company in communications with shareholders, investors, analysts, and related regulatory bodies. The company's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the company's website under the topic of "Investor Relations". Furthermore, TISCO has set up numerous activities to portray or update the company's information as well as to provide responses to inquiries from investors such as Quarterly Analyst Meetings, Press Conferences, One-on-one meetings and Meetings with investors, both local and international. In addition, activities to provide information and responses to inquires from investors were normally participated by senior management. In this respect, the activities arranged in 2009 were as follows;

- o 4 Quarterly Analyst Meetings and 4 general meetings with approximately 35-40 persons in attendance at each meeting
- o 11 Press Conferences: with approximately 25-30 media representatives attending each conference
- o 44 One-on-one meetings with investors and equity analysts, both domestic and foreign
- o Meetings with investors, both local and international in America, Europe and Asia including the United States, United Kingdom, Hong Kong, and Singapore. The details are as follows:
 - a) 1 Non-deal Roadshow (total of 8 investors)
 - b) 8 Investor Conferences; comprising 2 domestic conferences and 6 international conferences with total of 106 investors attended)

For more information, please contact Investor Relations at:

Address : TISCO Tower, 48/2 North Sathorn Road,
Bangrak, Bangkok, 10500

Telephone: 0 2633 6899

Fax : 0 2633 6855

Email : ir@tisco.co.th

Website : www.tisco.co.th

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

5) Responsibilities of the Board

5.1 Board Structure

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

Recognizing the crucial roles of the Board of Directors, managers and person with controlling power in devoting time and effort to managing the company, directors, managers and person with controlling power are allowed to assume the position of Chairman, executive director, or director with signatory authority in no more than three business groups in compliance with Bank of Thailand regulations. Directors should avoid other positions or jobs that may lead to conflicts of interest.

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

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 3-year 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 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 management.

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

5.3 Other Committees

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

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, and the Executive Board as detailed below. Reference shall be made to Topic 8.1 of this section for more detail.

Audit Committee

The Audit Committee assists the Board to discharge its duties in connection with the financial reporting, internal control and internal audit system. The Audit Committee is directly responsible for the audit function by verifying the independence of auditors and their opinion. The Audit Committee also serves the Board in monitoring compliance with the Board's policies, and internal and statutory regulations. It should ensure that management is taking appropriate corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors. The Audit Committee has an explicit authority to investigate any matters within its duties and able to obtain outside professional advice, if necessary, at the company's expense. Additionally, Audit Committee is responsible for the trustworthiness of financial report as well as recommendation of the auditor appointment and its audit fee.

Nomination and Compensation Committee

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

Executive Board

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

5.4 Board of Directors' Meeting

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

During meetings, the Chairman of the Board promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the management to attend the Board of Directors' Meeting to present additional information relevant to their responsibilities and also encourages non-executive directors to hold meetings as necessary to discuss issues without executive attendance. In 2009, there were several meetings among non-executive directors, without formal minutes taking. After the meeting, the Corporate Secretary is responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly

recorded and kept for inspection.

5.5 Board Self-assessment

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

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

In 2009, the Nomination and Compensation Committee revised the self-assessment form to be in compliance with the Thai Director Association (IOD) and to be more accurate and suitable for the Company's business. The assessment divided into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members.

5.6 Remuneration

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

5.7 Board and Management Training

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

Details of the Board of Directors and Top Management attending training programs organized by Thai Institute of Directors as of December 31, 2009 are as follows:

Name	IOD Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> ● Chairman 2000 Program ● Directors Certification Program
Ms. Krisna Theravuthi	<ul style="list-style-type: none"> ● Role of Chairman Program ● Monitoring the System of Internal Control and Risk Management ● Role of Compensation Committee ● Audit Committee Program ● Director Certification Program ● Director Accreditation Program ● Effective Audit Committee and Best Practices Program
Assoc. Prof. Dr. Angkarat Priebjivat	<ul style="list-style-type: none"> ● Role of Chairman Program ● Monitoring the Internal Audit Function ● Audit Committee Program ● Director Certification Program ● Director Accreditation Program ● Monitoring the System of Internal Control and Risk Management ● Monitoring Fraud Risk Management
Ms. Panada Kanokwat	<ul style="list-style-type: none"> ● Director Certification Program ● Director Accreditation Program
Prof. Dr. Pranee Tinakorn	<ul style="list-style-type: none"> ● Director Accreditation Program

	<ul style="list-style-type: none"> ● Audit Committee Program ● Monitoring the System of Internal Audit Function ● Monitoring the System of Internal Control and Risk Management ● Monitoring Fraud Risk Management ● Monitoring the Quality of Financial Reporting
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> ● Director Certification Program
Mr. Suthas Ruangmanamongkol	<ul style="list-style-type: none"> ● Director Certification Program
Mr. Pichai Chanvirachart	<ul style="list-style-type: none"> ● Director Certification Program
Mr. Sakchai Peechapat	<ul style="list-style-type: none"> ● Director Certification Program ● Director Accreditation Program
Mr. Metha Pingsuthiwong	<ul style="list-style-type: none"> ● Director Certification Program
Ms. Araya Thirakomen	<ul style="list-style-type: none"> ● Director Certification Program
Mr. Paiboon Nalinthrangkurn	<ul style="list-style-type: none"> ● Director Accreditation Program

5.8 Chief Executive Officer Performance Assessment

The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend the Chief Executive Officer Performance Assessment Guidelines for the Board's approval. The Chief Executive Officer's performance shall be assessed by the Nomination and Compensation Committee on an annual basis. The Nomination and Compensation Committee then reports the assessment result to the Board Meeting. The assessment shall be divided into 2 main parts: Financial KPI and Non-Financial KPI.

5.9 Succession Planning

To ensure stability and continuity of TISCO Group in future circumstances, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of Top Management 's succession plan. Said plan shall be regularly reviewed as appropriate. For other 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 the Bank or customers.
2. 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.
3. Supervisory responsibility	Supervisors shall be responsible for preventing their subordinates from violating applicable laws, regulations, and the professional code of conduct, as well as business ethics.
4. Record keeping and reporting duties	The Bank's financial and other record keeping must be accurate and complete. The Bank 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 the Bank's operations.
5. Duty of confidentiality towards the Bank and customers	Confidentiality towards the Bank and customers is fundamental to the Bank'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 the Bank regardless of personal interest. Business decisions shall be made to ensure maximum benefit for the Bank 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 the Bank or clients.
7. Political support	According to the rules laid down by the Bank, 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 Bank's compliance manual. With respect to Bank regulations governing employee securities trading, the Bank 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, seek approval from supervisors before executing trades or report to supervisors and the Compliance function after execution. Furthermore, the Bank also prohibits management and insiders from trading the Bank's shares from the last working day of the month until the day the Bank'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, 2008, the total number of employees at TISCO Group was 2,893 (excluding senior management) of which 2,628 were permanent employees and 265 contract staff.

Major Function	As of December 31	
	2008	2009
1. Retail and SME Banking	1,620	1,948
2. Private Clients and Asset Management	194	202
3. Corporate and Investment Banking	246	204
4. Corporate Investment	16	14
5. Corporate Function	575	525
Total	2,651	2,893

The number of employees of TISCO Group at the end of 2008 was increased by 242 additional staff, or 9.1% increasing as a result of 9 TISCO Bank's branches expansion. For the year 2009, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 1,489,758,886.01 Baht. In the last 3 years, the TISCO Group have adjusted personnel expenses to match business performance. The proportion of variable personnel expenses to total personnel expenses in 2007, 2008 and 2009 was 33%, 30% and 32% respectively.

8.8.1 TISCO Group Registered Provident Fund

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

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

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

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

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

The fund is supervised by the fund committee, which is comprised of the employee's elected representatives and the employer's appointed representatives. Terms for fund committee members are valid for two years, and any individual can be re-elected or re-appointed. The fund committee is responsible for the supervision of fund management and investment policy.

In 2002, TISCO Group established an additional fund to offer Employees an option to better match their desired risk and return profile named "TISCO Group Savings Registered Provident Fund." Also, the "TISCO Group Registered Provident Fund" was renamed "TISCO Group Investment Registered Provident Fund." These two funds differ only in investment policy, and members are able to switch between the two funds once a year if so desired.

As of December 31, 2009, the total fund size of "TISCO Group Investment Registered Provident Fund" was 812,357,738.32 Baht with 1,356 members. The total fund size of "TISCO Group Savings Registered Provident Fund" was 277,861,696.10 Baht with 1,039 members. The total fund size of "TISCO Asset Management Co., Ltd. Registered Provident Fund" was 97,282,836.06 Baht with 162 members.

8.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality in 2009, TISCO Group had established one Human Resources Policy that applies to all TISCO entities. Human Resources system and tools are developed to ensure the most effective human resource management and development. Human Resources operations are centralized for work efficiency and consistency. Meanwhile, decentralized authority and empowerment is embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry. The policy is shown as follows:

1. Principles of Dealing with People at TISCO Group

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

- 1 Customer Priority
- 2 Integrity
- 3 Reliability
- 4 Mastery

2. Hiring

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

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

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

3. Employment at TISCO Group

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

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

4. Assessment and Development

4.1 Assessment

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

consultation to suit each business environment while maintaining corporate standards of people quality.

4.2 Development

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

The Human Resources function is responsible for providing knowledge and skills development at the corporate level for corporate competitive advantage. At the Business Unit level, the Human Resources function provides consultation and advice on development methodology and techniques to maximize learning and development of human capital to add value to the business. Human Resources is also responsible for the recording of organizational knowledge and the skills inventory of all business units in TISCO Group.

5. Career Management

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

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

6. Performance Management

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

7. Employee Compensation and Benefits

TISCO Group recognizes that its employees are its most important resource and thus places great emphasis on their health, safety and well being TISCO Group arranges for all employees to have annual physical checkups, and has set up facilities for aerobic exercise, yoga, badminton, football, golf, and other activities, for the use of its employees. Regarding employee safety, TISCO Group provides life and travel insurance for each employee as well as arranging fire drills annually under the Workplace Safety Committee's supervision. Additionally, TISCO Group has also set up the Employee Welfare Committee to be responsible for monitoring, attending to and recommending policies regarding employee welfare.

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

TISCO Group has adopted the broad banding system specifically to facilitate the implementation of a flat organizational structure. The system is flexible so as to be able to adapt to the evolution of market conditions. The broad banding structure allows sufficient flexibility to effectively reward high professional insight and performance as well as individual potential in both generalist and specialist employees.

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

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

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

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

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

7.2 Pay for performance

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

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

8. Human Resources Administration

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

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

9. Succession Planning

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

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

8.8.3 Organizational Development

TISCO Group have focused a great deal of energy towards becoming a "learning organization" through performance and competency development, productivity improvement, leadership and developmental effectiveness. This has led TISCO Group to undertake many changes and pursue a strategy of continuous development. In 2009, TISCO Group continued implementing development programs as follows:

1. Branded Customer Service Project

As the financial services needs of customers rapidly change, the banking industry faces significant delivery challenges. TISCO Group has realized the importance of concentrating on service quality as the way to increase customer satisfaction and loyalty to confirm our customer centric strategy, and to improve the core competence and business performance. The Branded Customer Service Project includes an assortment of activities such as the Customer Service Research and Survey in order to assess the needs, expectations, and satisfaction of our customers as well as service staff. The research results are taken into consideration as the groundwork of this project to identify the standard of customer service attitudes and behaviors of all frontlines staff at all TISCO Bank branches.

a. **Performance and Competency Development Project**

TISCO Group consistently supports the Performance and Competency Development of people and organizational effectiveness. Under the philosophy of Customer Centric, training and development activities aimed to enhance quality, effectiveness and risk protection. Working guidelines and procedures had developed to ensure the delivery of standard service. The target group were all employees in particular to Relationship Manager, Sales, Customer Service and Teller.

3. 2009 Corporate Training

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

4. Executive Trainee

In 2009, TISCO Group continued the implementation of its Executive Trainee Development Program. The participants are employees with high performance potential, as well as experienced TISCO staff with exceptional leadership qualities. Executive trainees learned all of the group's business strategies and key success factors, were given an overview of the need for good governance, and benefited from lectures aimed at sharing expertise delivered by top managers in TISCO Group, as well as some external resources. This program, which grooms fresh prospects to become exemplary "TISCO Officers" capable of becoming TISCO executives in the future, encourages staff to initiate, analyze, and be knowledgeable in all aspects of the business.

5. TISCO Culture and Value enhancement

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

9. Internal Control

9.1 Internal Control Overview

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

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

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

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

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

Specific-Area Committee of TISCO Financial Group

- The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of TISCO Group to ensure comprehensive and timely risk monitoring and control. The 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 Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed. The Compliance and Internal Control division, which is comprised of Compliance and Internal Control functions of TISCO Bank, TISCO Securities, and TISCO Asset Management, supports the committee and is responsible for reviewing and monitoring the internal controls system at the transaction level and reporting to the Head of Compliance and Internal Control. The Head of Compliance and Internal Control regularly reviews the internal controls system of all business operations, while ensuring good compliance with the internal guidelines and related laws and regulations.
- The Information Technology Committee is responsible for setting up an effective IT technology policy and prudent operating guidelines to ensure accuracy and security of information.

Specific-Area Committee of TISCO Bank and other subsidiaries

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

committees in assessing and controlling the credit approval process of each transaction. In addition, the Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.

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

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

9.1.1 Audit Committee Report

The Audit Committee held 12 meeting in Year 2009. Major activities performed by the Committee were as follows:

1. Reviewing quarterly and annual financial statements audited by the certified public accountant which consideration for the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors.
2. Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions. Also, assessing the independence of internal audit department and endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit, and acknowledging the results of audits.
3. Endorsing annual compliance plan and the Compliance Charter, and acknowledging the compliance activities in Year 2009 covering training and communication for TISCO staff, compliance monitoring, complaint management, examination of TISCO by regulators, and changes in related laws and regulations. Also, meeting with Head of Compliance & Internal Control and Head of Legal in acknowledging the status of regulatory compliance with all necessary rules and regulations, litigation, annual compliance reports and non-compliance issues arising during the year.
4. Considering suitability, selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Supachai Phanyawattano of Ernst & Young Office Limited as the auditor of the Company and its subsidiaries for the Year 2009. The Committee viewed that Ernst & Young Office Limited is a qualified audit firm that acquires good credentials and proven track records together with a reasonable audit fee.
5. Meeting with Financial Controller and the certified public accountant in acknowledging and reviewing related party transactions or transactions that may lead to conflicts of interests for the Year 2009 and the pricing policy for the transactions to ensure the conformity with laws and regulations. The Committee viewed that those transactions were conducted in a normal course of business operation or were justified for the best interests of the Company. In addition, their disclosures were in compliance with the corporate governance policy and related party transaction policy of the Company.
6. Meeting with management in updating and monitoring on the progress of implementation of the operational risk management, and also the status and effectiveness of the enterprise risk management system, risk management framework & tools, risk self-assessment on all types of risks, namely strategic risk, market risk, credit risk, liquidity risk, and operational risk, and the enhancement of risk management system in order to support the minimum credit risk capital requirement based on Basel II – Internal Rating Based Approach (Basel II – IRB).

7. Reviewing the internal audit's preliminary report on the assessment of TISCO fraud prevention and detection system in two perspectives, namely the evaluation of TISCO strengths and weaknesses in fraud risk management, and the assessment of TISCO practices to prevent major fraud schemes common to banking organizations, and recommending to the Board of Directors for acknowledgement.
8. Meeting with Head of Human Resources & Organization Development in acknowledging TISCO Group's employee code of conduct and report of code violations and disciplinary actions in Year 2009.
9. Acknowledging the results of external assessment and examinations by the Bank of Thailand and the Securities and Exchange Commission, Thailand, and assessing corrective actions on important findings. Also, conducting self assessment, developing an annual plan, and reviewing the Charter of Audit Committee before proposing to the Board of Directors for acknowledgement.

In conducting Audit Committee's self assessment, the Audit Committee compared the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The Audit Committee opines that the Audit Committee members have carried out their duties and responsibilities adequately and effectively according to the Charter of Audit Committee and as delegated by the Board of Directors.

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

See the Report of the Audit Committee in Attachment 4.

9.2 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2010 on February 26, 2010, where all Audit Committee members and independent directors were present, the Board assessed the Company's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Company's internal control system is adequate based upon the assessment of five aspects: Organizational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 6.

9.3 Independent Auditor's Comment on Internal Control System

In year 2009, Ernst & Young Office Limited as independent auditor of the Company had no comments on the internal control system.

10. Related Party Transactions

In 2009, the Company had related party transactions only with its subsidiary companies. These transactions were the supporting transaction for normal business operation of TISCO Group, according to the consolidated supervision principle by the Bank of Thailand. The transactions did not incur any conflict of interests, and disclosed in the notes to financial statement item 3.24 and 4.6.

10.1 Measures or procedures for approval of related party transactions

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

10.2 Future related transaction policy

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

11. Financial Status and Performance

11.1 Financial Statements

11.1.1 Auditor's Report

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2007 and 2008

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, 2007 and 2008 was Mr. Narong Puntawong, Certified Public Accountant (Thailand) No. 3315, 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, 2007 and 2008, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2008 and 2009

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, 2008 and 2009 was Mr. Supachai Phanyawattano, Certified Public Accountant (Thailand) No. 3930, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

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

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

TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31

	Unit: Baht		
	2007	2008	2009
ASSETS			
CASH	439,899,137	595,570,347	826,526,233
INTERBANK AND MONEY MARKET ITEMS			
Domestic			
Interest bearing	249,079,891	13,469,082,429	10,452,308,437
Non-interest bearing	623,051,763	44,195,931	2,191,309,753
Foreign items			
Interest bearing	82,039,317	77,693,216	64,626,083
Non-interest bearing	95,983,409	26	-
Total Interbank and money market items – net	1,050,154,380	13,590,971,602	12,708,244,273
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	2,400,000,000	-	-
INVESTMENT IN SECURITIES			
Current investment – net	1,575,024,537	2,706,174,952	2,628,124,929
Long-term investment – net	4,205,541,687	2,649,306,996	6,809,821,841
Net investments	5,780,566,224	5,355,481,948	9,437,946,770
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	29,422,882	700	139,724,828
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Loans and receivable	86,420,407,816	103,109,705,688	113,232,976,867
Securities business receivable	1,405,656,785	667,372,933	1,016,338,987
Total loans and receivable	87,826,064,601	103,777,078,621	114,249,315,854
Accrued interest receivable	155,649,753	136,704,347	116,856,703
Total loans, receivable and accrued interest receivable	87,981,714,354	103,913,782,968	114,366,172,557
Less : Allowance for doubtful accounts	(2,805,418,008)	(1,854,509,254)	(2,425,265,350)
Less : Allowance for loss on debt restructuring	(538,175)	(18,258)	(18,258)
Net Loans, receivable and accrued interest receivable	85,175,758,171	102,059,255,456	111,940,888,949
PROPERTY FORECLOSED – net	1,042,318,525	1,005,709,117	49,170,844
LAND, PREMISES AND EQUIPMENT – Net	1,563,081,469	1,658,578,523	1,558,671,038
DEFERRED TAX ASSETS	426,542,297	417,081,532	696,617,396
OTHER ASSETS	1,045,353,206	1,490,488,212	1,446,564,262
TOTAL ASSETS	98,953,096,291	126,173,137,437	138,804,354,593

TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31

	Unit: Baht		
	2007	2008	2009
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS IN BAHT	35,714,173,953	58,822,617,507	56,808,482,590
INTERBANK AND MONEY MARKET ITEMS			
Domestic – interest bearing	5,852,187,820	5,727,882,862	6,380,215,568
LIABILITY PAYABLE ON DEMAND	475,067,616	496,740,597	345,170,135
BORROWINGS			
Short-term borrowings	32,744,785,052	41,768,420,409	53,698,938,646
Long-term borrowings	8,005,054,853	4,899,301,740	5,429,750,030
Total borrowings	40,749,839,905	46,667,722,149	59,128,688,676
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	576,524,037	339,141,179	192,815,085
SECURITIES BUSINESS PAYABLE	866,189,116	292,190,840	958,531,546
ACCRUED INTEREST PAYABLE	782,340,521	878,535,993	263,481,507
OTHER LIABILITIES	1,563,168,325	1,412,268,512	2,208,252,790
TOTAL LIABILITIES	86,579,491,293	114,637,099,639	126,285,637,897

TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31

	Unit: Baht		
	2007	2008	2009
SHAREHOLDERS' EQUITY			
Share capital			
Registered	11,002,000,000	11,002,010,000	11,002,010,000
Issued and paid up – Registered			
698,558 Preferred shares of Baht 10 each (2007: 182,775,380 Preferences shares of Baht 10 each)	1,827,753,800	-	6,985,580
726,165,221 Ordinary shares of Baht 10 each (2007: 544,617,120 Ordinary shares of Baht 10 each)	5,446,171,200	10,000	7,261,744,290
Issued and paid up – Awaiting to Register			
(2008: 183,427,226 Preferred shares of Baht 10 each)	-	1,834,272,260	-
(2008: 541,179,179 Ordinary shares of Baht 10 each)	-	5,411,791,790	92,080
Share premium			
Share premium of preference shares	84,925,420	-	-
Share premium of ordinary shares	36,500,000	-	-
Adjustment from Holding Company Restructuring Plan under common control	-	656,755,136	672,294,885
Revaluation surplus (deficit) on changes in the value of investment	751,139,152	(398,991,796)	(37,792,840)
Unrealised losses on cash flow hedges	-	-	(21,924,048)
Translation adjustments	73,872,818	78,101,573	86,441,426
Retained earnings			
Appropriated – statutory reserve	486,800,000	-	119,800,000
Unappropriated	3,666,442,608	3,835,778,528	4,342,447,016
Equity attributable to Bank's shareholders	12,373,604,998	11,417,717,491	12,429,996,309
Minority interest - equity attributable to minority shareholders of subsidiaries	-	118,320,307	88,720,387
TOTAL SHAREHOLDERS' EQUITY	12,373,604,998	11,536,037,798	12,518,716,696
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	98,953,096,291	126,173,137,437	138,804,354,593

TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER

	Unit: Baht		
	2007	2008	2009
Interest and dividend Income			
Loans	1,044,299,001	1,214,895,743	1,262,275,128
Interbank and money market items	441,708,308	333,885,837	150,391,904
Hire purchase and financial lease income	5,173,014,718	5,679,673,468	6,426,676,655
Investments	285,165,468	357,367,145	633,313,336
Total interest and dividend income	6,944,187,495	7,585,822,193	8,472,657,023
Interest expenses			
Deposit	2,195,247,918	1,789,712,880	1,098,196,246
Interbank and money market items	134,657,541	153,626,516	198,309,461
Short-term borrowings	858,962,585	1,286,199,736	915,794,785
Long-term borrowings	267,509,933	194,655,549	279,455,206
Total interest expenses	3,456,377,977	3,424,194,681	2,491,755,698
Net interest and dividend income	3,487,809,518	4,161,627,512	5,980,901,325
Bad debts and doubtful accounts	(695,066,913)	(980,498,975)	(1,547,877,882)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	2,792,742,605	3,181,128,537	4,433,023,443
Non-interest income			
Brokerage fees	627,339,484	521,211,961	546,735,454
Gain (loss) on investments	376,087,382	(218,389,416)	9,718,435
Gain (loss) on derivatives	22,143,500	(4,219,300)	(177,400)
Fees and service income			
Acceptances, aval and guarantees	10,203,762	10,201,047	9,850,231
Others	1,184,130,111	1,429,034,157	1,521,211,246
Gain (loss) on exchange	(1,572,285)	(11,057,779)	9,197,728
Other income	226,031,878	407,546,947	776,519,888
Total non-interest income	2,444,408,832	2,134,327,617	2,873,055,582
Total net income	5,237,151,437	5,315,456,154	7,306,079,025
Non-interest expenses			
Personnel expenses	1,487,382,356	1,662,418,691	2,054,827,100
Premises and equipment expenses	511,497,512	590,715,874	698,959,730
Taxes and duties	117,984,924	113,370,452	117,550,903
Fees and service expenses	360,703,187	317,017,056	334,492,576
Directors' remuneration	8,050,000	7,550,000	7,985,000
Other expenses	462,768,020	542,733,523	1,247,073,728
Total non-interest expenses	2,948,385,999	3,233,805,596	4,460,889,037
Earnings before income tax and minority interest	2,288,765,438	2,081,650,558	2,845,189,988
Corporate income tax	(637,583,504)	(361,039,168)	(840,440,709)
Earning before minority interest	1,651,181,934	1,720,611,390	2,004,749,279
Minority Interest In Net Earnings In Subsidiary Companies	(70,484)	(6,473,210)	(16,355,892)
Net earnings for the year	1,651,111,450	1,714,138,180	1,988,393,387
Diluted earnings per share	2.01	2.11	2.62

TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER

	Unit: Baht		
	2007	2008	2009
Cash flows from operating activities			
Income before corporate income tax and minority interest	2,288,765,438	2,081,650,558	2,845,189,988
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	230,523,768	251,295,706	316,762,346
Bad debt and doubtful accounts	991,164,564	1,513,482,986	2,083,500,371
Allowance for impairment of investments (reversal)	(13,973,134)	11,585,602	6,265,109
Allowance for impairment of property foreclosed	9,055,388	14,953,680	494,780,383
Loss (gain) on disposal of investments	(368,592,309)	115,517,328	(4,771,246)
Unrealised loss on exchange (reversal)	4,334,311	11,057,779	(9,197,728)
Unrealised gain from derivatives	(12,000,000)	-	-
Loss (gain) on disposal of equipment	(4,669,267)	866,719	(11,424,816)
Loss from written-off equipment	-	-	7,736,445
Unrealised loss from trading securities	312,809	122,595,714	15,649,920
Gain from disposal of property foreclosed	(9,162,537)	(34,371,263)	(179,206,965)
Decrease (increase) in other accrued income	(37,174,399)	24,098,766	(35,650,627)
Increase in accrued expenses	83,779,072	81,405,233	254,937,107
Income from operating activities before changes in operating assets and liabilities	3,162,363,704	4,194,138,808	5,784,570,287
Decrease (increase) in operating assets			
Interbank and money market items	(77,147,030)	(12,529,908,932)	1,896,213,615
Securities purchased under resale agreements	(682,000,000)	2,400,000,000	-
Investment in securities	647	27,719,550	17,699,396
Receivable from clearing house	239,287,273	29,422,182	(139,724,128)
Loans and receivable	(15,531,180,034)	(19,280,238,280)	(12,598,373,351)
Securities business loans and receivable	(738,406,560)	738,283,852	(348,966,054)
Property foreclosed	1,531,579,373	1,703,167,228	2,443,709,501
Other assets	380,372,271	(288,448,554)	(94,501,332)

TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED 31 DECEMBER

	Unit: Baht		
	2007	2008	2009
Increase (decrease) in operating liabilities			
Deposits	(4,853,686,205)	23,108,443,554	(2,014,134,917)
Interbank and money market items	3,946,613,745	(1,943,571,386)	659,457,449
Liabilities payable on demand	(2,448,191)	21,672,981	(151,570,462)
Borrowings	11,596,223,512	5,930,854,194	2,581,171,325
Payable to clearing house	211,386,074	(237,382,858)	(146,326,094)
Securities and derivative business payables	155,549,882	(573,998,276)	666,340,706
Other liabilities	79,320,049	21,865,822	(192,582,354)
	(582,171,490)	3,322,019,885	(1,637,016,413)
Net Interest and dividend income	(3,487,809,518)	(4,161,627,512)	(5,980,901,325)
Cash received from interest income	6,882,701,195	7,779,649,681	8,839,187,778
Cash paid for interest expense	(3,132,796,810)	(3,341,445,163)	(3,450,104,868)
Cash paid for corporate income tax	(426,795,353)	(538,866,696)	(574,730,003)
Net cash flows from (used in) operating activities	(746,871,976)	3,059,730,195	(2,803,564,831)
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(12,256,561,803)	(11,503,235,200)	(6,767,589,910)
Cash received from disposal of investment in securities held for investment	11,244,424,257	9,568,282,118	8,249,823,586
Cash paid for purchase of property, plant and equipment	(161,128,723)	(261,215,672)	(179,768,206)
Cash received from disposal of equipment	5,288,486	6,694,651	31,189,922
Cash received from dividend	167,127,124	138,835,219	77,593,225
Cash received from capital return from subsidiaries	512,461,232	667,370,466	217,185,990
Cash paid for acquisition of a subsidiary	-	(51,871,200)	(890,321,287)
Cash paid for acquisition of the remaining shares in accordance with the Group shareholding restructuring plan			(1,768,289)
Net cash flows from (used in) investing activities	(488,389,427)	(1,435,139,618)	736,345,031
Cash flows from financing activities			
Dividend paid	(1,633,234,980)	(1,489,771,452)	(1,367,827,404)
Cash paid for redemption of long-term debenture and debt instruments	(4,800,000,000)	-	(331,000,000)
Cash received from issue of long-term debenture and debt instruments	7,884,832,583	-	4,000,000,000
Cash received from exchange of warrants to purchase preference shares	21,611,970	16,623,330	-
Net cash flows from (used in) financing activities	1,473,209,573	(1,473,148,122)	2,301,172,596
Translation adjustment	(8,273,795)	4,228,755	(2,996,910)
Net increase in cash	229,674,375	155,671,210	230,955,886
Cash at beginning of the year	210,224,762	439,899,137	595,570,347
Cash at the end of the year	439,899,137	595,570,347	826,526,233

11.1.2 Important Financial Ratios

		2007	2008	2009
Profitability Ratio				
Gross Profit Margin	(%)	56.5	60.8	73.2
Net Profit Margin	(%)	31.5	32.2	27.2
Return on Average Shareholders' Equity	(%)	13.2	14.4	16.7
Interest Income Ratio	(%)	7.9	7.0	6.4
Interest Expense Ratio	(%)	4.6	3.5	2.1
Interest Spread	(%)	3.4	3.4	4.3
Return on Investment	(%)	13.4	2.4	8.7
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	3.8	3.7	4.5
Return on Average Assets	(%)	1.8	1.5	1.5
Total Asset Turnover	(times)	0.1	0.1	0.1
Financial Ratio				
Debt to Equity Ratio	(times)	7.0	9.9	10.1
Total Loans to Total Borrowing and Deposits	(%)	112.3	92.7	92.6
Total Loans to Public Borrowing	(%)	242.0	175.3	199.3
Public Borrowing to Total Liabilities	(%)	41.3	51.3	45.0
Dividend Payout Ratio	(%)	90.4	53.0	N.A.
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	3.2	1.8	2.1
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.7	2.3	1.4
Non-accrued loans ¹ to Total Loans	(%)	4.3	3.7	4.0
Loan loss provision to Non-performing loans	(%)	74.8	62.1	86.4
Accrued Interest Receivable to Total Loans	(%)	0.2	0.1	0.1
Other Ratios				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.02	0.01	0.01
Capital Funds to Risk Weighted Asset (BIS)	(%)	12.8	11.7	17.0
Net Capital Rule (TISCO Securities)	(%)	108.4	115.9	104.4

¹ according to the Bank of Thailand's definition

11.2 Explanation and Analysis of Financial Status and Performance

Major Events

Amidst the troubled economic conditions in 2009, TISCO Group was able to expand the business continuously throughout the year. In the first quarter of 2009, TISCO Financial Group Public Company Limited, the parent company of TISCO Group, successfully acquired Primus Leasing Company Limited, a captive leasing company for vehicles under the Ford, Mazda and Volvo Brands, with total assets of around 7 billion Baht. In addition, TISCO Bank Public Company Limited, a subsidiary of TISCO Financial Group Public Company Limited, has signed an auto hire purchase portfolio sale agreement in the second quarter of 2009, amounting 1,750 million Baht, with GMAC (Thailand) Limited. Moreover, TISCO Group had signed wholesale cooperation agreement to provide wholesale floor-plan financing to dealers of Ford, Mazda, Volvo, and Chevrolet nationwide.

TISCO Group has continuously opened new branches since the beginning of this year. During the year 2009, TISCO Group has opened 9 new branches, totaling 43 branches nationwide, which was a part of the group's strategy to strongly expand customer base, increase business volume for both saving and loan product, and to facilitate and serve growing customer's needs.

The Management Discussion and Analysis compares operating performance and financial position of TISCO Group for the year 2009, with TISCO Financial Group Public Company Limited as the parent company, with those of the year 2008

Movement of Money Market and Capital Market

Due to sluggish economy since year 2008, the government had issued several economic stimulation plans in attempt to encourage spending and investment. One of the plans was to decrease the policy rate down from 2.75% to 2.00% and 1.50% in the first quarter, and to 1.25% in the second quarter of 2009. Meanwhile, average 3-Month fixed deposit rates of Top 5 commercial banks decreased from 1.58% at the end of 2008 to 0.71% at the end of 2009 while the average minimum lending rate of Top 5 commercial banks decreased from 6.90 % to 5.94% at the end of 2009.

In 2009, the domestic economy has started to recover due to several government spending projects, improvement in investor's confidence, and increase in public consumption. The SET index improved from the last year ending at 734.54 points, increased by 284.58 points. In terms of the trading activity, average daily turnover increased from 15,869.94 million Baht to 17,852.52 million Baht following the improvement of domestic and international capital market.

11.2.1 Operating Results for the Year 2009

TISCO Financial Group Public Company Limited had net profit from operations totaling 2,394.29 million Baht. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company's consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

During the year 2009, TISCO Group had the net profit before minority interest at 2,004.75 million Baht, increased by 284.14 million Baht (16.0% YoY) contributed by an increase in net interest and dividend income of 43.7% following strong expansion in corporate and retail lending businesses of 9.8%YoY (13.8% YoY including hire-purchase portfolio which was recorded as investment) together with an improvement in loan spread from 3.7% to 5.0%. Non-interest income was reported at 2,873.06 million Baht, increased by 738.73 million Baht (34.6%YoY), contributed by growth in banking fee of 27.3% (YoY) following strong loan growth, as well as the growth in asset management fee of 31.3% (YoY), which was mainly contributed by significant increase in variable performance and incentive fee following an improvement in capital market condition. In addition, the brokerage income increased by 4.9% (YoY), while TISCO Group recorded gain from investment totaling 9.54 million Baht, comparing to loss on investment of 222.61 million Baht in 2008. Overall, net profit after minority interest for the year 2009 totaled 1,988.39 million Baht.

Diluted earnings per share for the year 2009 were 2.62 Baht compared with those in 2008 of 2.11 Baht. The return on average equity (ROAE) for the year 2009 was 16.7% comparing with that in 2008 of 14.4%.

(1) Consolidated Revenue Structure

The Company and its subsidiaries' consolidated revenue structure in 2008 and 2009 is illustrated in Table 1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2008		2009		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest and dividend income					
Interest on loans	1,214.90	19.3	1,262.28	14.3	3.9
Interest on interbank and money market items	333.89	5.3	150.39	1.7	(55.0)
Hire purchase and financial lease income	5,679.67	90.2	6,426.68	72.6	13.2
Investments	357.37	5.7	633.31	7.2	77.2
Total interest and dividend income	7,585.82	120.5	8,472.66	95.7	11.7
Interest expenses	(3,424.19)	(54.4)	(2,491.76)	(28.1)	(27.2)
Net interest and dividend income	4,161.63	66.1	5,980.90	67.6	43.7
Non-interest income					
Brokerage Fees	521.21	8.3	546.74	6.2	4.9
Gain on securities	(218.39)	(3.5)	9.71	0.1	(104.3)
Fees and services income	1,423.97	22.6	1,537.09	17.4	6.4
Others	407.54	6.5	779.52	8.8	98.2
Total non-interest income	2,134.33	33.9	2,873.06	32.4	34.6
Total income before bad debts and doubtful accounts	6,295.96	100.0	8,853.96	100.0	40.6
Bad debt and doubtful accounts	(980.50)		(1,547.88)		
Total income – net of bad debts and doubtful accounts	5,315.46		7,306.08		
Non-interest expenses	(3,233.81)		(4,460.89)		
Profit before income tax and minority interest	2,081.65		2,845.19		
Corporate income tax	(361.04)		(840.44)		
Profit before minority interest	1,720.61		2,004.75		
Minority interest in net earnings in subsidiary company	(6.47)		(16.36)		
Net Profit	1,714.14		1,988.39		

(2) Net Interest and Dividend Income

Net interest and dividend income during the year 2009 was 5,980.90 million Baht, increased by 1,819.27 million Baht (43.7% YoY), while interest and dividend income was 8,472.66 million Baht, increased by 886.83 million Baht (11.7% YoY), following strong expansion in loan portfolio. Meanwhile, interest expense decreased by 932.44 million Baht (27.2% YoY), to 2,491.76 million Baht, following the downward interest rate environment since the beginning of this year and the increase in portion of saving accounts and current accounts from 11.5% to 22.9% in 2009 (YoY).

TISCO Group was able to increase loan spread to 5.0%, compared to 3.7% (YoY) through its ability to manage assets and liabilities mix as TISCO Group has pursued the strategy to penetrate in high-yield loan segments under prudent risk management. Meanwhile, cost of fund significantly lowered following downward interest rate environment and strong growth in retail deposit base.

TISCO Group reported net interest and dividend income after bad debts and doubtful account of 4,433.02 million Baht, increased by 1,251.89 million Baht (39.4% YoY). Bad debts and doubtful account was 1,547.88 million Baht, including loan loss reserve from the best estimate of expected credit losses from the portfolio over the next 12 months, totaling 1,086.62 million Baht and general reserve for future volatility of 461.26 million Baht. The increase in bad debts and doubtful account, comparing to 980.50 million Baht in 2008, was in line with loan growth and improvement in asset quality.

Table 2: Interest spread year 2008 - 2009

%	2008	2009
Yield on Loans	7.3	7.1
Cost of fund	3.6	2.1
Loan spread	3.7	5.0

(3) Non-interest Income

Non-interest income of TISCO Group's core businesses was recorded at 2,863.51 million Baht, increased by 506.58 million Baht (21.5% YoY), following an increase in banking fee of 348.98 million Baht (27.3% YoY), to 1,628.35 million Baht as contributed by strong loan growth. The fee income from asset management business increased by 153.19 million Baht (31.3% YoY), mainly contributed by significant increase asset under management and variable performance and incentive fee of 129.77 million Baht (752.1% YoY). In addition, Brokerage income increased by 25.52 million Baht (4.9% YoY) due to capital market improvement. Meanwhile, TISCO Group recorded gain from investment totaling 9.54 million Baht, comparing to loss on investment of 222.61 million Baht in 2008. As a result, the total non-interest income increased by 738.73 million Baht (34.6% YoY) to 2,873.06 million Baht.

(4) Non-interest Expenses

Non-interest expenses for this year were 4,460.89 million Baht, increased by 1,227.08 million Baht (37.9% YoY). The increase was due to additional reserve setup of foreclosed assets during the current year. The group had outstanding foreclosed assets totaling 586.45 million Baht mainly comprised of land and building. With current economic situation, the immediate force sale of these assets may cause the selling price to be undervalued, while the company was required to dispose these assets according to the BOT. The Company therefore decided to postpone the sale of these assets. As of December 31, 2009, the Company had 100% reserve set up for foreclosed assets with holding periods exceeding 10 years amounting 537.28 million Baht under prudent and conservative provisioning policy.

In addition, the increase in non-interest expenses was due to higher premises and equipment expenses from the investment in information technology and infrastructure in supporting increased business volume and service coverage. When excluding the reserve set up for foreclosed assets during the year, the non interest expenses otherwise increased by 21.3% YoY and cost to income before bad debts and doubtful accounts ratio for the year 2009 improved to 45.4%, comparing to 51.4% in 2008.

(5) Bad Debt and Doubtful Accounts

In 2009, TISCO Group had setup higher provision for bad debts and doubtful accounts. TISCO Group's specific loan loss reserve required by the Bank of Thailand was 1,086.62 million Baht which was derived from the best estimate of expected credit losses from the portfolio over the next 12 months. This required specific loan loss reserve for the year 2009 accounted for 1.0% of total loan portfolio, slightly decreased from 2008 which was in line with asset quality improvement and the decrease in NPL ratio from 2.9% to 2.5%. Meanwhile, the loss from sales of car repossession decreased, following the decline in oil price. Although the domestic economy was in recovery stage, there still remain several risk factors in the market such as oil price and interest rate which were highly volatile. TISCO Group, therefore, decided to set up additional general reserve amounting 461.26 million Baht during the year, with total amount of 727.85 million Baht as at December 31, 2009 to cushion against future volatility and systematic market risk.

At the end of 2009, TISCO Group had foreclosed properties of 537.28 million Baht, while some of the assets were disposed during the year amounting 473.71 million Baht, accounted for 3.4% of capital fund. The ratio was below the Bank of Thailand requirement, which specifies that if such foreclosed properties are held longer than 10 years and total amount exceeds 10% of capital fund, the financial institutions are required to set up 70% reserve of total foreclosed properties within 7 years. Therefore, TISCO Group was not required to set up any additional reserve. Nevertheless, since TISCO Group had minimal amount of foreclosed properties and intended to avoid possible burdens and impairment risk in the future, TISCO Group decided to set up 100% reserve of foreclosed properties, totaling 537.28 million Baht, whereby the book value of such foreclosed properties was already adjusted for current market price.

(6) Corporate Income Tax

In 2009, the corporate income tax was 840.44 million Baht, equivalent to the effective tax rate of 29.5%, compared to 17.3% (YoY).

11.2.2 Financial Position

(1) Assets

TISCO Group's total assets as of December 31, 2009 were 138,804.36 million Baht, increased by 12,631.23 million Baht (10.0% YoY) following strong loan growth from 103,109.71 million Baht to 113,232.98 million Baht (9.8% YoY).

Table 3: Assets Breakdown as of December 31, 2008 and 2009

Assets	December 31, 2008		December 31, 2009		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	595.57	0.5	826.53	0.6	38.8
Interbank and Money Market Items	13,590.97	10.8	12,708.24	9.2	(6.5)
Securities purchased under resale agreements	0.00	0.0	0.00	0.0	0.0
Fixed income	2,712.76	2.2	3,512.55	2.5	29.5
Equity	2,642.72	2.1	5,925.40	4.3	124.2
Corporate Loans	19,488.07	15.4	19,391.66	14.0	(0.5)
Retail Loans	78,993.14	62.6	88,108.00	63.5	11.5
Other Loans	4,628.50	3.7	5,733.31	4.1	23.9
Allowance for doubtful accounts and for loss on debt restructuring	(1,854.53)	(1.5)	(2,425.28)	(1.7)	30.8
Other Assets	5,375.94	4.3	5,203.94	3.6	(6.5)
Total – The Company and Subsidiaries	126,173.13	100.0	138,804.36	100.0	10.0

(a) Investments

At the end of 2009, the investment increased by 4,082.48 million Baht (76.2% YoY), following the transfer of hire purchase portfolio from Primus Leasing Company Limited and GMAC (Thailand) Limited which was recorded as investment according to the accounting standard. After including the hire purchase portfolio recorded in investment, the loan portfolio increased by 13.8% YoY.

(b) Loans and Receivables Breakdown

Total consolidated loans and receivables were 113,232.98 million Baht, up by 10,123.27 million Baht (9.8% YoY), following growth in corporate and retail loan. The composition of loan portfolio was 77.8% of retail loans, 17.1% of corporate loans, and 5.1% 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, 2008 and 2009

Type of Business	December 31, 2008		December 31, 2009		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	7,342.21	7.1	10,185.79	9.0	38.7
Real estate and construction	8,807.72	8.5	6,237.64	5.5	(29.2)
Public utilities and services	3,212.80	3.1	2,833.16	2.5	(11.8)
Agriculture and mining	125.35	0.1	135.07	0.1	7.8
Commercial Lending	19,488.07	18.9	19,391.66	17.1	(0.5)
Hire purchase	77,287.11	75.0	86,632.18	76.5	12.1
Housing	1,706.03	1.7	1,475.83	1.3	(13.5)
Retail Lending	78,993.14	76.6	88,108.00	77.8	11.5
Others	4,628.50	4.5	5,733.31	5.1	23.9
Total – The Company and Subsidiaries	103,109.71	100.0	113,232.98	100.0	9.8

(c) Non-performing Loans

TISCO Group has prudently managed non-performing loans (NPLs) with effective risk management tools and stringent practice of loan collection, debt restructuring and write-off process. NPL ratio was reported at 2.5% as of December 31, 2009, significantly decreased from 2.9% as of December 31, 2008. Additionally, NPL ratio of retail loan and corporate loan was 1.9% and 3.5%, respectively with total NPLs of 2,806.57 million Baht which decreased by 6.0% or 177.84 million Baht during the period. (NPLs of the Bank was 2,461.08 million Baht and there was NPLs of 345.49 million Baht from other subsidiaries).

Table 5: NPLs Breakdown by Area as of December 31, 2008 and 2009

Type of Business	December 31, 2008			December 31, 2009			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	1.4	102.22	3.4	1.4	139.80	5.0	36.8
Real estate and construction	4.9	435.09	14.6	7.2	446.99	15.9	2.7
Public utilities and services	2.1	68.93	2.3	2.9	82.95	3.0	20.3
Agriculture and mining	0.2	0.25	0.0	2.3	3.10	0.1	1,162.2
Commercial Lending	3.1	606.49	20.3	3.5	672.85	24.0	10.9
Hire purchase	2.2	1,719.79	57.6	1.7	1,497.31	53.4	(12.9)
Housing	11.0	187.94	6.3	11.6	170.50	6.1	(9.3)
Retail Lending	2.4	1,907.73	63.9	1.9	1,667.82	59.4	(12.6)
Others	8.9	470.19	15.8	6.9	465.90	16.6	(0.9)
Total – The Company and Subsidiaries	2.9	2,984.42	100.0	2.5	2,806.57	100.0	(6.0)

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

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel II framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based historical loss data incorporating with adjustment for the recent market situation. As of December 31, 2009, loan loss reserve of TISCO Group was 2,425.28 million Baht or 86.4% of NPLs. Total loan loss reserve of the Bank was 2,088.43 million Baht with specific reserve for classified loan of 1,360.59 million Baht and general reserve of 727.85 million Baht. Total reserve was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,327.67 million Baht, reflecting the prudent provisioning policy to mitigate potential risk.

Table 6: Allowance for doubtful accounts – classified by the receivables classification as of December 31, 2008 and 2009

Type of receivables classification	December 31, 2008 (Bt. million)	%	December 31, 2009 (Bt. million)	%	% Change
Pass	411.50	22.2	732.74	30.2	78.1
Special mentioned	37.82	2.0	97.12	4.0	156.8
Substandard	245.65	13.2	229.55	9.5	(6.6)
Doubtful	195.79	10.6	113.80	4.7	(41.9)
Doubtful of loss	697.00	37.6	524.20	21.6	(24.8)
General reserve	266.74	14.4	727.84	30.0	(172.9)
Total	1,854.51	100.0	2,425.26	100.0	30.8

(2) Liabilities

Total liabilities as of December 31, 2009 were 126,229.02 million Baht, increased by 11,591.92 million Baht (10.1 % YoY) following an increase in deposit portfolio for 9,916.38 million Baht (9.9% YoY), due to retail deposit base expansion strategy. The liabilities mix comprised of 87.5% total deposit including short-term borrowing, 5.1% interbank and money market items, 4.3% long-term borrowings, and 3.1% other liabilities. In addition, the bank issued additional subordinated debenture during the

current year amounting 4,000 million Baht, which will be counted as Tier II capital. The subordinated debenture will be matured in 2019.

Table 7: Liabilities Breakdown by Area as of December 31, 2008 and 2009

Type of Borrowings	December 31, 2008		December 31, 2009		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total deposits ¹	100,591.04	87.7	110,507.42	87.5	9.9
Interbank and money market items	5,727.88	5.0	6,380.22	5.1	11.4
Long-term borrowings	4,899.30	4.3	5,429.75	4.3	10.8
Others	3,418.88	3.0	3,911.63	3.1	14.4
Total – The Company and Subsidiaries	114,637.10	100.0	126,229.02	100.0	10.1

(3) Shareholders' Equity

Shareholder's equity and unappropriated retained earnings as of December 31, 2009 were 12,518.72 million Baht and 4,342.45 million Baht, respectively, increased by 982.68 million Baht (8.5% YoY) and 506.67 million Baht (13.2% YoY) respectively. During 2009, TISCO Group paid annual dividend amounting 908.03 million Baht with dividend payout ratio of 52.8% and paid interim dividend amounting 453.86 million Baht with dividend payout ratio of 47.5%

The book value per share (BVPS) as of December 31, 2009 was 17.22 Baht, increased from 15.92 Baht as at December 31, 2008. Moreover, TISCO Group had preferred share conversion to common share due to the expiry of preferential rights during the year. As at December 31, 2009, TISCO Group had paid-up shares amounting 726.87 million shares, comprising 726.17 million common shares and 0.70 million preferred shares.

(4) Commitments and contingent liabilities

TISCO Group's commitments and contingent liabilities included Avals, Guarantees of loans, and other obligations in 2008 and 2009 amounted to 7,548.19 million Baht and 2,504.32 million Baht, respectively. In addition, the decrease was mainly to maturity of cross currency swap contract and interest rate swap contract.

11.2.3 Business Segment Performances

(1) Banking Business

Loans

Total consolidated loans and receivables were 113,232.98 million Baht, up by 10,123.27 million Baht (9.8% YoY), following growth in corporate and retail loan. After including the hire purchase portfolio which was recorded as investment, the loan increased by 13.8% YoY. The composition of loan portfolio was 77.8% of retail loans, 17.1% of corporate loans, and 5.1% of other loans.

Corporate lending portfolio of TISCO Group totaled 19,391.66 million Baht, decreased by 96.41 million Baht (0.5% YoY), mainly due to a decrease in loans to real estate and construction.

Retail lending portfolio consisted of 98.3% car, motorcycle, and other hire purchase and 1.7% mortgage loans. The outstanding hire purchase loans equaled 86,632.18 million Baht, rose by 9,345.07 million Baht (12.1% YoY). Car hire purchase new business volume amounted 41,975.26 million Baht, increased by 526.27 million Baht (1.3% YoY), while the domestic car sales in the first 12 months of 2009 reported at 548,872 units decreased from 614,078 units (10.6% YoY), resulting in high car penetration rate of 12.0%, comparing with average penetration rate of 10.2% in 2008.

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

Deposit

Total deposit totaled 110,507.42 million Baht, increased by 9,916.38 million Baht (9.9% YoY). The portion of saving accounts and current accounts contributed to 22.9% of total deposits, increased from 11.5% (YoY).

Table 8: Deposits Structure as of December 31, 2008 and 2009

Type of Deposits	December 31, 2008		December 31, 2009		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	6,414.46	6.4	7,430.53	6.7	15.8
Saving accounts	5,140.40	5.1	17,920.36	16.2	248.6
Fixed accounts	4,043.74	4.0	1,939.79	1.8	(52.0)
Negotiate certificate deposit	43,221.62	43.0	29,515.42	26.7	(31.7)
Promissory notes and Bill of exchange	2.40	0.0	2.38	0.0	0.0
Short-term borrowings	41,768.42	41.5	53,698.94	48.6	28.6
Total deposits	100,591.04	100.0	110,507.42	100.0	9.9

The loans to deposit ratio equaled to 102.5% (YoY) which was the same level as year ended 2008

(2) Securities Business

At the end of 2009, the SET index ended at 734.54 points, increased from 449.96 points at the end of 2008, with average daily turnover of 17,852.52 million Baht, increased from 15,869.94 million Baht (12.5% YoY) due to more active investment climate as supported by retail investors and local institutional investors, following the improvement in economic condition.

Average daily turnover of TISCO Securities Co., Ltd. was 902.79 million Baht, increased by 6.8% (YoY) resulting in a growth in brokerage fee by 25.52 million Baht, ending at 546.74 million Baht (4.9% YoY). However, TISCO Securities' average market share decreased from 2.6% to 2.5%, mainly resulted by the decrease in market share of local institutional and retail sectors, following the proprietary trading of several securities companies in attempt to increase the revenue during sluggish capital market condition while TISCO Securities Co.,Ltd did not have proprietary trading. Moreover, the majority of TISCO's client emphasized on long-term investment and seldom traded on regular basis amidst bullish capital market that was in favor of short-term investment. When excluding proprietary trading, the market share of TISCO securities was maintained at the same level as of 2008 at 2.9%. Meanwhile, TISCO brokerage volume in 2009 comprised of 31.7% of foreign institutions, 26.3% of local institutions, and 42.0% of retail customers. Fee income from investment banking business in 2009 was 45.89 million Baht, comparing to 67.00 million Baht (YoY).

(3) Asset Management Business

Fee income from asset management totaled 642.54 million Baht, increased by 153.19 million Baht (31.3% YoY) with the significant increase in variable performance and incentive fee for 129.77 million Baht (752.1% YoY) and the increase in basic fee by 23.42 million Baht (5.0% YoY), following an increase in asset under management and improvement of fund performance.

As of December 31, 2009, the total asset under management of asset management industry amounted 2,407,039.25 million Baht, improved by 414,792.14 million Baht (20.8% YoY). TISCO's assets under management as of 31 December 2009 were 123,286.40 million Baht, increased by 16,300.08 million Baht (15.2% YoY). Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2009 was 5.1%, ranking 7th in the market. The market share of provident fund and private fund was 13.7% and 17.5%, ranking 3rd and 2nd in the market respectively. For mutual fund, the market share was 0.9%, ranking 15th in the market.

The composition of total asset under management was 57.2% of provident fund, 30.7% of private fund, and 12.2% of mutual fund. In addition, mutual fund business successfully launched variety of funds, totaling 23 funds, that corresponded to investor's needs in respond to the improvement of asset management industry.

Table 9: Assets under Management Breakdown by Type of Fund as of December 31, 2008 and 2009

Type of Fund	December 31, 2008		December 31, 2009		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	68,526.02	64.1	70,461.35	57.2	2.8
Private Fund	23,848.51	22.3	37,797.42	30.7	58.5
Mutual Fund	14,611.79	13.7	15,027.62	12.2	2.8
Total	106,986.32	100.0	123,286.40	100.0	15.2

11.2.4 Liquidity

As of December 31, 2009, the Company and its subsidiaries' cash was 826.53 million Baht, an increase of 230.96 million Baht. This was mainly comprised of 2,803.56 million Baht in net cash flows used in operating activities due partly to increasing in loans and receivables. Meanwhile, there was net cash flows from financing activities amounting 2,301.17 million Baht from issuing of long-term debenture and debt instruments, and net cash flow from investing activities amounting 736.34 million Baht mainly arising from an increase in disposal of investment in securities held for investment.

11.2.5 Sources and Uses of Funds

At the end of 2009, the funding structure as shown in the consolidated financial statement comprised of 126,229.02 million Baht in liabilities and 12,518.72 million Baht in shareholders' equity, resulting in a debt-to-equity ratio of 10.1. The major source of funds on liabilities side was deposits, which accounted for 79.6% of total source of funds. Other sources of funds included interbank and money market items and borrowing, accounted for 4.6% and 3.9% of total source of funds, respectively.

As of December 31, 2009, the Company and its subsidiaries major use of funds was loans, amounting 113,232.98 million Baht, resulting in a loan-to-deposit ratio¹ of 102.5%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

11.2.6 Capital Requirements

As of December 31, 2009, TISCO Group's capital based on Internal Rating Based Approach (IRB) stood at 14,445.90 million Baht comprising of Tier-I, Tier-II capital and adjustment from reserve. The integrated risk capital increased by 42.60 million Baht or 0.69% from 2008 to 6,208.80 million Baht following the expansion of the business together with improving credit quality over the year. In addition, the capital surplus was remarkably strong at 8,237.10 million Baht or 57.02%.

Comparing to the end of 2008, The market risk capital in 2009 significantly decreased by 346.65 million Baht from 1,848.47 million Baht to 1,501.81 million Baht, resulting from a decrease of listed-equity risk capital as recovery of investment position in listed equity corresponding to a rebound in stock market, together with a lower risk of properties foreclosed caused by an increasing in net provision and also partial liquidation of the foreclosed asset. Meanwhile, the credit risk capital rose by 284.10 million Baht to 3,961.08 million Baht following the expansion of retail lending business by 11.5% from 78,993.14 million Baht in 2008 to 88,108.00 million Baht at the end of 2009. In addition, credit risk profile of loan portfolio has gradually improved over the second half of 2009 with a drop in the portion of non-performing loan in retail lending business from 2.4% in 2008 to 1.9% in 2009.

In the meantime, the interest rate risk in banking book remained stable as a result of stable interest rate gap (BPV) during 2009. Although the assets duration was longer from 1.35 years to 1.62 years due to the expansion of long-term loan, the liabilities duration also increased from 0.34 year to 0.62 year as an issuance of long-term subordinated debentures during the year. Therefore, the duration gap of assets and liabilities remained stable and was still manageable in the range of 12 months.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions are still in strong and sufficient levels to cushion for the expansion of asset in the future. At the end of 2009, as the bank's capital requirement based on Basel II IRB

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

has become effective, the regulatory capital adequacy ratio (BIS ratio) after an adjustment of capital floor stood at 16.96% remaining higher than the 8.50% required by the Bank of Thailand, and higher than the capital requirement of 11.71% based on Basel II SA at the end of 2008. While Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 14.46% and 5.23%, respectively, Tier-I capital adequacy ratio also remained higher than the minimum requirement at 4.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. remained strong at 104.39%, greatly higher than the minimum required ratio by the SEC of 7.0%.

Table 10: Capital Adequacy Ratio as of December 31, 2008 and 2009

	December 31, 2008 ¹	December 31, 2009 ²
Tier-I Capital	11.23	14.46*
Total Capital	11.71	16.96**

¹ based on Basel II SA

² based on Basel II IRB

* Before an adjustment of capital floor

** After an adjustment of capital floor

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)	
	2008	2009	2008	2009
	Assets	1.35	1.62	473.35
Liabilities	0.34	0.62	(709.93)	(737.17)
Net Gap	1.01	1.00	(236.58)	(304.44)

11.2.7 Auditor's Fee

(1) Audit Fee

The Company and its subsidiaries paid the audit fee for the year 2009 of 6,270,000 Baht to Ernst & Young Office Limited. Moreover, The Company paid additional fee during the year totaled 151,000 Baht for auditing of Primus Leasing Co., Ltd. which currently in liquidation process.

(2) Non-audit Fee

The Company paid non-audit fees in 2009 amounted to 230,000 Baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand.

11.2.8 Credit Rating

In 2009, the Company offered short-term bill of exchange with tenor up to 270 days. The Company got long-term credit rating 'A-(tha)', rating outlook "stable" and short-term credit rating 'F2(tha)' from Fitch Ratings (Thailand) Co., Ltd. as at June 23, 2009. The ratings reflect the Company's strong asset quality, capital base, profitability. The details of credit ratings by Fitch Ratings (Thailand) are shown as follows;

Credit Rating (Unsolicited Rating)	June 23,2009
Long - term National Rating	A- (tha)
Short - term National Rating	F2 (tha)
Rating Outlook	Stable

12. Others related information

12.1 Corporate Social Responsibility

TISCO places great importance on its corporate commitment to social responsibility as one of the group's core values. Not only are the group's Corporate Social Responsibility ("CSR") projects and activities focused on the sustainable development of the nation's people, culture and environment, they are supported by the active participation of TISCO employees. Working groups for specific projects have been set up to maintain continuity in the activities and to evaluate whether the project's desired outcome has been attained.

TISCO focuses on corporate social responsibility takes into account all stakeholder groups, including shareholders, customers, employees and society. Guided by its code of ethical conduct and the principles of good corporate governance, TISCO strives to achieve the goals of social responsibility and environmental conservation which leads to sustainable development would not be possible. The key considerations for behaving in a socially responsible manner that have been the foundation of TISCO's practices for all through 40 years are as follows:

1. Business ethics
2. Continuous implementation derived from organizational culture
3. Beginning within the organization, then expanding to external society
4. Recognizing the importance of the environment

12.2 General Policy on Social Responsibility

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

In addition to its focus on business ethics and good corporate governance through internal controls, compliance and risk management policies closely monitored by management, the board of directors encourages the company to initiate and participate in social development programs, which are followed up on through reports at the board's meeting annually. The board also encourages TISCO's local branches to participate in community development activities, all of which are undertaken as long-term projects and closely monitored from year to year.

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 (see more details in Part 2 Section 9.5 Corporate Governance). The board carefully considers the various stakeholders' legal rights, and ensures that those rights are protected and treated with care. Co-operation between the company and all stakeholders is promoted in order to secure profits and business stability.

Shareholders TISCO Group respects the ownership rights of shareholders. To protect their interests, the group is committed to achieving the best performance possible in order to offer maximum shareholder value, as well as quality service that takes into account an ever-expanding scope of opportunities for future achievement. The shareholders are empowered to exercise their rights, for example, through the implementation of cumulative voting that allows minority shareholders to nominate directors (see more details in Part 2, Section 9.5 Corporate Governance, 2. Shareholders: Rights and Equitable Treatment).

Customers TISCO Group has embraced the policy of continuous development with the aim of becoming a fully-customer centric organization. To maximize client value, three business areas serving all key clients have been identified, comprising Retail and SME Banking, Private Clients and Asset Management, and Corporate and Investment Banking.

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.

Furthermore, to provide the best financial services, the group requires that its employees follow the guidelines set out in its "Know Your Customers" measures and under the "Customer Due Diligence" policy, bank employees must ensure that the services granted by TISCO are given at an appropriate risk level for each customer. This policy also requires that projects financed by the Bank operate in compliance with environmental regulations and do not create any adverse effects for the community and environment. Moreover, TISCO had established a "Productivity Improvement" department in 2009 to be responsible for improving operating process and resources efficiency usage of the organization.

TISCO Bank launched a new product called "TISCO Purse", a two-in-one card which functions as an ATM card and a digital payment card – or smart purse – instead of having to use cash. TISCO Purse cardholders can complete deposits, withdrawals, and money transfers at all TISCO's branches, all banks' ATMs, and also at Post offices nationwide. TISCO Bank also initiated the e-Money ATM machine, also called e-TM machine, a new financial innovation for doing electronic transactions with smart purse and/or ATM cards. Via TISCO e-TMs, customers can complete deposits, withdrawals, money transfers, and payments conveniently. TISCO Purse cardholders can top up their credit by transferring money from their saving accounts into their TISCO Purse card via ETMs. In 2009, our electronic card "TISCO Purse" was recognized as one of the innovative products from Financial Insights Innovative Awards by Financial Insights Asia/Pacific, a well-known research company in Singapore conducting the survey of more than 100 Asian financial institutions.

In addition, TISCO Group always adheres to the principle that our financial services will not be provided to businesses which do not comply with law and regulations, and our financing will not contribute to any social and environmental risk related projects. Besides, a new development in this year was the establishment of a new business unit in the Investment Banking group of TISCO Securities Co.,Ltd., named the Clean Development Mechanism (CDM) Division, to help mitigate global warming. The unit will accommodate the system of carbon trading by providing a Certified Emission Reductions brokerage service to work with project owners in identifying the most suitable buyers of CDM credits.

Trading partners and Creditors Any conditions within the agreement made with trading partners and creditors will be served honorably by the group. The group refrains from accepting or giving any benefits in bad faith from trading partners and creditors.

Competitors TISCO Group executes its business under the principles of fair competition and integrity.

Employees TISCO Group recognizes and values the dedication and commitment of staff in carrying out their duties. As an organization built on the solid foundation of good corporate governance, the group's goal is to equip employees with the education and training they need to serve customers with the highest standards of professionalism. To ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all may enjoy the fruits of the group's success.

Furthermore, 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 (See more details in Section 9.8 Human Resources).

The group's policies and objectives are delivered through continuous training and development programs as follows:

1. Specific Knowledge and Skills Training, which requires business units to plan staff development activities according to specific requirements.
2. Basic Training Courses designed to align employee knowledge and understanding with the requirements of their functions.
3. Strategic Policy Training

In 2009, the Human Resource & Organization Development department has continually arranged several training programs for TISCO employees throughout the year. TISCO held 238 in house courses with 1,226.50 training hours, and 295 outside programs of 3,076.50 training hours. In total the company provided 533 training programs using 4,303 training hours.

Society TISCO Group recognizes its responsibility for taking a leading role in making society a better place. Therefore, the group exercises this responsibility through a broad array of initiatives aimed at creating opportunities for sustainable development. TISCO's charitable works include scholarships for needy students and donations to support worthy causes. The group also extends its support to cultural and environmental activities.

Environment TISCO Group consistently supports activities aimed at conserving both internal and external resources and the environment. The group strives to cultivate the values of social responsibility and environmental awareness among all employees.

The Group's policy for protecting the rights and interests of shareholders, employees, customers, trading partners, creditors and competitors is disclosed in Part 2, Section 9.5 Corporate Governance.

12.3 Corporate Social Responsibility Highlights in 2009

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

1. Social Supports

1.1 TISCO Foundation for Charity

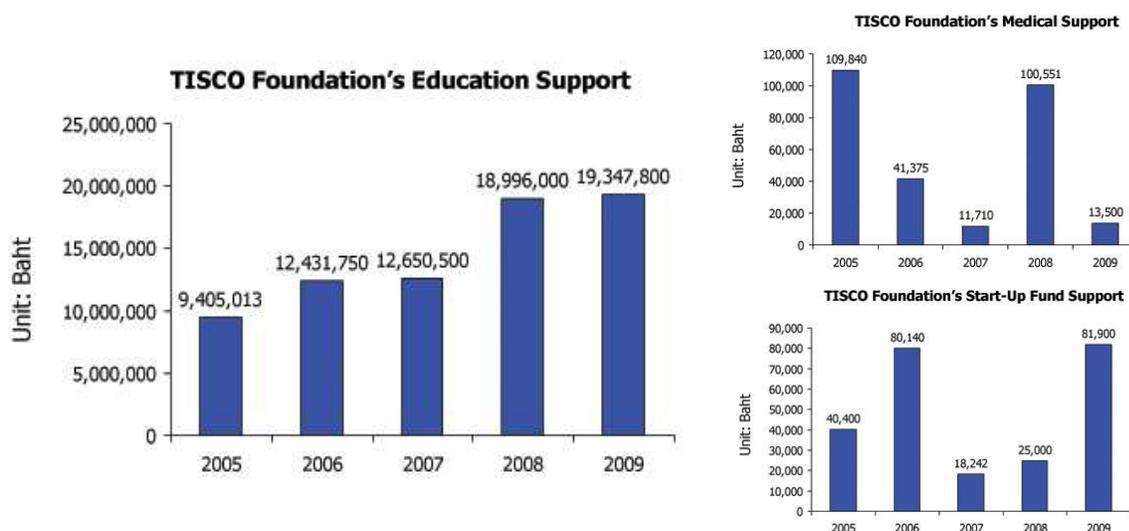
As a demonstration of TISCO Group's long-term commitment to sustainable development, the "TISCO Foundation for Charity" was established in 1982 to work towards the long-term goal of improving society and the nation. Since then, TISCO's major social contributions have been made through the work of TISCO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

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

Apart from the interest generated by the foundation's capital fund, the foundation has received regular support from TISCO Group, TISCO employees and the general public. The interest income from such funds has been donated to many charitable projects in accordance with the foundation's objectives. In 2009, TISCO mainly contributed to the TISCO Foundation at the total amount of 19,443,200 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



In 2009, TISCO Foundation provided 6,197 scholarships at the total amount of 19,347,800 baht to needy students at every level throughout the country i.e., 509 scholarships to primary school students, 4,726 scholarships to secondary school students, 532 scholarships to vocational school students, 285 scholarships to university students and 145 scholarships to other levels. Among these scholarships, 3,243 scholarships have been continuously granted, and 2,954 to the new recipients.

Moreover, TISCO Foundation has provided medical support and start-up fund for the underprivileged both in Bangkok and local areas. During the year contributions were 13,500 baht for medical support and 81,900 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.

In 2009, TISCO Foundation's staff went on field trips to follow up scholarships performance in various provinces, including Bangkok, Mae Hong Son, Chiang Rai, Nakhon Sawan, Prachin Buri, Nakhon Ratchasima, Nakhon Si Thammarat and Trang. 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.

1.2 40th TISCO Anniversary CSR Projects

To mark the 40th anniversary in 2009, CSR projects that were initiated are as follows:

"Rak Rian Ru Su Chumchon", an initiative of TISCO staff with the company support, aims to provide learning opportunities for children and people living in rural areas by building/renovating school libraries and donating books to 40 villages near TISCO's branches around the country. In the next phase of the project, those libraries will be served as a learning center of the community where TISCO staff will regularly support activities to promote learning ability.

"TISCO 40th Anniversary School Building"

A by-project of "Rak Rian Ru Su Chumchon" founded by TISCO staff who worked on location to select 40 schools in rural areas. At Baan Kiew Dong Mafai School in Udon Thani, not to mention the library's conditions, they found that the main school building was almost collapse. Major cracks and deformed building parts were there. Everyone agreed on the spot that the place urgently needs renovation for students' safety. TISCO then provided support of the new building construction. Fund raising activities were held including the selling of a pocket book "Financial Planning of 40 celebs", produced by TISCO, to promote the importance of saving and investment planning for long term goal to the public. All proceedings from the selling with out expense deduction were contributed to the school building fund.

1.3 Other Social Support Activities

A part from continuous social support activities through TISCO Foundation, TISCO Group also supports other social and community development including supporting education of children who have becomes orphans as a result of AIDS through Sem Pringpuangkeo Foundation, assisting underprivileged children through UNICEF, The Foundation of the Welfare of the Mentally Retarded of Thailand under the Royal Patronage of Her Majesty the Queen and Chiang Mai Mass Communication Alumni Association.

2. Environmental Conservation

Reforestation Project

In 2009, TISCO group organized its 22nd annual reforestation trip with participation and 250 staff, mostly new recruits, to plant more than 5,000 saplings on a 18-rai plot of land at the Huay Sai Royal Development Center at Cha-um district, Petchaburi province. Since the reforestation project began in 1991, TISCO staffs have planted more than 340,000 trees on 1,072 rai in Kanchanaburi, Nakhon Nayok and Petchaburi provinces.

Since the reforestation project began in 1991, TISCO staffs have planted more than 340,000 trees on 1,072 rai in Kanchanaburi, Nakhon Nayok and Petchaburi provinces. As part of TISCO Group policy to instill a sense of social responsibility and environment conservation amongst its employees, the group and its staff have embarked on numerous charity ventures focused on preserving the environment. In addition, a special CSR report entitled "Two Decades of TISCO Reforestation" is published to share TISCO group's experience and lesson learned in almost two decades of reforestation activity.

The establishment of a business unit in TISCO's Investment Banking group, the "Clean Development Mechanism (CDM) Division", to provide consultancy to businesses /manufacturers interested in carbon market. Since 2008, the unit provides a Certified Emission Reductions (CERs) that gradually presenting the knowledge to investor and public by supporting a seminar "The First Carbon Neutral Seminar in Thailand : The Promotion of a Socially Responsible Voluntary Carbon Market in Thailand" in order to promote the knowledge and social responsibility and support the voluntary carbon market among private sector and firms in Thailand.

In January and June, 2009, TISCO in collaboration with Thailand Greenhouse Gas Management Organization (Public Organization) , Emergent Venture International (EVI) Company, First Climate Company and Norton Rose Company held a seminar "Post-2012 Carbon Market" to provide the information about the direction of CDM (Clean Development Mechanism) after A.D.2012 in every aspects i.e. demand trend of Carbon Market, role of bank in Thailand and Emission Reduction Purchase Agreement (ERPA).

In addition, TISCO Group's environmental conservations also include resource management policy. TISCO Group places great importance on creating mindset for energy and environmental conservation among TISCO employees, i.e. power saving, travel planning, using environmental-friendly office supplies and waste reduction.

3. Support for the Arts and Cultures

Thai Contemporary Art Support

TISCO Group has been a pioneer and continuous supporter of the Thai contemporary art since 1970, realizing that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, TISCO consistently

supported a number of initiatives and collected more than 300 Thai contemporary and modern arts. The TISCO Art Collection has been recognized as one of the best in the country boasting great diversity that unfolds the maturity and long history of nation's contemporary art. The collection covers many early works of prominent artists at present which are rare to find nowadays. It is also considered a reflection of the journey of Thai contemporary art in four decades.

To celebrate our 40th anniversary, TISCO held an art exhibition, Four Decades of Thai Contemporary Art, showing 24 masterpieces by 24 well known artists from the collection open to the public for a month at the TISCO headquarter. The exhibition was well received among art lovers and the public. To promote the works of Thai artists to the world, we also created an on-line art gallery, www.tiscoart.com, so that any one in can enjoy any time, any where in cyber space.

Religious support

TISCO continues to support important religious traditions, especially in the rural areas where monasteries are center of communities. Through TISCO Bank's provincial branches, merit making activities such as Katin ceremonies were organized annually to provide support to designated temples.

In 2009, the group hosted the kathin ceremony at Wat Thep Nimit in Ayutthaya province. The contribution was intended to support the renovation of the temple's sermon hall which was damaged by recent flood. In addition, TISCO also hosted a religious papha ceremony for Maha Wan temple in Lampoon.

Summary of Corporate Social Responsibility Donations and Supports in 2009

1. Social support

1.1 TISCO Foundation for Charity

Date/Month	Activities	Objectives	Amount (Baht)
All Year	Educational Support	To provide nationwide educational scholarships for needy students	19,347,800
All Year	Medical Support	To provide medical funding for destitute patients	13,500
All Year	Start-Up Fund	To provide business start-up funds for underprivileged people to promote self-reliance	81,900
	Total		19,443,200

1.2 TISCO's 40th anniversary projects

Date/Month	Activities	Objectives	Amount (Baht)
All year	Rak Rian Ru Su Chumchon"	To provide opportunities for children and people living in underprivileged areas through renovating/improving community libraries to be a better place for learning	1,600,000
	- 40 th TISCO Anniversary School Building at Baan Kiew Dong Mafai , Udon Thani	To support construction cost of the school's new building	2,800,000
	- School equipments providing		97,000
	- Production of a pocket book "Financial Planning like 40 celebs"	To raise fund from book selling for school building without deduction of expenses	418,400
All year	Blood Donation for the Thai Red Cross Society	To save life by expands this activity to branch network around the country	197,500
	Total		5,112,900

1.3 Other Social Support Activities

Date/Month	Activities	Objectives	Amount (Baht)
Jan 09	Donate to the Sem Pringpuangkeo Foundation	To support the operation of the foundation	50,000
Feb 09	Donate to UNICEF	To support the operation of the foundation	80,000
Oct 09	Donate to The Foundation of Chiangmai Mass Communication Alumni Association	To support social activities of the university	30,000
Nov 09	Donate to The Foundation of the Welfare of the Mentally Retarded of Thailand under the Royal Patronage of Her Majesty the Queen	To support operation of the foundation	50,000
	Total		210,000

2. Environmental Conservation

Date/Month	Activities	Objectives	Amount (Baht)
June 2009	Reforestation Project - plant more than 5,000 saplings at the Huay Sai Royal Development Center	to instill a sense of social responsibility and environmental conservation amongst the employees	420,000
	Total		420,000

3. Support for the Arts and Cultures

Date/Month	Activities	Objectives	Amount (Baht)
March-April 09	"Four Decades of Thai Contemporary Art" exhibition	To promote and preserve Thai culture by publishing TISCO's art collection to celebrate 40 th anniversary	2,532,145
Oct 09	Hosted buddhist papha ceremony at Wat Maha Wan in Lamphoon	To raise fund for renovation of a library for monks	435,742
Oct 09	Hosted kathin ceremony at Thep Nimit Temple in Ayutthaya	To raise fund for renovation of the sermon hall damaged by the flood	352,940
	Total		3,320,827
Total			30,181,167

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

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

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

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

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

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

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

In addition, TISCO Group provided a Corporate Social Responsibility Special Report in 2009, as one of communication tools of TISCO's social responsibility ideas and activities to our stakeholders and the public.

12.5 Honors & Awards in 2009

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 2009, the awards received include:

Best Managed Company 2009

TISCO Bank Plc. was named "Best Managed Company in Thailand" by Asiamoney Magazine's poll. The result reflects the opinions of investors, senior analysts and fund managers in Asia region towards all listed companies in each country, and for Thailand, TISCO stood out in the small cap market sized category on the basis of overall management and corporate governance.

Best Bank in Thai Baht Corporate Bond 2009

For the fourth consecutive year, TISCO bank won “Best Bank in Thai Baht corporate Bonds – Sell side 2009” in Bond Dealers service of The Asian currency Bond Benchmark Awards arranged by The Asset Magazine who conducts a survey across nine markets in the region. The finding of institutional investors reflects their opinions towards dealer services in this region. The criteria includes service quality, trade volume and investor relations.

Best CSR Nominees - SET Awards 2009

The SET Awards 2009 was organized by the Stock Exchange of Thailand to honor outstanding listed companies, securities companies and asset management companies who performed best in their category. This year TISCO Group was nominated for “Best Corporate Social Responsibility Awards” of under 10 billion baht market cap sized company. Through 40 years of operation, doing business with social responsibility has been in practice at TISCO. We commit to creating sustainable values for our stakeholders including society and environment.

Best Employer of the Year 2009

Hi-way Co., Ltd., a subsidiary of the TISCO group, was named “the Best Employers in Thailand” by Hewitt Associates and Sasin Graduate Institute of Business Administration of Chulalongkorn University in view that the company has close relationship with its 250 staff, provide career advancement, and take good care of its staff like members of a family. The company had won this award before in 2005.

Attachment 1

Details of Directors, Management and Controlling Persons

1.1 Details of Directors, Management and Controlling Persons as of February 16, 2010

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
1. Dr. Phisit Pakkasem Chairman of the Board Independent Director	77	Common Preferred -	-	Ph.D. (Development Economics) University of Pittsburgh, USA MPA. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	2008-present	<i>TISCO Group</i> Chairman of the Board Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2005-2008	Chairman of the Board Independent Director	TISCO Bank Public Company Limited	Bank
					2005-2006	Chairman of the Nomination Committee	TISCO Bank Public Company Limited	Bank
					2002-2005	Chairman of the Board Independent Director Chairman of the Audit Committee Chairman of the Nomination Committee	TISCO Finance Public Company Limited	Finance
					1998-2002	Chairman of the Board Independent Director Chairman of the Audit Committee	TISCO Finance Public Company Limited	Finance
					2007-present	Member, Asian Wise Person's Group	Asian Development Bank	Bank
					2003-present	Chairman of the Board	Thai Smart Card Co.,Ltd	Smart Card
					1995-present	Executive Advisor	C.P.Group of Companies	Agro-Industries, Retails and Communications
					1994-present	Director	Toyota Thailand Foundation	Foundation
					1985-2006	Director	Thailand Development Research Institute Foundation (TDRI Foundation)	Foundation
2. Mr. Pliu Mangkornkanok Director Chairman of the Executive Board (Authorized Signatory) Group Chief Executive Officer	62	Common 2,019,100 Preferred -	-	M.B.A. (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University - Directors Certification Program - Chairman 2000 Program Thai Institute of Directors Association	2009-present	<i>TISCO Group</i> Chairman of the Executive Board Group Chief Executive Officer	TISCO Financial Group Public Company Limited	Holding Company
					2008-present	Director	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	Chairman of the Board	TISCO Bank Public Company Limited	Bank
					2005-2008	Director Chairman of the Executive Board Chief Executive Officer	TISCO Bank Public Company Limited	Bank
					2005-2006	Secretary to the Nomination Committee	TISCO Bank Public Company Limited	Bank
					2002-2005	Director Chairman of the Executive Board Member of the Nomination Committee Chief Executive Officer	TISCO Finance Public Company Limited	Finance
					2008-present	Director	Thai Institute of Directors Association	Association
					2007-present	Executive Director	The Thai Bankers' Association	Association
					2006-present	Director	Amata Spring Development Co., Ltd.	Golf Course
					2004-present	Councillor	Thai Management Association	Association
					1994-present	Director	Phelps Dodge International (Thailand) Co., Ltd.	Manufacture of wire and cable
					1994-present	Director	P D T L Trading Co., Ltd.	Electric wires distributor
					1990-present	Director	TISCO Foundation	Foundation
					1973-present	Director	Rama Textile Industry Co., Ltd.	Manufacturer of Yarn
					2003-2006	Director	Thai Agro Exchange Co., Ltd.	Fruits & Vegetables Wholesale
					2002-2005	Chairman	Association of Finance Company	Association
					2002-2005	Director Chairman of the Compensation Committee Member of the Audit Committee Chairman of the Nomination Committee	Singer (Thailand) Public Co., Ltd.	Manufacture electrical product
3. Ms. Krisna Theravuthi Independent Director Chairperson of the Nomination and Compensation Committee	60	Common 12 Preferred -	-	M.B.A. (Marketing) University of Wisconsin-Madison, USA B.A. (Accounting) Chulalongkorn University - Role of Chairman Program - Monitoring the System of Internal Control and Risk Management - Role of Compensation Committee - Audit Committee Program - Director Certification Program - Director Accreditation Program - Effective Audit Committee and Best Practice Program Thai Institute of Directors Association	2008-present	<i>TISCO Group</i> Independent Director Chairperson of the Nomination and Compensation Committee	TISCO Financial Group Public Co., Ltd.	Holding Company
					2007-2008	Chairperson of the Nomination and Compensation Committee Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2005-2008	Independent Director	TISCO Bank Public Company Limited	Bank
					2005-2007	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
					1998-2005	Independent Director Member of the Audit Committee	TISCO Finance Public Company Limited	Finance
					2008-present	Expert	Committee on Labour and Social Welfare	Government
					2004-present	Secretary-general	Women's Association of Thailand - Udornthani	Association
					2004-present	Vice President	The North-Eastern Mentally Retarded Welfare Center	Foundation
1986-present	Executive Director	Tavornudorn Co., Ltd.	Hotel					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
4. Assoc.Prof.Dr. Angkarat Priebjivat Independent Director Chairperson of the Audit Committee	55	Common Preferred -	-	Ph.D (Accounting) New York University, USA M.S. (Accounting) Thammasat University B.B.A. (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate in International Financial Reporting Standard (IFR) The Institute of Chartered Accountants in England and Wales (ICAEW) - Role of Chairman Program - Monitoring the Internal Audit Function - Audit Committee Program - Director Certification Program - Director Accreditation Program - Monitoring the System of Internal Control and Risk Management - Monitoring Fraud Risk Management Thai Institute of Directors Association	2008-present	<i>TISCO Group</i> Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2007-present	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2005-present	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2005-2007	Independent Director	TISCO Bank Public Company Limited	Bank
					2005-2007	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
						<i>Others</i>		
					2009-present	Member, Accounting and Corporate Governance Steering Group	The Securities and Exchange Commission	Independent State Agency
					2008-present	Independent Director and Chairperson of the Audit Committee	Office Mate Public Company Limited	Supplier of office products
					2006-present	Chairman, Supervisory Committee	The ABF Thailand Bond Index Fund	Fund
					2004-present	Independent Director (Accounting Specialist)	Association of Investment Management Companies	Association
					2002-present	Advisor to the Audit Committee	TOT Corporation Public Co., Ltd.	Communication
					1997-present	Associate Professor	National Institute of Development Administration (NIDA)	Educational Institute
					1992-present	Advisor to the Listing and Disclosure Department	The Stock Exchange of Thailand	Stock Exchange
					2004-2009	Member of the Consultative Subcommittee on Cost Accounting Development Project	Commission on Higher Education	Commission on Higher Education
					2002-2009	Advisor	The Comptroller General's Department, Ministry of Finance	Government
					2006-2008	Director and Chairperson of the Audit Committee	National Housing Authority	Government
					2005-2008	Chairperson of the Accounting Standard Setting Committee	Federation Of Accounting Professions	Federation
2002-2005	Specialist - Financial Institutions Policy Group	The Bank of Thailand	The Bank of Thailand					
2001-2005	Associate Dean of Administrative Affair and Director of the Executive MBA Program	National Institute of Development Administration (NIDA)	Educational Institute					
5. Ms. Panada Kanokwat Independent Director Member of the Audit Committee	61	Common Preferred -	-	M.B.A. (Banking & Finance) North Texas State University, USA B.B.A. (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 - Director Certification Program - Director Accreditation Program Thai Institute of Directors Association	2008-present	Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2008-present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2008-present	Independent Director	TISCO Bank Public Company Limited	Bank
					2008-present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
						<i>Others</i>		
					2009	Director	Thai Fatty Alcohols Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International Pte. Ltd. (Asia Pacific ROH)	Petrochemical and Chemical
					2008-2009	Director	Thai Oleochemicals Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	TOC Glycol Co.,Ltd.	Petrochemical and Chemical
					2008-2009	Director	Thai Choline Chloride Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	Thai Ethanolamines Co., Ltd.	Petrochemical and Chemical
					2008-2009	Director	PTT Polyethylene Co., Ltd.	Petrochemical and Chemical
					2005-2009	Senior Executive Vice President, Chief Corporate Finance & Accounting	PTT Chemical Public Co., Ltd.	Petrochemical and Chemical
2004-2009	Executive Vice President	PTT Public Co., Ltd.	Oil and Gas					
2008	Director	Bangkok Polyethylene Public Co., Ltd.	Petrochemical and Chemical					
2006	Director	Star Petroleum Refining Co., Ltd.	Refinery					
2004-2005	Director	Rayong Refinery Public Co., Ltd.	Refinery					
6. Prof. Dr. Pranee Tinakorn Independent Director Member of the Audit Committee	60	Common Preferred -	-	Ph.D. (Economics) University of Pennsylvania, USA M.A. (Economics) University of Pennsylvania, USA B.A. (Economics) Swarthmore College, USA - Director Accreditation Program - Audit Committee Program - Monitoring the System of Internal Audit Function - Monitoring the System of Internal Control and Risk Management - Monitoring Fraud Risk Management - Monitoring the Quality of Financial Reporting Thai Institute of Directors Association	2008-present	<i>TISCO Group</i> Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2008-present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2009-present	Independent Director	TISCO Bank Public Company Limited	Bank
					2009-present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
						<i>Others</i>		
					2008-present	Executive Director of TDRI	Thailand Development Research Institute Foundation	Foundation
					2008-present	Member of the Committee on Budget Subsidy for Public Service	Ministry of Finance	Government Office
					2005-present	Member of TDRI Council of Trustees	Thailand Development Research Institute Foundation	Foundation
					1979-present	Professor of Economics	Thammasat University	Academic Institute
					2007-2008	Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions	National Council of Legislation	Government Office
					2007-2008	Advisor to the Minister of Finance	Ministry of Finance	Government Office
					2007-2008	Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Co., Ltd. and True Move Company Limited and Digital Phone Company	CAT Telecom Public Co., Ltd.	Communication
					2007-2008	Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association
					2005-2007	Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs	Thammasat University	Academic Institute
					2005-2006	University Committee on Grievance and Appeal	Thammasat University	Academic Institute
					2004-2005	Member of the Thammasat University Council	Thammasat University	Academic Institute
					2004-2005	Member of the Committee on Adjustment of the State Enterprise Capital Act B.E. 2542	Ministry of Finance	Government Office
2003-2006	Dean, Faculty of Economics	Thammasat University	Academic Institute					
2003-2006	Member	Puey Ungphakorn Institute Committee	Institute					
2003-2006	Member of the Research Committee	Secretariate of the House of Representatives	Government Office					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
7. Dr. Nitus Patrayotin Independent Director	53	Common Preferred	- -	-	Ph.D (Economics) Iowa State University, USA M.A. (Economics) Iowa State University, USA B.A. (Economics) Thammasat University	2009-present 2008-present 2005-2008 2003-2005 1992-2003	<i>TISCO Group</i> Independent Director <i>Others</i> President Deputy Manager Deputy Manager Senior Economist	TISCO Financial Group Public Company Limited The Agriculture Futures Exchange of Thailand (AFET) The Agriculture Futures Exchange of Thailand (AFET) The Agriculture Futures Exchange of Thailand (AFET) Department of Internal Trade, Ministry of Commerce	Holding Company Independent Juristic Person Independent Juristic Person Independent Juristic Person Government Office
8. Mr. Hon Kit Shing (Alexander H. Shing) Director Member of the Nomination and Compensation Committee Vice Chairman of the Executive Board (Authorized Signatory)	33	Common Preferred	- -	-	B.Sc. (Economics) Massachusetts Institute of Technology, USA	2009-present 2008-present 2009-present 2007-present 2007-2008 2008-present 2005-present 2005-2008 2005-2008 2004-2005	<i>TISCO Group</i> Vice Chairman of the Executive Board Director, Member of the Nomination and Compensation Committee Chairman of the Executive Board Director Member of the Executive Board Member of the Nomination and Compensation Committee <i>Others</i> Senior Advisor Managing Director Senior Vice President Director Vice President/Advisor	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited CDIB & Partners Investment Holding Corporation Quintus Capital Group Ltd. CDIB & Partners Investment Holding Corporation CDIB & Partners Asset Management Holding Ltd. China Development Industrial Bank, Taipei	Holding Company Holding Company Bank Bank Bank Investment Investment Investment Asset Management Bank
9. Mr. Hirohiko Nomura Director Member of the Nomination and Compensation Committee Member of the Executive Board (Authorized Signatory)	46	Common Preferred	- -	-	B.A. (Economics) The University of Tokyo, Japan	2009-present 2008-present 2008-present 2008 2008-present 2002-2008	<i>TISCO Group</i> Member of the Executive Board Director Member of the Nomination and Compensation Committee Director Member of the Executive Board Member of the Nomination and Compensation Committee <i>Others</i> Managing Director Senior Manager, International Credit Division	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited MHC Consulting (Thailand) Co., Ltd. Mizuho Corporate Bank, Ltd., Head Office	Holding Company Holding Company Bank Bank Consultant Bank
10. Mr. Danny Suen Kam Yim Director	36	Common Preferred	- -	-	B.Sc. (Chemical Engineering) Massachusetts Institute of Technology, USA	2009-present 2008 2008 2007-present 2005-2007 2003-2005	<i>TISCO Group</i> Director Director Director <i>Others</i> Vice President Assistant Vice President Director of Financial Planning	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDIB & Partners Investment Holding Corporation CDIB & Partners Investment Holding Corporation Innov Group Inc/Blue Holdings, Inc	Holding Company Holding Company Bank Investment Investment Investment
11. Ms. Oranuch Apisaksirikul Director Member of the Executive Board (Authorized Signatory) President	52	Common Preferred	100,000 -	-	M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University - Directors Certification Program Thai Institute of Directors Association	2009-present 2008-present 2008-present 2005-present 2010-present 2009-present 2010-present 2009-present 2010-present 2009-present 2010-present 2009-present 2005-2008 2000-2007 2005 2002-2005 2010-present 2004-present 2001-2009	<i>TISCO Group</i> Member of the Executive Board President Director Member of the Executive Board Director Chairman of the Board Director Chairman of the Board Director Chairman of the Board Director Senior Executive Vice President Director Director Director Chief Financial Officer, Planning and Risk Management <i>Others</i> Advisor, Member of Risk Management Sub-Committee Member of Risk Management Committee Member of Risk Management Sub-Committee	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Information Technology Co., Ltd. TISCO Information Technology Co., Ltd. TISCO Bank Public Company Limited TISCO Global Securities Ltd. TISCO Securities Hong Kong Ltd. TISCO Finance Public Company Limited TISCO Finance Public Company Limited Government Pension Fund Small Industry Credit Guarantee Corporation The Stock Exchange of Thailand	Holding Company Holding Company Bank Bank Securities Securities Asset Management Asset Management Information Technology Information Technology Bank Securities Securities Finance Finance Asset Management Specialized Financial Institution Stock Exchange

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
12. Mr. Suthas Ruangmanomngkol Director Member of the Executive Board (Authorized Signatory) President of TISCO Bank Public Co., Ltd.	49	Common 3,000,000 Preferred -	-	M.S. (Finance & Banking) University of Wisconsin-Madison, USA M.B.A. (Finance) Western Illinois University, USA B.Eng. (Computer Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-present 2009-present 2008-present 2010-present 2009-present 2009-present 2005-present 2009 2005-2008 2002-2005	<i>TISCO Group</i> President Member of the Executive Board Director President Director Member of the Executive Board Director Director President Managing Director Head of Commercial Finance Treasury and Funding <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Information Technology Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Bank Public Company Limited TISCO Asset Management Co., Ltd. TISCO Finance Public Company Limited	Holding Company Holding Company Holding Company Bank Bank Information Technology Asset Management Bank Asset Management Finance
13. Mr. Pichai Chanvirachart Advisor	60	Common 2,172,168 Preferred -	-	B.B.A. (Finance) Marshall University, USA - Directors Certification Program Thai Institute of Directors Association	2009-present 2009-present 2005-present 2005-2008 2001-2005 1993-2008 2003-2007	<i>TISCO Group</i> Advisor Director Director Member of the Executive Board President Director Director <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Information Technology Co., Ltd. TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited Mizuho Corporate Leasing (Thailand) Co., Ltd. AXA Insurance Public Co., Ltd.	Holding Company Information Technology Bank Bank Finance Leasing Insurance
14. Mr. Satit Ongmanee Advisor	64	Common 614,832 Preferred -	-	M.B.A. (Finance) Fairleigh Dickinson University, USA B.B.A. (Accounting) Thammasat University	2009-present 2005-2008 2001-2005	<i>TISCO Group</i> Advisor Advisor Advisor <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
15. Mr. Sakchai Peechapat Senior Executive Vice President	42	Common 60,000 Preferred -	-	M.B.A. (International Business) University of Hawaii at Manoa, USA B.Eng. (Civil Engineering) (Honour) Kasetsart University - Director Certification Program - Director Accreditation Program Thai Institute of Directors Association - Japan-focused Management Program Japan-America Institute of Management Science, USA - Executive Management Program Faculty of Commerce and Accountancy, Thammasat University	2010-present 2010-present 2009-present 2009-present 2010-present 2009-present 2009-present 2009 2008 2006-2008 2005-2006 2004-2005 2002-2004 2006-present	<i>TISCO Group</i> Senior Executive Vice President Senior Executive Vice President-Marketing & Customer Relations Director Director Chairman of the Board Director Chairman of the Board Executive Vice President-Marketing & Customer Relations Executive Vice President-Retail Banking Executive Vice President-Retail Banking and Human Resources and Organization Development (Acting) Executive Vice President-Human Resources and Organization Development Head of Human Resources and Organization Development Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting) <i>Others</i> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Co., Ltd. TISCO Asset Management Co., Ltd. Hi-Way Co., Ltd. Hi-Way Co., Ltd. TISCO Tokyo Leasing Co., Ltd. TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited TISCO Finance Public Company Limited AXA Insurance Public Co., Ltd.	Holding Company Bank Securities Asset Management Leasing Leasing Leasing Bank Bank Bank Bank Finance Finance Insurance
16. Mr. Metha Pingsuthiwong First Executive Vice President	42	Common 178,000 Preferred -	-	M.B.A. (Finance) University of Wisconsin-Milwaukee, USA B.Eng. (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-present 2010-present 2009-present 2009 2005-2008 2005 2002-2005 1999-present	<i>TISCO Group</i> First Executive Vice President First Executive Vice President- Banking Service Director Executive Vice President-Treasury and Banking Operation Executive Vice President- Treasury and Private Banking Executive Vice President- Treasury and Funding Head of Securities Investment and Trading <i>Others</i> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Co., Ltd. TISCO Securities Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Bank Public Co., Ltd. TISCO Finance Public Company Limited TISCO Securities Co., Ltd. K-Line (Thailand) Co., Ltd.	Holding Company Bank Securities Bank Bank Finance Securities Transportation

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
17. Ms. Araya Thirakomen First Executive Vice President	47	Common Preferred	178,000 -	-	M.B.A. (Finance) University of New Haven, USA B.A. (Finance) Chulalongkorn University - Director Certification Program Thai Institute of Directors Association - Leader Program Capital market Academy	2010-present 2009-present 2005-present 2005-2008 2003-2005 1999-2003 2006-present 2004-present 2002-present 2002-present 2002-2004	<i>TISCO Group</i> First Executive Vice President President Director Deputy Managing Director Head of Provident Fund Business Head of Provident Fund-Marketing <i>Others</i> Member of National Pension Sub-Committee Deputy Chairman, Chairperson of Provident Fund Business Group, and Chairperson of Sub Committee-Provident Fund Member of Sub Committee on Pension and Provident Fund Member of Sub Committee on Consideration of draft Notifications on Supervision of Security Business Member of Sub Committee on Consideration of the Amendment to Provident Fund Act.	TISCO Financial Group Public Company Limited TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd.	Holding Company Asset Management Asset Management Asset Management Asset Management Asset Management Government Agency Association Government Agency Independent Agency & Regulator Independent Agency & Regulator
18. Mr. Paiboon Nalinthrangkurn First Executive Vice President	44	Common Preferred	260,000 -	-	M.B.A. (Finance) Indiana University at Bloomington, USA B.A. (Computer Science) University of California at Santa Cruz, USA Certified Financial Analyst CFA Institute, USA - Director Certification Program Thai Institute of Directors Association - Leader Program Capital Market Academy	2010-present 2006-present 2005-present 2005-2006 2001-2005 2009-present 2009-present 2009-present 2009-present 2007-present 2006-present 2006-present	<i>TISCO Group</i> First Executive Vice President Chief Executive Officer Director Deputy Managing Director and Head of Brokerage Equity Director and Head of Equity and Head of Research (Acting) <i>Others</i> Chairman Executive Director Director Vice Chairman Director Director Deputy Chairman	TISCO Financial Group Public Company Limited TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. Securities Analysts Association Association of Securities Companies Thai Bond Market Association Federation of Thai Capital Market Organizations Futures Industry Club Association of Securities Companies Securities Analysts Association	Holding Company Securities Securities Securities Securities Association Association Association Organization Club Association Association
19. Mr. Chatri Chandrangam Executive Vice President Risk and Financial Control	39	Common Preferred	10,000 -	-	M.Sc. Finance (Distinction) Imperial College, University of London M.B.A. (International Business) Schiller International University, London B.A. (Banking & Finance) Chulalongkorn University Certified Financial Analyst CFA Institute, USA	2010-present 2009-present 2009-present 2009-present 2007-present 2009 2005-2008 2000-2005 <i>Others</i> -	<i>TISCO Group</i> Executive Vice President - Risk and Financial Control Director Director Director Director Financial Controller and Risk Management Financial Controller and Risk Management Head of Risk Management <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Securities Co., Ltd. Hi-Way Co., Ltd. TISCO Tokyo Leasing Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Securities Leasing Leasing Asset Management Holding Company Bank Finance
20. Ms. Yutiga Sonthayanavin Executive Vice President	51	Common Preferred	55,524 -	-	M.B.A. Chulalongkorn University B.S. (Statistics) Chulalongkorn University	2010-present 2004-present 2005-2008 2005-2008	<i>TISCO Group</i> Executive Vice President Managing Director <i>Others</i> Vice Chairperson and Director - Information Technology Club Member - Technology Development Committee	TISCO Financial Group Public Company Limited TISCO Information Technology Co., Ltd. Association of Securities Companies The Stock Exchange of Thailand	Holding Company Information Technology Association Stock Exchange
21. Mr. Chalit Silpsrikul Executive Vice President	49	Common Preferred	72 -	-	M.B.A. Thammasat University B.A. (Accounting) Thammasat University Crestcom Bullet Proof Manager (Management Skill Development Course) Ra Khang Associates Limited The Thai Institute of Banking and Finance Association	2010-present 2009-present 2005-2008 <i>Others</i> -	<i>TISCO Group</i> Executive Vice President Executive Vice President - Retail Banking Deputy Head of Retail Banking <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank Bank
22. Mr. Kotee Sunthornpradit Head of Risk Management	34	Common Preferred	12,000 -	-	Master Degree in Management (Operation Research) Case Western Reserve University, USA	2009-present 2006-2008 2005-2006 2005 2005	<i>TISCO Group</i> Head of Risk Management Head of Risk Management Head of Enterprise Risk Head of Risk Research and Analysis Head of Risk Research and Analysis <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Bank Bank Bank Finance

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
23. Mr. Kittipong Tiyaaboonchai Head of Regulatory & Management Report	38	Common Preferred	8,000 -	-	M.B.A. Chulalongkorn University	2009-present 2007-2008 2006-2007 2005-2006	<i>TISCO Group</i> Head of Regulatory & Management Report Head of Corporate Information Management Head of Cashiering & Bulk Processing Financial Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank Bank Bank
24. Mr. Kullachart Ekvoratham Head of Productivity Improvement - Corporate Banking and Core Operation	32	Common Preferred	- -	-	M.B.A. Chulalongkorn University B.A. (Engineering) Chulalongkorn University	2009-present 2009 2007-2008 2006-2007	<i>TISCO Group</i> Head of Productivity Improvement - Corporate Banking and Core Operation Productivity Improvement Officer Processing Officer <i>Others</i> Project Manager	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited ADA Trade Co. Ltd.	Holding Company Holding Company Bank Plastic Trading Business
25. Ms. Chutintorn Vigasi Head of Corporate Accounting	47	Common Preferred	7,824 -	-	M.B.A (Accounting) Thammasat University B.A. (Accounting) Chulalongkorn University	2009-present 2005-2008 2002-2005	<i>TISCO Group</i> Head of Corporate Accounting Head of Corporate Accounting Head of Corporate Accounting <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
26. Ms. Dulyarat Taveebhol Head of Compliance & Internal Control	53	Common Preferred	- -	-	B.A. (Accounting) Thammasat University	2009-present 2008-2009 2009-present 2009-present 2005-2008 1997-2005	<i>TISCO Group</i> Head of Compliance & Internal Control Head of Compliance & Internal Control Director Member of the Audit Committee Director Member of the Audit Committee Head of Internal Control Head of Internal Control <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Asset Management Co., Ltd. TISCO Securities Co., Ltd. TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Asset Management Securities Bank Finance
27. Ms. Teerin Suvarnatemiya Head of Product Development & Marketing	38	Common Preferred	- -	-	Master of Engineering in Computer Science Cornell University, USA	2010-present 2009-2010 2005-2009	<i>TISCO Group</i> Head of Product Development & Marketing Senior Product and Channel Development Officer Head of Marketing & Support <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Asset Management Company Limited	Holding Company Holding Company Asset Management
28. Mr. Noppawat Tangburanakij Head of Channel Development	33	Common Preferred	- -	-	Master of Science in Information Technology Arizona State University, USA	2010 2009 2007-2008 2005-2007 2005	<i>TISCO Group</i> Head of Channel Development Head of Product & Channel Development Head of Cash Management & Bulk Processing Head of Cash Management Services Cash Management Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Holding Company Holding Company Bank Bank Bank
29. Ms. Narisara Tanarugsachock Head of Customer Data Analysis	34	Common Preferred	- -	-	Master of Science in Statistics Chulalongkorn University	2009-Present 2006-2009 2004-2006	<i>TISCO Group</i> Head of Customer Data Analysis <i>Others</i> Manager - Data Mining Department Assistant Manager - Privilege Banking	TISCO Financial Group Public Company Limited Total Access Communication Public Company Limited Bank Thai Public Company Limited	Holding Company Communication Company Bank
30. Ms. Nartrudee Siwabut Head of Corporate Marketing & Communication	48	Common Preferred	145,000 -	-	M.B.A (Finance) Thammasat University	2009-present 2004-2008	<i>TISCO Group</i> Head of Corporate Marketing & Communication Head of Corporate Marketing & Communication <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
31. Mr. Nipon Wongchotiwat Head of Planning & Budgeting	33	Common Preferred	- -	-	Master of Science (Finance) Thammasat University	2009-present 2007-2008 2005-2007 2005 2005	<i>TISCO Group</i> Head of Planning & Budgeting Head of Planning & Budgeting Acting Head of Budgeting & Cost Management Risk Management Officer Risk Management Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Bank Bank Finance

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
32. Mr. Prayuk Charoencharkul Head of Operational Risk Management	31	Common Preferred	- -	-	M.B.A. University of North Carolina at Chapel Hill, USA	2009-present 2006-2008	<i>TISCO Group</i> Head of Operational Risk Management Productivity Improvement Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
33. Ms. Pakorn Punyashthiti Corporate Secretary Head of Corporate Secretariat	44	Common Preferred	20,000 -	-	M.B.A. Baylor University Texas, U.S.A.	2009-present 2008-present 2008-present 2008-present 2008-present 2008-present 2005-2008 2003-2005 2008-present 2008-present	<i>TISCO Group</i> Head of Corporate Secretariat Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Head of Corporate Secretariat & Investor Relations Head of Corporate Secretariat & Investor Relations <i>Others</i> Director Director	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Co., Ltd. TISCO Asset Management Co., Ltd. Hi-Way Co., Ltd. TISCO Information Technology Co., Ltd. TISCO Bank Public Company Limited TISCO Finance Public Company Limited Sivadon Co., Ltd. Bangkok Trading Co., Ltd.	Holding Company Holding Company Bank Securities Asset Management Leasing Information Technology Bank Finance Building Rental Holding Company
34. Ms. Phanit Tiravongchaipunt Head of Human Resources & Organization Development	50	Common Preferred	- -	-	Master of Science in Human Resources Management Sasin Graduate Institute of Business Administration of Chulalongkorn University	2009-present 2008 2007 2002-2007	<i>TISCO Group</i> Head of Human Resources & Organization Development Head of Human Resources & Organization Development <i>Others</i> Head of HR Office Head of HR&Admin	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Asian Institute of Technology Capital Advisory Services (Thailand)	Holding Company Bank University Finance Business
35. Mr. Pongsupat Supasirisin Assistant Head of Business Strategy & Development	36	Common Preferred	3,000 -	-	Master Degree in Engineering Business Management University of Warwick, USA B.A. (Engineering) Chulalongkorn University	2009-present 2007-2008	<i>TISCO Group</i> Assistant Head of Business Strategy and Development Head of Productivity Improvement <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
36. Mr. Pitak Lausangnam Head of Productivity Improvement - Wealth & Asset Management	28	Common Preferred	- -	-	Master Degree in Engineering Business Management University of Warwick, USA	2009-present 2009 2008 2007-2008	<i>TISCO Group</i> Head of Productivity Improvement - Wealth & Asset Management Operational Risk Management Officer Productivity Improvement Officer <i>Others</i> Manager of Printing and Packing Department	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Plastech Industrial Co., Ltd.	Holding Company Holding Company Bank Plastic Packaging
37. Mr. Pairat Srivilairit Head of Internal Audit	44	Common Preferred	- -	-	M.B.A. Thammasat University	2009-present 2004-2008 2003-2004	<i>TISCO Group</i> Head of Internal Audit Head of Internal Audit Head of Executive Office <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Co., Ltd.	Holding Company Bank Securities
38. Ms. Pattarinee Ratananakin Head of Investor Relations	30	Common Preferred	- -	-	M.B.A. (Finance) University of Wisconsin-Madison, USA B.B.A. (Finance and Banking) Chulalongkorn University	2009-present 2008 2005-2008	<i>TISCO Group</i> Head of Investor Relations Senior Investor Relations <i>Others</i> Associate Director, Investment Banking	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Kasikorn Securities Public Co., Ltd.	Holding Company Bank Securities
39. Mr. Puvarin Kullaphatkanon Head of Risk Research	30	Common Preferred	- -	-	M.A. (Economics) New York University, USA B.A. (Economics) Chulalongkorn University Financial Risk Manager (FRM) Global Association of Risk Professionals, USA	2010-present 2009-2010 2005-2009 2004-2005	<i>TISCO Group</i> Head of Risk Research Head of Risk Research & Advisory Senior Risk Officer Risk Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Holding Company Bank Finance
40. Ms. Maneerat Wattanaajak Head of Compliance & Internal Control - Asset Management	41	Common Preferred	- -	-	Master Degree - Financial Accounting Chulalongkorn University	2009 - present 2008 2000-2008	<i>TISCO Group</i> Head of Compliance and Internal Control - Asset Management Head of Compliance and Internal Control Senior Compliance and Internal Control Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd.	Holding Company Asset Management Asset Management

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
41. Mr. Watsakorn Thepthim Assistant Head of Business Strategy & Development	38	Common Preferred	- -	-	Master of Science in Computation University of Manchester, England Master of Business Administration Assumption University	2010-present 2009 2005-2008 2001-2005	<i>TISCO Group</i> Assistant Head of Business Strategy & Development Assistant Head of Business Strategy & Development Acting Head of Product & Channel Development Head of Product Development and Market Research Planing and Budgeting Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Holding Company Bank Finance
42. Ms. Sasinee Phattiyakul Head of Corporate Services	56	Common Preferred	- -	-	Bachelor of Arts Chulalongkorn University	2009-present 2002-2008	<i>TISCO Group</i> Head of Corporate Services Head of Corporate Services <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
43. Ms. Supaporn Aramtiantamrong Head of Compliance and Internal Control - Securities	54	Common Preferred	61,248 -	-	Master Degree - Management Chulalongkorn University	2009-present 2008 2003-2008	<i>TISCO Group</i> Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Asset Management <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Securities Co., Ltd. TISCO Asset Management Co., Ltd.	Holding Company Securities Asset Management
44. Mr. Ekkapol Apinun Head of Legal Office	40	Common Preferred	- -	-	Master Degree - Law Southern Methodist University, USA The American University, USA	2009-present 2007-2008 2006-2007 1997-2006	<i>TISCO Group</i> Head of Legal Office Head of Legal Office <i>Others</i> Senior Legal Manager Associate	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Yum Restaurant International (Thailand) Co.,Ltd. Deacons Co., Ltd.	Holding Company Bank Restaurant Law Firm

¹ Including spouse and minor children

1.2 Details of Directors, Management and Controlling Persons of the Company in Subsidiaries as of February 16, 2010

Name	TISCO	TISCO BANK	Subsidiaries					
			TISCO SEC	TISCO ASSET	HI-WAY	TISCO IT	TTL	TISCO LEASE ²
1 Dr. Phisit Pakkasem	C,I	-	-	-	-	-	-	-
2 Mr. Pliu Mangkornkanok	D,CE,GCEO	C	-	-	-	-	-	-
3 Ms. Krisna Theravuthi	I,CNCC	-	-	-	-	-	-	-
4 Assoc.Prof.Dr.Angkarat Priebrjivat	I,CA	I,CA	-	-	-	-	-	-
5 Ms. Panada Kanokwat	I,A	I,A	-	-	-	-	-	-
6 Prof. Dr. Pranee Tinakorn	I,A	I,A	-	-	-	-	-	-
7 Dr. Nitus Patrayotin	I	-	-	-	-	-	-	-
8 Mr. Hon Kit Shing (Alexander H. Shing)	D,E,NCC	D,CE	-	-	-	-	-	-
9 Mr. Hirohiko Nomura	D,E,NCC	D,E	-	-	-	-	-	-
10 Mr. Danny Suen Kam Yim	D	-	-	-	-	-	-	-
11 Ms. Oranuch Apisaksirikul	D,E,P	D,E	C,D,A	C,D,A	-	C,D	-	-
12 Mr. Suthas Ruangmanamongkol	D,E,P ¹	D,E,P ¹	-	D	-	D	-	-
13 Mr. Pichai Chanvirachart	AV	D	-	-	-	D	-	-
14 Mr. Satit Ongmanee	AV	-	-	-	-	-	-	-
15 Mr. Sakchai Peechapat	SEVP ¹	SEVP ¹	D	D	D	-	C	D
16 Mr. Metha Pingsuthiwong	FEVP ¹	FEVP ¹	D	-	-	-	-	-
17 Ms. Araya Thirakomen	FEVP ¹	-	-	D,Pr ¹	-	-	-	-
18 Mr. Paiboon Nalinthrangkurn	FEVP ¹	-	D,CEO ¹	-	-	-	-	-
19 Mr. Chatri Chandrangam	EVP, CFO	-	D	D	D	-	D	D
20 Ms. Yutiga Sonthayanavin	EVP ¹	-	-	-	-	D,MD ¹	-	-
21 Mr. Chalit Silpsirikul	EVP ¹	EVP ¹	-	-	-	-	-	-
22 Mr. Kontee Sunthornpradit	FH	-	-	-	-	-	-	-
23 Mr. Kittipong Tiyaonchai	FH	-	-	-	-	-	-	-
24 Mr. Kullachart Ekvoratham	FH	-	-	-	-	-	-	-
25 Ms. Chutintorn Vigasi	FH	-	-	-	-	-	-	-
26 Ms. Dulyarat Taveebhol	FH	-	D,A	D,A	-	-	-	-
27 Ms. Teerin Suvarnatemiya	FH	-	-	-	-	-	-	-
28 Mr. Noppawat Tangburanakij	FH	-	-	-	-	-	-	-
29 Ms. Narisara Tanarugsachock	FH	-	-	-	-	-	-	-
30 Ms. Nartrudee Sivabut	FH	-	-	-	-	-	-	-
31 Mr. Nipon Wongchotiawat	FH	-	-	-	-	-	-	-
32 Mr. Prayuk Charocharaskul	FH	-	-	-	-	-	-	-
33 Ms. Pakaporn Punyashthiti	FH	-	-	-	-	-	-	-
34 Ms. Phanit Tiravongchaipunt	FH	-	-	-	-	-	-	-
35 Mr. Pongsupat Supasirisin	FH	-	-	-	-	-	-	-
36 Mr. Pairat Srivilairit	FH	-	-	-	-	-	-	-
37 Mr. Pitak Lausangngam	FH	-	-	-	-	-	-	-
38 Ms. Pattarinee Ratananakin	FH	-	-	-	-	-	-	-
39 Mr. Puvarin Kullaphatkanon	FH	-	-	-	-	-	-	-
40 Ms. Maneerat Wattanajak	FH	-	-	-	-	-	-	-
41 Mr. Watsakorn Thepthim	FH	-	-	-	-	-	-	-
42 Ms. Sasinee Phattiyakul	FH	-	-	-	-	-	-	D
43 Ms. Supaporn Aramtiantamrong	FH	-	-	-	-	-	-	-
44 Mr. Ekkapol Apinun	FH	-	-	-	-	-	-	-

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

/2 TISCO Leasing Co., Ltd.is a subsidiary of TISCO Bank Public Co., Ltd.

Abbreviations :

C = Chairman	I = Independent Director	D = Director
CE = Chairman of The Executive Board	E = Executive Board Member	CNCC = Chairman of The Nomination and Compensation Committee
NCC = Nomination and Compensation Committee	CA = Chairman of The Audit Committee	A = Audit Committee
GCEO = Group Chief Executive Officer	P = President of parent company & core company	AV = Advisor
SEVP = Senior Executive Vice President	FEVP = First Executive Vice President	EVP = Executive Vice President
CEO = Chief Executive Officer	Pr = President of other subsidiary companies	MD = Managing Director
CFO = Chief Financial Officer	FH = Function Head	- = None

Remarks :

TISCO = TISCO Financial Group Public Co., Ltd.	TISCO BANK = TISCO Bank Public Co., Ltd.	TISCO SEC = TISCO Securities Co., Ltd.
TISCO ASSET = TISCO Asset Management Co., Ltd.	HI-WAY= Hi-Way Co., Ltd.	TISCO IT = TISCO Information Technology Co., Ltd.
TTL = TISCO Tokyo Leasing Co., Ltd.	TISCO LEASE = TISCO Leasing Co., Ltd.	

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

Changes in TISCO Shareholdings by Directors and Management¹

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of February 16, 2010	Increase (Decrease) During the Year	As of February 16, 2010
1	Dr. Phisit Pakkasem	0	0	0	0
2	Mr. Pliu Mangkornkanok	1,983,500	2,019,100	(1,983,500)	0
3	Ms. Krisna Theravuthi	0	12	0	0
4	Assoc.Prof.Dr.Angkarat Priebjriwat	0	0	0	0
5	Ms. Panada Kanokwat	0	0	0	0
6	Prof. Dr. Pranee Tinakorn	0	0	0	0
7	Dr. Nitux Patrayotin	0	0	0	0
8	Mr. Alexander H. Shing	0	0	0	0
9	Mr. Hirohiko Nomura	0	0	0	0
10	Mr. Danny Suen Kam Yim	0	0	0	0
11	Ms. Oranuch Apisaksirikul	100,000	100,000	(1,846,200)	0
12	Mr. Suthas Ruangmanamongkol	3,000,000	3,000,000	(2,200,000)	0
13	Mr. Pichai Chanvirachart	2,170,000	2,172,168	(2,170,000)	0
14	Mr. Satit Ongmanee	600,000	614,832	(600,000)	0
15	Mr. Sakchai Peechapat	0	60,000	0	0
16	Mr. Metha Pingsuthiwong	178,000	178,000	(178,000)	0
17	Ms. Araya Thirakomen	173,000	178,000	(173,000)	0
18	Mr. Paiboon Nalinthrangkurn	260,000	260,000	(260,000)	0
19	Mr. Chatri Chandrangam	10,000	10,000	(10,000)	0
20	Ms. Yutiga Sonthayanavin	0	55,524	0	0
21	Mr. Chalit Silpsrikul	0	72	0	0
22	Mr. Kontee Sunthornpradit	12,000	12,000	(12,000)	0
23	Mr. Kittipong Tiyaboonchai	8,000	8,000	(48,000)	0
24	Mr. Kullachart Ekvoratham	0	0	0	0
25	Ms. Chutintorn Vigasi	7,500	7,824	(7,500)	0
26	Ms. Dulyarat Taveebhol	0	0	(156,000)	0
27	Ms. Teerin Suvarnateemiya	0	0	0	0
28	Mr. Noppawat Tangburanakij	0	0	0	0
29	Ms. Narisara Tanarugsachock	0	0	0	0
30	Ms. Nartrudee Siwabut	145,000	145,000	(145,000)	0
31	Mr. Nipon Wongchotiwat	0	0	0	0
32	Mr. Prayuk Charoencharaskul	0	0	0	0
33	Ms. Pakaporn Punyashthiti	20,000	20,000	(20,000)	0
34	Ms. Phanit Tiravongchaipunt	0	0	0	0
35	Mr. Pongsupat Supasirisin	0	3,000	0	0
36	Mr. Pairat Srivilairit	0	0	0	0
37	Mr. Pitak Lausanggam	0	0	0	0
38	Ms. Pattarinee Ratananakin	0	0	0	0
39	Mr. Puvarin Kullaphatkanon	0	0	0	0
40	Ms. Maneerat Wattanajak	0	0	0	0
41	Mr. Watsakorn Thepthim	0	0	0	0
42	Ms. Sasinee Phattiyakul	(250,000)	0	(158,000)	0
43	Ms. Supaporn Aramtiantamrong	38,000	61,248	(60,000)	0
44	Mr. Ekkapol Apinun	0	0	0	0

Remark: ¹ Including spouse and minor children

Attachment 3

Details of Directors in Subsidiaries

Details of Directors of Subsidiaries as of February 16, 2010

Name	TISCO BANK	TISCO SEC	TISCO ASSET	HI-WAY	TISCO IT	TTL	TISCO LEASING
Mr. Pliu Mangkornkanok	C	-	-	-	-	-	-
Assoc.Prof.Dr.Angkarat Priebrjivat	I,CA	-	-	-	-	-	-
Ms. Panada Kanokwat	I,A	-	-	-	-	-	-
Prof. Dr. Pranee Tinakorn	I,A	-	-	-	-	-	-
Mr. Hon Kit Shing (Alexander H. Shing)	D,CE	-	-	-	-	-	-
Mr. Hirohiko Nomura	D,E	-	-	-	-	-	-
Mr. Pichai Chanvirachart	D	-	-	-	D	-	-
Ms. Oranuch Apisaksirikul	D,E	C,A	C,A	-	C	-	-
Mr. Suthas Ruangmanamongkol	D,E,P ¹	-	D	-	D	-	-
Mr. Sakchai Peechapat	-	D	D	C	-	C	-
Mr. Metha Pingsuthiwong	-	D	-	-	-	-	-
Ms. Araya Thirakomen	-	-	D,Pr ¹	-	-	-	-
Mr. Paiboon Nalinthrangkurn	-	D,CEO ¹	-	-	-	-	-
Mr. Chatri Chandrangam	-	D	D	D	-	D	-
Ms. Yutiga Sonthayanavin	-	-	-	-	D,MD ¹	-	-
Ms. Dulyarat Taveebhol	-	D	D	-	-	-	-
Ms. Duangrat Kittivitayakul	-	-	D	-	-	-	-
Mr. Theeranat Rujimethapass	-	-	D,MD	-	-	-	-
Mr. Yuttpong Sriwongjanya	-	-	-	D	-	-	D,MD
Mr. Supachai Boonsiri	-	-	-	D,MD	-	-	-
Mr. Worapan Luanguthai	-	-	-	D	-	-	-
Ms. Wanthana Chotchaisathit	-	-	-	-	D	-	-
Ms. Penjit Taepaisitpong	-	-	-	-	D	-	-
Ms. Charupee Chinapongpaisaln	-	-	-	-	-	-	D
Mr. Teerayuth Praserttrattanadecho	-	-	-	-	-	-	D
Ms. Sasinee Phattiyakul	-	-	-	-	-	-	D
Mr. Songsak Niltiean	-	-	-	-	-	-	D
Mr. Lee Kin Lam	-	-	-	-	-	-	-
Mr. Pithak Limratadamrong	-	-	-	-	-	-	-
Ms. Umaporn Dachavijit	-	-	-	-	-	-	-
Mr. Dejphinun Suthadsanasoung	-	-	-	-	-	D	-
Mr. Kuniaki Tanaka	-	-	-	-	-	D,MD	-
Mr. Osamu Oike	-	-	-	-	-	D	-

¹ TISCO Leasing Co., Ltd., a subsidiary of TISCO Bank Public Co., Ltd. ceased its operation and will enter into liquidation process.

Abbreviations :

C = Chairman
 CA = Chairperson of The Audit Committee
 CE = Chairperson of Executive Board
 CEO = Chief Executive Officer
 Pr = President of other subsidiary companies

D = Director
 I = Independent Director
 A = Audit Committee
 E = Executive Board Member
 P = President of parent company & core company
 MD = Managing Director
 - = None

TISCO BANK = TISCO Bank Public Co., Ltd.
 TISCO ASSET = TISCO Asset Management Co., Ltd.
 TISCO IT = TISCO Information Technology Co., Ltd.
 TISCO LEASING = TISCO Leasing Co., Ltd.

TISCO SEC = TISCO Securities Co., Ltd.
 HI-WAY = Hi-Way Co., Ltd.
 TTL = TISCO Tokyo Leasing Co., Ltd.

Attachment 4

Report of the Audit Committee

Report of the Audit Committee

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

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

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

All members of the Audit Committee attended 12 meetings in Year 2009. Major activities performed by the Committee were as follows:

- **Financial Statements:** Reviewing quarterly and annual financial statements audited by the certified public accountant which consideration for the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors.
- **Internal Control and Audit:** Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions. Also, assessing the independence of internal audit department and endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit, and acknowledging the results of audits.
- **Regulatory Compliance:** Endorsing annual compliance plan and the Compliance Charter, and acknowledging the compliance activities in Year 2009 covering training and communication for TISCO staff, compliance monitoring, complaint management, examination of TISCO by regulators, and changes in related laws and regulations. Also, meeting with Head of Compliance & Internal Control and Head of Legal in acknowledging the status of regulatory compliance with all necessary rules and regulations, litigation, annual compliance reports and non-compliance issues arising during the year.
- **Suitability of External Auditor:** Considering suitability, selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Supachai Phanyawattano of Ernst & Young Office Limited as the auditor of the Company and its subsidiaries for the Year 2009. The Committee viewed that Ernst & Young Office Limited is a qualified audit firm that acquires good credentials and proven track records together with a reasonable audit fee.
- **Transactions with Related Parties and Conflicts of Interests:** Meeting with Financial Controller and the certified public accountant in acknowledging and reviewing related party transactions or transactions that may lead to conflicts of interests for the Year 2009 and the pricing policy for the transactions to ensure the conformity with laws and regulations. The Committee viewed that those transactions were conducted in a normal course of business operation or were justified for the best interests of the Company. In addition, their disclosures were in compliance with the corporate governance policy and related party transaction policy of the Company.
- **Risk Management:** Meeting with management in updating and monitoring on the progress of implementation of the operational risk management, and also the status and effectiveness of the enterprise risk management system, risk management framework & tools, risk self-assessment on all types of risks, namely strategic risk, market risk, credit risk, liquidity risk, and operational risk, and the enhancement of risk management system in order to support the minimum credit risk capital requirement based on Basel II – Internal Rating Based Approach (Basel II – IRB).
- **Fraud Risk Management:** Reviewing the internal audit's preliminary report on the assessment of TISCO fraud prevention and detection system in two perspectives, namely the evaluation of TISCO strengths and weaknesses in fraud risk management, and the assessment of TISCO practices to prevent major fraud schemes common to banking organizations, and recommending to the Board of Directors for acknowledgement.
- **Human Resources & Organization Development:** Meeting with Head of Human Resources & Organization Development in acknowledging TISCO Group's employee code of conduct and report of code violations and disciplinary actions in Year 2009.
- **Others:** Acknowledging the results of external assessment and examinations by the Bank of Thailand and the Securities and Exchange Commission, Thailand, and assessing corrective actions on important findings. Also, conducting self assessment, developing an annual plan, and reviewing the Charter of Audit Committee before proposing to the Board of Directors for acknowledgement.

In conducting Audit Committee's self assessment, the Audit Committee compared the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The Audit Committee opines that the Audit Committee members have carried out their duties and responsibilities adequately and effectively according to the Charter of Audit Committee and as delegated by the Board of Directors.

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

Assoc. Prof. Dr. Angkarat Priebjriwat

(Assoc. Prof. Dr. Angkarat Priebjriwat)
Chairperson of the Audit Committee
February 8, 2010

Attachment 5

Report of the Nomination and Compensation Committee

Report of the Nomination and Compensation Committee

The Committee, appointed by Board of Directors, is charged with the responsibility of formulating the compensation policy for directors, reviewing and approving the criteria and formula for calculating TISCO Group employee compensation, selecting and nominating names of qualified candidates for the positions of directors, members of committees with functions, responsibilities and authorities directly given by the Board of Directors, and top management in TISCO and its subsidiary companies and proposing them to the Board of Directors or shareholder meeting in order to preserve an effective and efficient board and management structure. The Committee regularly reviews about the succession plan and roadmap of senior management.

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

- | | | |
|----|--|-------------|
| 1. | Ms. Krisna Theravuthi | Chairperson |
| 2. | Mr. Hon Kit Shing (Alexander H. Shing) | Member |
| 3. | Mr. Hirohiko Nomura | Member |

In 2009 the Nomination and Compensation Committee convened 6 meetings with full board members participated to carry out the following activities:

1. Concurring Corporate Governance Policy and Corporate Governance Code of Conduct for TISCO Group;
2. Recommending number of directors and nominating qualified candidates for director position of TISCO and TISCO Bank to the Board of Directors and the Shareholder Ordinary General Meeting for the year 2009 for approval;
3. Recommending the directors' remuneration commensurable with their performance and benchmarking with the industry, and recommending it to the Board of Directors to further propose for shareholders approval;
4. Approving the revised TISCO Group employee compensation criteria and formula as well as ratifying and approving the incentive pay and bonus appropriation for 2008 and 2009 respectively;
5. Acknowledging the results of the Board Performance Self-assessment and recommending the Board of Directors the corrective action to be implemented to enhance board performance; and
6. Reviewing methodology of CEO Performance Assessment and evaluating CEO performance in 2009.

Krisna Theravuthi

(Ms. Krisna Theravuthi)

Chairperson

The Nomination and Compensation Committee

January 28, 2010

Attachment 6

Evaluation of the Sufficiency of Internal Control System

Internal Control System Assessment Questionnaire
TISCO Financial Group Public Company Limited
February 26, 2010

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

Part 1 Organizational Control and Environment Measure

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

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

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

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

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

Yes No

The Internal Control function, regularly review the policies and guidelines of the Group as appropriate. Internal Audit function will audit actual operation for the Group in accordance with the policies and guidelines to protect fraud and report results to the management and the Audit Committee of the Company regularly.

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

Yes No

The Group emphasizes in customer and business partner satisfaction in its operation in order to strengthen long-term relationship following the Group's policy of being customer's first choice. In addition, the Group strictly follows related customer protection law and ensures that product and service information has been adequately provided to customers through well-trained staff. 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, who shall make decision on corrective actions or report to the Audit Committee for further consideration as deemed appropriate.

Part 2 Risk Management Measures

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

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

Part 3 Management Control Activities

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

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

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

- Yes No

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

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

- Yes No

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

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

- Yes No No such cases

As the Group's transactions with major shareholders, directors, management or related persons are on arm's length basis, they are then processed through the same procedures as other clients are. The Group also discloses such information for transparency in accordance with the principles of good corporate governance and the Group's related party transaction policy. If a director has a personal interest in a matter, the director shall disclose the interest to the board, excuse himself or herself from participation in the discussion and shall not vote on the matter.

3.4 Are only persons without conflict of interest authorized to approve the transactions mentioned in 3.3?

- Yes No No such cases

3.5 Is approval for transactions in 3.3 made on "an arm's length" basis and for maximum benefit of the Company?

- Yes No No such cases

3.6 Are there measures to ensure that terms and conditions are complied with throughout the contract period (for example, timely loan repayment and revision of contract) in cases where long-term transactions with related persons are approved (for example, purchase and sell agreement, loan and guaranty)?

- 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 Does the Company monitor the operation of subsidiaries and related companies regularly as well as set policy directions for persons nominated by the Company to be directors or management of such companies?

Yes No No such cases

Similar to the Group's standard of performance monitoring, the operation of subsidiaries has been monitored with clearly defined business strategies while key performance indicators and business targets have also been set in alignment with the Group's business direction. The Company exercises managerial control over all of its subsidiaries through its respective board of directors, as stipulated in the articles of association of each subsidiary whereby the appointment of directors in all cases shall be approved by the Company, as the wholly-owned shareholder. All subsidiary companies shall be managed under the same Corporate Governance Policy and Operating Policy prescribed by the Company. According to the Group corporate structure, the Company must retain its ability to direct and align the business operations of all subsidiary companies to ensure group success in generating return to shareholders and all other stakeholders of the Group. Moreover, under the group consolidated supervision as set by the Bank of Thailand, the Company is allowed to assign its own management to take care of its subsidiaries' business on a condition that an assigned management shall be accountable for one company's business only at a time, which is the Company's current practice.

- 3.9 Does the Company have measures to ensure that its operations comply with applicable laws for the purpose of mitigating operational risks and protecting its reputation?

Yes No

The Company appoints Compliance and Internal Control function to ensure the Group's compliance with all regulations. This function also emphasizes on the communication of all related regulations to all business and operational functions in order to improve their understanding and effectively comply with regulations. In addition, the Compliance and Internal Control function is responsible to conduct the review of the Group's business operations and procedures to ensure that they comply with related rules and regulations. The Company also appoints the Compliance Committee to oversee, advise, and settle all compliance issues and customer's complaints with assistance from Legal function and Compliance function. In addition, operational risk management function also initiated group-wide incident filing and self-assessment system in order to comprehensively monitor compliance and risks, as well as, determine timely action plans in case of any risk incident.

- 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 actions while also reviewing the operations and compliance processes in order to prevent such violations from recurring in the future. After that, the Compliance and Internal Control function will monitor the corrective actions and report progress to the Compliance Committee and the Audit Committee respectively. Additionally, infringement of laws and regulations governed by relevant regulators, 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 relevant regulators e.g. the Bank of Thailand, the Securities and Exchange Commission, etc

Part 4 Information and Communication Measures

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

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

- 4.1 Does the Company provide sufficient and relevant information on issues to the Board of Directors for their consideration and decisions? (Such information includes details, reasons, effects and options.)

Yes No

The Company has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the Group. The Executive Board will then assign 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.

- 4.2 Do Board members receive advance notice of the meeting and documents, which contain relevant and sufficient details for consideration at the meeting, at least within the minimum number of days required by law?

Yes - average 7 days before meeting No

The Company shall send a notice of meeting and related documents to Board members for consideration not less than 7 days in advance of the date of the meeting with the exception in the case of urgency such as an immediate report from government agencies which the Company receives very close to the meeting date.

- 4.3 Do minutes of the Board's meetings contain sufficient information for the shareholders to oversee the activities of the Board members? The information includes the Board members' inquiries, opinions and observations as well as the opinions of members who do not agree with the proposed recommendations, along with their reasons.

Yes No

The Board members' observations, inquiries, opinions and resolutions are always included in the minutes of the Board's meetings.

- 4.4 Does the Company maintain complete and categorized accounting records and documents? Do the auditors ever report any related deficiency? Have reported deficiencies, if any, been corrected?

Yes No

The auditors have never reported any deficiency in accounting records.

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

Yes No

The Board of Directors emphasize that the Group must adopt conservative framework as its principle accounting policy. The Audit Committee in cooperation with the auditor evaluate and consider whether the accounting policy adopted by the management is in accordance with generally accepted accounting principles and suitable to the nature of businesses. This is to assure that the Group's financial statements are accurate, complete and reliable.

Part 5 Monitoring

To operate effectively and efficiently, the Company has to monitor on an ongoing basis to ensure that predefined objectives are achieved, internal controls systems are functioning, improvements are made in association with changing situations and deficiencies are resolved in a timely fashion.

5.1 Does the Board compare the actual operational results with the predefined business plan?

Yes No No such cases

The Management reports business performance and financial results compared with predefined business targets to the Executive Board on a monthly basis, and the Board on a bi-monthly basis.

5.2 Does the Company take corrective and timely action in cases where there is variance between the predefined plan and actual results?

Yes No No such cases

The Executive Board reviews business performance with Management on a monthly basis. In addition, the Group's business committee, comprising of senior management and business line managers, regularly monitors and reviews business performance in the monthly performance dashboard meeting. Any significant deviation of the results from predefined business plans will be identified and discussed so that any corrective actions can be performed promptly.

5.3 Have periodic evaluations of internal control systems been conducted?

Yes No

The internal control systems of each business processes and activities as well as computerized information system have been evaluated by internal auditors periodically.

5.4 Do the internal auditors report their audit results directly to the Board or Audit Committee to ensure that internal auditors are able to work independently and report the audit results openly?

Yes No No such cases

Internal Audit department, an independent function, performs audit activities and reports audit results directly to the Audit Committee. The Audit Committee will then consider the matters and recommend on corrective action to management as well as follow up the disposition and report to the Board of Directors periodically.

5.5 Are significant deficiencies, if founded, reported directly to the Board/Audit Committee for corrective and timely action?

Yes No No such cases

The internal auditors shall inform and discuss with the management about their findings and corrective action to be taken. The audit results together with management's response shall instantly be reported to the Audit Committee for additional advice, if any.

5.6 Does the Company have to report the progress of corrective action taken to the Board/Audit Committee?

Yes No

It is reported to the Audit Committee continuously and systematically. The Audit Committee, in turn, will present report summaries to the Board continuously.

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

Yes

No

No such cases

The Company will report the significant cases of fraud or suspected fraud, lawsuit filed and other concerns related to the Group's business operation to Compliance function. Significant issues shall be reported to the Compliance Committee, who shall make decision on corrective actions or report to the Audit Committee for further consideration as deemed appropriate.

Attachment 7

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

Statement of the Board of Directors' Responsibility for Financial Statements

The Board of Directors of TISCO Financial Group Public Company Limited is responsible for the Company's financial statements, the consolidated financial statements of the Company and its subsidiaries, and all financial information presented in the annual report. The financial statements have been prepared in accordance with generally accepted accounting standards applicable in Thailand, which are based on appropriate accounting policies, consistently applied and practiced, prudent judgment and best accounting estimates. All material information has been sufficiently disclosed in the notes to financial statements. These financial statements also have been made in compliance with the stipulations of the Notification of the Bank of Thailand, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The financial statements have been audited and expressed with unqualified audit opinion by an independent auditor, which reflected fair and transparent financial position and operating performance that is useful information for shareholders and general investors.

The Board of Directors has established effective risk management and internal control systems to ensure that the reliability and completeness of financial information are in place, with the ability to protect the Company's assets, as well as identifying the weaknesses of operation in order to adequately prevent operational risk.

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

The Board of Directors views that the Company's internal control systems are satisfactory and provide reasonable assurance as to the reliability of both the Company's financial statements and the consolidated financial statements of the Company and its subsidiaries as of December 31, 2009.

Phisit Pakkasem
(Dr. Phisit Pakkasem)
Chairman of the Board

Pliu Mangkornkanok
(Mr. Pliu Mangkornkanok)
Chief Executive Officer of TISCO Group

**FINANCIAL STATEMENTS
TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
YEAR ENDED 31 DECEMBER 2009**



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Report of Independent Auditor

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated balance sheet of TISCO Financial Group Public Company Limited and its subsidiaries as at 31 December 2009, the related consolidated statements of income, changes in shareholders' equity, and cash flow for the year ended 31 December 2009, and the separate financial statements of TISCO Financial Group Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries as at 31 December 2008 and for the year then ended and the separate financial statements of TISCO Financial Group Public Company Limited as at 31 December 2008 and for the period as from 22 August 2008 (the Company's incorporation date) to 31 December 2008, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 6 February 2009, expressed an unqualified audit opinion on those statements and draw attention to the basis of preparation of the consolidated financial statements of TISCO Group after the completion of the shareholding restructuring plan.

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



ERNST & YOUNG

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2009, and the results of their operation, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok: 8 February 2010

TISCO Financial Group Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Assets					
Cash		826,526,233	595,570,347	50,000	-
Interbank and money market items	3.2				
Domestic					
Interest bearing		10,452,308,437	13,469,082,429	426,404,500	27,992,087
Non-interest bearing		2,191,309,753	44,195,931	-	-
Foreign					
Interest bearing		64,626,083	77,693,216	-	-
Non-interest bearing		-	26	-	-
Total interbank and money market items - net		12,708,244,273	13,590,971,602	426,404,500	27,992,087
Investments	3.3,3.4,3.7				
Current investment - net		2,628,124,929	2,706,174,952	-	-
Long-term investment - net		6,809,821,841	2,649,306,996	-	-
Investment in subsidiaries - net		-	-	15,369,421,314	15,297,196,349
Net investments		9,437,946,770	5,355,481,948	15,369,421,314	15,297,196,349
Receivable from clearing house		139,724,828	700	-	-
Loans, receivables and accrued interest receivable	3.5,3.7				
Loans and receivables		113,232,976,867	103,109,705,688	1,475,000,000	-
Securities and derivatives business receivables		1,016,338,987	667,372,933	-	-
Total loans and receivables		114,249,315,854	103,777,078,621	1,475,000,000	-
Accrued interest receivable		116,856,703	136,704,347	-	-
Total loans, receivables and accrued interest receivable		114,366,172,557	103,913,782,968	1,475,000,000	-
Less: Allowance for doubtful accounts	3.6.1, 3.6.2	(2,425,265,350)	(1,854,509,254)	-	-
Less: Allowance for loss on debt restructuring	3.6.4	(18,258)	(18,258)	-	-
Net loans, receivables and accrued interest receivable		111,940,888,949	102,059,255,456	1,475,000,000	-
Property foreclosed - net	3.8	49,170,844	1,005,709,117	-	-
Land, premises and equipment - net	3.9	1,558,671,038	1,658,578,523	727,931,989	772,831,040
Deferred tax assets	3.21	696,617,396	417,081,532	86,136,513	-
Other assets	3.10	1,446,564,262	1,490,488,212	725,656,254	14,125,187
Total assets		138,804,354,593	126,173,137,437	18,810,600,570	16,112,144,663

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

TISCO Financial Group Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Liabilities and shareholders' equity					
Deposits in baht	3.11	56,808,482,590	58,822,617,507	-	-
Interbank and money market items					
Domestic - Interest bearing	3.12	6,380,215,568	5,727,882,862	210,000,000	2,600,000,000
Liability payable on demand		345,170,135	496,740,597	-	-
Borrowings	3.13				
Short-term borrowings		53,698,938,646	41,768,420,409	3,989,392,156	-
Long-term borrowings		5,429,750,030	4,899,301,740	-	-
Total borrowings		59,128,688,676	46,667,722,149	3,989,392,156	-
Payable to clearing house		192,815,085	339,141,179	-	-
Securities and derivative business payables		958,531,546	292,190,840	-	-
Accrued interest payable		263,481,507	878,535,993	9,062,415	-
Other liabilities	3.14	2,208,252,790	1,412,268,512	296,597,200	272,179,993
Total liabilities		126,285,637,897	114,637,099,639	4,505,051,771	2,872,179,993

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

TISCO Financial Group Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital					
Registered	2.2	11,002,000,000	11,002,010,000	11,002,000,000	11,002,010,000
Issued and fully paid-up - registered					
698,558 Preference shares of Baht 10 each		6,985,580	-	6,985,580	-
726,165,221 Ordinary shares of Baht 10 each (2008: 1,000 ordinary shares of Baht 10 each)		7,261,652,210	10,000	7,261,652,210	10,000
		7,268,637,790	10,000	7,268,637,790	10,000
Issued and fully paid-up - awaiting to register	4.1				
2008: 183,427,226 Preference shares of Baht 10 each		-	1,834,272,260	-	1,834,272,260
9,208 Ordinary shares of Baht 10 each (2008: 541,179,179 ordinary shares of Baht 10 each)		92,080	5,411,791,790	92,080	5,411,791,790
		92,080	7,246,064,050	92,080	7,246,064,050
Share premium					
Share premium of preference shares		-	-	6,147,310	1,614,159,589
Share premium of ordinary shares		-	-	6,002,125,900	4,383,551,350
		-	-	6,008,273,210	5,997,710,939
		7,268,729,870	7,246,074,050	13,277,003,080	13,243,784,989
Adjustment from business combination of entities					
under common control under holding restructuring plan	1.2, 4.1	672,294,885	656,755,136	-	-
Revaluation deficit on investments	1.2, 3.16	(37,792,840)	(398,991,796)	-	-
Unrealised losses on cash flow hedges		(21,924,048)	-	-	-
Translation adjustment	1.2	86,441,426	78,101,573	-	-
Retained earnings					
Appropriated-statutory reserve	2.3	119,800,000	-	119,800,000	-
Unappropriated (deficit)	1.2	4,342,447,016	3,835,778,528	908,745,719	(3,820,319)
Equity attributable to the Company's shareholders		12,429,996,309	11,417,717,491	14,305,548,799	13,239,964,670
Non-controlling interest - equity attributable to minority shareholders of subsidiaries		88,720,387	118,320,307	-	-
Total shareholders' equity		12,518,716,696	11,536,037,798	14,305,548,799	13,239,964,670
Total liabilities and shareholders' equity		138,804,354,593	126,173,137,437	18,810,600,570	16,112,144,663
Off-balance sheet items - contingencies	3.26				
Aval to bills and guarantees of loans		21,651,000	70,696,967	-	-
Other commitments		2,482,668,465	7,477,492,093	-	-

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

Mr. Pliu Mangkornkanok
(Group Chief Executive Officer)

Mrs. Oranuch Apisaksirikul
(President)

TISCO Financial Group Public Company Limited and its subsidiaries

Income statements

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended	For the year ended	For the year ended	For the period as from
	31 December 2009	31 December 2008	31 December 2009	22 August 2008 to 31 December 2008
Interest and dividend income				
Loans	1,262,275,128	1,214,895,743	8,519,952	-
Interbank and money market items	150,391,904	333,885,837	4,345,915	8,957
Hire purchase and financial lease income	6,426,676,655	5,679,673,468	-	-
Investments	633,313,336	357,367,145	2,076,681,067	-
Total interest and dividend income	8,472,657,023	7,585,822,193	2,089,546,934	8,957
Interest expenses				
Deposits	1,098,196,246	1,789,712,880	-	-
Interbank and money market items	198,309,461	153,626,516	69,165,493	712,329
Short-term borrowings	915,794,785	1,286,199,736	24,652,083	-
Long-term borrowings	279,455,206	194,655,549	-	-
Total interest expenses	2,491,755,698	3,424,194,681	93,817,576	712,329
Net interest and dividend income	5,980,901,325	4,161,627,512	1,995,729,358	(703,372)
Bad debts and doubtful accounts	(1,547,877,882)	(980,498,975)	-	-
Net interest and dividend income after bad debts and doubtful accounts	4,433,023,443	3,181,128,537	1,995,729,358	(703,372)
Non-interest income				
Brokerage fees	546,735,454	521,211,961	-	-
Gain (loss) on investments	3.17 9,718,435	(218,389,416)	(104,292,703)	-
Loss on derivatives	3.18 (177,400)	(4,219,300)	-	-
Fees and service income				
Acceptances, aval and guarantees	9,850,231	10,201,047	-	-
Insurance services	613,151,980	673,440,258	-	-
Fund management	574,047,897	418,677,637	-	-
Others	334,011,369	336,916,262	1,091,949,773	-
Gain (loss) on exchange	9,197,728	(11,057,779)	-	-
Other income	3.19 776,519,888	407,546,947	60,441,395	-
Total non-interest income	2,873,055,582	2,134,327,617	1,048,098,465	-
Total net income	7,306,079,025	5,315,456,154	3,043,827,823	(703,372)

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

TISCO Financial Group Public Company Limited and its subsidiaries

Income statements (continued)

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended	For the year ended	For the year ended	For the period as from
		31 December 2009	31 December 2008	31 December 2009	22 August 2008 to 31 December 2008
Non-interest expenses					
Personnel expenses		2,054,827,100	1,662,418,691	394,470,934	-
Premises and equipment expenses		698,959,730	590,715,874	105,106,051	-
Taxes and duties		117,550,903	113,370,452	1,792,547	1,006,701
Fees and service expenses		334,492,576	317,017,056	10,649,114	1,860,086
Directors' remuneration	2.4	7,985,000	7,550,000	7,985,000	-
Other expenses	3.20	1,247,073,728	542,733,523	25,854,912	250,160
Total non-interest expenses		4,460,889,037	3,233,805,596	545,858,558	3,116,947
Income (loss) before income tax		2,845,189,988	2,081,650,558	2,497,969,265	(3,820,319)
Corporate income tax	3.21	(840,440,709)	(361,039,168)	(103,679,905)	-
Net income (loss) for the year		2,004,749,279	1,720,611,390	2,394,289,360	(3,820,319)
Net income attributable to					
Equity holders of the parent		1,988,393,387	1,714,138,180	2,394,289,360	(3,820,319)
Non-controlling interests of the subsidiaries		16,355,892	6,473,210		
		<u>2,004,749,279</u>	<u>1,720,611,390</u>		
Earnings (loss) per share					
3.23					
Basic earnings (loss) per share					
Net income (loss) attributable to equity holders of the parent		<u>2.62</u>	<u>2.11</u>	<u>3.18</u>	<u>(0.26)</u>
Diluted earnings (loss) per share					
Net income (loss) attributable to equity holders of the parent		<u>2.62</u>	<u>2.11</u>	<u>3.18</u>	<u>(0.26)</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statements

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2009	For the period as from
				22 August 2008 to 31 December 2008
Cash flows from operating activities				
Income (loss) before corporate income tax	2,845,189,988	2,081,650,558	2,497,969,265	(3,820,319)
Adjustments to reconcile net income (loss) before corporate income tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	316,762,346	251,295,706	65,426,354	-
Bad debts and doubtful accounts	2,083,500,371	1,513,482,986	-	-
Allowance for impairment of investments (reversal)	6,265,109	11,585,602	104,292,703	-
Allowance for impairment of property foreclosed	494,780,383	14,953,680	-	-
Loss (gain) on disposal of investments	(4,771,246)	115,517,328	-	-
Unrealised loss on exchange (reversal)	(9,197,728)	11,057,779	-	-
Loss (gain) on sales of equipment	(11,424,816)	866,719	-	-
Loss from written-off of equipment	7,736,445	-	-	-
Unrealised loss from trading securities	15,649,920	122,595,714	-	-
Gain from disposal of property foreclosed	(179,206,965)	(34,371,263)	-	-
Decrease (increase) in other accrued income	(35,650,627)	24,098,766	(276,003)	-
Increase in accrued expenses	254,937,107	81,405,233	139,314,363	-
Income from operating activities before changes in operating assets and liabilities	5,784,570,287	4,194,138,808	2,806,726,682	(3,820,319)
Decrease (increase) in operating assets				
Interbank and money market items	1,896,213,615	(12,529,908,932)	(398,412,413)	(27,992,087)
Securities purchased under resale agreements	-	2,400,000,000	-	-
Investment in trading securities	17,699,396	27,719,550	-	-
Receivable from clearing house	(139,724,128)	29,422,182	-	-
Loans and receivables	(12,598,373,351)	(19,280,238,280)	(1,475,000,000)	-
Securities and derivatives business receivables	(348,966,054)	738,283,852	-	-
Property foreclosed	2,443,709,501	1,703,167,228	-	-
Other assets	(94,501,332)	(288,448,554)	(95,016,004)	(14,125,187)

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statements (continued)

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended	For the year ended	For the year ended	For the period as from
	31 December 2009	31 December 2008	31 December 2009	22 August 2008 to 31 December 2008
Increase (decrease) in operating liabilities				
Deposits	(2,014,134,917)	23,108,443,554	-	-
Interbank and money market items	659,457,449	(1,943,571,386)	(2,390,000,000)	2,600,000,000
Liability payable on demand	(151,570,462)	21,672,981	-	-
Borrowings	2,581,171,325	5,930,854,194	3,989,392,156	-
Payable to clearing house	(146,326,094)	(237,382,858)	-	-
Securities and derivative business payables	666,340,706	(573,998,276)	-	-
Other liabilities	(192,582,354)	21,865,822	(183,569,638)	1,716,111
	(1,637,016,413)	3,322,019,885	2,254,120,783	2,555,778,518
Net interest and dividend income	(5,980,901,325)	(4,161,627,512)	(1,995,729,358)	703,372
Cash received from interest income	8,839,187,778	7,779,649,681	12,844,497	8,957
Cash paid for interest expense	(3,450,104,868)	(3,341,445,163)	(84,755,161)	(712,329)
Cash paid for corporate income tax	(574,730,003)	(538,866,696)	(121,182,360)	-
Net cash flows from (used in) operating activities	(2,803,564,831)	3,059,730,195	65,298,401	2,555,778,518
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(6,767,589,910)	(11,503,235,200)	-	-
Cash received from disposal of investment in securities held for investment	8,249,823,586	9,568,282,118	-	-
Cash paid for purchase of property, plant and equipment	(179,768,206)	(261,215,672)	(13,049,750)	(502,367,158)
Cash received from disposal of equipment	31,189,922	6,694,651	-	-
Cash received from dividend	77,593,225	138,835,219	1,452,985,822	-
Cash received from capital returned from subsidiaries (Note 4.7.1)	217,185,990	667,370,466	-	-
Cash paid for decrease in ordinary shares	-	-	(10,000)	-
Cash paid for acquisition of a subsidiary (Note 4.3, 4.6 d))	(890,321,287)	(51,871,200)	(890,321,287)	(2,053,421,360)
Cash paid for acquisition of the remaining shares in accordance with the Group shareholding restructuring plan (Note 4.1)	(1,768,289)	-	(1,768,289)	-
Cash received from share capital reduction of a subsidiary (Note 4.7.2)	-	-	748,800,000	-
Net cash flows from (used in) investing activities	736,345,031	(1,435,139,618)	1,296,636,496	(2,555,788,518)
Cash flows from financing activities				
Dividend paid	(1,367,827,404)	(1,489,771,452)	(1,361,884,897)	-
Cash paid for the redemption of long-term debentures and debt instruments	(331,000,000)	-	-	-
Cash received from issue long-term debentures and debt instruments	4,000,000,000	-	-	-
Cash received from issue ordinary shares	-	-	-	10,000
Cash received from exchange of warrants to purchase preference shares	-	16,623,330	-	-
Net cash flows from (used in) financing activities	2,301,172,596	(1,473,148,122)	(1,361,884,897)	10,000
Translation adjustment	(2,996,910)	4,228,755	-	-
Net increase in cash	230,955,886	155,671,210	50,000	-
Cash at beginning of year	595,570,347	439,899,137	-	-
Cash at end of year	826,526,233	595,570,347	50,000	-
	-	-	-	-
Supplemental cash flows information				
Conversion of preference shares to ordinary shares	1,827,286,680	347,000	1,827,286,680	-
Issuance securities for swap ordinary shares and preference shares under holding restructuring under common control (Note 1.2, 4.1)	33,228,091	-	33,228,091	13,243,774,989

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2008

(Unit: Baht)

	Consolidated financial statements												
	Equity attributable to the parent's shareholders										Non-controlling interest equity attributable to minority shareholders	Total	
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)				Adjustment from business combination of entities under common control		Revaluation surplus (deficit)		Unappropriated retained earnings				Total equity attributable to the parent's shareholders
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	under holding restructuring plan	on investments	Translation adjustment	Statutory reserve					
Share premium													
Balance as at 31 December 2007	1,827,753,800	5,446,171,200	84,925,420	36,500,000	-	751,139,152	73,872,818	486,800,000	3,666,442,608	12,373,604,998	-	12,373,604,998	
Incomes (expenses) recognised in equity													
Decrease in fair value of investments	-	-	-	-	-	(1,643,044,211)	-	-	-	(1,643,044,211)	-	(1,643,044,211)	
Increase in translation adjustment	-	-	-	-	-	-	4,228,755	-	-	4,228,755	-	4,228,755	
Deferred tax transferred out from shareholder equity	-	-	-	-	-	492,913,263	-	-	-	492,913,263	-	492,913,263	
Incomes (expenses) recognised in equity	-	-	-	-	-	(1,150,130,948)	4,228,755	-	-	(1,145,902,193)	-	(1,145,902,193)	
Net income for the year	-	-	-	-	-	-	-	-	1,714,138,180	1,714,138,180	6,473,210	1,720,611,390	
Total incomes (expenses) for the year	-	-	-	-	-	(1,150,130,948)	4,228,755	-	1,714,138,180	568,235,987	6,473,210	574,709,197	
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	-	(1,489,771,452)	(1,489,771,452)	-	(1,489,771,452)	
Income tax from unpaid dividend	-	-	-	-	-	-	-	-	(1,304,019)	(1,304,019)	-	(1,304,019)	
Issuance of ordinary shares	-	10,000	-	-	-	-	-	-	-	10,000	-	10,000	
Warrants converted to preference shares	7,597,500	-	9,025,830	-	-	-	-	-	-	16,623,330	-	16,623,330	
Preference shares converted to ordinary shares	(347,000)	347,000	-	-	-	-	-	-	-	-	-	-	
Adjustment from business combination of entities under common control under holding restructuring plan (Note 1.2, 4.1)	(732,040)	(34,726,410)	(93,951,250)	(36,500,000)	656,755,136	-	-	(486,800,000)	(53,726,789)	(49,681,353)	-	(49,681,353)	
Increase in non-controlling interest in subsidiary company	-	-	-	-	-	-	-	-	-	-	111,847,097	111,847,097	
Balance as at 31 December 2008	<u>1,834,272,260</u>	<u>5,411,801,790</u>	<u>-</u>	<u>-</u>	<u>656,755,136</u>	<u>(398,991,796)</u>	<u>78,101,573</u>	<u>-</u>	<u>3,835,778,528</u>	<u>11,417,717,491</u>	<u>118,320,307</u>	<u>11,536,037,798</u>	

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2009

(Unit: Baht)

	Consolidated financial statements										
	Equity attributable to the parent's shareholders										
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)		Adjustment from business combination of entities under common control under holding restructuring plan	Revaluation surplus (deficit) on investments	Unrealised losses on cash flow hedges	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Total equity attributable to the parent's shareholders	Non-controlling interest equity attributable to minority shareholders of subsidiaries	Total
	Preference shares	Ordinary shares									
Balance as at 31 December 2008	1,834,272,260	5,411,801,790	656,755,136	(398,991,796)	-	78,101,573	-	3,835,778,528	11,417,717,491	118,320,307	11,536,037,798
Incomes (expenses) recognised in equity											
Increase in fair value of investments	-	-	-	479,726,695	-	-	-	-	479,726,695	-	479,726,695
Unrealised losses on cash flow hedges	-	-	-	-	(31,320,069)	-	-	-	(31,320,069)	-	(31,320,069)
Increase in translation adjustment	-	-	-	-	-	8,339,853	-	-	8,339,853	-	8,339,853
Deferred tax recognised in/transferred out from shareholder's equity	-	-	-	(118,527,739)	9,396,021	-	-	-	(109,131,718)	-	(109,131,718)
Incomes (expenses) recognised in equity	-	-	-	361,198,956	(21,924,048)	8,339,853	-	-	347,614,761	-	347,614,761
Net income for the year	-	-	-	-	-	-	-	1,988,393,387	1,988,393,387	16,355,892	2,004,749,279
Total incomes (expenses) for the year	-	-	-	361,198,956	(21,924,048)	8,339,853	-	1,988,393,387	2,336,008,148	16,355,892	2,352,364,040
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	(1,361,884,897)	(1,361,884,897)	(5,942,507)	(1,367,827,404)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(40,002)	(40,002)	-	(40,002)
Transfer unappropriated retain earning to statutory reserve	-	-	-	-	-	-	119,800,000	(119,800,000)	-	-	-
Decrease ordinary shares	-	(10,000)	-	-	-	-	-	-	(10,000)	-	(10,000)
Preference shares converted to ordinary shares	(1,827,286,680)	1,827,286,680	-	-	-	-	-	-	-	-	-
Adjustment from business combination of entities under common control under holding restructuring plan (Note 1.2, 4.1)	-	22,665,820	15,539,749	-	-	-	-	-	38,205,569	(38,205,569)	-
Decrease in non-controlling interest in subsidiary companies	-	-	-	-	-	-	-	-	-	(1,807,736)	(1,807,736)
Balance as at 31 December 2009	6,985,580	7,261,744,290	672,294,885	(37,792,840)	(21,924,048)	86,441,426	119,800,000	4,342,447,016	12,429,996,309	88,720,387	12,518,716,696

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the period as from 22 August 2008 to 31 December 2008

(Unit: Baht)

	Issued and fully paid-up share capital					Unappropriated retained earnings (deficit)	Total
	awaiting for registered			Share premium			
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares		
Balance as at 22 August 2008	-	-	-	-	-	-	-
Issuance of ordinary shares	10,000	-	-	-	-	-	10,000
Net loss for the period	-	-	-	-	-	(3,820,319)	(3,820,319)
Issuance of preference shares to the shareholders							
under common control under holding restructuring plan (Note 1.2, 4.1)	-	1,834,272,260	-	1,614,159,589	-	-	3,448,431,849
Issuance of ordinary shares to the shareholders							
under common control under holding restructuring plan (Note 1.2, 4.1)	-	-	5,411,791,790	-	4,383,551,350	-	9,795,343,140
Balance as at 31 December 2008	<u>10,000</u>	<u>1,834,272,260</u>	<u>5,411,791,790</u>	<u>1,614,159,589</u>	<u>4,383,551,350</u>	<u>(3,820,319)</u>	<u>13,239,964,670</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2009

(Unit: Baht)

	Separate financial statements								
	Issued and fully		Issued and fully paid-up share capital				Statutory reserve	Unappropriated retained earnings (deficit)	Total
	paid-up share capital - consist of registered		awaiting for registered		Share premium				
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares			
Balance as at 31 December 2008	-	10,000	1,834,272,260	5,411,791,790	1,614,159,589	4,383,551,350	-	(3,820,319)	13,239,964,670
Decrease ordinary shares	-	(10,000)	-	-	-	-	-	-	(10,000)
Net income for the year	-	-	-	-	-	-	-	2,394,289,360	2,394,289,360
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	(1,361,884,897)	(1,361,884,897)
Income tax from unpaid dividend	-	-	-	-	-	-	-	(38,425)	(38,425)
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	119,800,000	(119,800,000)	-
Issuance of ordinary shares to the shareholders under common control under holding restructuring plan (Note 1.2, 4.1)	-	22,573,740	-	92,080	-	10,562,271	-	-	33,228,091
Registered the issuance of preference shares and ordinary shares to the shareholders under common control under holding restructuring plan	1,834,272,260	5,411,791,790	(1,834,272,260)	(5,411,791,790)	-	-	-	-	-
Preference shares converted to ordinary shares	(1,827,286,680)	1,827,286,680	-	-	(1,608,012,279)	1,608,012,279	-	-	-
Balance as at 31 December 2009	<u>6,985,580</u>	<u>7,261,652,210</u>	<u>-</u>	<u>92,080</u>	<u>6,147,310</u>	<u>6,002,125,900</u>	<u>119,800,000</u>	<u>908,745,719</u>	<u>14,305,548,799</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2009 and 2008

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except for the early adoption of the accounting policy regarding “Accounting for income taxes”, which is in line with International Accounting Standard (IAS) No. 12 “Income Taxes” (revised 1996). These financial statements have been prepared in accordance with the principles stipulated by the Office of the Securities and Exchange Commission and the Bank of Thailand (“BOT”) since the Company is the holding company which was approved by BOT to be a parent of a financial business group.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Bank of Thailand dated 3 August 2009 “Preparation and presentation of a commercial bank and a holding company which is the parent company of the financial business group”.

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

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

The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

1.2 Basis of consolidation

- a) As mentioned in Note 4.1 to the financial statements, the Company has implemented the holding restructuring plan and, as of 9 January 2009, had been able to acquire 99.51% of securities of TISCO Bank Public Company Limited (“TISCO Bank”), consisting of ordinary shares, preference shares and warrants to purchase preference shares of TISCO Bank in exchange for its newly issued shares. This holding restructuring plan was completed in compliance with the criteria approved by regulators and so, as at 31 December 2009, the Company had recognised investment in TISCO Bank amounting to Baht 13,244 million, proportionate to the 99.51% shareholding acquired under the plan. The Company prepared consolidated financial statements that include the financial statements of TISCO Bank and its subsidiaries in TISCO Group under the business combination of entities under common control under holding restructuring plan, as if the implementation of the holding restructuring plan had been completed in compliance with the criteria approved by regulators in 2008, to reflect in substance the holding restructuring of the group and to facilitate understanding of the financial statement users.
- b) The consolidated financial statements of TISCO Group after holding restructuring include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) As mentioned in Note 4.1 to the financial statements, the Company made a tender offer to acquire all securities of TISCO Bank (ordinary shares, preference shares and warrants to purchase preference shares) by means of a share swap with interested shareholders of TISCO Bank in a ratio of 1:1. The swap price was set based on the weighted average market price of TISCO Bank securities, whereby the swap prices for the ordinary shares and preference shares were equal to Baht 18.10 and Baht 18.80 per share, respectively. The Company acquired capital of TISCO Bank totaling Baht 13,244 million, consisting of 541,179,179 ordinary shares of TISCO Bank amounting to Baht 9,795 million, and 183,427,226 preference shares of TISCO Bank amounting to Baht 3,449 million. This represented 99.51% of the total outstanding paid-up shares of TISCO Bank, and TISCO Bank therefore became a subsidiary of the Company under holding restructuring plan.

Because the holding restructuring is considered to be a business combination of entities under common control, the Company has combined all financial statements of its subsidiaries in the consolidated financial statements. In preparing the consolidated financial statements, the Company included the operating results of the subsidiaries, presenting the transaction through shareholders' equity, as if the business combination had taken place at the beginning of the year 2008. The Company presented the net amount between share premium and the excess of the purchase price over the net book value of the consolidated financial statements of TISCO Bank and its subsidiaries ("TISCO Group") after adjusted equity transactions as if the business combination had taken place at the beginning of the year as "Adjustment from business combination of entities under common control under holding restructuring plan" in shareholders' equity of the consolidated financial statements.

- e) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.
- f) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies.
- g) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing average exchange rates as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of "Translation adjustment" in shareholders' equity.
- h) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- i) Non-controlling interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

1.3 Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

1.3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for the Preparation and Presentation of Financial Statements
(revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale and
Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common
Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management of the Company and its subsidiaries has assessed the effect of these standards and believes that the new accounting standards, financial reporting standards and accounting treatment guidance do not have any significant impact on the financial statements for the current year.

1.3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date. The management of the Company and its subsidiaries has assessed the effect of these standards and believes that the new accounting standards will not have any significant impact on the financial statements for the year in which they are initially applied. TAS 20 is not relevant to the business of the Company and its subsidiaries.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

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

The subsidiaries have policies for loans on which interest payments have been defaulted for more than one month, it is the policy of its subsidiaries to cease accruing income. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and interest then recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is then recognised on a cash basis.

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fee

Brokerage on securities and derivative trading is recognised as income on the transaction dates.

d) Gain (loss) on trading in securities and derivatives

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

e) Fees and service income

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

1.4.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

The subsidiaries recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, by the effective interest rate method, and deducting them from unearned income over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded as expenses when occurred for hire purchase contract originated before 1 January 2007.

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

1.4.3 Investments in securities

a) Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining income.

b) Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

c) Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment (if any).

e) Investments in subsidiaries which present in the separate financial statements are determined at cost net of allowance for impairment (if any).

- f) The subsidiary company does not record investments which the subsidiary company holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The subsidiary company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The subsidiary company does not consider the investments in mutual funds to be investments in associated companies by the equity method in the consolidated financial statements, even if the company holds not less than 20% of the equity, because the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.
- h) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- i) The subsidiary company will record losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.
- j) The moving average method is used for computation of the cost of investments.
- k) In the event the subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

1.4.4 Investments in receivable purchased or transferred in

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

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

1.4.5 Securities purchased under resale agreements according to private repurchase transactions

The subsidiary company operating banking business has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the balance sheet and the securities purchased are used as collateral.

Under securities purchase under resale agreements according to private repurchase transactions, the subsidiary company obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest method, and are presented as interest income.

1.4.6 Receivable from Clearing House/ Payable to Clearing House

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net balance payable to Thailand Clearing House.

1.4.7 Loans and receivables

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

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

Securities and derivative business receivables are the net balances of securities and derivative business receivables. Securities business receivables include customer cash accounts, customers' securities borrowing and lending accounts, and other receivables such as securities receivable that are being enforced by courts, and being compromised, or being settled in installments.

1.4.8 Allowance for doubtful accounts and losses from troubled debt restructuring

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

For all loans and receivables classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the subsidiary company records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, respectively.

For non-performing loans and receivables which are classified as substandard, doubtful and doubtful of loss (except for non-performing hire purchase receivables), the subsidiary company records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications.

For hire purchase receivables that are classified as pass, special mention and non-performing hire purchase receivables, the subsidiary company uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

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

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.
- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is made using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- d) For the subsidiary company operating leasing business, allowance for doubtful receivables is estimated based on a review of all outstanding amounts at the end of the period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the balance sheet date.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.

1.4.9 Troubled debt restructuring

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

1.4.10 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company for securities trading through cash accounts and derivative trading is recorded as assets of the subsidiary company for the customers' position for internal control purposes. At the balance sheet date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.4.11 Borrowing and lending of securities

A subsidiary company operating securities business conducts both securities borrowing and securities lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the balance sheet. At the end of the year, the balances of Securities borrowing payables and Securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange on Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in determining income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

1.4.12 Property foreclosed

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

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

1.4.13 Depreciation and amortisation

- a) Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation.

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

Buildings and office condominium units	-	20	years
Office improvements	-	5,10	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5	years
Leased assets under operating lease agreements	-	according to the period of lease agreement	

No depreciation is provided on land.

Depreciation is included in determining income.

- b) Software license fees are deferred and amortised over the following estimated useful lives:

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

1.4.14 Income tax

a) Current tax

The Company and its subsidiaries calculate corporate income tax in accordance with tax legislation.

b) Deferred tax

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

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

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

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At each balance sheet date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.4.15 Impairment of assets

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

Impairment losses are recognised in the income statement.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and its subsidiaries estimate the asset's recoverable amount. An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed.

1.4.16 Derecognition of financial assets and financial liabilities

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

1.4.17 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies outstanding at the balance sheet date and off-balance sheets transactions are translated into Baht at the average exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

1.4.18 Employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund and provident fund as expenses on an accrual basis.

1.4.19 Provisions

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

1.4.20 Derivatives and hedge accounting

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

- a) A subsidiary operating banking business has recorded derivatives in fair value method. The subsidiary records gains (losses) from changes in the fair value of derivatives which is stated net of interest income or expense in the income statement. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in the income statements, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

- c) A subsidiary operating leasing business has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The subsidiary 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 subsidiary 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 the income statement. Amounts accumulated in equity are recycled to the income statement 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 the income statement.

1.4.21 Financial instruments

- a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), investments, receivable from clearing house, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, borrowings, payable to clearing house, and securities and derivative business payables. The financial risks associated with these financial instruments and how they are managed is described in Note 3.27 to the financial statements.

- b) Fair value of financial instruments

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

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rates at which financial instruments with similar features and maturities could be issued as of the balance sheet date.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, payable to clearing house, and securities and derivative business payables, the carrying amounts in the balance sheet approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- Loans and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivable and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debentures and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

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

1.4.22 Earnings per share

Basis of computation of earnings per share is summarised below.

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share is calculated by dividing net income for the year, after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year plus the weighted average number of ordinary shares to be issued upon conversion of warrants into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the warrants were issued.

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

1.4.23 Offsetting financial assets and financial liabilities

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

1.4.24 Significant accounting judgments and estimates

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

Allowance for doubtful accounts for loans and receivables

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted 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 long-term volatility of financial instruments.

Impairment of investments

The Company and its subsidiaries treat available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

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.

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.

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgment whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

In addition, as mentioned in Note 1.2 to the financial statements, the management exercise judgment to prepare consolidated financial statements as at 31 December 2008 that included the financial statements of TISCO Bank and its subsidiaries, according to the holding company restructuring plan.

2. General information

2.1 The Company's information

On 22 August 2008, TISCO Group Holding Public Company Limited was incorporated as a public company under Thai law and on 4 September 2008, the Company changed its name to TISCO Financial Group Public Company Limited (“the Company”). The Company's principal activity is a holding company. Upon completion of the holding company restructuring plan on 9 January 2009, the Company became the parent company of TISCO Group in place of TISCO Bank Public Company Limited (“TISCO Bank”). On 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

2.2 Share capital

The Company has a registered capital of Baht 11,002 million which consists of 544,651,820 ordinary shares and 555,548,180 preference shares both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Company'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 Provident fund

The Company, its seven subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The provident funds of the Company and its six subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules.

2.6 Related party transactions

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

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

The Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Company, the Company's directors or management-level employees, with the exception of loans to related party and loans to employees under the employee welfare scheme, as mentioned in Note 3.24 to the financial statements.

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

The Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or authorised directors.

3. Details of financial statements

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2009 and 2008 is provided below.

Company's name	Country of incorporation	Percentage of shares held by the Company as at 31 December		Subsidiaries' total assets as a percentage to the consolidated total as at 31 December		Subsidiaries' total revenues as a percentage to the consolidated total for the year ended 31 December		Subsidiaries' net income (loss) as a percentage to the consolidated total for the year ended 31 December	
		2009	2008	2009	2008	2009	2008	2009	2008
		(Unit: Percentage)							
<u>Subsidiaries directly owned by the Company</u>									
TISCO Bank Public Company Limited	Thailand	99.84	99.51	94.04	93.98	76.94	70.25	110.18	85.50
TISCO Securities Co., Ltd.	Thailand	99.99	99.99	1.96	1.62	10.08	12.06	15.61	11.42
TISCO Asset Management Co., Ltd.	Thailand	99.99	99.99	0.23	0.24	8.88	9.33	19.35	10.92
Hi-Way Co., Ltd.	Thailand	99.99	99.99	1.36	1.83	2.90	6.65	1.26	5.48
TISCO Information Technology Co., Ltd.	Thailand	99.99	99.99	0.05	0.03	-	0.01	(11.78)	(11.32)
TISCO Tokyo Leasing Co., Ltd.	Thailand	49.00	49.00	1.62	1.57	1.16	-	0.98	-
Primus Leasing Co.,Ltd. (in the process of liquidation)	Thailand	99.99	99.99	0.01	-	0.07	-	(2.33)	-
<u>Subsidiaries indirectly owned by the Company</u>									
TISCO Leasing Co., Ltd.	Thailand	99.99	99.99	0.03	0.05	0.03	1.56	(0.77)	(0.82)
TISCO Securities Hong Kong Ltd. (in the process of liquidation)	China-Hong Kong	100.00	100.00	0.05	0.06	-	0.02	(0.31)	(0.18)
TISCO Global Securities Ltd. (already liquidated on 12 November 2009)	China-Hong Kong	100.00	100.00	-	0.01	-	0.01	-	(1.17)

3.2 Interbank and money market items (assets)

(Unit: Baht)

Consolidated financial statements as at						
	31 December 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	1,911,616,680	700,000,000	2,611,616,680	6,408,371	13,110,000,000	13,116,408,371
Commercial banks	483,283,837	9,547,645,163	10,030,929,000	127,745,632	263,496,602	391,242,234
Total	2,394,900,517	10,247,645,163	12,642,545,680	134,154,003	13,373,496,602	13,507,650,605
Add: Accrued interest	319,904	752,606	1,072,510	1,629,916	3,997,839	5,627,755
Total domestic	2,395,220,421	10,248,397,769	12,643,618,190	135,783,919	13,377,494,441	13,513,278,360
<u>Foreign</u>						
Hong Kong dollar	21,698,252	-	21,698,252	9,865,944	22,589,419	32,455,363
US dollar	42,927,831	-	42,927,831	251,503	44,986,376	45,237,879
Total	64,626,083	-	64,626,083	10,117,447	67,575,795	77,693,242
Add: Accrued interest	-	-	-	-	-	-
Total foreign	64,626,083	-	64,626,083	10,117,447	67,575,795	77,693,242
Total domestic and foreign	2,459,846,504	10,248,397,769	12,708,244,273	145,901,366	13,445,070,236	13,590,971,602

(Unit: Baht)

Separate financial statements as at						
	31 December 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	426,383,130	-	426,383,130	27,992,087	-	27,992,087
Total	426,383,130	-	426,383,130	27,992,087	-	27,992,087
Add: Accrued interest	21,370	-	21,370	-	-	-
Total domestic	426,404,500	-	426,404,500	27,992,087	-	27,992,087

3.2.1 The subsidiary company operating banking business entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchase under resale agreements according to private repurchase transactions as at	
	31 December 2009	31 December 2008
	Commercial Bank	9,200

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

	As at	
	31 December 2009	31 December 2008
	Fair value of securities received as collateral	9,325

3.2.2 Interbank and money market - items (assets) subject to restriction

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at		Type of pledge
	31 December 2009	31 December 2008	
	Cash at banks of local subsidiary	10	

3.3 Investments

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2009		31 December 2008	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investments				
Trading securities				
Equity securities:				
Domestic marketable equity securities	3,752,320	19,951,360	35,392,608	37,650,756
Add (less): Allowance for changes in value	16,199,040		2,258,148	
Net equity securities	19,951,360		37,650,756	
Total trading securities	19,951,360		37,650,756	
Available-for-sales securities				
Debt securities:				
Government and state enterprise securities	849,831,531	850,762,275	416,952,466	418,305,147
Debt securities of private sector	1,678,119,515	1,687,053,131	201,616,916	200,108,860
Foreign debt securities	-	-	1,869,822,358	1,668,501,090
Total	2,527,951,046	2,537,815,406	2,488,391,740	2,286,915,097
Add (less): Allowance for changes in value	11,324,360		8,174,225	
Exchange difference	-		(208,190,868)	
Less: Allowance for impairment	(1,460,000)		(1,460,000)	
Debt securities - net	2,537,815,406		2,286,915,097	
Equity securities:				
Domestic marketable equity securities	30,015	30,015	-	-
Unit trust	70,000,000	70,326,148	60,000,000	45,746,975
Total	70,030,015	70,356,163	60,000,000	45,746,975
Add (less): Allowance for changes in value	326,148		(14,253,025)	
Net equity securities	70,356,163		45,746,975	
Total available-for-sales securities	2,608,171,569		2,332,662,072	
Held-to-maturity debt securities - due within 1 year				
Debt securities:				
Government and state enterprise securities	-		335,860,124	
Debt securities of private sector	2,000		2,000	
Total held-to-maturity debt securities - due within 1 year	2,000		335,862,124	
Net current investments	2,628,124,929		2,706,174,952	

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2009		31 December 2008	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Long-term investments</u>				
Available-for-sales securities				
Debt securities:				
Debt securities of private sector	-		100,000,000	99,895,030
Add (less): Allowance for changes in value	-		(104,970)	
Debt securities - net	-		99,895,030	
Equity securities:				
Domestic marketable equity securities	908,724,417	963,867,257	1,086,032,360	767,562,880
Other securities - unit trusts	-	-	9,156,787	5,510,922
Total	908,724,417	963,867,257	1,095,189,147	773,073,802
Add (less): Allowance for changes in value	55,142,840		(322,115,345)	
Net equity securities	963,867,257		773,073,802	
Total available-for-sales securities	963,867,257		872,968,832	
Held-to-maturity debt securities				
Debt securities:				
Government and state enterprise securities	698,561,388		-	
Total held-to-maturity debt securities	698,561,388		-	
Other investments				
Equity securities:				
Domestic non-marketable equity securities	706,832,346		712,984,649	
Investments in receivables	4,517,004,230		1,133,545,787	
Total	5,223,836,576		1,846,530,436	
Less: Allowance for impairment	(76,443,380)		(70,192,272)	
Total other investments	5,147,393,196		1,776,338,164	
Net long-term investments	6,809,821,841		2,649,306,996	
Net investments	9,437,946,770		5,355,481,948	

(Unit: Baht)

	Separate financial statements as at			
	31 December 2009		31 December 2008	
	Cost /		Cost /	
	Book value	Fair value	Book value	Fair value
Investment in subsidiaries				
Investments in subsidiaries (cost method)	15,473,714,017		15,297,196,349	
Less: Allowance for impairment	(104,292,703)		-	
Total Investments in subsidiaries	<u>15,369,421,314</u>		<u>15,297,196,349</u>	
Net investments	<u>15,369,421,314</u>		<u>15,297,196,349</u>	

3.3.1 Held-to-maturity debt securities with the Ministry of Finance under the Tier I and Tier II capital support scheme

(Unit: Million Baht)

	Consolidated financial statements		Remark
	as at		
	31 December 2009	31 December 2008	
Government bonds	-	331	These bonds are redeemable within a 10-year period, maturing in February 2009 and May 2009, and carry interest at rates of 4% and 5% per annum.

3.3.2 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements		Type of restriction
	as at		
	31 December 2009	31 December 2008	
Government debt securities	1	6	Pledged for electricity usage

3.3.3 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

	Consolidated financial statements as at 31 December 2009			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	848,750,995	1,080,536	-	849,831,531
Debt securities of private sector	228,856,056	1,184,142,421	265,121,038	1,678,119,515
Total	1,077,607,051	1,185,222,957	265,121,038	2,527,951,046
Add (less): Allowance for changes in value	1,577,410	3,279,988	6,466,962	11,324,360
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	1,077,724,461	1,188,502,945	271,588,000	2,537,815,406
Held-to-maturities debt securities				
Government and state enterprise securities	-	-	698,561,388	698,561,388
Debt securities of private sector	2,000	-	-	2,000
Total	2,000	-	698,561,388	698,563,388
Total debt securities	1,077,726,461	1,188,502,945	970,149,388	3,236,378,794

(Unit: Baht)

	Consolidated financial statements as at 31 December 2008			
	Maturity			Total
	Less than 1 year	1 - 5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	415,854,970	-	1,097,496	416,952,466
Debt securities of private sector	31,552,768	270,064,148	-	301,616,916
Foreign debt securities	1,869,822,358	-	-	1,869,822,358
Total	2,317,230,096	270,064,148	1,097,496	2,588,391,740
Add (less): Allowance for changes in value	8,156,052	(141,237)	54,440	8,069,255
Exchange difference	(208,190,868)	-	-	(208,190,868)
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	2,115,735,280	269,922,911	1,151,936	2,386,810,127
Held-to-maturities debt securities				
Government and state enterprise securities	335,860,124	-	-	335,860,124
Debt securities of private sector	2,000	-	-	2,000
Total	335,862,124	-	-	335,862,124
Total debt securities	2,451,597,404	269,922,911	1,151,936	2,722,672,251

3.3.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business.

(Unit: Baht)

	Consolidated financial statements		
	as at 31 December 2009		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

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

3.3.5 Investments in mutual fund which the subsidiary company holds not less than 20% of equity, but which are not recorded as investments in associated companies under the equity method in the consolidated financial statements, since the company does not have influence over the financial and operating policies of these funds, which are independently managed by the fund manager accorded to mutual fund management policy and operate under the supervision of the Office of Securities and Exchange Commission.

(Unit: Thousand Baht)

Security's name	As at					
	31 December 2009			31 December 2008		
	Book Value	Cost	Percentage of Holding	Book Value	Cost	Percentage of Holding
			%			%
The Krung Thai Capital Protection Fixed 6 months Fund 4	20,187	20,000	46.84	-	-	-

3.3.6 Investments where the Company and its subsidiary hold not less than 10 percent of the equity of the investees

(Unit: Baht)

Security's name	Consolidated financial statements as at					
	31 December 2009			31 December 2008		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
		%			%	
Insurance:						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
Services:						
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	3,796,500	-	10	4,291,200	-	10
Real estate:						
Prosperity Industrial Estate Co., Ltd.	45,156,456	-	10	45,227,553	-	10
UMI Property Co., Ltd.	8,085,000	-	10	10,156,500	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	16,753,000	-	10	16,555,000	-	10

(Unit: Baht)

Security's name	Separate financial statements as at					
	31 December 2009			31 December 2008		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
	(Cost method)		%	(Cost method)		%
Services:						
TISCO Bank Public Company Limited	13,278,771,370	-	99.84	13,243,774,989	-	99.51
TISCO Securities Co., Ltd.	1,575,065,134	-	99.99	1,575,065,134	-	99.99
TISCO Asset Management Co., Ltd.	110,075,340	-	99.99	110,075,340	-	99.99
TISCO Information Technology Co., Ltd.	22,117,205	-	99.99	22,117,205	-	99.99
Leasing and hire purchase:						
Hi-Way Co., Ltd. (ordinary shares and preference shares)	272,918,665	-	99.99	272,918,665	-	99.99
TISCO Tokyo Leasing Co., Ltd.	73,245,016	-	49.00	73,245,016	-	49.00
Primus Leasing Co., Ltd. (in the process of liquidation)	37,228,584	-	99.99	-	-	-

3.4 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements						Dividend received for the year ended
		Paid-up share capital		Percentage of shares held by the Company		Cost		
		as at		as at		as at		
		31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	
<u>Subsidiaries directly held by the Company</u>								
				%	%			
TISCO Bank Public Company Limited	Banking	7,282	7,282	99.84	99.51	13,279	13,244	1,458
TISCO Securities Co., Ltd.	Securities business	1,500	1,500	99.99	99.99	1,575	1,575	156
TISCO Asset Management Co., Ltd.	Asset management	100	100	99.99	99.99	110	110	345
Hi-Way Co., Ltd.	Hire purchase	100	100	99.99	99.99	273	273	55
TISCO Information Technology Co., Ltd.	Services	20	20	99.99	99.99	22	22	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	60	60	49.00	49.00	73	73	1
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	3	-	99.99	-	37	-	62
						<u>15,369</u>	<u>15,297</u>	<u>2,077</u>

During the year 2009, the changes in investments in subsidiary companies are presented as follows:

- a) The Company acquired a holding in Primus Leasing Company Limited and received a return of capital from this company, as mentioned in Note 4.3 to the financial statements and Note 4.7.2 to the financial statements, respectively.

Details of the cost of the investment in Primus Leasing Company Limited, as presented in the separate financial statement, are as follows:

	(Unit: Million Baht)	
	Paid-up share capital	Cost
Acquisition of investment (Note 4.3)	752	890
Capital returns from the reduction of a subsidiary's share capital (Note 4.7.2)	(749)	(749)
Cost	<u>3</u>	141
Less: Allowance for investment		<u>(104)</u>
Net investment		<u>37</u>

- b) The Company increased the investments in TISCO Bank by purchasing the remaining 120,620 ordinary shares and undertaking to issue the Company's ordinary shares in exchange of the remaining 2,266,582 ordinary shares of TISCO Bank at a price of Baht 14.66 per share totaling Baht 35 million, from the minority shareholders, as mentioned in Note 4.1 to the financial statements.

3.5 Loans, receivables and accrued interest receivable

3.5.1 Classified by type of loan and receivable

(Unit: Baht)

	Consolidated financial statements	
	As at	
	31 December 2009	31 December 2008
<u>Loans and receivables</u>		
Loans	18,337,648,847	18,200,353,365
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	108,171,428,910	97,436,863,199
Add (less): Unearned income	(14,048,916,060)	(13,200,245,468)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	824,828,829	698,790,471
: Advances received from financial lease receivables	(52,013,659)	(26,055,879)
Net hire purchase and financial lease receivables	94,895,328,020	84,909,352,323
Total loans and receivables	113,232,976,867	103,109,705,688
Add: Accrued interest receivable	116,856,703	136,704,347
Less: Allowance for doubtful accounts	(2,423,833,008)	(1,852,875,157)
Less: Allowance for loss on debt restructuring	(18,258)	(18,258)
Net loans, receivables and accrued interest receivable	110,925,982,304	101,393,516,620
<u>Securities and derivatives business receivables</u>		
Securities business receivable		
Customers' cash accounts	1,014,638,736	665,835,392
Other receivables		
Installment receivables	1,432,342	1,537,541
Total securities business receivables	1,016,071,078	667,372,933
Derivatives business receivables	267,909	-
Total securities and derivatives business receivables	1,016,338,987	667,372,933
Less: Allowance for doubtful accounts	(1,432,342)	(1,634,097)
Securities and derivatives business receivables - net	1,014,906,645	665,738,836
Net loans, receivables and accrued interest receivable	111,940,888,949	102,059,255,456

(Unit: Baht)

	Separate financial statements	
	as at	
	31 December 2009	31 December 2008
Loans and receivables		
Loans	1,475,000,000	-
Add: Accrued interest receivable	-	-
Net loans and accrued interest receivable	1,475,000,000	-

3.5.2 Classified by remaining periods of contracts

(Unit: Baht)

	Consolidated financial statements	
	as at	
	31 December 2009	31 December 2008
Loans and receivables		
Not over 1 year (included contract which are due)	10,173,405,590	10,116,664,282
Over 1 year	103,059,571,277	92,993,041,406
Total loans and receivables	113,232,976,867	103,109,705,688
Add: Accrued interest receivable	116,856,703	136,704,347
Total loans, receivables and accrued interest receivable	113,349,833,570	103,246,410,035

3.5.3 Classified by type of business

(Unit: Baht)

	Consolidated financial statements as at 31 December 2009						Other subsidiaries	Total
	Subsidiary company operating banking business					Total		
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss			
Agricultural and mining	128,555,081	3,414,844	1,448,917	1,106,412	549,595	135,074,849	-	135,074,849
Manufacturing and commerce	9,931,122,109	114,860,479	22,438,973	40,336,878	77,028,736	10,185,787,175	-	10,185,787,175
Real estate and construction	5,678,583,780	112,068,418	40,469,174	11,655,378	394,867,319	6,237,644,069	-	6,237,644,069
Public utilities and services	2,521,037,258	229,168,643	22,700,325	35,896,574	24,353,920	2,833,156,720	-	2,833,156,720
Personal use								
Hire purchase	75,355,889,115	5,977,623,129	648,963,840	235,929,306	268,361,588	82,486,766,978	4,145,410,166	86,632,177,144
Housing loans	1,269,250,322	36,073,885	22,448,055	20,627,110	127,428,441	1,475,827,813	-	1,475,827,813
Securities	-	-	-	-	-	-	1,016,338,987	1,016,338,987
Others	5,126,978,159	141,861,245	15,557,997	8,131,865	440,779,831	5,733,309,097	-	5,733,309,097
Total loans, receivables and securities business receivables	100,011,415,824	6,615,070,643	774,027,281	353,683,523	1,333,369,430	109,087,566,701	5,161,749,153	114,249,315,854
Add: Accrued interest receivable	14,922,739	82,548,467	-	-	-	97,471,206	19,385,497	116,856,703
Total loans, receivables and securities business receivables and accrued interest receivable	100,026,338,563	6,697,619,110	774,027,281	353,683,523	1,333,369,430	109,185,037,907	5,181,134,650	114,366,172,557

(Unit: Baht)

Consolidated financial statements as at 31 December 2008

	Subsidiary company operating banking business						Other	
							Subsidiaries	Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	121,834,907	3,269,345	-	245,991	-	125,350,243	-	125,350,243
Manufacturing and commerce	7,074,285,218	165,700,977	33,375,457	17,300,664	51,547,354	7,342,209,670	-	7,342,209,670
Real estate and construction	8,265,099,280	107,521,231	19,458,732	27,785,108	387,851,106	8,807,715,457	-	8,807,715,457
Public utilities and services	3,031,153,439	112,714,616	44,193,625	12,350,173	12,384,335	3,212,796,188	-	3,212,796,188
Personal use								
Hire purchase	65,794,611,089	6,010,762,700	837,776,039	284,162,006	181,876,230	73,109,188,064	4,178,778,785	77,287,966,849
Housing loans	1,479,727,790	38,356,878	25,644,460	24,382,016	137,914,535	1,706,025,679	-	1,706,025,679
Securities	-	-	-	-	-	-	667,372,933	667,372,933
Others	4,035,184,664	124,621,782	17,229,940	12,236,841	438,368,375	4,627,641,602	-	4,627,641,602
Total loans, receivables and securities business receivables	89,801,896,387	6,562,947,529	977,678,253	378,462,799	1,209,941,935	98,930,926,903	4,846,151,718	103,777,078,621
Add: Accrued interest receivable	26,633,480	84,121,100	-	-	-	110,754,580	25,949,767	136,704,347
Total loans, receivables and securities business receivables and accrued interest receivable	<u>89,828,529,867</u>	<u>6,647,068,629</u>	<u>977,678,253</u>	<u>378,462,799</u>	<u>1,209,941,935</u>	<u>99,041,681,483</u>	<u>4,872,101,485</u>	<u>103,913,782,968</u>

3.5.4 Hire purchase and financial lease receivables

As at 31 December 2009, net receivables of the subsidiaries under hire purchase agreements and financial leases amount to Baht 94,895 million (2008: Baht 84,909 million) and mostly comprise hire purchase agreements and financial leases for cars, motorcycles, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2009

Amounts of installments due under the long-term lease agreements

				Non performing	Total
	Less than 1 year	1 - 5 years	Over 5 years	loans	
Hire purchase and financial lease receivables	35,646	68,434	1,364	2,727	108,171
Unearned income*	(5,646)	(6,549)	(33)	(996)	(13,224)
Advances received from financial lease receivables	(13)	(39)	-	-	(52)
Hire purchase and financial lease receivables - net	<u>29,987</u>	<u>61,846</u>	<u>1,331</u>	<u>1,731</u>	<u>94,895</u>
Allowance for doubtful accounts					<u>1,188</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008

Amounts of installments due under the long-term lease agreements

	Amounts of installments due under the long-term lease agreements			Non performing loans	Total
	Less than 1 year	1 - 5 years	Over 5 years		
Hire purchase and financial lease receivables	31,928	61,303	1,505	2,701	97,437
Unearned income*	(5,323)	(6,331)	(46)	(802)	(12,502)
Advances received from financial lease receivables	(7)	(19)	-	-	(26)
Hire purchase and financial lease receivables - net	26,598	54,953	1,459	1,899	84,909
Allowance for doubtful accounts					1,070

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

3.5.5 Loans and receivables for which the recognition of interest income has ceased of a subsidiary company operating banking business

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under TISCO Bank's policy	
	as at		as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Loans and receivables for which the recognition of interest income has ceased ⁽¹⁾	4,084	3,241	4,262 ⁽³⁾	3,405 ⁽³⁾

⁽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⁾ Loans and receivables totaling Baht 1,103 million (2008: Baht 1,396 million), for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account by account basis.

(Unit: Million Baht)

Other subsidiaries	As at	
	31 December 2009	31 December 2008
Securities business loans and receivables, hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	345 ⁽¹⁾	411 ⁽¹⁾

⁽¹⁾ Baht 26 million of such amounts being loans and receivables (2008: Baht 30 million), for which a 100 percent allowance for doubtful debts has been provided.

3.5.6 Unearned interest income which is presented as a deduction against loans and receivables of subsidiaries.

(Unit: Million Baht)

Consolidated financial statements
as at

	31 December 2009	31 December 2008
Unearned interest income ⁽¹⁾	13,472	12,751

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

3.5.7 Outstanding balances (net of collateral) of restructured loans and receivables and receivables which are being restructured of a subsidiary company operating banking business

(Unit: Million Baht)

As at 31 December 2009

Restructured loans and receivables ⁽¹⁾	330
Loans and receivables which are being restructured	-

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

3.5.8 Troubled debt restructuring of a subsidiary company operating banking business

- Debt restructuring during the year

	For the year ended 31 December	
	2009	2008
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	949	109
Loan balances before restructuring (million Baht)	1,082	639
Loss on troubled debt restructuring (million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	10	6
Corporate loan receivables	2	1
Interest income on restructured receivables (million Baht)	48	82
Receipt of principal and interest (million Baht)	256	768

- The balance of the restructured debts

(Unit: Million Baht)

	As at	
	31 December	31 December
	2009	2008
The balance of the restructured debts	1,733	1,203

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: Baht)

Consolidated financial statements as at 31 December 2009							
	Pass	Special- mentioned	Sub- Standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	411,506,161	37,822,448	245,648,382	195,791,492	697,002,061	266,738,710	1,854,509,254
Increase (decrease) in allowance for doubtful accounts during the year	321,834,878	101,099,535	519,683,819	649,254,284	29,891,486	503,178,832	2,124,942,834
Bad debt written-off	(604,849)	(41,800,359)	(535,780,334)	(731,241,913)	(202,689,291)	(42,069,992)	(1,554,186,738)
Balance - end of year	<u>732,736,190</u>	<u>97,121,624</u>	<u>229,551,867</u>	<u>113,803,863</u>	<u>524,204,256</u>	<u>727,847,550</u>	<u>2,425,265,350</u>

(Unit: Baht)

Consolidated financial statements as at 31 December 2008							
	Pass	Special- mentioned	Sub- Standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	212,466,334	107,864,920	340,528,650	182,654,912	1,749,593,975	212,309,217	2,805,418,008
Increase (decrease) in allowance for doubtful accounts during the year	204,398,559	(18,821,406)	333,485,968	540,389,853	280,810,230	54,429,493	1,394,692,697
Bad debt written-off	(5,358,732)	(51,221,066)	(428,366,236)	(527,253,273)	(1,333,402,144)	-	(2,345,601,451)
Balance - end of year	<u>411,506,161</u>	<u>37,822,448</u>	<u>245,648,382</u>	<u>195,791,492</u>	<u>697,002,061</u>	<u>266,738,710</u>	<u>1,854,509,254</u>

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

(Unit: Baht)

Consolidated financial statements as at 31 December 2009				
	Individual impairment	Collective impairment	General reserve	Total
Balance - beginning of year	554,750,574	1,033,019,970	266,738,710	1,854,509,254
Transfer classified by loan loss provisioning	(23,081,921)	23,081,921	-	-
Increase (decrease) in allowance for doubtful accounts during the year	21,824,159	1,599,939,843	503,178,832	2,124,942,834
Bad debt written-off	(32,821,200)	(1,479,295,546)	(42,069,992)	(1,554,186,738)
Balance - end of year	<u>520,671,612</u>	<u>1,176,746,188</u>	<u>727,847,550</u>	<u>2,425,265,350</u>

(Unit: Baht)

Consolidated financial statements
as at 31 December 2008

	Individual	Collective	General reserve	Total
	impairment	impairment		
Balance - beginning of year	1,891,985,606	701,123,185	212,309,217	2,805,418,008
Increase (decrease) in allowance for doubtful				
accounts during the year	(235,977,246)	1,576,240,450	54,429,493	1,394,692,697
Bad debt written - off	(1,101,257,786)	(1,244,343,665)	-	(2,345,001,451)
Balance - end of year	554,750,574	1,033,019,970	266,738,710	1,854,509,254

3.6.3 Allowance for doubtful accounts / allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring	As at	
	31 December	31 December
	2009	2008
Amount to be provided under BOT's guidelines	1,327	1,270
Amount already recorded by TISCO Bank	2,088 ⁽¹⁾	1,604 ⁽¹⁾
Amount in excess of the required amount under BOT's guidelines	761	334

⁽¹⁾ The allowance for doubtful debts consists of allowance for doubtful debts of Baht 432 million (2008: Baht 758 million) set aside for the unsecured portion of loans amounting to Baht 1,103 million (2008: Baht 1,396 million) at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,656 million (2008: Baht 846 million) set up for the other loans and receivables.

3.6.4 Allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Baht)

	As at	
	31 December	31 December
	2009	2008
Balance - beginning of year	18,258	538,175
Increase during the year	-	18,258
Write off/transfer to general reserve	-	(538,175)
Balance - end of year	18,258	18,258

3.6.5 Non-performing loans and receivables of a subsidiary company operating banking business

(Unit: Million Baht)

	as at	
	31 December	31 December
	2009	2008
Non-performing loans and receivables	2,461	2,566
Allowance for doubtful accounts	704	911

3.7 Classification of assets

3.7.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at		as at		as at	
	31 December	31 December				
	2009	2008	2009	2008	2009	2008
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

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

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

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

3.7.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business

(Unit: Million Baht)

	Debt balance		Debt balance after		Allowance for doubtful accounts			
	as at		net of collateral		Amounts to be provided under		Amounts already set up	
	31 December	31 December	31 December	31 December	BOT's guidelines		by TISCO Bank	
	2009	2008	2009	2008	2009	2008	2009	2008
Loans and receivables ⁽¹⁾⁽²⁾⁽³⁾								
Pass	109,926	105,512	89,825	92,419	594	380	595	396
Special mentioned	6,615	6,563	6,560	6,489	59	30	61	30
Substandard	774	978	745	954	162	147	162	147
Doubtful	354	378	309	337	71	139	71	139
Doubtful of loss	1,333	1,210	736	588	441	575	471	625
Total	119,002	114,641	98,175	100,787	1,327	1,271	1,360	1,337
Loss on receivables under troubled debt restructuring	-	-	-	-	-	-	-	-
Total	119,002	114,641	98,175	100,787	1,327	1,271	1,360	1,337
General reserve							728	267
Total							2,088	1,604
Investments in securities								
Doubtful of loss								
Debt instruments	2	203	2	203	2	203	2	203
Equity instruments	67	67	67	67	67	67	67	67
Total	69	270	69	270	69	270	69	270
Investments in receivables								
Doubtful of loss	12	36	12	36	12	36	12	36
Properties foreclosed								
Doubtful of loss	61	43	61	43	61	43	537	43
Total classified assets	119,144	114,990	98,317	101,136	1,469	1,620	2,706	1,953

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

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

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

3.7.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which a subsidiary company operating banking business sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up ⁽²⁾		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
Hire purchase receivables⁽¹⁾								
Pass	82,924	72,859	82,924	72,859	0.65	0.43	525	316
Special mentioned	6,440	6,375	6,440	6,375	0.65	0.43	57	27
Substandard	730	937	730	937	19.57	32.00	147	130
Doubtful	294	324	294	324	19.57	32.00	57	126
Doubtful of loss	362	236	362	236	19.57	32.00	67	223
Total	90,750	80,731	90,750	80,731			853	822

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

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

3.7.4 Loans and receivables includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at		as at	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
			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	3	274	279	156	182	144	147
3. Listed companies whose shares have been suspended from trading	-	-	-	-	-	-	-	-
4. Listed companies under rehabilitation	1	2	78	92	10	12	72	81
5. Companies which have loan settlement problems or have defaulted on payment of debts	1	2	3	339	-	276	3	63
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	4	7	355	710	166	470	219	291

3.7.5 Classification of assets of the securities business of a local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

(Unit: Million Baht)

	Securities business receivables and accrued interest as at		Allowance for doubtful accounts as required by SEC as at		Allowance for doubtful accounts provided in the accounts as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	Doubtful	2	2	2	2	2

3.7.6 Hire purchase receivables/financial lease receivables and other loan receivables of the other subsidiaries classified by the due date of the contracts

(Unit: Million Baht)

	Debt balance as at		Allowance for doubtful account as at		Debt balance - net as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	Current	3,182	3,026	110	11	3,072
Overdue						
1 month	276	325	28	3	248	322
2 - 3 months	344	411	37	8	307	403
4 - 6 months	157	197	67	99	90	98
7 - 12 months	99	114	42	57	57	57
Over 12 months	63	70	27	35	36	35
Debtors under litigation	24	35	24	35	-	-
Total	4,145	4,178	335	248	3,810	3,930

3.8 Property foreclosed

	(Unit: Baht)	
	Consolidated financial statements	
	as at	
	31 December 2009	31 December 2008
Foreclosed assets		
Immovable assets		
Balance - beginning of year	986,728,283	1,017,130,703
Additions	-	1,502,192
Disposals	(473,727,908)	(17,214,600)
Related transactions	-	(14,690,012)
Balance - end of year	<u>513,000,375</u>	<u>986,728,283</u>
Movable assets		
Balance - beginning of year	62,480,207	54,247,684
Additions	3,097,969,629	2,598,928,757
Disposals	<u>(3,087,002,861)</u>	<u>(2,590,696,234)</u>
Balance - end of year	<u>73,446,975</u>	<u>62,480,207</u>
Less: Allowance for impairment		
Balance - beginning of year	14,550,557	14,585,454
Increase	18,136,609	5,823,399
Decrease	<u>(1,003,260)</u>	<u>(5,858,296)</u>
Balance - end of year	<u>31,683,906</u>	<u>14,550,557</u>
Property foreclosed - net	<u>554,763,444</u>	<u>1,034,657,933</u>
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	<u>(505,592,600)</u>	<u>(28,948,816)</u>
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	<u>49,170,844</u>	<u>1,005,709,117</u>

3.9 Land, premises and equipment

(Unit: Baht)

Consolidated financial statements

	Operating assets					Assets for operating lease agreements				
	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles	Land	Buildings and office condominium units	Computers and equipment	Motor vehicles	Total
Cost:										
31 December 2008	411,393,034	865,031,871	739,481,739	573,840,234	109,766,636	116,079,485	196,784,522	51,341,899	45,780,656	3,109,500,076
Additions	-	-	100,256,944	60,316,637	3,711,175	-	-	15,483,450	-	179,768,206
Additions from acquisition of a subsidiary company	-	-	38,337,274	15,935,042	27,776,810	-	-	-	-	82,049,126
Disposals/written-off	-	-	(99,827,682)	(20,589,301)	(30,989,734)	-	-	(24,582,078)	(35,117,834)	(211,106,629)
31 December 2009	411,393,034	865,031,871	778,248,275	629,502,612	110,264,887	116,079,485	196,784,522	42,243,271	10,662,822	3,160,210,779
Accumulated depreciation:										
31 December 2008	-	455,537,082	559,025,239	309,013,086	79,874,887	-	-	26,340,555	21,130,704	1,450,921,553
Depreciation for the year	-	35,761,601	99,036,430	69,855,716	16,514,152	-	23,541,405	15,298,395	8,555,270	268,562,969
Additions from acquisition of a subsidiary company	-	-	31,014,571	12,878,372	9,695,233	-	-	-	-	53,588,176
Depreciation on disposals/written-off	-	-	(90,937,782)	(18,533,355)	(15,368,967)	-	-	(23,185,542)	(23,507,311)	(171,532,957)
31 December 2009	-	491,298,683	598,138,458	373,213,819	90,715,305	-	23,541,405	18,453,408	6,178,663	1,601,539,741
Net book value:										
31 December 2008	411,393,034	409,494,789	180,456,500	264,827,148	29,891,749	116,079,485	196,784,522	25,001,344	24,649,952	1,658,578,523
31 December 2009	411,393,034	373,733,188	180,109,817	256,288,793	19,549,582	116,079,485	173,243,117	23,789,863	4,484,159	1,558,671,038
Depreciation for the years ended 31 December:										
2008										218,717,153
2009										268,562,969

(Unit: Baht)

	Separate financial statements							Total
	Operating assets					Asset for operating lease agreements		
	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Vehicle	Land	Buildings and office condominium units	
Cost:								
31 December 2008	149,772,496	266,168,885	3,473,932	40,551,720	-	116,079,485	196,784,522	772,831,040
Additions	-	-	8,068,098	2,291,652	2,690,000	-	-	13,049,750
Disposals	-	-	-	-	-	-	-	-
31 December 2009	149,772,496	266,168,885	11,542,030	42,843,372	2,690,000	116,079,485	196,784,522	785,880,790
Accumulated depreciation:								
31 December 2008	-	-	-	-	-	-	-	-
Depreciation for the year	-	23,502,153	3,853,677	6,914,484	137,082	-	23,541,405	57,948,801
Depreciation on disposals	-	-	-	-	-	-	-	-
31 December 2009	-	23,502,153	3,853,677	6,914,484	137,082	-	23,541,405	57,948,801
Net book value:								
31 December 2008	149,772,496	266,168,885	3,473,932	40,551,720	-	116,079,485	196,784,522	772,831,040
31 December 2009	149,772,496	242,666,732	7,688,353	35,928,888	2,552,918	116,079,485	173,243,117	727,931,989
Depreciation:								
For the period as from 22 August 2008 to 31 December 2008								-
For the year ended 31 December 2009								57,948,801

As mentioned in Note 4.6 to the financial statements, the Company purchased its land, office condominium units and equipment from its subsidiary companies on 30 December 2008, in accordance with the holding restructuring plan of TISCO Group. Therefore, no depreciation for the period 2008 recorded in the separate financial statements.

Leased assets of the Company and its subsidiaries are mostly operating leases for building and office condominium units, cars, computers and office equipment with terms of 1 to 5 years. Payment conditions are monthly and quarterly.

These assets will generate the following minimum amounts of lease income in future.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	as at	as at
	31 December 2009	31 December 2009
Not over 1 year	27,384	52,798
1 - 5 years	11,845	-
Total	39,229	52,798

3.10 Other assets

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	as at		as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Value added tax - net	314,499,397	248,020,663	5,134,232	3,895,116
Accrued interest receivable	44,178,360	25,675,989	-	-
Fee and charges receivable	153,494,777	192,009,872	276,003	-
Prepaid income tax	47,501,285	31,097,336	-	-
Deferred computer system development cost - net	249,103,344	143,643,730	87,188,813	10,228,781
Deposits	31,426,399	25,865,183	4,065,000	-
Other receivables	421,599,168	368,939,756	-	-
Dividend receivable from subsidiaries	-	-	623,695,245	-
Financial derivatives assets	1,143,509	197,909,233	-	-
Other assets	183,618,023	257,326,450	5,296,961	1,290
Total other assets	1,446,564,262	1,490,488,212	725,656,254	14,125,187

3.11 Deposits

3.11.1 Classified by type of deposits

(Unit: Baht)

Consolidated financial statements
as at

	31 December 2009	31 December 2008
Promissory notes	2,375,650	2,399,539
Deposits		
Current accounts	7,430,525,926	6,414,670,683
Saving accounts	17,920,363,064	5,140,190,158
Fixed accounts		
- not over 6 months	619,774,357	727,196,529
- over 6 months and less than 1 year	671,524,768	2,297,400,375
- over 1 year	648,494,664	1,019,142,113
Certificates of deposit/negotiable certificates of deposit	29,515,424,161	43,221,618,110
Total	<u>56,808,482,590</u>	<u>58,822,617,507</u>

3.11.2 Classified by the remaining period of contract

(Unit: Baht)

Consolidated financial statements
as at

	31 December 2009	31 December 2008
Not over 1 year*	56,311,847,968	56,919,256,162
Over 1 year	496,634,622	1,903,361,345
Total deposits	<u>56,808,482,590</u>	<u>58,822,617,507</u>

*Including fully-mature deposit contract

3.12 Interbank and money market items (liabilities)

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Commercial banks	10,205,163	2,093,607,161	2,103,812,324	29,728,657	1,815,717,271	1,845,445,928
Other banks and financial institutions	608,389,735	3,668,013,509	4,276,403,244	697,799,064	3,184,637,870	3,882,436,934
Total	618,594,898	5,761,620,670	6,380,215,568	727,527,721	5,000,355,141	5,727,882,862

(Unit: Baht)

	Separate financial statements as at					
	31 December 2009			31 December 2008		
	At call	Term	Total	At call	Term	Total
Commercial banks	-	210,000,000	210,000,000	2,600,000,000	-	2,600,000,000
Total	-	210,000,000	210,000,000	2,600,000,000	-	2,600,000,000

The subsidiary company operating banking business has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange with a local financial institution for a fixed interest rate, as mentioned in Note 3.27.5 to the financial statements.

The subsidiary company operating leasing business has entered into interest rate swap agreements to pay interest at a fixed rate and receive interest at a floating rate, associated with its interest-bearing financial liabilities, amounting to Baht 866 million, as mentioned in Note 3.27.5 to the financial statements.

3.13 Borrowings

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	as at		as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
<u>Domestic borrowings</u>				
Subordinated unsecured debentures issued by the Ministry of Finance under the Tier II capital support scheme	-	331,000,000	-	-
Subordinated unsecured debentures	4,000,000,000	-	-	-
Unsubordinated unsecured debentures	4,000,000,000	4,000,000,000	-	-
Bills of exchange	51,128,688,676	42,299,118,264	3,989,392,156	-
Promissory note	-	37,603,885	-	-
Total	<u>59,128,688,676</u>	<u>46,667,722,149</u>	<u>3,989,392,156</u>	<u>-</u>

3.13.1 Subordinated unsecured debentures issued by the Ministry of Finance under the Tier II capital support scheme

In 1999, the subsidiary company operating banking business issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the subsidiary company by purchasing its newly issued subordinated debentures in order to increase its Tier II capital funds to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The subsidiary company immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

During the current year, the subsidiary company operating banking business redeemed all amount of such debentures.

3.13.2 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units		Face value per unit (Baht)	Balance in consolidated financial statements as at (Million Baht)		Maturity in the year	Interest rate	
			31 December 2009	31 December 2008		31 December 2009	31 December 2008			
			2009	TISCO Bank		Subordinated and unsecured long-term debentures	2 million			-
2009	TISCO Bank	Subordinated and unsecured long-term debentures	2 million	-	1,000	2,000	-	2019	5.0 percent per annum in the first to third years, 5.5 percent per annum in the fourth to seventh years and 6.0 percent per annum in the eighth to tenth years.	
Total							4,000	-		

3.13.3 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units		Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate	
			31 December 2009	31 December 2008		31 December 2009	31 December 2008			
			2007	TISCO Bank		Unsubordinated and unsecured long-term debentures	3 million			3 million
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.	
Total							4,000	4,000		

3.13.4 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2010 to 2011. The interest rates of the fixed interest rates bearing bills of exchange are between 0.75 and 4.96 percent per annum.

The subsidiary company operating banking business has entered into interest rate swap agreements to swap the floating interest rate on Baht 380 million of bills of exchange for a fixed interest rate, as mentioned in Note 3.27.5 to the financial statements.

3.13.5 Promissory note

As of 31 December 2008, the subsidiary company operating banking business had an outstanding promissory note amounting to Baht 38 million, carrying interest at a fixed rate of 1% plus a reference rate specified in the contract that is calculated based on the SET50 Index, and matured in 2009.

That subsidiary company entered into a call option agreement, under which rewards were reference to SET50 Index. Therefore, the net return was equal to the issue of fixed effective return rate promissory note. The call option agreement reached maturity in 2009.

3.14 Other liabilities

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	as at		as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Corporate income tax payable	704,302,092	42,246,528	68,672,484	-
Withholding income tax and other tax payable	229,031,260	166,999,229	30,018,983	600
Accrued insurance premium	290,294,266	634,126,924	-	-
Deferred tax liabilities	15,724,002	1,749,370	-	-
Deferred income	175,261,311	131,321,976	-	-
Accrued expenses	395,167,797	142,756,794	182,971,224	700,160
Dividend payable	671,533	-	-	-
Other liabilities	397,800,529	293,067,691	14,934,509	271,479,233
Total other liabilities	<u>2,208,252,790</u>	<u>1,412,268,512</u>	<u>296,597,200</u>	<u>272,179,993</u>

3.15 Capital funds

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

TISCO Bank maintains capital adequacy ratio in comply with Basel II principles which is implementing capital requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets, at the end of 2009.

As at 31 December 2009 and 2008, Capital funds of TISCO Bank are as follows:

	(Unit: Thousand Baht)	
	As at	
	31 December 2009	31 December 2008
	(Internal Ratings- Based Approach)	(Standardised Approach)
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,281,523
Premium on share capital	130,451	130,451
Statutory reserve	547,000	486,800
Retained earnings - unappropriated	3,050,225	2,676,060
Less: Deferred tax assets	(482,797)	(184,924)
Shortage provision according to IRB	(420,199)	-
Total Tier I	<u>10,106,203</u>	<u>10,389,910</u>
<u>Tier II</u>		
Subordinated debentures	4,000,000	66,200
Reserve for loans classified as pass	71,892	380,640
Less: Shortage provision according to IRB	(420,199)	-
Total Tier II	<u>3,651,693</u>	<u>446,840</u>
Total capital fund	<u>13,757,896</u>	<u>10,836,750</u>

Capital ratios	As at			
	31 December 2009		31 December 2008	
	TISCO Bank	Requirement	TISCO Bank	Requirement
Tier I capital to risk assets	12.46%	4.25%	11.23%	4.25%
Total capital to risk assets	16.96%	8.50%	11.71%	8.50%

In addition, TISCO Bank disclosed capital maintenance information under the Notification of the Bank of Thailand No. SorNorSor. 25/2552 regarding “Public Disclosure of Capital Maintenance for Commercial Banks” dated 14 December 2009 as follows:

Location of disclosure: TISCO Bank’s website
Date of disclosure: Within 30 April 2010
Information as of: 31 December 2009

3.16 Revaluation surplus (deficit) on investments

	(Unit: Baht)	
	Consolidated financial statements	
	As at 31 December	
	2009	2008
Balance - beginning of year	(496,328,805)	756,633,812
Increase (decrease) from changes in the value of securities during the year	479,726,695	(1,252,962,617)
	(16,602,110)	(496,328,805)
Add (less): The effect of deferred tax assets / liabilities	(21,190,730)	97,337,009
Balance - end of year	(37,792,840)	(398,991,796)

3.17 Gain (loss) on investments

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	For the year ended	For the year ended	For the year ended	For the period as from 22 August 2008 to
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Allowance for impairment of investments	(6,265,108)	(11,585,602)	(104,292,703)	-
Unrealised gain (loss) on investments	15,649,920	(122,595,714)	-	-
Realised gain (loss) on investments	333,623	(84,208,100)	-	-
Total	9,718,435	(218,389,416)	(104,292,703)	-

3.18 Gain (loss) from trading derivatives

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2009	For the year ended 31 December 2008	For the period	
			For the year ended 31 December 2009	as from 22 August
				31 December 2008
Reversal unrealised gain on derivatives	-	(12,000,000)	-	-
Realised gain (loss) on derivatives trading	(177,400)	7,780,700	-	-
Total	(177,400)	(4,219,300)	-	-

3.19 Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2009	For the year ended 31 December 2008	For the period	
			For the year ended 31 December 2009	as from 22 August
				31 December 2008
Penalty fee income from loans	193,955,728	142,119,030	-	-
Gains on disposal of property foreclosed	190,182,964	34,371,263	-	-
Rental income	47,343,508	21,617,538	60,342,869	-
Others	345,037,688	209,439,116	98,526	-
Total	776,519,888	407,546,947	60,441,395	-

3.20 Other expenses

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2009	For the year ended 31 December 2008	For the period	
			For the year ended 31 December 2009	as from 22 August
				31 December 2008
Contributions to the Financial Institutions Development Fund/Deposit Protection Agency	228,752,550	170,932,163	-	-
Allowance for impairment of property foreclosed	505,756,383	14,953,680	-	-
Mailing expenses	42,052,589	36,766,901	208,154	-
Loan losses from court - ordered executions	36,132,016	29,288,877	-	-
Transportation expenses	73,028,860	71,294,286	5,742,649	-
Advertising and promotion expenses	146,776,990	38,066,651	1,469,546	-
Others	214,574,340	181,430,965	18,434,563	250,160
Total	1,247,073,728	542,733,523	25,854,912	250,160

3.21 Corporate income tax

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year	For the year	For the year	For the period
	ended	ended	ended	as from 22 August
	31 December 2009	31 December 2008	31 December 2009	2008 to 31 December 2008
Income tax payable on taxable profit for the year	1,222,407,309	237,271,794	189,854,843	-
Add (less): Net decrease (increase) in deferred tax on temporary differences	(381,987,123)	114,273,032	(86,136,513)	-
Adjustment in respect of current income tax of prior year	20,523	9,494,342	(38,425)	-
Income tax expenses - net	<u>840,440,709</u>	<u>361,039,168</u>	<u>103,679,905</u>	<u>-</u>

The temporary differences giving rise to the deferred tax assets and deferred tax liabilities arose from the following.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements
	as at		as at
	31 December 2009	31 December 2008	31 December 2009
Allowance for doubtful accounts (general reserve)	1,051,927	509,268	-
Allowance for doubtful accounts for VAT receivables	-	4,047	-
Allowance for impairment of investments	239,893	182,137	104,293
Allowance for impairment of property foreclosed	537,276	43,499	-
Non-accrual of interest income	675,482	689,976	-
Depreciation of assets	104,046	117,636	28,317
Financial leases	65,195	41,274	-
Revaluation deficit (surplus) on changes in the value of investments	(11,324)	325,994	-
Unrealised gain on derivatives	(68)	(866)	-
Deferred commissions and direct expenses of incurred at the initiation of hire purchase	(818,006)	(692,248)	-
Loss on disposal of property foreclosed	76,098	112,613	-
Deferred subsidized income	140,479	52,273	-
Reduction of a subsidiary's share capital	107,174	-	107,174
Accrued expenses	205,317	-	99,533
Others	402	4,669	(361)
	<u>2,373,891</u>	<u>1,390,272</u>	<u>338,956</u>
Deferred tax assets	<u>696,617</u>	<u>417,082</u>	<u>86,137</u>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements
	as at		as at
	31 December 2009	31 December 2008	31 December 2009
Financial leases	157,194	91,183	-
Allowance for doubtful accounts	(1,708)	(3,060)	-
Loss carried forwards	(116,159)	(81,390)	-
Allowance for impairment of other assets	(900)	(900)	-
Allowance for impairment of investments	13,941	-	-
Non-accrual of interest income	(23)	-	-
Deprecation of assets	(7,628)	-	-
Revaluation surplus on investments	59,311	-	-
Unrealised losses on cash flow hedges	(31,320)	-	-
Accrued expenses	(13,744)	-	-
Other	(6,551)	-	-
	<u>52,413</u>	<u>5,833</u>	<u>-</u>
Deferred tax Liabilities	<u>15,724</u>	<u>1,750</u>	<u>-</u>

3.22 Provident fund

	Consolidated financial statements		Separate financial statements	
	For the year	For the year	For the year	For the period
	ended	ended	ended	as from 22 August
	31 December 2009	31 December 2008	31 December 2009	2008 to 31 December 2008
Amounts contributed to the provident fund (million Baht)	81	67	11	-

3.23 Earnings per share

The computation of basic and diluted earnings per share is listed below.

Consolidated financial statements						
For the years ended 31 December						
Net income		Weighted average number of ordinary shares		Earnings per share		
2009	2008	2009	2008	2009	2008	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Net income attributable to equity holders of the parent						
1,988,393	1,714,138					
Less: Dividend paid to preference shares in preference to the ordinary shares for the year						
(91,704)	(183,401)					
1,896,689	1,530,737	724,792	724,490	2.62	2.11	
Effect of dilutive potential ordinary shares						
Warrants to purchase preferences shares						
-	-	-	-			
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion to ordinary shares						
1,896,689	1,530,737	724,792	724,490	2.62	2.11	
Separate financial statements						
For the year ended 31 December 2009 and for the period as from 22 August 2008 to 31 December 2008						
Net income (loss)		Weighted average number of ordinary shares		Earnings (loss) per share		
2009	2008	2009	2008	2009	2008	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings (loss) per share						
Net income (loss) attributable to equity holders of the parent						
2,394,289	(3,820)					
Less: Dividend paid to preference shares in preference to the ordinary shares for the year						
(91,704)	(183,401)					
2,302,585	(187,221)	724,792	724,490	3.18	(0.26)	
Effect of dilutive potential ordinary shares						
Warrants to purchase preferences shares						
-	-	-	-			
Diluted earnings (loss) per share						
Net income (loss) of ordinary shareholders assuming the conversion to ordinary shares						
2,302,585	(187,221)	724,792	724,490	3.18	(0.26)	

Dividend paid to preference shares in preference to the ordinary shares for the years is calculated from the rights and benefits that the holders of preference shares receive dividend for each of the year that the Company pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to the holders of ordinary shares (as mentioned in Note 2.2 to the financial statements).

In calculating diluted earnings per share for the year ended 31 December 2009, the number of potential ordinary shares that the Company may have to issue in respect of preference share warrants had not been taken into account, because the exercise period of the warrants ended in August 2009.

In calculating diluted earnings per share for the year ended 31 December 2008 the number of potential ordinary shares that the Company may have to issue for warrants to purchase preference share had not been taken into account, because exercise price of the warrants was higher than the fair value of the Company's preference shares.

The holding restructuring plan of TISCO Group is considered to be a business combination of entities under common control, treated as if it had been taken place at the beginning of the year 2008. Therefore, the weighted average number of ordinary shares used in determining earning per share for the year ended 31 December 2008 in the consolidated financial statements and separate financial statements is calculated from the weighted average number of ordinary shares and preference shares of TISCO Bank in issue during the year, less the number of TISCO Bank shares that minority shareholders did not swap under the holding restructuring plan.

3.24 Related party transactions

(Unit: Thousand Baht)

	Balance - beginning of year	Increase	Decrease	Balance - end of year
Outstanding balance as at 31 December 2009				
(Eliminated in consolidated financial statements)				
Subsidiary companies				
Interbank and money market items (assets)				
TISCO Bank Public Company Limited	27,992	455,491	(57,078)	426,405
Interbank and money market items (liabilities)				
TISCO Bank Public Company Limited	2,600,000	570,000	(3,170,000)	-
TISCO Securities Co., Ltd.	-	300,000	(100,000)	200,000
Loans				
Hi-Way Co., Ltd.	-	1,475,000	-	1,475,000
Dividend receivable				
TISCO Bank Public Company Limited	-	1,457,681	(1,021,485)	436,196
TISCO Securities Co., Ltd.	-	156,000	(121,500)	34,500
TISCO Asset Management Co., Ltd.	-	344,618	(191,619)	152,999
Hi-Way Co., Ltd.	-	54,930	(54,930)	-
TISCO Tokyo Leasing Co., Ltd.	-	1,470	(1,470)	-
Other assets				
TISCO Securities Co., Ltd.	-	7,036	(7,036)	-
Hi-Way Co., Ltd.	-	4,500	(4,500)	-
TISCO Information Technology Co., Ltd.	-	15,992	(15,992)	-
Borrowings				
Primus Leasing Co., Ltd.	-	300,000	(300,000)	-
TISCO Information Technology Co., Ltd.	-	60,000	(60,000)	-
Interest payable				
Primus Leasing Co., Ltd.	-	1,326	(1,326)	-
TISCO Securities Co., Ltd.	-	48	-	48
Other liabilities				
TISCO Bank Public Company Limited	-	250,125	(250,125)	-
TISCO Securities Co., Ltd.	-	35,681	(27,839)	7,842
TISCO Asset Management Co., Ltd.	-	4,500	(4,500)	-
TISCO Information Technology Co., Ltd.	-	3,768	-	3,768
TISCO Leasing Co., Ltd.	270,464	-	(270,464)	-

(Unit: Thousand Baht)

	Separate financial statements		Terms and pricing policy
	For the year ended 31 December 2009	For the period as from 22 August 2008 to 31 December 2008	(For the year 2009)
<u>Transactions occurred during the period</u>			
(Eliminated in consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,091,000	-	In accordance with the centralised policy for supporting activities of the Company and related companies, which was approved by the Bank of Thailand
Interest income	12,587	-	With reference to the terms and prices as offered to other customers
Rental income	45,278	-	In accordance with the centralised policy for supporting activities of the Company and related companies, which was approved by the Bank of Thailand
Computer system advisory services expenses	15,000	-	In accordance with the centralised policy for supporting activities of the Company and related companies, which was approved by the Bank of Thailand
Interest expenses	73,271	712	With reference to the terms and prices as offered to other customers (carrying interest at rate between 1.25 and 4.00 percent per annum)
Other expenses	3,125	-	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

Consolidated financial statements

as at

	31 December 2009	31 December 2008
Loans	1,949	2,939

Besides the above transactions, the Company has additional related party transactions with its subsidiaries, which are presented in Note 4.6 to the financial statements.

Directors and management's remuneration

In 2009, the Company and its subsidiaries paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 401 million (The Company only: Baht 239 million).

3.25 Financial information by segment

3.25.1 Financial information by business segment

(Unit: Million Baht)

For the years ended 31 December

	Bank		Securities		Other business		Elimination		Total	
	business/financial		business							
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest and dividend										
income after bad debt										
and doubtful accounts	4,366	3,889	40	62	1,996	-	(1,969)	(770)	4,433	3,181
Non-interest income	1,739	302	1,364	1,050	1,352	221	(1,582)	561	2,873	2,134
Non-interest expenses	(4,194)	(2,506)	(936)	(820)	(833)	(213)	1,502	305	(4,461)	(3,234)
Corporate income tax	(596)	(268)	(141)	(93)	(104)	-	-	-	(841)	(361)
Non-controlling interest of										
the subsidiaries	-	-	-	-	-	-	(16)	(6)	(16)	(6)
Net income for the year	1,315	1,417	327	199	2,411	8	(2,065)	90	1,988	1,714

(Unit: Million Baht)

As at 31 December										
	Bank								Total	
	business/financial		Securities business		Other business		Elimination			
	service business									
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Investments	8,438	4,506	1,063	1,002	15,369	15,298	(15,432)	(15,451)	9,438	5,355
Loans, receivables and accrued										
interest receivable - net	110,941	103,997	1,015	666	1,475	-	(1,490)	(2,604)	111,941	102,059
Other assets	15,523	17,683	1,312	1,003	2,041	857	(1,451)	(784)	17,425	18,759
Total assets	134,902	126,186	3,390	2,671	18,885	16,155	(18,373)	(18,839)	138,804	126,173

3.25.2 Significant financial positions and operating results by domestic and foreign activities

3.25.2.1 Financial position by activities

(Unit: Million Baht)

As at								
	31 December 2009				31 December 2008			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Total assets	157,112	65	(18,373)	138,804	144,898	114	(18,839)	126,173
Interbank and money								
market items (assets)	13,431	65	(788)	12,708	13,747	78	(234)	13,591
Investments	24,870	-	(15,432)	9,438	20,806	-	(15,451)	5,355
Loans, receivables and								
accrued interest								
receivable - net	113,431	-	(1,490)	111,941	104,663	-	(2,604)	102,059
Deposits in Baht	56,930	-	(122)	56,808	58,876	-	(53)	58,823
Interbank and money								
market items (liabilities)	6,652	-	(272)	6,380	8,484	-	(2,756)	5,728
Borrowings	61,012	-	(1,883)	59,129	46,696	-	(28)	46,668
Commitments	2,504	-	-	2,504	7,548	-	-	7,548

3.25.2.2 Operating results by activities

(Unit: Million Baht)

	For the years ended 31 December							
	2009				2008			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Net interest and dividend income after bad debt and doubtful accounts	6,402	-	(1,969)	4,433	3,950	1	(770)	3,181
Non - interest income	4,455	-	(1,582)	2,873	1,572	1	561	2,134
Non - interest expenses	(5,957)	(6)	1,502	(4,461)	(3,514)	(25)	305	(3,234)
Corporate income tax	(841)	-	-	(841)	(361)	-	-	(361)
Non-controlling interest of the subsidiaries	-	-	(16)	(16)	-	-	(6)	(6)
Net income for the year	4,059	(6)	(2,065)	1,988	1,647	(23)	90	1,714

3.26 Commitments and contingent liabilities

3.26.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at	
	31 December 2009	31 December 2008
Avals	21,651	70,697
Other guarantees	928,884	984,125
Undrawn client overdrafts facilities	8,052	-
Obligations covering principal under interest rate swap agreements (Note 3.27.5)	1,545,732	2,297,717
Obligations covering principal under call option agreements	-	15,960
Obligations for cross currency swap agreements	-	4,179,690
	<u>2,504,319</u>	<u>7,548,189</u>

3.26.2 Litigation

As at 31 December 2009, the subsidiary company operating banking business has been sued for compensation totaling approximately Baht 147 million. Final judgments have not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 201 million as at 31 December 2009). During the year, the case is currently under consideration of the court.

The management of the Company and its subsidiaries believe that no material loss to the consolidated financial statements will be incurred as a result of the above mentioned lawsuits and damage claims.

3.26.3 Other commitments

- a) The subsidiary company operating banking business has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally between 3 and 10 years.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	60
1 to 5 years	61
More than 5 years	10

3.27 Financial instruments

3.27.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans and receivables and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries (“the Group”) manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. They have also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Group therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Group is not exposed to concentrations of credit risk because they have a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the balance sheets.

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

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

(Unit: Million Baht)

	As at	
	31 December	31 December
	2009	2008
Neither past due nor impaired		
Very high grade	57,448	53,755
High grade	22,443	16,642
Medium grade	3,033	2,462
Sub total	82,924	72,859
Hire purchase receivable - overdue 31 - 90 days	6,440	6,375
Hire purchase receivable - overdue more than 90 days	1,386	1,497
Total	90,750	80,731

3.27.2 Market risk

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

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

3.27.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position at the balance sheet date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

	(Unit: Million Baht)	
	Market Risk	
	as at 31 December	
	2009	2008
Marketable financial assets		
Equity securities	573	581
Debts securities	95	6
Foreign currencies	10	18

3.27.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the balance sheet date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

	(Unit: Million Baht)	
	Increase (Decrease) in	
	sensitivity of net interest	
	income as at 31 December	
	2009	2008
Change in interest rate		
Increase 1 percent	(305.10)	(241.15)
Decrease 1 percent	305.10	241.15

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.

3.27.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2009				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	827	827
Interbank and money market items	106	10,411	2,191	12,708
Investment - net	101	7,639	1,698	9,438
Receivable from clearing house	-	-	140	140
Loans and receivables	8,342	104,429	1,595	114,366
	<u>8,549</u>	<u>122,479</u>	<u>6,451</u>	<u>137,479</u>
<u>Financial liabilities</u>				
Deposits	25,105	31,458	246	56,809
Interbank and money market items	840	5,540	-	6,380
Liabilities payable on demand	-	-	345	345
Borrowings	-	59,129	-	59,129
Payable to clearing house	-	-	193	193
Securities and derivative business payables	3	-	956	959
	<u>25,948</u>	<u>96,127</u>	<u>1,740</u>	<u>123,815</u>

(Unit: Million Baht)

Consolidated financial statements

as at 31 December 2008

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	596	596
Interbank and money market items	65	13,482	44	13,591
Investment - net	200	3,665	1,490	5,355
Loans and receivables	10,382	92,471	1,061	103,914
	<u>10,647</u>	<u>109,618</u>	<u>3,191</u>	<u>123,456</u>
<u>Financial liabilities</u>				
Deposits	11,466	47,268	89	58,823
Interbank and money market items	1,282	4,446	-	5,728
Liabilities payable on demand	-	-	497	497
Borrowings	-	46,668	-	46,668
Payable to clearing house	-	-	339	339
Securities and derivative business payables	3	-	289	292
	<u>12,751</u>	<u>98,382</u>	<u>1,214</u>	<u>112,347</u>

(Unit: Million Baht)

Separate financial statements

As at 31 December 2009

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Interbank and money market items	66	360	-	426
Investment - net	-	-	15,369	15,369
Loans and receivables	-	1,475	-	1,475
	<u>66</u>	<u>1,835</u>	<u>15,369</u>	<u>17,270</u>
<u>Financial liabilities</u>				
Interbank and money market items	-	210	-	210
Borrowings	-	3,989	-	3,989
	<u>-</u>	<u>4,199</u>	<u>-</u>	<u>4,199</u>

(Unit: Million Baht)

Separate financial statements

as at 31 December 2008

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Interbank and money market items	28	-	-	28
Investment - net	-	-	15,297	15,297
	<u>28</u>	<u>-</u>	<u>15,297</u>	<u>15,325</u>
Financial liabilities				
Interbank and money market items	-	2,600	-	2,600
	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2009

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	36	10,375	-	-	-	10,411	1.2088
Investment - net	60	527	1,499	4,577	976	7,639	4.2709
Loans and receivables	1,250	9,972	25,108	66,634	1,465	104,429	7.6872
	<u>1,346</u>	<u>20,874</u>	<u>26,607</u>	<u>71,211</u>	<u>2,441</u>	<u>122,479</u>	
Financial liabilities							
Deposits	3,497	21,244	6,220	497	-	31,458	1.4297
Interbank and money market items	595	4,060	127	758	-	5,540	2.6696
Borrowings	2,463	38,313	12,923	1,430	4,000	59,129	1.9436
	<u>6,555</u>	<u>63,617</u>	<u>19,270</u>	<u>2,685</u>	<u>4,000</u>	<u>96,127</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008

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	37	13,445	-	-	-	13,482	2.7120
Investment - net	39	2,120	813	692	1	3,665	5.8187
Loans and receivables	1,354	9,741	21,143	58,665	1,568	92,471	8.1340
	<u>1,430</u>	<u>25,306</u>	<u>21,956</u>	<u>59,357</u>	<u>1,569</u>	<u>109,618</u>	
Financial liabilities							
Deposits	2,485	30,060	12,820	1,825	78	47,268	3.3823
Interbank and money market items	698	1,169	1,269	1,310	-	4,446	4.0707
Borrowings	3,358	31,232	7,103	4,974	1	46,668	3.7834
	<u>6,541</u>	<u>62,461</u>	<u>21,192</u>	<u>8,109</u>	<u>79</u>	<u>98,382</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2009

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	360	-	-	-	-	360	1.0000
Loans and receivables	1,475	-	-	-	-	1,475	2.7500
	<u>1,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,835</u>	
Financial liabilities							
Interbank and money market items	-	210	-	-	-	210	1.2667
Borrowings	-	3,549	440	-	-	3,989	1.6210
	<u>-</u>	<u>3,759</u>	<u>440</u>	<u>-</u>	<u>-</u>	<u>4,199</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2008

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial liabilities							
Interbank and money market items	2,600	-	-	-	-	2,600	5.0000
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>	

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

3.27.3 Liquidity risk

Counting from the balance sheet date, as at 31 December 2009 and 2008, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2009								
<u>Transactions</u>	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non	Total
		Months	months	years	years		performing	
							loans	
Financial assets								
Cash	827	-	-	-	-	-	-	827
Interbank and money market items	2,333	10,375	-	-	-	-	-	12,708
Investments - net	690	527	1,600	4,577	976	1,068	-	9,438
Receivable from clearing house	-	140	-	-	-	-	-	140
Loans and receivables	1,709	9,379	25,678	71,049	2,122	-	4,429	114,366
	<u>5,559</u>	<u>20,421</u>	<u>27,278</u>	<u>75,626</u>	<u>3,098</u>	<u>1,068</u>	<u>4,429</u>	<u>137,479</u>
Financial liabilities								
Deposits	28,848	21,244	6,220	497	-	-	-	56,809
Interbank and money market items	609	4,212	515	1,044	-	-	-	6,380
Liabilities payable on demand	345	-	-	-	-	-	-	345
Borrowings	2,463	38,313	12,923	1,430	4,000	-	-	59,129
Payable to clearing house	-	193	-	-	-	-	-	193
Securities and derivative business payables	3	956	-	-	-	-	-	959
	<u>32,268</u>	<u>64,918</u>	<u>19,658</u>	<u>2,971</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>123,815</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	-	22	-	-	-	-	22
Other commitments	31	537	845	626	-	444	-	2,483

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008

Transactions	At call						Non	Total
		0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing loans	
Financial assets								
Cash	596	-	-	-	-	-	-	596
Interbank and money market items	146	13,445	-	-	-	-	-	13,591
Investments - net	678	2,120	843	862	1	851	-	5,355
Loans and receivables	263	10,492	23,071	63,306	3,130	-	3,652	103,914
	<u>1,683</u>	<u>26,057</u>	<u>23,914</u>	<u>64,168</u>	<u>3,131</u>	<u>851</u>	<u>3,652</u>	<u>123,456</u>
Financial liabilities								
Deposits	14,040	30,060	12,820	1,825	78	-	-	58,823
Interbank and money market items	728	1,169	1,938	1,893	-	-	-	5,728
Liabilities payable on demand	497	-	-	-	-	-	-	497
Borrowings	3,358	31,232	7,103	4,974	1	-	-	46,668
Payable to clearing house	-	339	-	-	-	-	-	339
Securities and derivative business payables	3	289	-	-	-	-	-	292
	<u>18,626</u>	<u>63,089</u>	<u>21,861</u>	<u>8,692</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>112,347</u>
Off-balance sheet items								
Aval to bills and guarantees of loans	-	13	46	12	-	-	-	71
Other commitments	28	4,587	1,180	1,263	-	419	-	7,477

(Unit: Million Baht)

Separate financial statements as at 31 December 2009

Transactions	At call						Non	Total
		0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans	
Financial assets								
Interbank and money market items	426	-	-	-	-	-	-	426
Investments - net	-	-	-	-	-	15,369	-	15,369
Loans and receivables	1,475	-	-	-	-	-	-	1,475
	<u>1,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,369</u>	<u>-</u>	<u>17,270</u>
Financial liabilities								
Interbank and money market items	-	210	-	-	-	-	-	210
Borrowings	-	3,549	440	-	-	-	-	3,989
	<u>-</u>	<u>3,759</u>	<u>440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,199</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2008

Transactions	At call						Non	Total
		0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans	
Financial assets								
Interbank and money market items	28	-	-	-	-	-	-	28
Investments - net	-	-	-	-	-	15,297	-	15,297
	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,297</u>	<u>-</u>	<u>15,325</u>
Financial liabilities								
Interbank and money market items	2,600	-	-	-	-	-	-	2,600
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>

3.27.4 Foreign exchange risk

As at 31 December 2009, the Company and its subsidiaries had significant financial instruments in foreign currencies, which is investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (under the cost method equivalent to Baht 66 million).

3.27.5 Derivatives

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

As at 31 December 2009, the subsidiaries have the following financial derivative instruments.

a) Financial derivative instruments classified as derivatives held for trading

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

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2010	380	(6)
2012	300	7

b) Financial derivative instruments classified as derivatives for cash flow hedges

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

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2013	866	(31)

The hedged cash flows are expected to occur and when they are expected to affect income statements are in the periods as follows:

(Unit: Million Baht)		
	Less than 1 year	1 - 4 years
Interest expenses	12	6

The net loss on cash flow hedges transferred from shareholders' equity to the income statement for the year ended 31 December 2009, and arose from interest payment under interest rate swap contracts used to hedge cash flows as follows:

	(Unit: Million Baht)
	For the year ended
	<u>31 December 2009</u>
Interest expenses	34

3.27.6 Fair value of financial instruments

As at 31 December 2009 and 2008, the fair values of significant financial instruments of the Company and its subsidiaries, as presented below.

	(Unit: Million Baht)			
	As at			
	<u>31 December 2009</u>		<u>31 December 2008</u>	
<u>Transactions</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Interbank and money market items	12,708	12,708	13,591	13,591
Investments - net	9,438	9,438	5,355	5,355
Loans and receivables	111,941	115,320	102,059	102,806
<u>Financial liabilities</u>				
Deposits	56,808	56,808	58,823	58,823
Interbank and money market items	6,380	6,380	5,728	5,728
Liabilities payable on demand	345	345	497	497
Borrowings	59,129	59,070	46,668	46,642
Payable to clearing house	193	193	339	339
Securities and derivative business payables	959	959	292	292

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

4. Significant events during the year and other information

4.1 Holding restructuring

The Company has performed in accordance with the shareholding restructuring plan. On 9 January 2009, the Company reported that it held 541,179,179 ordinary shares, 183,427,226 preference shares and 970,250 warrants to purchase preference shares, representing a 99.51% shareholding, in TISCO Bank.

Upon completion of the shareholding restructuring, the Company became the parent company of TISCO Group, holding 99.51% of TISCO Bank's paid up shares, and acquiring shareholdings in other subsidiary companies equal to those previously held by TISCO Bank (except those companies in the process of dissolution or liquidation). In accordance with the holding restructuring plan, the Company has already recorded assets transferred from its subsidiary companies, together with the purchase of a 49% holding in TISCO Tokyo Leasing Company Limited.

On 13 January 2009, the Company registered a paid-up share capital of Baht 7,246,064,050 (541,179,179 ordinary shares and 183,427,226 preference shares, both with a par value of Baht 10 each) with the Ministry of Commerce. In addition, on 16 January 2009 the Company registered the decrease in its initial capital of Baht 10,000 (1,000 ordinary shares with a par value of Baht 10 each) with the Ministry of Commerce in order to prevent crossholding after the completion of the shareholding restructuring of TISCO Group.

On 15 January 2009, TISCO Bank delisted its shares from the Stock Exchange of Thailand in accordance with the Group shareholding restructuring plan, and the shares of TISCO Financial Group Public Company Limited were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

On 24 April 2009, the 2009 Annual General Meeting of Shareholders of the Company passed a resolution to acquire the remaining 0.49% of shares in TISCO Bank from the minority shareholders after the completion of the shareholding restructuring of TISCO Group. The shareholders delegated authority to the Company's Board of Directors to implement the share swap process, as they consider appropriate. However, the swap price or the cash purchase price are not to exceed the book value of TISCO Bank as at the transaction date and are not to exceed the previous swap price.

During the year 2009, the Company acquired the remaining 120,620 ordinary shares of TISCO Bank at a price of Baht 14.66 per share, totaling Baht 1.8 million, from the minority shareholders. In addition, the Company undertook to issue the Company's ordinary shares in exchange of the remaining 2,266,582 ordinary shares of TISCO Bank at a price of Baht 14.66 per share, totaling Baht 33.2 million, from the minority shareholders. This acquiring of the remaining ordinary shares of TISCO Bank from the minority shareholders was amounting to 2,387,202 shares, which was equivalent to 0.33% of TISCO Bank's shares in issue. As a result, the Company's shareholding in TISCO Bank increased to 99.84% of TISCO Bank's paid up shares and there are 1,158,643 shares of TISCO Bank held by minority shareholders (1,126,639 ordinary shares and 32,004 preference shares), which is equivalent to 0.16% of TISCO bank's shares in issue.

According to this acquiring of the remaining ordinary shares of TISCO Bank from the minority shareholders, "Adjustment from business combination of entities under common control under holding restructuring plan" in shareholders' equity of the consolidated financial statements as at 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

Year 2008

Share premium of preference shares	1,614
Share premium of ordinary shares	4,384
Total share premium	<u>5,998</u>
The difference of the purchase price and the net book value of the consolidated financial statements of TISCO Group after adjusted equity transactions as if the business combination had taken place at the beginning of the year 2008	<u>(5,341)</u>
Balance as at 31 December 2008	657

Year 2009

The difference of the ordinary share swap price and the net asset value of the remaining ordinary shares of TISCO Bank from the minority shareholders during the year 2009	<u>15</u>
Balance as at 31 December 2009	<u>672</u>

With respect to the Company's ordinary shares which were issued in exchange of the remaining 2,266,582 ordinary shares of TISCO Bank from the minority shareholders, the Company registered the increase in its paid-up share capital of 2,257,374 shares and 9,208 shares on 2 December 2009 and on 5 January 2010, respectively, with the Ministry of Commerce.

4.2 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid	Dividend payment period
		Preference share	Ordinary share		
		Baht per share	Baht per share		
Dividend declared by TISCO Bank Public Company Limited - Before holding restructuring					
Final dividends for 2007	The 2008 Annual General Meeting of the Shareholders on 25 April 2008	2.80	1.80	1,490	May 2008
Total				<u>1,490</u>	
Dividend declared by TISCO Financial Group Public Company Limited - After holding restructuring					
Final dividends for 2008	The 2009 Annual General Meeting of the Shareholders on 24 April 2009	2.00	1.00	908	May 2009
Interim dividends for 2009	The 2009 Annual General Meeting of the Shareholders on 24 April 2009	1.00	0.50	454	July 2009
Total				<u>1,362</u>	

4.3 Acquisition of subsidiary after holding restructuring

On 2 March 2009, the Company acquired a 100% stake in Primus Leasing Company Limited from its former shareholders. As a result, the Company has management control over this company and considers it to be a subsidiary. The transaction was approved by the Company's Extraordinary General Meeting of the Shareholders No.2/2008 on 23 December 2008 and by the Bank of Thailand on 27 February 2009. In accordance with the conditions in the share purchase agreement, the purchase price depends on the audited financial statements. The Company has received the audited net asset value of Primus Leasing Company Limited as at 28 February 2009. The audited net asset value totals approximately Baht 783 million, while the net fair value of assets and liabilities of Primus Leasing Company Limited totals approximately Baht 861 million. The excess of the fair value and the net asset value is mainly due to hire purchase receivables and financial lease receivables.

The Company paid approximately Baht 890 million for its acquisition of Primus Leasing Company Limited. The difference between the purchase price and the net fair value of assets and liabilities of Primus Leasing Company Limited is considered as goodwill resulted from the acquisition. However, the management of the Company has considered that the amount of goodwill is not materially significant. In addition, the factors used in the assessment of the value of goodwill are uncertain. The Company therefore wrote-off the goodwill and recorded it as other expense in the consolidated income statement.

Fair values of net assets of Primus Leasing Company Limited as at the acquisition date (2 March 2009) are as follows:

(Unit: Million Baht)

	The adjusted net asset value after receipt of the audit results	
	Fair value	Book value (Audited)
Interbank and money market items (assets) - deposits	1,014	1,014
Hire purchase and finance leases receivables - net	5,134	5,032
Property foreclosed	10	10
Other debtors	1,250	1,250
Other assets	69	86
Total asset	7,477	7,392
Borrowings	6,200	6,200
Other liabilities	416	409
Total liabilities	6,616	6,609
Net assets	861	783

4.4 Preference shares converted to ordinary shares

During the year 2009, 182,728,668 preference shares have been converted into ordinary shares, and such conversion has been registered with the Ministry of Commerce. There are therefore 698,558 preference shares which are yet to be converted to ordinary shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

4.5 Warrants

Under the holding restructuring plan of TISCO Group, the Company received the transfer of 970,250 warrants to purchase preference shares from TISCO Bank. These warrants were allocated in the year 2004 and have an exercise price of Baht 21.88 per share.

The exercise period ended in August 2009.

4.6 Related party transactions

Besides the related party transactions as described in Note 3.24 to the financial statements, during the year, there are related party transactions with its related companies under TISCO Group, as presented below. Gain or loss occurred from the related party transactions of TISCO Group were eliminated from the consolidated financial statements.

Year 2008

- a) On 31 July 2008, TISCO Bank entered into an assignment agreement to claim against hire purchase receivables of TISCO Leasing Company Limited (TISCO Bank's subsidiary), for a total consideration of approximately Baht 926 million. This was paid to the subsidiary on 4 August 2008. The transaction was approved by the Executive Board of Directors' Meeting No.6/2008 on 20 June 2008, gave rise to no profit or loss.
- b) On 30 September 2008, TISCO Bank entered into an assignment agreement to claim against lease receivables of TISCO Leasing Company Limited (TISCO Bank's subsidiary), for a total consideration of approximately Baht 256 million, paid on 7 October 2008. TISCO Leasing Company Limited recorded a gain from the sale of Baht 49 million.
- c) In November 2008, TISCO Bank sold its investments in listed securities to TISCO Securities Company Limited (a subsidiary) for a total of approximately Baht 480 million, and recorded losses from the sale of the investments of approximately Baht 981 million.
- d) To implement the holding restructuring plan of TISCO Group, the Company has the following significant related party transactions.
 - d.1) The Company borrowed Baht 2,600 million from TISCO Bank under a call promissory note carrying interest at a fixed rate of 5% per annum and maturing within 2009. As at 31 December 2008, the Company recorded this borrowing under "Interbank and money market items (liabilities)" in the balance sheet of the separate financial statement.

- d.2) The Company bought investments in group subsidiaries from TISCO Bank in accordance with the holding restructuring plan, and has already paid the purchase price of approximately Baht 1,980 million. TISCO Bank recorded loss on the sale of these investments of approximately Baht 56 million.
- d.3) The Company purchased a 19% holding in TISCO Tokyo Leasing Company Limited from TISCO Bank and has already paid the purchase price of approximately Baht 21 million. TISCO Bank recorded gain from the sale of this investment amounting to approximately Baht 19 million. The Company also bought shares in TISCO Tokyo Leasing Company Limited from other shareholders, amounting to a 30% stake and has already paid the Baht 52 million purchase price of these shares.

Therefore, the Company holds 49% of equity of TISCO Tokyo Leasing Company Limited and has management control by virtue of having more than half of the votes of the Board of Directors. The Company therefore has management control over this company and considers it as a subsidiary.

Fair values of net assets of TISCO Tokyo Leasing Company Limited as at the acquisition date (31 December 2008) are as follows:

	(Unit: Million Baht)
Interbank and money market items (assets) - deposits	12
Investment - net	46
Hire purchase and finance leases receivables - net	1,859
Other assets	62
Total asset	1,979
Interbank and money market items (liabilities) - loans from banks	1,810
Other liabilities	47
Total liabilities	1,857
Net assets	122
Net assets - attributable to the Company's 49% shareholding	60
Less: Acquisition cost paid to former shareholders	(52)
Cost value of TISCO Group's original shares	(2)
Excess of the Company's interest in the fair value of net assets and liabilities acquired over cost (recognised as other income in the consolidated income statement)	6

- d.4) The Company bought office condominium units, furniture and fixtures and office equipment from TISCO Bank, paying a total of approximately Baht 515 million (including VAT). TISCO Bank recorded gain from the sale of these assets amounting to approximately Baht 48 million.
- d.5) The Company bought office condominium units from TISCO Leasing Company Limited, and the agreed purchase price of approximately Baht 271 million is to be paid by the Company on 30 January 2009. TISCO Leasing Company Limited recorded gain from the sale of these assets amounting to approximately Baht 51 million.

Year 2009

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

4.7 Significant events of subsidiaries

4.7.1 Capital returns from subsidiaries

- In March 2008, TISCO Bank received the return of capital amounting to Baht 1.4 million from TISCO Group Company Limited.
- In October 2008, TISCO Bank received a return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 666 million as mentioned in Note 4.7.2 a) to the financial statements.
- In January 2009, TISCO Bank received the return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 168 million as mentioned in Note 4.7.2 b) to the financial statements.
- In August 2009, TISCO Securities Company Limited received the return of capital from the dissolution of TISCO Global Securities Limited amounting to Baht 7 million and TISCO Global Securities Limited already completed the liquidation on 12 November 2009.

- In October 2009, TISCO Bank received the return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 42 million as mentioned in Note 4.7.2 c) to the financial statements.

4.7.2 Reduction of its subsidiaries' registered share capital

TISCO Leasing Company Limited

- a) A special resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.5/2008, on 5 September 2008, approved a decrease in that company's registered share capital from Baht 890 million (8,900,000 ordinary shares of Baht 100 each) to Baht 224 million (2,240,000 ordinary shares of Baht 100 each). On 10 October 2008, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- b) A special resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.6/2008, on 31 October 2008, approved a decrease in that company's registered share capital from Baht 224 million (2,240,000 ordinary shares of Baht 100 each) to Baht 56 million (560,000 ordinary shares of Baht 100 each). On 24 December 2008, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- c) A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.1/2009, on 23 September 2009, approved a decrease in that company's registered share capital from Baht 56 million (560,000 ordinary shares of Baht 100 each) to Baht 14 million (140,000 ordinary shares of Baht 100 each). On 27 October 2009, the company registered the decrease in its registered share capital with the Ministry of Commerce.

Primus Leasing Company Limited

- a) A resolution passed by the Annual General Meeting of the Shareholders of Primus Leasing Company Limited, on 27 March 2009, approved a decrease in that company's registered share capital from Baht 752 million (7,518,000 ordinary shares of Baht 100 each) to Baht 188 million (1,879,500 ordinary shares of Baht 100 each). On 4 May 2009, the company registered the decrease in its registered share capital with the Ministry of Commerce.

- b) A resolution passed by the Extraordinary General Meeting of the Shareholders of Primus Leasing Company Limited No.3/2009, on 21 May 2009, approved a decrease in that company's registered share capital from Baht 188 million (1,879,500 ordinary shares of Baht 100 each) to Baht 47 million (470,000 ordinary shares of Baht 100 each). On 23 June 2009, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- c) A resolution passed by the Extraordinary General Meeting of the Shareholders of Primus Leasing Company Limited No.4/2009, on 17 July 2009, approved a decrease in that company's registered share capital from Baht 47 million (470,000 ordinary shares of Baht 100 each) to Baht 12 million (117,500 ordinary shares of Baht 100 each). On 21 August 2009, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- d) A resolution passed by the Extraordinary General Meeting of the Shareholders of Primus Leasing Company Limited No.5/2009, on 15 September 2009, approved a decrease in that company's registered share capital from Baht 12 million (117,500 ordinary shares of Baht 100 each) to Baht 3 million (30,000 ordinary shares of Baht 100 each). On 19 October 2009, the company registered the decrease in its registered share capital with the Ministry of Commerce.

TISCO Securities Company Limited

A resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Securities Company Limited No.1/2009, on 15 December 2009, approved a decrease in that company's registered share capital from Baht 1,500 million (150,000,000 ordinary shares of Baht 10 each) to Baht 1,000 million (100,000,000 ordinary shares of Baht 10 each). Currently, the company is in the process of registration of the decrease in its registered share capital with the Ministry of Commerce.

4.7.3 Dissolution registration of subsidiary

On 13 November 2009, the Extraordinary General Meeting of the Shareholders of Primus Leasing Company Limited No.6/2009 passed a special resolution to dissolve the company. The dissolution was registered with the Ministry of Commerce on 13 November 2009 and is currently in the process of liquidation.

5. Approval of financial statements

These financial statements were approved by the Company's Audit Committee on 8 February 2010.



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